

Metropolitan Exposition Recreation Commission

Resolution No. 07-26

FOR THE PURPOSE OF APPROVING THE CONCEPT OF A 600-ROOM PUBLICLY FINANCED, PRIVATELY OPERATED CONVENTION CENTER HEADQUARTERS HOTEL AND REQUESTING THE METRO COUNCIL TO AUTHORIZE THE FOLLOWING: CREATE A FINANCING PLAN FOR SUCH A FACILITY, EXECUTE AN AGREEMENT WITH THE PROJECT'S DEVELOPER; AND NEGOTIATE FOR INTERGOVERNMENTAL AGREEMENTS AND ADDITIONAL PROJECT FUNDING

WHEREAS, Metro is the parent government for the Metropolitan Exposition and Recreation Commission (MERC), which is responsible for management of the Oregon Convention Center (OCC); and

WHEREAS, the mission of the OCC is to maximize economic benefits for the metropolitan region and the state of Oregon while protecting the public investment in the facility; and

WHEREAS, independent studies confirm that national conventions at the OCC provide the greatest economic benefits to the region and state; and

WHEREAS, there has been little or no growth in demand for national conventions at the OCC in recent years; and

WHEREAS, those responsible for marketing OCC to event planners report the overwhelming reason for national conventions bypassing OCC is the absence of a headquarters hotel adjacent to the OCC; and

WHEREAS, reports by independent consultants conclude that a 600-room headquarters hotel adjacent to the OCC is the best option to improve OCC's ability to attract national conventions and achieve economic benefits for the region and state; and

WHEREAS, ECONorthwest reviewed the methodology and conclusions of these consultants, as well as analyzing other alternatives, and concurs with the recommendation to build a 600-room headquarters hotel adjacent to the OCC; and

WHEREAS, after two years of study and analysis, the Portland Development Commission (PDC) concluded the only feasible alternative is a publicly owned, privately operated headquarters hotel and undertook an open and competitive procurement process to choose such a team; and

WHEREAS, there are advantages to public ownership of a headquarters hotel designed to help achieve the mission of a publicly owned convention center, which include lower cost financing instruments and the capture of owner profits; and

WHEREAS, the Metro Council, in Resolution # 07-3748A adopted February 2007, accepted the results of the PDC's public process and authorized Metro and MERC staff to enter into exclusive negotiations with the team of Garfield Traub Development/Ashforth Pacific Inc., developer; Zimmer Gunsul Frasca, architects; Turner Construction Inc., contractors; and Starwood Hotels/Westin, operator; to develop, design, build and operate an Oregon Convention Center Headquarters Hotel, if such agreements can be negotiated that adequately protect Metro's financial interests and the overall purposes of the project;

WHEREAS, the headquarters hotel is the top priority in MERC's recently adopted Strategic Business Plan; and

WHEREAS, this Project will provide high quality jobs and increase opportunities for minorities, women-owned and emerging small businesses during the construction phases and after completion; and

WHEREAS, through a series of public outreach events and workshops, significant support was received for the concept of a 600-room publicly owned, privately operated headquarters hotel adjacent to the OCC; and

WHEREAS, this project will be the catalyst for redevelopment and revitalization of the nearby Lloyd District; and

WHEREAS, other governmental entities also will benefit from tax revenues generated by construction and operation of the OCC headquarters hotel; and

WHEREAS, Metro's Chief Operating and Financial Officers have determined the project is financially feasible with additional funding sources to cover Metro's risk; and

WHEREAS, the headquarters hotel is essential to attracting national conventions to the OCC, it also is necessary to ensure adequate funds to market OCC to national convention planners and generate adequate financial reserves to operate and maintain the OCC;

NOW THEREFORE, BE IT RESOLVED THAT:

After reviewing independent studies and testimony by individuals and groups and in consideration of the OCC's mission to generate the greatest economic benefits to the region and state, the Metropolitan Exposition Recreation Commission, (MERC) endorses the concept of a publicly owned, privately operated 600-room headquarters hotel adjacent to the OCC and requests the Metro Council to take the following actions:

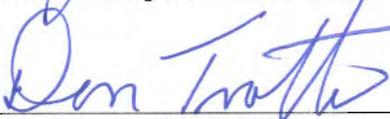
1. **Authorize a Development Agreement with Garfield Traub-Ashforth Pacific (GTA):** MERC recommends proceeding with a development agreement that produces a final schematic design for the headquarters hotel, establishes a guaranteed maximum price, provides for a developer investment in the project and agrees to terms of private operation of the hotel.

