

IMPACT STATEMENT

Legislation title: Authorize the Second Amended and Restated Visitor Facilities Intergovernmental Agreement with Multnomah County and Metro (Ordinance)

Contact name: Susan Hartnett, Spectator Venues Program Manager

Contact phone: 503-823-6958

Presenter name: Tom Rinehart, CAO and Susan Hartnett

Purpose of proposed legislation and background information:

The Second Amended and Restated Visitor Facilities Intergovernmental Agreement (VF IGA) was negotiated between the City, the County and Metro under the direction of a Letter of Agreement (LOA) signed by the Mayor, the Chair and the Metro Council President. The LOA recognizes the economic impact of the tourism industry to Portland's economy, the self-reinforcing nature of the system of tax revenues and expenditures contained in the VF IGA, and the last five years of strong growth in Transient Lodging and Vehicle Rental tax revenues. The LOA's directives focused on four areas where amendments to the VF IGA would provide the greatest benefits to this system where visitor promotion and quality visitor facilities lead to more visitors who in turn pay these taxes.

To assure appropriate and adequate ongoing management of the VF IGA allocations, the financial review processes are expanded, and a new oversight function is created. The Financial Review Team (FRT), established in the 2013 IGA has new requirements to periodically assess economic conditions and the capacity of expected revenue to meet planned expenditures. A new Oversight Committee (OC), composed of key public and private sector partners, is given the authority to approve or modify certain allocations in the Agreement based on recommendations from the Financial Review Team to provide stability in economic downturns and for strategic events that yield significant economic benefit to the community. A key aspect in the system of checks and balances created by the Financial Review Team and Oversight Committee is a fail-safe measure to protect against risk to the City and Metro that overspending of VF IGA resources in a recessionary environment could require the City or Metro to use resources other than the VF IGA to make payments on bonds intended to be covered by the VF IGA.

Based on the four focus areas in the LOA, the amendments include the following major changes:

Consistent with the "Healthy Facilities" directive:

- New bond support for Veterans Memorial Coliseum (VMC) and Portland's Center for the Arts (P'5) renovation projects is added. This support is set at \$40 million for each project and escalates using a construction cost index from FY 2018-19 until the bonds are let.
- The 2018-19 existing allocations for Oregon Convention Center (OCC) Operating Support, Enhanced OCC Marketing, and Convention Visitor Transit Access are rounded up to the next higher \$25,000 increment.

- The 2018-19 existing allocation for P'5 Operations is rounded up to the next closest \$25,000 increment and is increased in FY 2023-24 to \$1,000,000 and in FY 2028-29 to \$1,500,000.
- A one-time allocation of \$2M is included for the P'5 Operations in FY 2018-19 to leverage \$3M of private donor contribution for the acoustical shell replacement project at the Arlene Schnitzer Concert Hall.
- The 2018-19 existing allocation for Rose Quarter Facilities and City Tourism Support is rounded up to the next closest \$25,000 increment and increased to \$1,500,000 in FY 2028-29.
- A new allocation for the Portland Expo Center is added in FY 2018-19 at the same level as the Rose Quarter Facilities (\$575,000), increased to \$750,000 in FY 2026-27 and \$1,500,000 in FY 2028-29.

Consistent with the "Adequate Visitor Development Fund" directive:

- The two existing Visitor Development Fund (VDF) allocations, which are used to provide grants to convention and business meeting planners as enticement to book their event in Portland, are merged into a single allocation and increased to \$2,500,000 in FY 2019-20. The amount was set based on convention grant demands since the OCC Hotel room block opened last fall. VDF grants have historically yielded a 27:1 return on investment, including a commitment to occupy hotel rooms, which in turn produces more tax revenue.
- Total estimated VDF allocation under existing agreement through FY 2029-30 is ~\$20.4M. The total projected allocation to the VDF under amended Agreement is ~\$32.8M.

Consistent with the "Resilient Reserves" directive:

- The timing and debt payment schedule of new bond issuances relying on VF IGA allocations are subject to FRT verification.
- A Restricted Reserve is maintained to provide funding for the operations and program allocations (i.e. everything but the bonds) in times of economic downturn.
- A Strategic Reserve of \$2 million is funded from existing reserves and will be used for special events or unique investment opportunities that yield an economic benefit to the community. Use of funds from the Strategic Reserve is subject to review by the FRT and approval by the VDF Board, whose decision is appealable to the OC. The OC will also decide, based on recommendation from the FRT, the plan for refilling the Strategic Reserve after funds are used.
- The existing Bond Redemption Reserve is converted to a General Reserve to be used to fund the Restricted Reserve and Strategic Reserve and as a backstop against economic fluctuations.

