

Portland, Oregon
FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT
For Council Action Items

(Deliver original to City Budget Office. Retain copy.)

1. Name of Initiator Betsy Ames		2. Telephone No. 503 823-4269	3. Bureau/Office/Dept. OMF-CAO
4a. To be filed (hearing date): September 18, 2013; 2:45 pm	4b. Calendar (Check One) Regular <input checked="" type="checkbox"/> Consent <input type="checkbox"/> 4/5ths <input type="checkbox"/>		5. Date Submitted to Commissioner's office and CBO Budget Analyst: September 5, 2013
6a. Financial Impact Section: <input checked="" type="checkbox"/> Financial impact section completed		6b. Public Involvement Section: <input checked="" type="checkbox"/> Public involvement section completed	

1) Legislation Title:

Authorize amendments to the *Visitor Facilities Intergovernmental Agreement* with Multnomah County and Metro and the intergovernmental *Amended Agreement Regarding Consolidation of Regional Convention, Trade, Spectator and Performing Arts Facilities* with Metro (Ordinance; Amend Contract Nos. 51557 and 25921)

2) Purpose of the Proposed Legislation:

VFIGA Amendments

The Visitor Facilities Intergovernmental Agreement (VFIGA) was originally approved in 2001 by the City of Portland, Multnomah County and Metro, and 1) authorized collection of a 2.5% Transient Lodging Tax surcharge and a 2.5% Vehicle Rental Tax surcharge; 2) established the Visitor Facilities Trust Account (VFTA); 3) provided for distribution of the taxes collected to a variety of uses supporting visitor development and tourism facilities and activities; and 4) called for the creation of the Visitor Development Fund Inc. (VDFI). The VDFI Board is a public/private board composed of elected officials from Metro, the County, and the City along with representatives from the hospitality industry and directs the use of certain allocations established by the VFIGA.

In March 2013, City of Portland, Multnomah County and Metro staff re-engaged an effort to update the 2001 VFIGA. The proposed amendment package, if approved by the City Council, County Board and Metro Council, will be the first amendment to the Agreement in its 12-year history. The main goals of the VFIGA amendments are:

1. To reflect updated and new priorities of the partners and clarify existing intent and priorities.
2. To provide a mechanism to redirect site-specific Transient Lodging Taxes (SSTLTR) collected at the OCC Hotel Project into the VFTA to support the OCC Hotel Project Bonds.
3. To provide an allocation for debt service payments on revenue bonds which will be issued by Metro to support the development of the OCC Hotel Project.

4. To provide for long-term stability of the VFTA system and its funding priorities by updating revenue and expenditure projections and creating processes for ongoing review.
5. To revise the document structure to provide clearer organization and ease of reading.

The proposed amendments include the following modifications:

1. Recitals – provide more history and clarity regarding purpose and intent
2. Restructure organization of document – consolidate language and reduce redundancy to more clearly describe funding priorities and obligations of parties
3. Create mechanisms to redirect the site-specific City 5% TLT (General Fund), the site-specific 3% Excise Tax Fund TLT, and the equivalent of the site-specific City 1% TLT (Tourism Promotion) into the VFTA.
4. Create an allocation for debt service payments on Metro-issued OCC Hotel Project Bonds using equivalent of site-specific Transient Lodging Tax Revenues (SSTLTR) generated within the VFTA, with excess SSTLTRs above OCC Hotel Project Bond debt service payments accruing to the benefit of the VFTA.
5. Revise allocation priorities to reflect 2013 needs and opportunities (see VFTA priorities below).
6. Establish processes for periodic review of VFTA financial considerations by City/County/Metro financial representatives (the Financial Review Team), including mechanisms for reviewing OCC Hotel Project Bond payment terms, reviewing financial performance of the VFTA and providing input, as needed, to the VDFI Board.
7. Create reserve requirements to ensure VFTA allocations remain funded if VFTA revenues decline, including creation of a new reserve for early bond redemptions.
8. Maintain basic legal provisions regarding dispute resolution, termination and remedies.