2. **Authorize an Intergovernmental Agreement to Acquire Land for the Hotel:** MERC recommends authorizing Metro officers to proceed with negotiations with the Portland Development Commission to acquire the land adjacent to the OCC for the headquarters hotel.
3. **Authorize Development of a Final Financing Plan:** MERC recommends authorizing Metro's Chief Financial Officer to work with Piper Jaffray, project underwriter, and Metro's financial advisor, Seattle Northwest Securities, to convert current financing options into a final financing plan with acceptable risk to Metro and other financing partners while minimizing risk to the public. The plan should include adequate funding for debt service, capitalized bond interest, bond insurance and sinking fund requirements that address risk scenarios.
4. **Authorize Negotiations to Secure Additional Funding Sources:** MERC recommends authorizing Metro officers, in coordination with MERC commissioners, to identify and secure additional sources of funding from partners that benefit from the OCC. This additional funding is intended to reduce the amount necessary to bond, ensure adequate bond coverage and/or pay for debt service.
5. **Direct MERC to Recommend a Marketing and Capital Plan for OCC:** MERC recommends that it undertake a review of necessary marketing expenses and long-term operating and capital needs to sustain OCC operations. Final recommendations will be forwarded to Metro for approval prior to the Metro Council adopting a final Financing Plan for the Project.

Passed by the Commission this 12th day of September, 2007.

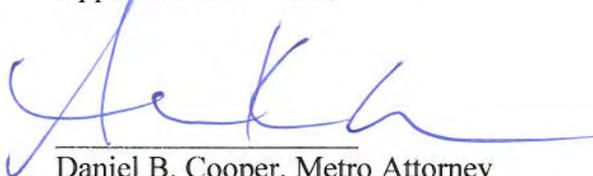


Janice Marquis, MERC Chair



Don Trotter, MERC Secretary-Treasurer

Approved as to Form:



Daniel B. Cooper, Metro Attorney

Alison Kean Campbell, Metro Senior Assistant Attorney

MERC Staff Report

Agenda Item/Issue: For the Purpose of approving the concept of a 600-room publicly financed, privately operated convention center headquarters hotel and requesting the Metro Council to authorize the following: create a financing plan for such a facility, execute an agreement with the project's developer; and negotiate for intergovernmental agreements and additional project funding.

Resolution No.: 07-26

Presented By: David Woolson

Date: September 12, 2007

Background and Analysis: Metro owns and operates, and MERC manages the Oregon Convention Center as a public asset. The mission of the OCC is to maximize economic benefits for the metropolitan region and the State of Oregon while protecting the public investment in the facility.

The Portland Development Commission conducted studies and analysis for two years and concluded the only feasible alternative is a publicly owned, privately operated headquarters hotel and undertook an open and competitive procurement process to choose such a team.

In February the Metro Council adopted Resolution 07-3748A accepting the results of the Portland Development Commission's public process and authorized Metro and MERC staff to enter into exclusive negotiations with the team of Garfield Traub Development/Ashforth Pacific Inc., developer; Zimmer Gunsul Frasca, architects; Turner Construction Inc., contractors; and Starwood Hotels/Westin, operator; to develop, design, build and operate an Oregon Convention Center Headquarters Hotel, if such agreements can be negotiated that adequately protect Metro's financial interests and the overall purposes of the project.

Also in February, the Metro Council asked MERC and Metro staff to investigate alternatives. A series of reports by independent consultants were completed to analyze the causes of the decrease in national conventions and also to analyze suggested alternatives.

The consultants' reports confirm that national conventions at the OCC provide the greatest economic benefits to the region and the state and that there has been little or no growth in the demand for national conventions at the OCC in recent years. As well, those responsible for marketing OCC to event planners report the overwhelming reason for national conventions bypassing OCC is the absence of a headquarters hotel adjacent to the OCC. The consultants' reports conclude that a 600-room headquarters hotel adjacent to the OCC is the best option to improve OCC's ability to attract national conventions and achieve economic benefits for the region and the state.

