

Questions about arena remain

□ The Blazers' proposed project offers some innovative ideas but how will the public be involved?

By JAMES MAYER *Aug. 9-4-91*
of The Oregonian staff

The Portland Trail Blazers' plan for a privately run sports and entertainment complex on the Memorial Coliseum site includes innovative ideas for handling parking and traffic, an entertainment district complete with nightlife and an athletic club.

But the two biggest, and most controversial, questions remain: What will happen to the coliseum, and what kind of help do the Blazers want from the public?

"We're still working on a deal to create a public-private partnership," Marshall Glickman, Blazers senior vice president for marketing, told a Metropolitan Service District committee last week.

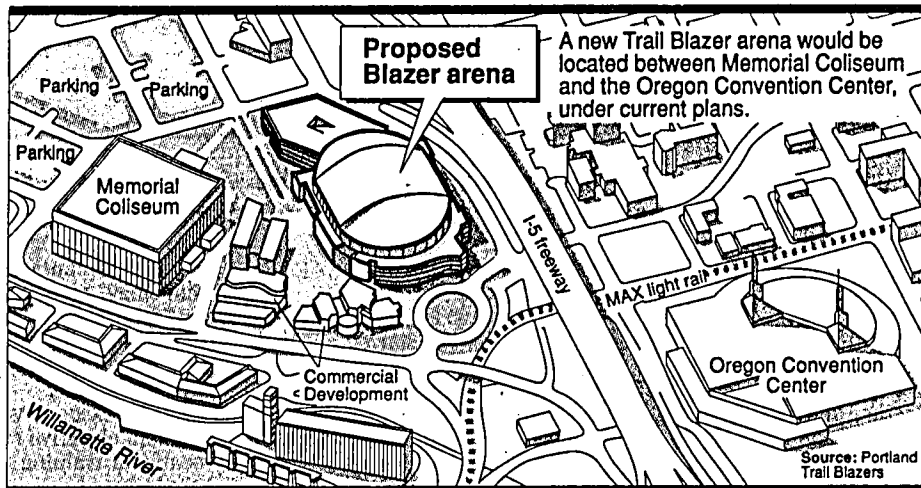
City and Metro officials have been negotiating with the Blazers since a task force produced a set of guidelines for the public side of the talks in July.

Some details of the plan, which the Blazers now call the Oregon Arena Project, have been released. The Blazers will announce physical and operational details Friday, including their ideas on joint management of the old and the new arenas. A proposed business deal will come later, perhaps on Sept. 16, officials said.

The deal is likely to involve some combination of city-owned land, public improvements and cash.

The task force has strongly recommended that the city lease the land, not sell it, but Blazers have said the option should not be ruled out.

If the public does become a kind of junior partner in the arena, Portland would join a nationwide trend. New sports arenas are



just too expensive for local governments and too risky for private business to build on their own.

A study of recent basketball arena proposals in 13 cities shows that two are strictly private, two public and the rest some kind of partnership.

But none has been around long enough to tell whether they will actually produce a benefit for the public, other than retaining the team.

In early efforts, taxpayers got nothing for their money.

The Detroit suburb of Auburn Hills, for example, gave the pro basketball Pistons a 50 percent property tax rebate worth a \$1 million a year, installed lighting and extended roads, and provided free police overtime for traffic control at the Palace, which opened in 1988.

Portland officials have looked closely at two cities, Phoenix and Minneapolis.

In Phoenix, the America West Arena, scheduled to open in 1992, will be owned by the city but managed by the basketball Suns.

under a 40-year lease. The city will put up \$35 million of the \$103 million cost. In return, the city will get 50 community event days a year, \$500,000 in rent and 70 percent of net cash flow.

In Minneapolis, the city provided \$23 million of the \$127 million cost of building the Target Center in return for 9 percent of the taxable income and a percentage of the profit if the building is sold.

Portland officials doubt the direct cash contribution to the Blazers arena will be anywhere near that substantial.

"It's a good lesson that you have to put something in to get something back, but I don't see us doing that," said Neil Saling, Metro's regional facilities director and a member of the negotiating team.

"The money isn't there, and neither is the public will," Saling said.

However, the deal is likely to involve public spending on street improvements. The

Please turn to
ARENA, Page D6

Arena: Two other cities under review

Continued from Page D1

Blazers' plan calls for downgrading Interstate Avenue to act more like a city street and less like a highway. The plan also calls for construction of a "ring road" system in the area. Both projects have been on the books for some time as part of plans to improve the area around the Oregon Convention Center.

The main source of money for these projects, and in fact for any kind of subsidy for the arena, is urban renewal. Portland Development Commission officials estimate that the increased property value created by the arena may generate \$10 million in urban renewal bonding capacity.

But use of the city's tax money to support the Blazers, owned by Seattle multimillionaire Paul Allen, rubs some citizens the wrong way.

"If it's going to be private, let it be entirely private," said Dick Levy, a co-sponsor of an initiative petition that would repeal the convention center urban renewal district, which includes the arena site.

Like any other developer, the Blazers should pay for needed street improvements and the like, Levy said.

The financing deal will depend to some extent on what happens to the Memorial Coliseum.

When the dust settles, the 30-year-old building probably will still be standing, Saling said.

But for what purpose remains an unsettled question.

The Blazers' written response to the task force guidelines offers some clues to their thinking.

The Blazers said they would explore the idea of operating the coliseum along with the new arena, but they have strong doubts that it can be done profitably.

The task force suggested Memorial Coliseum might serve primarily as an adjunct to the Oregon Convention Center. In that case, the Blazers said they should receive some of the county's hotel-motel tax that currently subsidizes the convention center.

Even without a new arena, Memorial Coliseum's days as a profit-maker may be over.

The Blazers' plan, while perhaps retaining Memorial Coliseum in some form, probably will mean the elimination of most of the 100,000 square feet of exhibit space currently available. And that upsets people in the exhibition business.

"I hate to see my living destroyed because of the greed of the Blazers," said Al Stehlik, who produces a bridal show there.

Stehlik, and other users of the exhibit space, complain that space in the Oregon Convention Center is too expensive. And the center is set up to attract out-of-town visitors — what the tourist industry calls "heads on beds."

Shortsightedness brings bad environmental result

By DENZEL FERGUSON *Aug. 9-4-91*

IN MY OPINION

Many people, especially politicians, love to talk about the "foreseeable future." But, of course, the idea is totally absurd — none of us can see a thing beyond the present.

While on the faculty at Portland State University as coordinator of environmental sciences, I sat in on a graduate course in planning taught by a California professor, who commuted to Portland once a week. I was utterly astonished when he began by stating that, as a rule, people don't plan and are incapable of effective planning, even if they wanted.

His point was that few of us have thought much about tomorrow, next month is pretty hazy, the next decade is largely blank, and any serious thoughts about the next century would be preposterous.

Such a pattern fits human evolution, wherein our distant ancestors were opportunists, merely accepting whatever food, shelter or amenities were available at the moment. Daily life required no elaborate planning, and there was no need for a planning mechanism to become incorporated into our genes.

Today, society survives by exploiting nature on a much grander scale. And while we are giving little thought to the next century, we are cutting down trees that will take a century or more to replace and burning petroleum that will probably never be replaced. Unable to foresee the future and stuck with a feeble capacity for planning, we have blundered into some seemingly intractable environmental crises.

Environmental concepts, such as habitat, biological community and ecosystems, while easily bandied about, involve enormous complexities and are nearly beyond the pale of human understanding. In general, we have learned to live with such complexities simply by ignoring them and going about our business.