VFTA Priorities

Allocations are funded in the priority order described below:

Allocations 1 – 4 Debt Service for Bonds

- 1 Convention Center Completion Bonds – no change; refinanced by City in 2011, producing ~\$875K/year in savings to VFTA through FY2029-30.
- 2 PCPA Bonds – no change; refinanced by City in 2011, generating savings to VFTA
- 3 Stadium Bonds – change to facilitate refinancing, with potential savings to City and VFTA
- 4 OCC Hotel Project Bonds– new; for debt repayment on approximately \$60 million revenue bond sized to be supported by projected SSTLTR generated by the proposed OCC Hotel Project.

Allocations 5 – 11 Support for Operations, Programs, Services, Capital Improvements and Marketing

5. OCC Operating Support – modified; to support Oregon Convention Center to maintain the OCC’s competitiveness; changes formula and approval approach for OCC Operating Support allocation up to \$1.25M/year escalated, (automatically approved), and allows for Additional OCC Operating Support request for funding beyond the initial request (subject to review by Financial Review Team and approval from the VDFI Board).*
6. County Visitor Facilities and Operations Support – new; \$500K/year (escalated annually at CPI) to provide funding to enhance the visitor experience; step increases up to

- \$1M/year escalated, subject to review by Financial Review Team of expected VFTA adequacy.*
7. Enhanced Convention Center Marketing – modified formula, but funding remains equivalent; amount allocated is reduced to reflect projected equivalent of the site-specific City 1% TLT from the OCC Hotel Project which will continue to flow to Travel Portland per City Charter; at \$450K escalated until third fiscal year after the OCC Hotel Project in operation for more than 18 months; then \$175K escalated.
 8. Convention Visitor Public Transit Passes – modified; change to direct funding to VDF for convention delegate transit passes due to elimination of Fareless Square; up to \$390K escalated.
 9. Visitor Development Fund – modified; provides funds to the VDFI Board to use for convention and tourism promotion purposes, hosting meeting planners, grants to conventions, etc.; at current \$645K escalated, plus an additional fixed \$875K/year through FY2029-30.
 10. PCPA – no change; maintained at current \$645K escalated.
 11. City of Portland – new; to provide operating and capital improvement funding for Rose Quarter Facilities and City Tourism Support; at \$500k/year escalated.*

** For FY2013-14, these allocations are as follows: 5. OCC Operating Support, \$1,439,800; 6. County Visitor Facilities and Operations Support, \$250,000; and 11. Rose Quarter Facilities and City Tourism Support, \$250,000.*

Allocations 12-13 Reserves

12. Restricted Reserve – new; targeted minimum size will cover 1.5x the expected maximum annual amount for allocations 5-11.
13. Bond Redemption Reserve – modified concept; to be used to redeem Bonds prior to their stated maturity date.

Consolidation Agreement amendments

The amendments to the *Amended Agreement Regarding Consolidation of Regional Convention, Trade, Spectator and Performing Arts Facilities Owned and Operated by the City of Portland and Metro* respond to the 2011 PCPA Audit by clarifying the application of CPI to be consistent with direction provided by the City Economist and by providing a mechanism to allow for modification to 50% capital support/50% operations support allocation of the City's contribution to PCPA. In addition, the amendments update contact information for the City and Metro.

3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?

- | | | | |
|--|------------------------------------|------------------------------------|--------------------------------|
| <input checked="" type="checkbox"/> City-wide/Regional | <input type="checkbox"/> Northeast | <input type="checkbox"/> Northwest | <input type="checkbox"/> North |
| <input type="checkbox"/> Central Northeast | <input type="checkbox"/> Southeast | <input type="checkbox"/> Southwest | <input type="checkbox"/> East |
| <input type="checkbox"/> Central City | | | |

FINANCIAL IMPACT

4) Revenue: Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.

The new allocation #11 (described above) provides a potential new source of annual revenue (\$500K plus CPI) to the Spectator Facilities Fund (SFF) to support operations and capital expense for City-owned facilities in the Rose Quarter.