MERC and Metro staff scheduled various stakeholder and community outreach briefings and workshops and substantial public input was received about the concept of a 600-room publicly owned, privately operated headquarters hotel adjacent to the OCC.

Metro's Chief Financial Officer has worked with Metro's independent financial advisors Seattle Northwest Securities Corporation, and with Metro's selected underwriter, Piper Jaffray, to evaluate the financial feasibility of developing a 600-room, publicly owned, privately operated hotel ("the Project"). Metro's Chief Financial Officer has determined that under currently available financial resources, Metro does not have the financial ability to adequately finance the

Project without putting Metro's general fund and existing programs at undue risk. It is therefore the recommendation of Metro's Chief Operating Officer and Metro's Chief Financial Officer that a 600-room, publicly owned and privately operated convention center headquarters hotel adjacent to the Oregon Convention Center would increase the long-term economic vitality of the OCC, the City of Portland, the metropolitan region, and the State of Oregon as a whole. Further, that Metro develop such a Project if additional financial resources are identified within the timeframe necessary for the upcoming pre-development period for the Project and that the following are each addressed:

- A Project financing plan that adequately funds debt service, risk scenarios, capitalized bond interest, bond insurance, and sinking fund requirements; and
- Protects Metro's general fund and existing programs from undue risk.

Successful development of the Project if the above financial resources are identified will also be contingent upon:

- Metro entering into a satisfactory development agreement with the Project developer, Garfield Traub-Ashforth Pacific (GTA) and previously selected Project Team;
- Garfield Traub-Ashforth Pacific delivering a Project Guaranteed Maximum Price that is in line with the financing plan developed;
- Metro entering into any necessary Intergovernmental Agreements with the City of Portland, the Portland Development Commission, Multnomah County, and other parties to implement a proposed financing plan and development; and
- Sufficient financial contributions are obtained from other sources to adequately protect Metro and create a favorable financing package for the Project.

In addition to pursuing a 600-room, publicly owned, privately operated headquarters hotel, staff recommend MERC review the need for additional resources for marketing expenses as well as to provide an adequate level of funding for OCC capital and operations..

If, on September 27, 2007, the Metro Council accepts the Metro staff recommendation to proceed with this Project and only if the necessary additional financial resources can be identified in the necessary timeframe, then Metro's Chief Financial Officer, its financial advisors, Project underwriter, and the Office of Metro Attorney will attempt to develop a financing plan that adequately meets the conditions set forth herein. Simultaneously, the Metro Council and MERC will take the lead on identifying and convening OCC beneficiaries with the goal of securing additional sources of necessary funding for the Project. The Office of Metro Attorney will continue to engage in and finalize negotiations with GTA and enter into a Development Agreement that meets the Council's and the Project's financing plan requirements. If adequate additional funding is committed to the Project and necessary Intergovernmental Agreements and development contracts have been finalized, Metro staff will return to the Metro Council on or before March 31, 2008 with a final recommendation, and the Metro Council will decide whether or not to implement the financing plan and finalize development of the Project.

Fiscal Impact:

GTA will require payment for work that will be necessary to obtain updated construction costs and a guaranteed maximum price for the Project. Metro will need to continue the current contract with Seattle Northwest for additional financial advice on the Project. Professional project management services will also be necessary. Metro/MERC will need to contract with an experienced project management firm to ensure the Project proceeds in an efficient and timely fashion. Several Metro departments will need to devote staff time to the Project, including:

Metro Council Office, Office of the Metro Attorney, Office of the Chief Operating Officer, Public Affairs and Government Relations, Finance, MERC and the Oregon Convention Center. Any and all out of pocket expenses will be covered by the OCC Operating Fund.

Recommendation: Staff recommends that the Metropolitan Exposition-Recreation Commission adopt Resolution 07-26, For the Purpose of approving the concept of a 600-room publicly financed, privately operated convention center headquarters hotel and requesting the Metro Council to authorize the following: create a financing plan for such a facility, execute an agreement with the project's developer; and negotiate for intergovernmental agreements and additional project funding.