As did our ancestors, we survive by attending to immediate needs. While we are very good at pursuing specific goals designed to meet short-term needs, we do a lousy job of anticipating the consequences of our actions. We saw DDT as a boon to agricultural profits, but we did not foresee it thinning egg shells of birds, devastating fish and wildlife populations, creating DDT-resistant insect pests, causing cancer, and so

forth. A mixture of enormous enthusiasm, myopia and tunnel vision rarely serves us well.

Given our affection for democracy and great concern for human rights, we tend to put individual freedom ahead of the collective good. Although much can be said in defense of this system, it can also be a formula leading to environmental calamity. Actions benefiting the individual or corporation may devastate the long-term best interests of society. The current controversy about how many trees to cut and how many to spare illustrates the conflict. And matters are only made worse by pandering politicians promising to save every job (even if the resource disappears?).

Finally, most forms of environmental abuse or exploitation, no matter how stupid or destructive, eventually become traditions. At that point, they are accepted and justified without having to meet minimal standards of logic or critical inspection. If it's always been done that way, then fine. Even slavery was defended in the Old South.

Here in the West, we perpetuate a bankrupt tradition dating to the Spanish explorers by permitting 22,000 private livestock owners to graze alien animals on about 265 million acres of public land. We seem unconcerned that the practice produces less than 2 percent of the nation's beef supply, accounts for only 1 percent of the economic benefits from our public lands and is the leading environmental abuse in the American West, eroding soil, polluting and destroying water supplies, pushing rare and endangered organisms toward extinction, and much more. Many current "traditions" could not withstand a critical analysis of their actual worth.

Our lack of peripheral vision, and shortsightedness, have led to myriad unwanted environmental consequences. So many, in fact, that our sense of indignation and revulsion toward environmental insults has been dulled and diminished. More and more, we are willing to accept less and less. Today, we call it "progress" when we spend millions of dollars to repair unnecessary stream damage caused by logging, mining and grazing, or when we slow the decline of a population of animals threatened with extinction. Webster would be appalled.

And so, we are in serious trouble. We cannot continue obstinately pursuing short-term goals and ignoring the societal consequences — it will only get worse. In that sense, the future is indeed foreseeable.

Metro Charter Committee *Aug. 9-4-91*
Public meeting
5:30 p.m. Thursday, Sept. 5
Room 440
Metro
2000 SW First Ave., Portland
For information, call 273-5570.

Denzel Ferguson of Bates holds a doctorate in zoology from Oregon State University. He is a retired college professor and most recently served as director of the Malheur Field Station near Burns.

EXHIBIT A

**PROPOSED ARENA
MEMORANDUM OF UNDERSTANDING**

**Proposed by the Arena Task Force
for execution by:**

**City of Portland
Metropolitan Service District
Trail Blazers Inc.
Oregon Arena Corporation**

October 28, 1991

TABLE OF CONTENTS

	<u>Page</u>
I. DEVELOPMENT ENTITIES; CHANGES IN OWNERSHIP; PROJECT TEAMS	1
A. Private Ownership	1
B. Public Ownership	2
C. Changes in Private Ownership	2
D. Project Teams	2
II. PROJECT SITE AND DEVELOPMENT PROGRAM	3
A. Project Site	3
B. Arena	3
C. Attached Garage	4
D. Public Garage	4
E. Entertainment Complex	4
F. Memorial Coliseum	5
G. Transportation, Utility and Open Space Improvements	5
H. Transit Center	6
I. Public Participation	6
III. LAND USE APPROVALS, ENVIRONMENTAL MATTERS AND DEVELOPMENT RIGHTS .	6
A. Land Use Approvals	6
B. Environmental Matters	7
C. Development Rights	7
IV. LEASE AND MANAGEMENT AGREEMENTS	8
A. Arena Lease	8
B. Entertainment Complex	8
C. Conditions of Lease Renewal	8
D. Coliseum Management Function	9
E. Parking System	12
F. Open Area Maintenance	14
G. Disposition	14
V. DESIGN AND CONSTRUCTION COORDINATION	14

	<u>Page</u>
VI. COSTS AND REVENUE	15
A. Public Construction Costs	15
B. Private Construction Costs	16
C. Operation Costs	16
D. Revenue Sharing	17
VII. FINANCING	18
A. City Amount and Sources	18
B. OAC Amount and Sources	19
C. City/Metro Admissions Tax Off-Set	20
VIII. COLISEUM AGREEMENT/CHANGE OF OPERATOR	20
IX. SCHEDULE	21
X. OTHER MATTERS	22
A. TBI Commitment to Remain in Portland	22
B. Standards for Construction Practices	22
C. Community Commitment	22
D. Naming Rights	23
E. Assignment of City Rights	23

Attachment A Arena Master Plan Site

Attachment B Transportation, Utility and Open Space Improvements

Proposed Arena
Memorandum of Understanding

October 28, 1991

The Arena Task Force is pleased to submit to the Portland City Council (City) and to the Council of the Metropolitan Service District (Metro) this Memorandum of Understanding which sets out the conceptual approach for the development of a 19,000 seat arena (Arena), and related parking garages and other improvements generally located on the site of the Memorial Coliseum (Coliseum). This Memorandum is based in part on the proposal of Trail Blazers Inc. (TBI) to build these improvements according to certain arrangements with the above named public bodies. A separate corporation, Oregon Arena Corporation (OAC), has been formed to build and operate existing and new facilities.

The Arena Task Force was established by the City, which owns the land and buildings on the Coliseum site, and Metro, which operates the Coliseum under a management agreement with the City, to develop a process to negotiate and evaluate the TBI proposal.

This memo is submitted by the Arena Task Force to the City and Metro as the sole framework document which will guide preparation of a detailed Development Agreement, related leases, management agreements and associated documents. Neither the City, Metro, OAC, MERC nor TBI will be legally obligated to go forward with the project unless the Development Agreement is executed by the City, or its designee and OAC and TBI.

I. DEVELOPMENT ENTITIES; CHANGES IN OWNERSHIP; PROJECT TEAMS

A. Private Ownership

1. The Arena, attached parking garage (Attached Garage), and Entertainment Complex (as described in Section II of this Memorandum) will be owned by OAC, a corporation majority owned by Paul Allen. Allen shall remain the majority owner of OAC through construction of these improvements.

B. Public Ownership

1. The land within the Arena Master Plan Site (as defined in Attachment A, attached hereto and incorporated herein) shall be owned by the City, except as noted below. In order to effect this ownership:
 - a. City presently owns and shall remain the owner of the Coliseum site and its adjacent parking lots and appurtenant structures;
 - b. OAC will transfer that portion of the Hanna Property required for public rights-of-way (as defined in Attachment A) to the City upon satisfaction of all required environmental conditions. The remainder of the Hanna Property shall remain in the ownership of OAC.
2. The Coliseum will remain in the ownership of the City;
3. The Public Parking Garage (Public Garage) will be built for City ownership;
4. All plazas and open spaces designated in Attachment B will be owned by the City.

C. Changes in Private Ownership

Throughout the term of the Arena Lease, OAC has the right to assign the ownership of its facilities to third parties approved by the City in accordance with the provisions set forth in the Development Agreement.

