

IMPACT STATEMENT (Revised)

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

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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 in March 2018.

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 and provide stability during economic downturns, 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. If the FRT finds during a periodic review that fund projections may be insufficient to meet future VF IGA expenditures, the FRT may make recommendations to reduce spending and protect fund reserves. These provisions in the revised agreement are intended to protect the ability of the fund to meet all scheduled debt service payments even in economic downturn situations.

Based on the four focus areas in the 2018 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 until the bonds are let.
- The 2019-20 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 2019-20 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.
- The 2019-20 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 2019-20 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 began booking room blocks. 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 FY 2019-20 through FY 2029-30 is ~\$19.1M. The total projected allocation to the VDF under amended Agreement is ~\$31.2M.

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 VDFI Board. The FRT will recommend to the VDFI Board a plan for refiling 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 2019-20 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 (\$725,000)
- FY 2020-21 the difference between the Base Amount and \$2,500,000 (projected at \$680,625)
- FY 2021-22 the difference between the Base Amount and \$3,250,000 (projected at \$1,385,141)
- FY 2022-23 the difference between the Base Amount and \$3,775,000 (projected at \$1,863,519)
- FY 2023-24 and continuing thereafter, the Additional L&S Support Amount is the difference between the Base Amount and \$5,250,000, which is escalated by CPI annually.
- Total projected amount for *existing* County Visitor Facilities and Operations Support allocation FY 2019-20 through FY 2029-30 is ~\$11.7M
- Total projected amount for Base Amount FY 2019-20 through FY 2029-30 is ~\$24M
- Total projected amount for Additional L&S Support Amount allocations is ~\$27.6M
- The total potential allocation to Livability and Safety Supportive Services for FY 2019-20 through FY 2029-30 is ~\$51.6M. 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 2019 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 2019-20 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. Financial oversight by the FRT 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.

In addition, a new ongoing allocation of up to \$250,000 per year is established to pay for proportional costs associated with implementation of the City's new Integrated Tax System. This system is required to collect the funds supporting the purposes of this 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 – over \$39M in FY 2018-19 – provides many basic services to the community.

The negotiation process to develop this amendment included Travel Portland and the VDFI 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.

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