Refunding of the Stadium Bonds (described in allocation #3 above) may generate up to \$3 million of savings to debt service payments made from the SFF, however actual savings will depend on interest rates and terms received at the time the refinancing is completed.

As part of the VFIGA, the City will be agreeing to redirect Site-Specific TLT revenues (SSTLTR) collected at the OCC Hotel Project. Current estimates of the total amount that would be redirected as a result of the City 5% TLT – the base rate that would otherwise go to the City’s General Fund – is roughly \$57 million over a thirty year period. This is “foregone revenue” but the SSTLTR would not be generated if the OCC Hotel Project were not built. As with property tax abatements and other foregone revenues, it’s difficult to calculate what the revenue impact might be if the redirect was not authorized, but the OCC Hotel Project also not built.

Metro has provided information about the anticipated impact of the OCC Hotel Project on increased convention business and hotel room nights, as well as from property taxes, business and income taxes, and general economic development.

5) Expense: What are the costs to the City as a result of this legislation? What is the source of funding for the expense? *(Please include costs in the current fiscal year as well as costs in future year, including Operations & Maintenance (O&M) costs, if known, and estimates, if not known. If the action is related to a grant or contract please include the local contribution or match required. If there is a project estimate, please identify the level of confidence.)*

There are no new direct costs to the City as a result of this legislation. The amendments to the Consolidation Agreement and the VFIGA do not increase previous commitments to PCPA or increase the City’s exposure on the City Bonds paid for by VFTA resources.

6) Staffing Requirements:

- Will any positions be created, eliminated or re-classified in the current year as a result of this legislation?
- Will positions be created or eliminated in *future years* as a result of this legislation?

No new positions will be created, eliminated or re-classified in the current year or in future years as a result of this action.

(Complete the following section only if an amendment to the budget is proposed.)

7) Change in Appropriations *(If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Fund Center column if new center needs to be created. Use additional space if needed.)*

The budget is not being amended with this legislation. Following execution of the VFIGA by all Parties, OMF will request changes to the budget via the BMP to reflect the additional revenues for the Spectator Facilities Fund and any changes to the City's debt service obligations for the Stadium Bonds.

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

[Proceed to Public Involvement Section — REQUIRED as of July 1, 2011]

PUBLIC INVOLVEMENT

8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:

YES: Please proceed to Question #9.

NO: Please, explain why below; and proceed to Question #10.

9) If “YES,” please answer the following questions:

Metro, as the lead for the OCC Hotel Project negotiations, has hosted a number of open houses and worksessions regarding the OCC Hotel Project and the VFIGA amendments process. The City of Portland did not conduct a separate public involvement process, but has participated in events hosted by Metro and along with the County have received feedback and input from various community stakeholders.

a) What impacts are anticipated in the community from this proposed Council item?

Tourism industry representatives are divided on the impacts. Some are very supportive of the OCC Hotel Project and therefore of the changes to the VFIGA that support the redirect and the issuance of OCC Hotel Project Bonds. They believe the success of the industry as a whole will benefit from the OCC Hotel Project and increased national convention business at the OCC – a rising tide lifts all boats. Others are opposed, concerned about public support for a private hotel in the City that could compete for business. Particular concerns about the potential impacts of the OCC Hotel Project undercutting the market by offering low rates have been expressed, and a number of opponents have called for a “rate floor” to be imposed on the OCC Hotel Project. The Travel Portland board has recommended support for the OCC Hotel Project.

A number of labor organizations have been supportive of the OCC Hotel Project and therefore of the changes to the VFIGA. They cite the construction jobs that will benefit their members, as well as the Labor Peace Agreement entered into by Hyatt – the potential operator of the OCC Hotel Project – with Unite Here and the greater wages and better working conditions and benefits that agreement will ensure for hotel employees.

Metro held an open house on August 1st at the Oregon Convention Center for interested parties to come to learn more about both the VFIGA and OCC Hotel Project. They invited a broad range of stakeholders and widely publicized the open house which was open to the public.

b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?