D. Project Teams

1. Management and Negotiation: Trail Blazers Inc.; Public Financial Management, Inc.

2. Architects and Engineers: Ellerbe Becket, Architects and Structural Engineers; David Evans & Associates, Transportation Engineers; KPFF, Civil Engineers
3. Attorneys: Foster, Pepper & Shefelman
4. Construction Management Service: OAC to consult with City technical staff prior to selection of contractor.
5. General Contractor: OAC to consult with City technical staff prior to selection of contractor.
6. Arena Marketing and Management Team: Trail Blazers Inc.; Oregon Arena Corporation

II. PROJECT SITE AND DEVELOPMENT PROGRAM

A. Project Site

The development Site shall consist of the Arena Master Plan Site as shown in Attachment A.

B. Arena

OAC shall design, build and program the Arena as a modern, state-of-the-art, multi-purpose arena to attract a full range of sports and entertainment events. The Arena shall be designed and programmed in accordance with the following principles and practices:

1. Seating capacity for basketball shall exceed 19,000
2. The Arena shall be designed to meet National Hockey League specifications and shall include ice-making capabilities

3. The design of the Arena shall provide excellent sight lines and improved leg room and seat widths in relation to the current Coliseum conditions
4. Acoustics, lighting and other general building characteristics will be top quality
5. The building design and characteristics will incorporate a variety of "public-art"
6. OAC shall work with organizations involved with access to ensure that the site and facilities are well planned for disabled patrons

C. Attached Garage

OAC shall design and build a garage attached to the Arena primarily for the use of Arena patrons. The Attached Garage shall contain approximately 1,060 parking spaces.

D. Public Garage

OAC shall design and build an approximately 1,410-space Public Garage which meets or exceeds city design and operational specifications set forth in the Development Agreement.

E. Entertainment Complex

OAC shall design and build an Entertainment Complex that will generally conform to the following planned uses:

1. 45,000 square feet, with 30,000 square feet for Blazer offices and 15,000 square feet for expansion and vendor offices, including ticket office and retail
2. Two major restaurants, totaling 18,000 square feet

3. Two entertainment clubs totaling 11,000 square feet
4. Health club totaling 30,000 square feet
5. Approximately 600 parking spaces, dedicated to Entertainment Village and office uses
6. 7,500 square feet of compatible commercial (exclusive of office) use

F. Memorial Coliseum

OAC shall design and renovate the Coliseum for a useful life of 20 years as a second arena for community events, and as a convention/plenary session facility, and as a primary consumer show/exhibition space venue. To accommodate the Master Plan and new facilities design, OAC will be allowed to remove approximately 48,000 square feet of the existing Exhibit Hall. OAC shall design and construct the Coliseum Capital Improvements Program as set forth in the Development Agreement, which shall include as much exhibit space as feasible.

G. Transportation, Utility and Open Space Improvements

OAC will design and build, in a manner which meets or exceeds City specifications as set forth in the Development Agreement, the on- and off-site transportation, utility and open space improvements, as generally set forth in Attachment B, including:

1. Vacation of Williams Avenue;
2. Improvement of realigned Williams Avenue which can accommodate light rail;
3. Realignment and improvements to N. Interstate and N.E. Hassalo in the Steel Bridgehead area;

4. Construction of a new east/west, north/south road network north of the Coliseum.
5. Plazas, parks and pedestrian improvements;
6. Utility relocations within the rights-of-way and on-site.

H. Transit Center

OAC will design and build, based on the Tri-Met, UMTA and City specifications as set forth in the Development Agreement, a new Transit Center replacing the existing Transit Center at Williams and Hassalo Streets.

I. Public Participation

The City, Metro and MERC will participate in the design and construction phase in the manner set forth in the Development Agreement. The City or its designee shall have the authority to approve all subsequent plans as being generally consistent with the TBI proposal to the Arena Task Force.

III. LAND USE APPROVALS, ENVIRONMENTAL MATTERS AND DEVELOPMENT RIGHTS

A. Land Use Approvals

All land use approvals for the development of the project are the obligation of OAC. The City and Metro agree to facilitate timely review by the appropriate bodies for land use actions, including, street vacations, design review, conditional use permits, street realignments and construction permits. The City and Metro will assist in securing permits and approvals from other bodies for public and private improvements.

B. Environmental Matters

1. Except for the costs of any environmental assessment or clean-up of the Hanna Property, the parties agree that the City and OAC shall each pay one-half (dollar for dollar) of the costs of assessing the scope and nature of any environmental contamination in the Arena Master Plan Site (Level II Environmental Assessment).
2. The City shall pay the costs of the work necessary to clean up the City-owned portion of the Arena Master Plan Site in compliance with Oregon Department of Environmental Quality (DEQ) rules. However, the City's liability shall not exceed \$1.5 million for the work under this subsection. If the City costs of assessment and clean-up exceed \$1.5 million, the City may (a) terminate, at its sole discretion, its obligations to proceed with any and all provisions in this Memorandum of Understanding and the Development Agreement; or (b) renegotiate this Memorandum and the Development Agreement.
3. OAC is responsible for all costs associated with assessing the scope and nature of contamination on the Hanna Property and the work necessary to clean-up the Hanna Property to DEQ rules.

C. Development Rights

1. During the term of the Arena Lease, at such time as the City or its designee decides not to continue or plan for a public use on the Coliseum footprint or in the air space above the Public Garage, the public will negotiate with OAC for a period of up to 12 months for the assignment to OAC of development rights to these properties at market rate before offering the development rights to a third party.
2. The City may offer the use of said site(s) to a third party without first offering it to OAC if (a) said sites are proposed for a public use, and (b) the new proposed public use does not have a significant

continuing adverse impact on the functioning of the Arena, Coliseum or the Parking System.

IV. LEASE AND MANAGEMENT AGREEMENTS

A. Arena Lease

City shall lease, at a nominal rate, to OAC the site for the Arena and Attached Garage for an initial period of 30 years with 10-year renewals, for a maximum leasing period of 60 years (Arena Lease). OAC shall be responsible for property taxes associated with this site and improvement.

B. Entertainment Complex

City shall lease the site for the Entertainment Complex to OAC, for a period which is the same as the period of the Arena Lease. OAC will be responsible for property taxes associated with this site and improvements.

C. Conditions of Lease Renewal

OAC has the right to renew the Arena Lease and the Entertainment Complex Lease for additional 10-year term(s), for a total leasing period not to exceed 60 years, upon the conditions that:

1. OAC will pay the then-market rent for the lease of the land under the Arena and Attached Garage or continue the 6% user fee payments during the renewal term(s), at the sole discretion of the City; and will pay the then-market rent for the lease of the land under the Entertainment Complex; and

2. OAC extends the Term Lease with TBI which demonstrates TBI's continuing irrevocable commitment to remain in the Arena for the renewal term.

D. Coliseum Management Function

Metro and the City shall enter into an Agreement with OAC for the operations of the Coliseum (Operations Agreement). The Operations Agreement shall include the following concepts:

1. OAC commits to operating the Coliseum for a period of 20 years.
2. At the end of the fifth year of operation, OAC, Metro and the City shall conduct a review of the performance of the Coliseum in achieving public and financial objectives which will be established in the Agreement. The review shall also re-evaluate the second phase of capital improvements to the Coliseum and the revenue sharing formula. Any modifications to the Agreement shall be by mutual agreement of the City, Metro and OAC.
3. The Coliseum operations will be integrated with the operations of the Arena. OAC shall be responsible for providing all marketing, booking, management, operations and maintenance functions at the Coliseum (excluding the financing of the 20-year Capital Improvement Program described in Section IV.D.7.). The Development Agreement shall define OAC repair and maintenance responsibilities.
4. OAC is committed to use its "best efforts" to achieve or exceed the public and financial objectives for the Coliseum as defined in the Coliseum Agreement.
5. OAC shall commence management and operations of the Coliseum on July 1, 1994, or such earlier date as agreed to by MERC, City and OAC.