Consistent with the "Community Livability and Safety" directive:

- The existing allocation for County Visitor Facilities and Operations Support is renamed to Livability and Safety Supportive Services and dedicated as new funding for the provision of services and programs for people experiencing homelessness or

who are at risk of becoming homeless and to address community livability and safety concerns associated with homelessness.

- The “Base Amount” of this allocation is set in FY 2018-19 at \$1,775,000 and is escalated by CPI annually.
- An “Additional L&S Support Amount” allocation is included as follow:
 - FY 2019-20 the difference between the Base Amount and \$2,500,000 (projected at \$680,625)
 - FY 2020-21 the difference between the Base Amount and \$3,250,000 (projected at \$1,385,141)
 - FY 2021-22 the difference between the Base Amount and \$3,775,000 (projected at \$1,863,519)
 - FY 2022-23 through FY 2029-30 the Additional L&S Support Amount is the difference between the Base Amount and \$5,250,000, which is escalated by CPI annually (projected at an average of \$3.8M per year through FY 2029-30)
 - Total projected amount for *existing* County Visitor Facilities and Operations Support allocation through FY 2029-30 is ~\$12.3M
 - Total projected amount for Base Amount through FY 2029-30 is ~\$26.7M
 - Total projected amount for Additional L&S Support Amount allocations is ~\$30.5M
 - The total potential allocation to Livability and Safety Supportive Services is ~\$57.2M in FY 2018-19 through FY 2029-30. This is the single largest program and operations allocation in the amended Agreement and more than quadruples the funds available to support services and programs related to homelessness needs.

Financial and budgetary impacts:

The 2018 VF IGA includes significant direct benefits to the City as well as ensuring that the tourism industry remains a vital and successful economic sector in the region and state.

The bond support for renovations projects at the aging VMC and P’5 venues is critical in assuring the long-term viability of these valued and valuable facilities. The cost for renovations at both locations will exceed the amount being backed by the VF IGA but will provide a foundation of public contribution that will likely leverage other funding resources, both public and private. The ongoing operational support allocations for these facilities are also critical to their viability.

The Livability and Safety Support Services allocations are vital to the region’s ability to successfully address the needs of people experiencing homelessness or who are at risk of becoming homeless and support the significant investment being made by the City, County and Metro in this effort. These allocations are intended to be new and additive to the funds already being allocated from other public sources and are expected to improve the visitor experience by addressing some of the more visible livability and safety impacts.

This Ordinance does not amend the City's FY 2018-19 budget. Revenues to the Spectator Venues and Visitor Activities Fund will increase in FY 2028-29 and revenues to cover bonds for VMC and P'5 projects will be received if debt obligations are issues by the City.

There are no new direct costs to the City as a result of this legislation. The amendments to the VFIGA do not increase the City's previous commitments to P'5. The new Oversight Committee and other protective language in the amendments keeps the City's exposure on the City Bonds paid for by VF IGA resources at a level like that under the current Agreement.

Community impacts and community involvement:

Large segments of the Portland community are impacted by the region's travel and tourism economy, including the more than 35,000 people employed in the hospitality industry in the region. In addition, the 5% transient lodging tax paid by visitors that goes to the City's General Fund – almost \$35 million in FY 2017-18 – provides many basic services to the community.

The negotiation process to develop this amendment included Travel Portland and the VDF Board as representatives of the tourism and hospitality industry. The City, County and Metro did not conduct specific public outreach on these amendments to the VF IGA. Public information materials describing the VF IGA were developed and distributed to the parties and are attached here.

The Livability and Safety Support Services allocations provide new and additive funds to the significant investment in affordable housing and can be used for supportive services needed to successfully address the needs of people experiencing homelessness or who are at risk of becoming homeless.

100% Renewable Goal:

Not applicable.

Budgetary Impact Worksheet

Does this action change appropriations?

- ☐ **YES:** Please complete the information below.
☒ **NO:** Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

Impact Statement for Requested Council Action

ORDINANCE No.