VDFI Board; MERC Commission; Travel Portland, Portland Business Alliance; Lloyd Executive Partnership, labor organizations; hospitality industry representatives; vehicle rental industry representatives.

c) How did public involvement shape the outcome of this Council item?

A number of provisions and recitals reflect the issues that were raised by the community.

d) Who designed and implemented the public involvement related to this Council item?

Metro.

e) Primary contact for more information on this public involvement process (name, title, phone, email):

Metro. Cheryl Twete, 503 797-1774.

10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not.

There will be ongoing information sharing and monitoring, as needed, by the VDFI Board.

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APPROPRIATION UNIT HEAD (Typed name and signature)

Proposed Amended Visitor Facilities Intergovernmental Agreement 2013 Transient Lodging Tax and Motor Vehicle Rental Tax

Excise Tax Fund (ETF)

[per M.C.C. 11.401(D)]

Submitted by Betsy Ames
9-18-13

186263

12.5% Transient Lodging Tax (TLT)

[per M.C.C. 11.400 & City Charter]

5% - to City General Fund ("Base Rate")
City Charter tax >FY11-12 \$17.8M

1% - to City for "Tourism Promotion", per City Charter (est. 1978) >FY11-12 \$3.5M

3% - to Excise Tax Fund; Administered by County; originally for OCC only (est. 1986), amended to fund PCPA, RACC, etc. (1997) >FY11-12 \$10.9M *

2.5% - to Visitors Facilities Trust Account; Administered by County; (est. 2000) >FY11-12 \$9.114M *

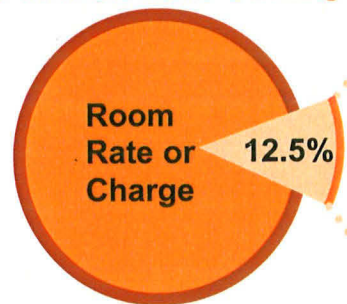
1% - to State Tourism Commission (est. 2003)

*The 3% tax (Excise Tax) and 2.5% to VFTA is net of 5% collection fee deducted by hotels prior to remitting the tax.

FY11-12: \$10.9M

- Metro for OCC operations (\$3.8M + > CPI or Δ in tax revenue over previous year) >FY11-12 \$8.4M
- PCPA Operator (\$1.2M + < CPI or Δ in tax revenue over previous year) >FY11-12 \$1.2M
- PCPA Operator for "cultural tourism" via contract w/ Travel Portland & RACC (\$200K + < CPI or Δ in tax revenue over previous year) >FY11-12 \$205K
- RACC for regional promotion & "neighborhood arts" (balance remaining up to \$200K) >FY 11-12 \$200K
- Metro for capital needs [used for MERC Pooled Capital] >FY11-12 \$901K

TOTAL VISITOR HOTEL ROOM COST in Multnomah County



17% Motor Vehicle Rental Tax (VRT)

[per M.C.C. 11.300]

14.5% - to County general fund
Originally 10% [est. 1976], increased 4.5% [2009] >FY11-12 \$18.64M

2.5% - to Visitors Facilities Trust Account [est. 2000] >FY11-12 \$3.213M

FY11-12: \$12.3M

Visitor Facilities Trust Account (VFTA)

[per M.C.C. 11.401(E)]

Annual Allocations in Priority Order

Debt Service for Bonds

1. OCC 2011 Bonds (City; \$67M total) >FY12-13 \$5.8M; final payment FY29-30 \$9.2M
2. PCPA 2011 Bonds (City; \$1.315M total) >FY12-13 \$168K; final payment FY20-21 \$164K
3. Stadium 2001 Bonds (City; \$35M total) >FY12-13 \$1.74M, final payment FY22-23 \$306K (to be refunded in FY13-14)
4. OCC Hotel Project Bonds (Metro; ~\$60M; for 30 yrs) >TBD*