6. Prior to action by the City and Metro Councils on the MOU, the Public Negotiating Team and the Blazers shall negotiate a method to maintain the Coliseum as a self-sustaining operation during the construction period. In addition, prior to executing the Development Agreement, the OAC, Metro and the City shall negotiate a transition plan to provide for a smooth change of management and which is designed to be coordinated with patrons, tenants and existing MERC staff.
7. The Operations Agreement shall specify necessary modifications to existing contracts between TBI and MERC.
8. The City shall provide \$7 million for the first phase of the Coliseum Capital Improvements Program to be mutually determined by OAC, City and MERC by December 1, 1991. Subsequent to the re-evaluation, the City shall provide approximately \$2.25 million (1991 dollars) for the final phase of the Coliseum Capital Improvements Program. This improvement program shall consist of a variety of major maintenance, upgrade, renovation and new construction elements to be mutually agreed to in the Development Agreement. All other maintenance and repair costs will be paid from the annual Coliseum cash flow.
9. OAC will provide rental of the modified Exhibit Hall at reasonable market rates. Current Exhibit Hall tenants will be accommodated based upon the then-rentable exhibit space, and rents will remain competitive with other similar exhibition facilities.
10. OAC will "extend" the use of the modified Exhibit Hall by providing rental of the Coliseum for trade shows at the same rate structure as the Exhibit Hall, as long as dates do not conflict with other Coliseum events.

11. OAC will provide the Arena and the Coliseum for the Rose Festival Parade, annually for the term of the Agreement, at rates which reflect only direct out-of-pocket expenses and overhead.
12. OAC will negotiate in good faith to reach a viable agreement with the Portland Winter Hawks to be a major tenant in the Coliseum.
13. OAC will provide the Coliseum for community events on a non-profit basis.
14. OAC will work closely with the Portland/Oregon Visitors Association (POVA) to formulate a comprehensive and cooperative joint marketing effort to bring new major conventions to Portland that would use the Coliseum and/or the Arena. Rental rates for conventions at either facility will be (a) consistent with current practice, and (b) based on mutual agreement by OAC and POVA.
15. OAC will not receive any public subsidy for the operation of the Coliseum. OAC will take responsibility for any operating losses from Coliseum operations.
16. TBI will retain the exclusive advertising rights within all enclosed spaces of the Coliseum in accordance with the same terms and conditions as the current TBI agreement with MERC.
17. The Agreement shall include a Transportation Management Plan which provides for multiple events at the Coliseum, Arena and/or Oregon Convention Center.
18. The Agreement shall specify a process, terms, conditions, and organization for public oversight of the management and operation of the Coliseum and provisions in the Development Agreement which are applicable to the new Arena.

19. The Agreement shall provide for shared service access and shared major service facilities.

20. OAC commits to not sever the operations of the Coliseum from the Arena for the 20-year term of the Coliseum Agreement.

E. Parking System

1. OAC shall implement and operate the Oregon Arena Project parking system (Parking System) to maximize revenues and to meet public transportation objectives. The Parking System shall include, approximately:

a. 1,410-space Public Garage;

b. 1,060-space Attached Garage;

c. 600-space Entertainment Complex Garage; and

d. Shuttle system to 3,700 spaces (subject to best efforts negotiations by OAC with parking lot owners);

e. Provisions regarding significant changes to these estimates will be set forth in the Development Agreement.

2. On-site arena parking and off-site shuttle parking, as needed, will be available for all events at the Arena and the Coliseum.

3. OAC shall be responsible for the implementation, cost and operations of an off-site parking shuttle service providing approximately 3,700 spaces. Some events taking place at the Arena, Coliseum and Exhibit Halls will require parking capacity beyond that provided on-site.

4. The City shall enter into a Management Agreement with OAC for the operation of the Public Garage. The Management Agreement shall be based on the following concepts:
 - a. All revenues and costs associated with the Public Garage shall be accounted for independent of those for the other garages.
 - b. OAC commits to using its best efforts to efficiently and effectively manage, operate and maintain the Public Garage. Specific guidelines, standards and public oversight provisions for the operations of the Parking System shall be established in the Development Agreement.
 - c. At the end of the fifth year of operations, the City and OAC shall evaluate the performance of OAC in relation to the parking guidelines and standards. The parties may renew the Management Agreement by mutual consent.
 - d. OAC will continue working with adjoining neighborhoods to minimize parking impacts on the neighborhoods.
 - e. OAC agrees to abide by any operating guidelines which may be established by the City for non-event parking in the Attached Garage and the Public Garage.
 - f. OAC shall pursue the financial and technical feasibility of developing a pre-event parking sales program.
 - g. The public portion of the parking system will be operated without overhead charges by OAC.
 - h. OAC will provide an appropriate allocation of on-site public parking spaces for Exhibit Hall users when simultaneous events are taking place on the site. The off-site shuttle system will operate as needed for Exhibit Hall patrons. OAC shall devise

a means to provide drop-off/pickup near the main entrance of the Exhibit Hall for patrons that park off-site and purchase large items at trade shows.

i. OAC shall not utilize the Entertainment Complex Parking Garage for Arena events unless:

(1) The Public Garage is first filled, and

(2) Other terms and conditions set forth in the Development Agreement are met.

F. Open Area Maintenance

OAC will enter an agreement with the City for OAC's maintenance of all parks, plazas and landscaped areas shown in Attachment B. Maintenance of all other public facilities shall be the responsibility of the City or other appropriate public entity.

G. Disposition

Terms and conditions for disposition of the land in the Arena Master Plan Site and all improvements constructed by OAC shall be determined in the Development Agreement.

V. DESIGN AND CONSTRUCTION COORDINATION

A. OAC shall act as the Master Developer for all development within the Arena Master Plan Site. OAC and the City will specify the scope and nature of the authority of the Master Developer in the Development Agreement. However, in general:

1. OAC shall be responsible to design and construct all improvements within the Arena Master Plan Site in accordance with the schedule set herein;
 2. A public design and construction oversight committee shall be established by the City to ensure compliance with public objectives. City shall consult with OAC regarding the Committee composition prior to appointment.
- B. Notwithstanding the role of the Master Developer, the public parties retain all rights of review, inspection and approval otherwise applicable to this project.
- C. In order to meet schedules and maintain budgets, City and Metro agree to expeditiously review all relevant applications, proposals, plans, specifications and approvals.
- D. OAC shall explore with the City and Metro what specific practices can be employed to:
1. Minimize site and circulation disruption during construction; and
 2. Mitigate anticipated revenue losses to the Coliseum operations during construction.

VI. COSTS AND REVENUE

A. Public Construction Costs

1. The public contribution to construction shall not exceed \$34.5 million. The estimated capital budget for public costs is:
 - a. Coliseum Capital Improvements Program - \$7 million

- b. Public Garage - \$14.5 million
 - c. Environmental Clean-Up - Up to \$1.5 million
 - d. Infrastructure Improvements, including roads, transit plaza, pedestrian and other facilities - \$11.5 million
2. So long as (a) the scope and quality of the public improvements specified in the Development Agreement are maintained, and (b) bond restrictions are not violated, OAC may, with City approval which may not be unreasonably withheld, adjust the allocation between the estimates for the Public Garage, Environmental Clean-Up, and for other Infrastructure Improvements so long as the total public cost for these three items does not exceed \$27.5 million.
 3. Any costs for the public elements in excess of \$34.5 million shall be the responsibility of OAC, except for the Environmental Clean-up Costs as provided in Section III.B.2. herein.
 4. The public's contribution includes 1.33% for public art as provided in adopted City policy.