Authorize the Second Amended and Restated Visitor Facilities Intergovernmental Agreement with Multnomah County and Metro (Ordinance)

The City of Portland ordains:

Section 1. The Council finds:

1. The City, Multnomah County, and Metro entered into the *Visitor Facilities Intergovernmental Agreement* (VFIGA), dated January 31, 2001 and the *Amended and Restated Visitor Facilities Intergovernmental Agreement* (VFIGA), dated October 25, 2013 to support regional tourism and spectator facilities, the visitor and hospitality industry and to maximize the economic development benefits associated with visitor facilities, programs and services.
2. The VFIGA currently facilitates the funding of visitor facilities and ongoing programs and services in the region through the collection and distribution of transient lodging tax and vehicle rental tax surcharges via the Visitor Facilities Trust Account (VFTA).
3. The VFTA and the VFIGA have successfully supported visitor development and economic development opportunities in the region through both direct and indirect support for facilities, programs and services.
4. The City of Portland supports tourism promotion and visitor development in numerous ways, including but not limited to: ownership of a number of spectator facilities; ongoing and one-time investments in Portland's quality urban environment, infrastructure, public spaces, amenities, and attractions; and support for continued collection of transient lodging taxes for the VFTA and fees for the Tourism Improvement District.
5. Through a Letter of Agreement dated May 11, 2018, the Metro Council President, City of Portland Mayor, and Multnomah County Chair initiated formal negotiations to prepare amendments to the existing 2013 VFIGA to improve the region's visitor facilities, enhance tourism promotion programs, and to support the region's investment in affordable housing and homelessness support services to improve the visitor experience and help keep Portland a desirable destination.
6. The *Second Amended and Restated Visitor Facilities Intergovernmental Agreement*, the "2018 Agreement", includes provisions to i) bond funding to support renovation projects at the Veterans Memorial Coliseum and the Portland's 5 Centers for the Arts, ii) adjust existing and create new program and facility operation allocations, and iii) provide new and additive funds to support the significant existing regional investments in affordable housing and supportive services to address the root causes of homelessness and its associated livability and safety concerns.

7. The amendments to the VFIGA also expand the existing financial review mechanisms and create new oversight processes allowing greater utilization of the VFTA funds while protecting the system from adverse economic conditions and ensuring continued long-term stability of the VFTA.

NOW, THEREFORE, the Council directs:

The Mayor is authorized to execute the *Second Amended and Restated Visitor Facilities Intergovernmental Agreement* in a form substantially similar to that attached hereto as Exhibit A, which incorporates all the amendments to the 2013 VFIGA as shown in Exhibit B.

Passed by the Council:

Mayor Ted Wheeler
Prepared by: Susan Hartnett
Date Prepared: November 30, 2018

Mary Hull Caballero
Auditor of the City of Portland
By

Deputy

Agenda No.
ORDINANCE NO.
 Title

✓ Authorize the Second Amended and Restated Visitor Facilities Intergovernmental Agreement with Multnomah County and Metro (Ordinance)

INTRODUCED BY Commissioner/Auditor: Mayor Ted Wheeler	CLERK USE: DATE FILED <u>DEC 04 2018</u>
COMMISSIONER APPROVAL Mayor—Finance & Administration - Wheeler <i>MP</i> Position 1/Utilities - Fritz Position 2/Works - Fish Position 3/Affairs - Saltzman Position 4/Safety - Eudaly	Mary Hull Caballero Auditor of the City of Portland By: <i>Susan Hartnett</i> Deputy
BUREAU APPROVAL Bureau: Office of Management & Finance Bureau Head: Tom Rinehart <i>TR</i>	ACTION TAKEN: DEC 12 2018 PASSED TO SECOND READING DEC 19 2018 9:30 A.M. As Amended
Prepared by: Susan Hartnett Date Prepared: Nov 30, 2018	DEC 19 2018 REFERRED TO COMMISSIONER OF FINANCE AND ADMINISTRATION
Impact Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/>	
Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
City Auditor Office Approval: Not required	
City Attorney Approval: <i>Kam</i>	
Council Meeting Date December 12, 2018	

AGENDA	FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
TIME CERTAIN <input checked="" type="checkbox"/> Start time: 2:00 PM Total amount of time needed: 45 min (for presentation, testimony and discussion)		YEAS	NAYS
CONSENT <input type="checkbox"/>	1. Fritz	1. Fritz	
REGULAR <input type="checkbox"/>	2. Fish	2. Fish	
Total amount of time needed: _____ (for presentation, testimony and discussion)	3. Saltzman	3. Saltzman	
	4. Eudaly	4. Eudaly	
	Wheeler	Wheeler	