Support for Operations, Programs, Services, Capital Improvements and Marketing

5. OCC Operating Support (up to \$1.25M+CPI base, additional operating support via VDFI Board approval)**
6. County Visitor Facilities and Operations Support (\$500K+CPI; FY18-FY21, \$750K+CPI/year; FY22 forward, \$1M+CPI; increases subject to Financial Review Team review)**
7. Enhanced OCC Marketing (\$450K+CPI; starting in third year of OCC Hotel operation and forward, \$175K+CPI)***
8. Convention Visitor Public Transit Passes (up to \$390K+CPI based on actual costs)
9. Visitor Development Fund, Inc for VDF1 (\$645K+CPI) and VDF2 (\$875K)
10. PCPA Operations Support to Metro (\$645K+CPI)
11. Rose Quarter Facilities and City Tourism Support (\$500K+CPI)**

Revenue Stabilization Reserves

12. Restricted Reserve
13. Bond Redemption Reserve

Administration fee 0.7% to Multnomah County >FY 11-12= \$86.3K

*+CPI" means as escalated from FY 13-14, except for County increases in FY17-18 and FY21-22

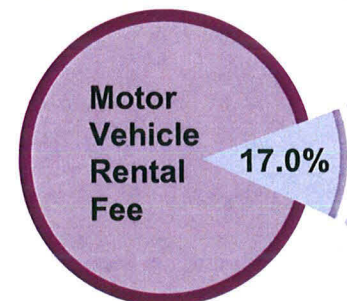
* SSSLTR = OCC Hotel Project Site Specific Transient Lodging Taxes; final bond amount based on SSSLTR projections and market conditions

** For FY2013-14, these allocations are as follows: 5. \$1,439,800; 6. and 11. \$250,000 each.

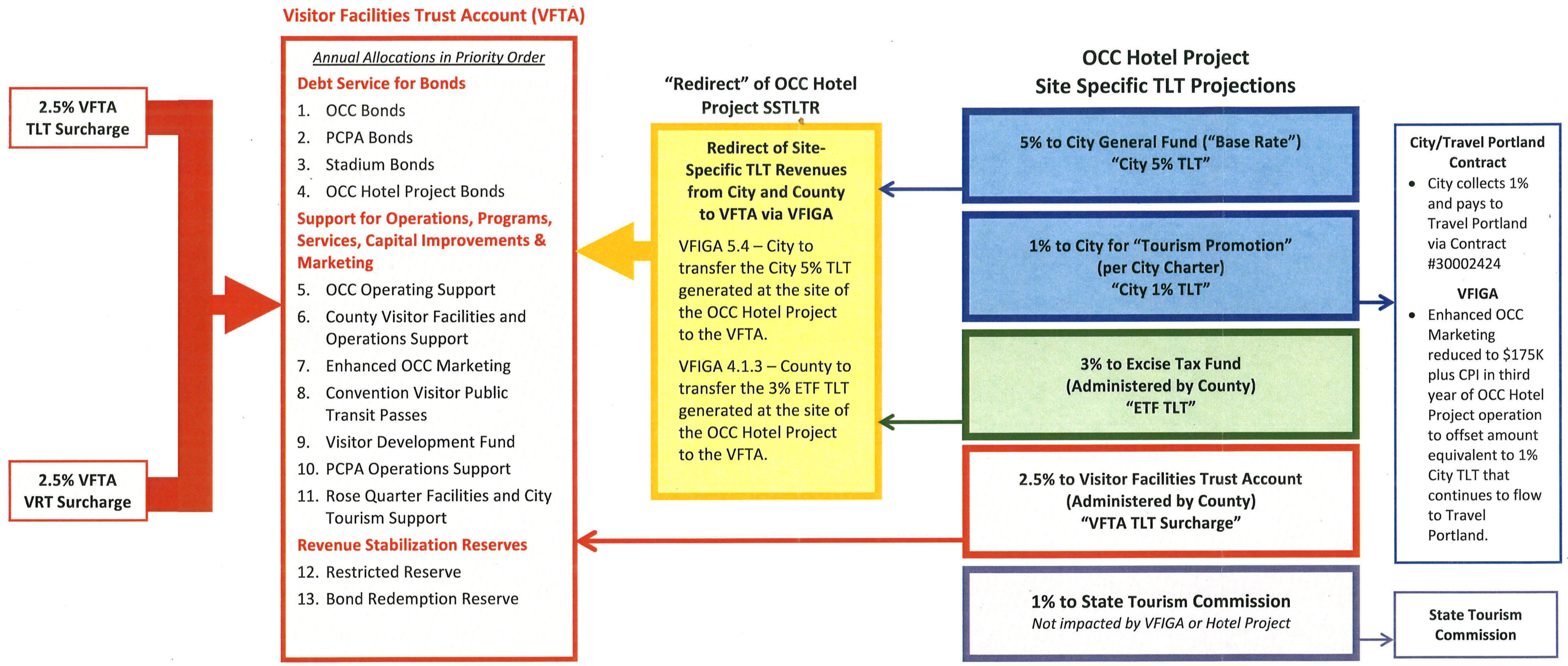
*** Reduction due to offset for City 1% TLT SSSLTR