B. Private Construction Costs

OAC shall be responsible for all costs of design and construction of the project described herein, except the public costs stated herein.

C. Operation Costs

OAC shall operate the Coliseum and the Arena at no cost and without any financial exposure to the City or Metro.

- b. Public Garage - \$14.5 million
 - c. Environmental Clean-Up - Up to \$1.5 million
 - d. Infrastructure Improvements, including roads, transit plaza, pedestrian and other facilities - \$11.5 million
2. So long as (a) the scope and quality of the public improvements specified in the Development Agreement are maintained, and (b) bond restrictions are not violated, OAC may, with City approval which may not be unreasonably withheld, adjust the allocation between the estimates for the Public Garage, Environmental Clean-Up, and for other Infrastructure Improvements so long as the total public cost for these three items does not exceed \$27.5 million.
 3. Any costs for the public elements in excess of \$34.5 million shall be the responsibility of OAC, except for the Environmental Clean-up Costs as provided in Section III.B.2. herein.
 4. The public's contribution includes 1.33% for public art as provided in adopted City policy.

B. Private Construction Costs

OAC shall be responsible for all costs of design and construction of the project described herein, except the public costs stated herein.

C. Operation Costs

OAC shall operate the Coliseum and the Arena at no cost and without any financial exposure to the City or Metro.

D. Revenue Sharing

1. OAC shall assess user fees and pay the City an amount equal to 6% of ticket sales (net of service, convenience and parking charges that are added to the price of a ticket) for ticketed events at the Arena and the Coliseum. OAC shall distribute the user fee proceeds to the City on a quarterly basis. The specifications and processes for setting the annual user fee shall be set forth in the Development Agreement or related documents.
2. The first 20% of net revenues from the Coliseum shall be deposited in a reserve fund to be used for unanticipated improvements for the Coliseum in a manner mutually agreed to by the City and OAC. The City shall receive 50% of any remaining net revenue from the operations of the Coliseum. OAC shall retain the other 50% of the remaining net revenue.
3. If new tax payments to public entities are required of the Coliseum, the City and OAC agree to modifying the Coliseum revenue sharing formula.
4. OAC shall pay the City 4.9% of the gross rental income (base and percentage rent) from all the commercial activities within the Entertainment Complex (excluding TBI and OAC office functions; TBI or OAC direct vendor office functions; and the practice basketball court). These rents shall begin with the first full year of operation, fiscal year 1994-95, and be paid to the City on a quarterly basis throughout the term of the Lease.
5. The City shall receive 100% of Public Garage revenues after deduction of direct charges and expenses as specified in Section IV.E.4. herein.

VII. FINANCING

A. City Amount and Sources

1. The City will provide \$3 million from existing resources to accelerate construction of certain, already planned road projects.
2. The City will utilize, to the extent necessary, user fee proceeds and Public Garage revenues to pay the debt service on the remaining \$31.5 million of public costs, plus related financing costs, capitalized interest and debt service reserves.
3. The City will utilize lease proceeds and Coliseum revenue sharing proceeds, if necessary, to cover any debt service shortfalls.
4. The City will issue the bonds necessary to finance its public costs at such time as:
 - a. OAC certifies that it has obtained complete financing for the private costs;
 - b. All agreements and provisions described herein have been satisfactorily completed; and
 - c. OAC has submitted and the City has approved a detailed construction schedule and construction funding schedule.
5. In the event that all of the improvements are not completed on the schedule certified by OAC at the time the City issues its bonds, OAC shall loan the City funds necessary to meet the City debt service requirements (net of user fees and other applicable revenues) up to a maximum of \$1 million per year until such time as the project is completed. For each year of project delay beyond the first year, in the event that OAC has not loaned the full \$1 million per year in previous years, OAC shall loan the City funds to meet the City

debt service requirements up to a maximum of \$1 million, plus the cumulative total of unused borrowing capacity over the previous years of delay. As used herein, cumulative unused borrowing capacity is calculated by totalling the difference between \$1 million and the actual amount loaned for all previous years of delay.

The City agrees to repay OAC its principal, with interest, from the user fee revenues in excess of its debt service requirements when and if such excess user fee proceeds are available.

6. OAC will support its commitment to the completion date by (a) requiring damage provisions of all contractors and subcontractors which cover the City's and OAC's financial investment and obligations in the manner set forth in the Development Agreement; (b) using best efforts to require its Contractor to provide a payment and performance bond for all improvement construction; and (c) requiring that its Architect provide error and omissions insurance.

B. OAC Amount and Sources

1. OAC will obtain the financing necessary to complete its obligations under the Development Agreement prior to the commencement of construction. This financing may require the pledging of the leasehold interest of OAC in the Arena Master Plan Site, or portions thereof. If required by the OAC lender(s), City agrees to subordinate its lessor interest in the Arena Lease and the Entertainment Complex Lease to the construction financing, but the City will not subordinate the fee. In addition, the City will agree to a non-disturbance agreement. In return, OAC's lenders will be required to provide attornment agreements to the city.
2. OAC will commit a substantial amount of equity to fund its obligations under the Development Agreement.

C. City/Metro Admissions Tax Off-Set

Prior to execution of the Development Agreement, the City, Metro and OAC shall enter into agreements to enact a user fee off-set provision as part of any admissions tax that may be enacted during the term of the Development Agreement.

VIII. COLISEUM AGREEMENT/CHANGE OF OPERATOR

The Coliseum Agreement will specify:

- A. The types and level of service to be provided by the operator.
- B. The financial qualifications of the owner and experiential qualifications of the operator.
- C. A requirement that the same operator must operate both the Coliseum and the Arena for the 20-year term of the Coliseum Agreement.
- D. If there is a sale or transfer of ownership of the Arena during the term of the Arena Lease, the new owner of the Arena will be required to honor the Agreement.
- E. The public entity has the right to reject a new Arena owner and/or operator that does not meet the qualifications for or agree to the operational standards set forth in the Coliseum Agreement.
- F. The public entity will have strong remedies, to be set forth in the Development Agreement, for violations of the Agreement.

IX. SCHEDULE

- A. OAC submits Detailed Master Project Schedule to the City for approval by November 1, 1991.
- B. OAC formally initiates street vacation/relocation process by November 15, 1991.
- C. OAC completes Level II Environmental Assessments by January 15, 1992
- D. OAC submits schematic design and cost estimates for City approval by January 15, 1992.
- E. OAC obtains contract revenues necessary for private financing by March 1, 1992.
- F. Agreements negotiated by March 1, 1992.
- G. OAC submits Design Development and cost estimates for City approval by date TBD.
- H. OAC submits final plans, specifications and costs to City for approval by date TBD.
- I. OAC obtains construction permits and approvals by date TBD.
- J. OAC obtains private financing by date TBD.
- K. City obtains public financing obtained by date TBD.
- L. OAC commencement and phasing of construction by July 1, 1992.
- M. OAC completes Construction by September, 1994.