OCC Hotel Project Site Specific TLT Revenues
City 5% TLT
3% ETF TLT

TOTAL MOTOR VEHICLE RENTAL FEES in Multnomah County



Proposed Amended Visitor Facilities Intergovernmental Agreement 2013 OCC Hotel Project Site Specific Transient Lodging Taxes



Visitor Facilities Intergovernmental Agreement (VFIGA)

186263

Background and description of amendments under consideration – August 1, 2013

The Visitor Facilities Intergovernmental Agreement (VFIGA) was originally approved in 2001 by the City of Portland, Multnomah County and Metro, and 1) authorized collection of a 2.5% Transient Lodging Tax surcharge and a 2.5% Vehicle Rental Tax surcharge; 2) established the Visitor Facilities Trust Account (VFTA); 3) provided for distribution of the taxes collected to a variety of uses supporting visitor development and tourism facilities and activities; and 4) called for the creation of the Visitor Development Fund Inc. (VDFI). The VDFI Board is a public/private board composed of elected officials from Metro, the County, and the City along with representatives from the hospitality industry and directs the use of certain allocations established by the VFIGA.

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5. Revise allocation priorities to reflect 2013 needs and opportunities (see VFTA priorities below).
6. Create process for periodic financial review of VFTA finances by City/County/Metro financial leads including mechanisms for reviewing OCC Hotel Project Bond payment terms, reviewing financial performance of VFTA and providing analysis, as needed, to the VDFI Board.
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VFTA PrioritiesAllocations 1 – 4 Debt Service for Bonds

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Allocations 5 – 11 Support for Operations, Programs, Services, Capital Improvements and Marketing

5. OCC Operating Support – modified; to support Oregon Convention Center to maintain the OCC's competitiveness; changes formula and approval approach for OCC Operating Support allocation up to \$1.25M/year escalated, which is automatically approved, and allows for Additional OCC Operating Support request for funding beyond the initial request, subject to review by Financial Review Team and approval from the VDFI Board.*
6. County Visitor Facilities and Operations Support – new; to provide funding to enhance the visitor experience; at \$500K/year escalated; step increases up to \$1M/year escalated subject to review by Financial Review Team of expected adequacy of VFTA revenues to fund all obligations.*
7. Enhanced Convention Center Marketing – modified formula, but funding remains equivalent; amount allocated is reduced to reflect projected equivalent of the site-specific City 1% TLT from the OCC Hotel Project which will continue to flow to Travel Portland per City Charter; at \$450K escalated until third fiscal year after the OCC Hotel Project in operation for more than 18 months; then \$175K escalated.
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10. PCPA – no change; maintained at current \$645K escalated.
11. City of Portland – new; to provide operating and capital improvement funding for Rose Quarter Facilities; at \$500k/year escalated.*

** For FY2013-14, these allocations are as follows: 5. OCC Operating Support, \$1,439,800; 6. County Visitor Facilities and Operations Support, \$250,000; and 11. Rose Quarter Facilities and City Tourism Support, \$250,000.*

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