(Note: TBD means - to be determined)

X. OTHER MATTERS

A. TBI Commitment to Remain in Portland

1. As a condition to City financial participation in the project, TBI shall commit the Trail Blazers to play all NBA regular season and play-off home games in the Arena for the 30-year term, plus any renewals of the Arena Lease, subject to the scheduling of the NBA.
2. TBI shall enter into an irrevocable 30-year lease with OAC for the Arena in accordance with the provisions of the Arena Lease and/or Development Agreement between the City and OAC (Term). Ground Lease extensions and Team lease extensions shall be granted concurrently. The Team Lease shall contain such clauses and remedies that protect the City/Metro from the moving of the Blazers basketball team.

B. Standards for Construction Practices

City and OAC shall agree to a set of construction practices that will include but not be limited to OAC's minimum disruption of the use of the Arena Master Plan Site during construction.

C. Community Commitment

1. In support of the ongoing redevelopment of inner Northeast Portland, OAC agrees to:
 - a. Abide by all targets and practices for construction hiring as set out in the City's Workforce Development Strategy.
 - b. Subscribe to a first source hiring agreement with JobNet for all new permanent positions at the new Arena and the Coliseum.
 - c. Commit to meeting PDC's Emerging Small Business (ESB) utilization goals currently established at 10%.

2. OAC has as an objective providing a full range of sports, entertainment and cultural events. OAC will use its best efforts to help draw such events.

D. Naming Rights

1. The name of the new Arena shall be established by mutual consent of OAC and the City.
2. OAC may enter into an Arena Naming Agreement with a third party subject to approval of the Arena name by the City. The City may not unreasonably withhold consent.

E. Assignment of City Rights

Subject to the approval of OAC (such approval to not be unreasonably withheld), the City may assign its rights and obligations under this Memorandum and the Development Agreement, provided that the assignee is another public entity with the authority to assume and perform the City obligations. OAC's right of approval shall not apply to the existing consolidation agreement between the City and Metro, and Section III.C herein. Any reference to the City herein includes its assignees.

CITY OF PORTLAND, a municipal
corporation of the State of Oregon

TRAIL BLAZERS INC.

By: _____
Mayor J.E. Bud Clark

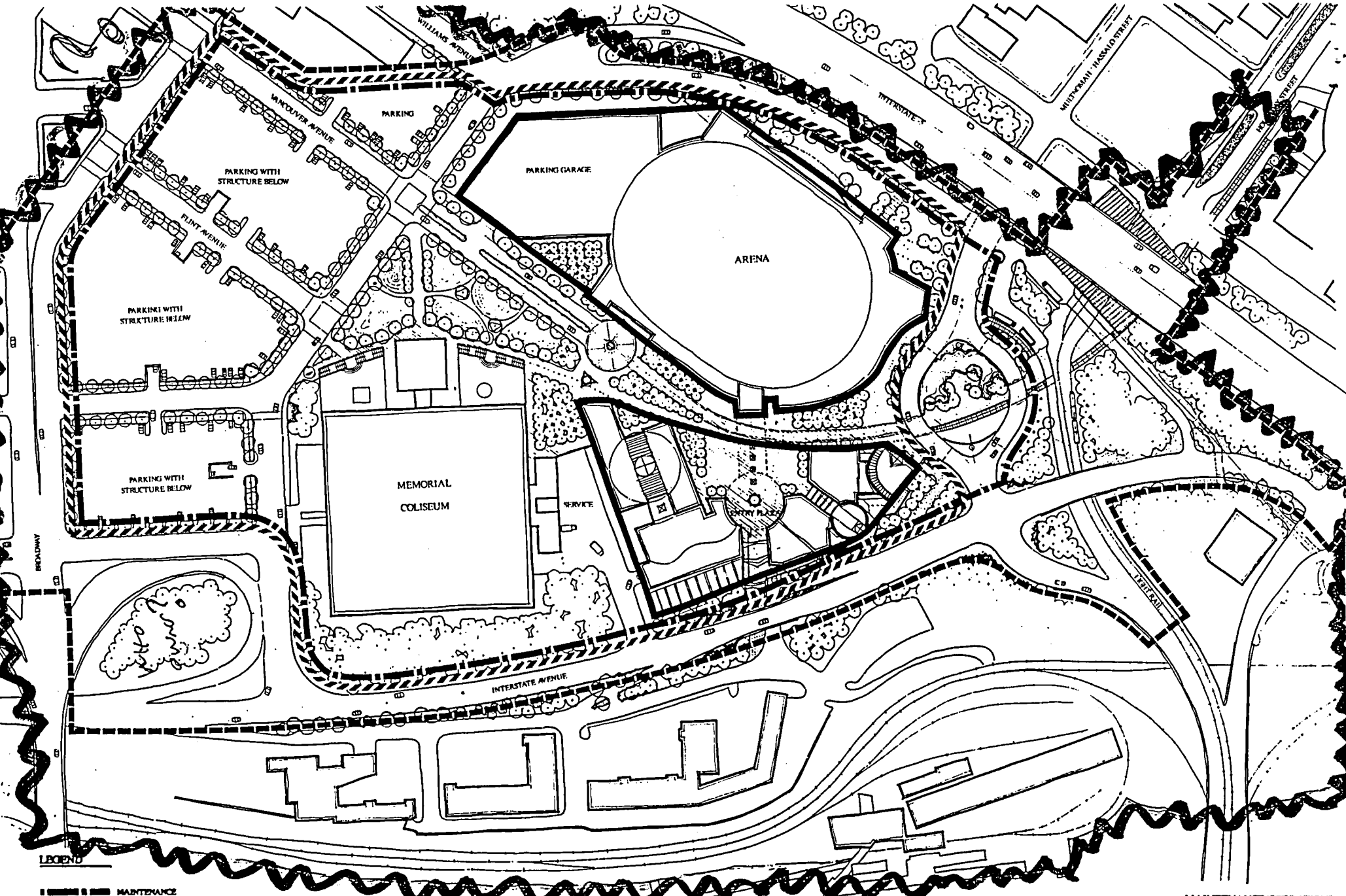
By: _____
Paul Allen, President

METROPOLITAN SERVICE DISTRICT

OREGON ARENA CORPORATION

By: _____
Rena Cusma, Executive Director

By: _____
Paul Allen, President



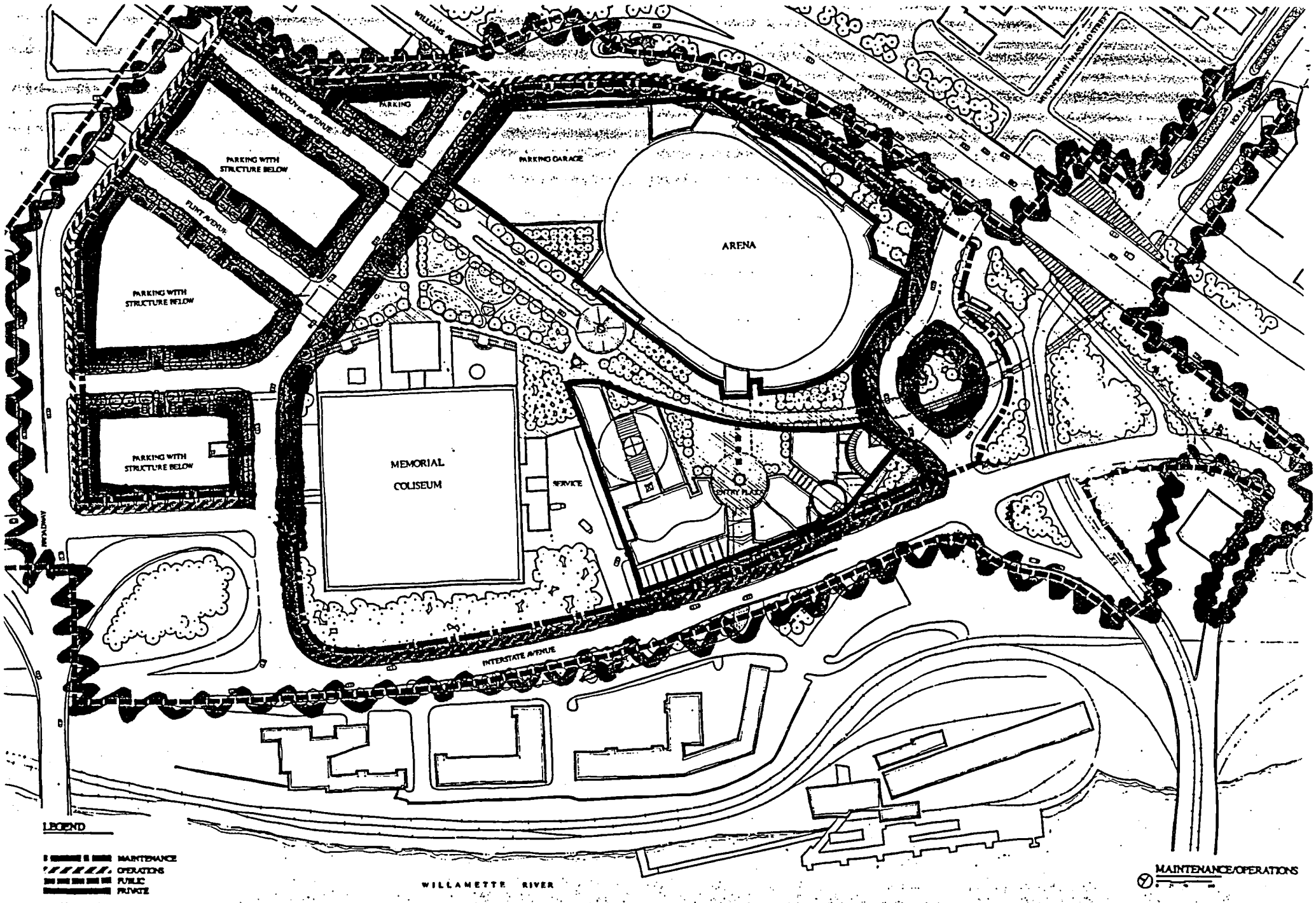
LEGEND
 - - - - - MAINTENANCE
 ———— OPERATIONS
 ———— PUBLIC
 PRIVATE



MAINTENANCE/OPERATIONS
 0 100 200

REVISED AUGUST 1970 BY
 URBAN ARCHITECTS
 OREGON ARENA PROJECT

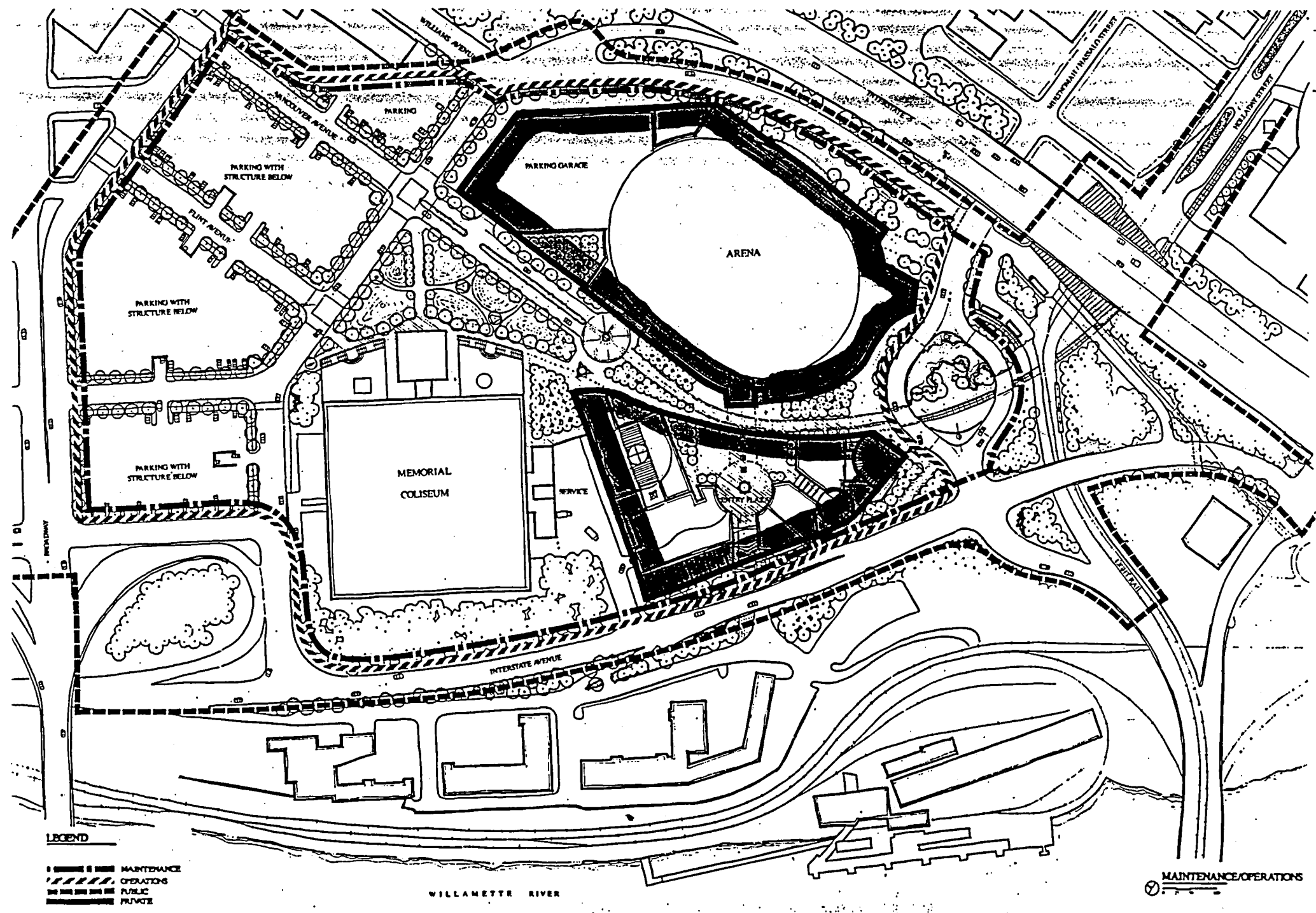


OAC
 MASTERPLAN BOUNDARIES (WE MAY DELETE THIS) PUBLIC OWNERSHIP
 (NEED THIS FROM) OAC OWNERSHIP



 OAC CAPITAL IMPROVEMENTS AREA
  OAC MAINTAINED AREAS

DEC 1968 AUGUST 1971 10/24/71
 J. P. MITCHELL
 OREGON ARENA PROJECT



LEGEND
 [Symbol] MAINTENANCE
 [Symbol] OPERATIONS
 [Symbol] PUBLIC
 [Symbol] PRIVATE

MAINTENANCE/OPERATIONS
 [Symbol]

WILLAMETTE RIVER

DATE: 11/11/74
 11/11/74
OREGON ARENA PROJECT

SURFACE
 O A.C. LEASED AREA (NEED BOUNDARIES FROM YOU) O.A.C. SUBSURFACE LEASED AREA

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

AUTHORIZING THE EXECUTION OF A JOINT) Resolution No. 91-1527
MEMORANDUM OF UNDERSTANDING REGARDING)
THE DEVELOPMENT OF A NEW TRAIL BLAZER) Introduced by Rena Cusma,
ARENA) Executive Officer

WHEREAS, Resolution No. 1243 authorized a study of permanent operations funding for Metro ER facilities and the feasibility of constructing new sports facilities; and

WHEREAS, Resolution No. 90-1284 established a Public Policy Advisory Committee for regional convention, trade, performing arts and spectator facilities to execute the study; and

WHEREAS, Resolution No. 90-1316 confirmed appointments to the Public Policy Advisory Committee for regional convention, trade, performing arts and spectator facilities; and

WHEREAS, the Arena Subcommittee of the Public Policy Advisory Committee found that a need currently exists for an arena with a seating capacity of 16,000 to 20,000; and

WHEREAS, the Arena Subcommittee found that, to minimize cost, a public/private financing partnership should be pursued; and

WHEREAS the Arena Subcommittee found it to be highly unlikely that the Memorial Coliseum could be separately managed as a profit-making business after completion of a new arena; and

WHEREAS, the Portland Trail Blazers propose to construct a new 19,200 seat arena as well as other facilities on the approximately 15 acre site adjacent to the Memorial Coliseum owned by the City of Portland and on contiguous land owned by the Trail Blazers; and

WHEREAS, Metro Resolution No. 91-1450 authorized the appointment jointly with the Mayor of the City of Portland an Arena Task Force to consider the Trail Blazer proposal to develop a new arena at the Memorial Coliseum site; and

WHEREAS, the Arena Task Force prepared a structured request for a formal proposal from the Trail Blazers entitled "Objectives and Guidelines"; and

WHEREAS, the Trail Blazers submitted a responsive proposal which included a public investment of \$34.5 million in an approximately \$178 million project; and

WHEREAS, the public investment would be made from revenues raised from bonds issued by the City of Portland and repaid from a six percent user fee on all arena and Memorial Coliseum tickets; and

WHEREAS, the Portland Trail Blazers propose to operate the Memorial Coliseum jointly with the new arena, and

WHEREAS, the Arena Task Force has prepared and forwarded to the Portland City Council and the Metropolitan Service District Council a Memorandum of Understanding regarding the development of the arena project to be jointly executed by Metro, the City and the Trail Blazers; and

WHEREAS, based upon the ownership of the Memorial Coliseum and the land underlying the majority of the proposed project and their significant financial exposure, the City of Portland desires to assume the role of "lead agency"; and

WHEREAS, Metro and the City believe that unified oversight of all regional spectator and performing arts facilities is in the public interest and contemplate that, insofar as practicable, the City will utilize MERC to oversee operations of the Blazer Arena/Coliseum Site in combination with the Convention Center, Civic Stadium and Portland Center for the Performing Arts; and

WHEREAS, Metro and the City recognize that the Consolidation Agreement will require amendment based upon the changed status of the Memorial Coliseum resulting from the approval of this MOU; NOW THEREFORE,

BE IT RESOLVED, that

1. The Council of the Metropolitan Service District hereby approves execution of the attached Memorandum of Understanding (Exhibit A).
2. The Council recognizes the City of Portland as the Lead Agency in future negotiations and execution of agreements based upon its ownership of key properties and its financial responsibilities.
3. The Council hereby authorizes the Executive Officer to direct key staff to participate in the negotiation of the necessary implementing agreements and participation in an Arena Development and Transition Management Committee (Exhibit B) whose charge shall be to:
 - a. Review and make recommendations on the Development Agreement, Lease Agreements, Management Agreement and other documents necessary to implement the MOU;
 - b. Review and recommend a detailed public financing plan;
 - c. Review and recommend an operations plan;
 - d. Coordinate public design, construction and financing responsibilities;
 - e. Monitor the public's interest in the development and transition phase and recommend adjustments as necessary; and

f. Recommend the form of the public oversight function for ongoing operations and the coordination of the new Oregon Arena, the Memorial Coliseum and the Oregon Convention Center.

4. The Metro Council supports the operation of the Memorial Coliseum by the MERC until that facility is turned over to the Oregon Arena Corporation for operation. MERC shall oversee the OAC operation of the Memorial Coliseum unless the City determines the MERC is not the most appropriate, responsive and cost efficient agency to serve as the City's agent in this function.

5. The Council hereby directs the Executive Officer to prepare proposed amendments to the Consolidation Agreement to permit changes by December 31, 1991 to:

a. facilitate the City's ability to enter into a Development Agreement, Lease Agreements and Management Agreements directly with Oregon Arena Corporation (OAC) and Trail Blazers, Inc. (TBI) as specified in the MOU; and

b. provide the City with additional discretion to change the oversight agent for the operations of the Memorial Coliseum in accordance with Paragraph 4.

ADOPTED by the Council of the Metropolitan Service District this _
day of _____, 1991.

Tanya Collier, Presiding Officer

Attest:

Clerk of the Council

BRIEFING PAPER
ARENA MEMORANDUM OF UNDERSTANDING

1. PUBLIC POLICY ADVISORY COMMITTEE

- Initiated and authorized by Metro Council resolutions 90-1243, 90-1284, and 90-1316.

- Purpose: "To coordinate planning for new facility development and financing, and to address on-going issues related to the region's inventory of convention, trade, performing arts and spectator facilities."

- Organization: 5 subcommittees - Arena, Stadium, PCPA, Convention & Exposition Facilities, Finance.

- Status: All subcommittees except Finance have submitted reports. Finance's report is in draft form. Full committee expected to submit its final report to Metro in November.

- Expected recommendation: Regional publicly-owned facilities should be under consolidated management, funded by a 6% admissions tax and increase in region's hotel/motel taxes to 10%. Capital needs to be funded through \$10 million regional bond issue.

2. ARTS PLAN 2000+

- Committee of public officials and private citizens created through City of Portland, whose purpose was to "yield a comprehensive long-range plan for arts and culture" for the Portland metropolitan region. Commissioned \$250,000 study funded by government agencies and private grants.

- Status: Consultant's report completed and presented.

- Recommendations: Numerous, including recommendation for \$3.5 million annual subsidy for arts organizations, capital and operating costs. Also encourages greater arts education, cultural diversity, leadership, and public involvement.

3. OREGON ARENA PROJECT

- Private proposal by Portland Trail Blazers to build and operate a 19,000-seat multi-purpose arena in the metro area. Arena Task Force created by Metro and City of Portland through resolution.

- ATF mission: "To evaluate and recommend 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 while minimizing public costs."

- Status: ATF met 7 times, concluding October 22 with a recommendation that the Portland and Metro Councils approve the Memorandum of Understanding.

- Highlights of MOU: Trail Blazers will build a \$178 million dollar arena complex funded by \$144 million in private money and \$34.5 million in public money. Portland will issue revenue bonds for the public's share, backed by: 6% user fee on events at arena and Memorial Coliseum; parking revenues from public garage on site; rental revenues for office & entertainment complex; all backed by City gas tax revenues if above insufficient to meet debt service. Trail Blazers will operate Memorial Coliseum with no public subsidy.

WHAT ARE METRO'S LIABILITIES?

- FINANCIAL/DEBT
- FINANCIAL/RETIREMENT OF EMPLOYEES.