

## **STAFF REPORT**

### **IN CONSIDERATION OF RESOLUTION NO. 19-5054 FOR THE PURPOSE OF APPROVING AND AUTHORIZING THE EXECUTION OF THE SECOND AMENDED AND RESTATED VISITOR FACILITIES INTERGOVERNMENTAL AGREEMENT**

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## **BACKGROUND**

In 2001, the City of Portland, Multnomah County and Metro partnered with the tourism industry to establish the Visitor Facilities Trust Account (VFTA). Funded through a combination of a 2.5 percent vehicle rental tax and a 2.5 percent transient lodging tax, the VFTA has financed tourism facilities and programs that help attract visitors to the region and generate tourism spending in the area. Tourism spending as a share of the local economy has grown substantially since 2001. In 2017 alone, tourists spent an estimated \$5.1 billion in the region, supporting more than 35,000 tourism jobs in the region.

The VFTA is established by an intergovernmental agreement (IGA) between the City, County and Metro called the Visitor Facilities IGA (VF IGA). Through this VF IGA, the three local governments have agreed to use tourism taxes to fund capital improvement bonds for the expansion of the Oregon Convention Center (OCC), improvements at Portland's (P's) facilities, and early 2000's expansion of the Civic Stadium (now Providence Park). The VFTA has also funded OCC and P's operations, convention and tourism marketing, and convention visitor transit passes. The VF IGA also called for the creation of the Visitor Development Fund, Inc. (VDFI). The VDFI Board is a public/private board comprised of elected officials from Metro, the County, and City, along with representatives from the hospitality industry. Its purpose is to direct the use of certain allocations established by the VF IGA.

In 2013, the City of Portland, Multnomah County and Metro, working again in partnership with Travel Portland, amended the VF IGA to include additional priorities. The primary impetus for the 2013 update was the addition of a revenue bond to finance the public portion of the costs of developing the Hyatt Oregon Convention Center Hotel. Through a public-private partnership with Mortensen Development and Hyatt Hotels, Metro issued revenue bonds, to be repaid by the VFTA, to match with more than \$150 million in private funding to build the long-anticipated "headquarters" hotel. The OCC controls a block of 500 rooms for booking future conventions. Construction is underway with an anticipated completion of late 2019, and new convention groups are already being booked for the months after the hotel opens.

In February of 2018, the Multnomah County Chair, the Mayor of Portland, and Metro Council President directed staff to once again work with each other and with Travel Portland to develop a new update to the VF IGA. In May of 2018, the Chair, Mayor, and President signed a Letter of Agreement that outlined four priorities to guide this process:

- **Resilient reserves:** “to create and maintain appropriately sized reserves that protect the VFTA during periods of stress and allow for strategic use of excess funds that accumulate during period of higher growth”
- **Adequate Visitor Development Fund:** to keep pace with growth in the tourism industry, “enhance Portland’s competitive position and assure a nimble response to strategic opportunities”
- **Healthy Facilities:** to “strategically allocate VF IGA funds to enhance the existing facilities keeping them vital and competitive and providing the necessary infrastructure for a robust travel industry”
- **Community Livability and Safety:** to make “investments (that) will improve conditions for the community and people experiencing homelessness, improve the visitor experience, and help Portland remain a desirable destination”

The three local government leaders requested staff to “provide recommendations for an amendment to the VF IGA by October 31, 2018”. During 2018, staff actively engaged in negotiations with City and County staff and representatives of Travel Portland to prepare a thorough set of amendments to the existing VF IGA. City, County, Metro, and Travel Portland representatives met throughout the year to develop revenue forecasts for the VFTA, establish funding amounts and funding flows for the priorities outlined above, and develop an agreement about ongoing management and governance of the fund. Staff sought ongoing guidance from the Mayor, Chair, and President at key points in the process.

In December 2018, the Metro Council approved an updated, revised VF IGA, however the version of the agreement was never executed given Multnomah County’s expressed concerns about key provisions. City, County and Metro staff continued to meet throughout 2019 to work towards an agreement that would address the County’s outstanding concerns and meet the four priorities of the parties identified in 2018. In September 2019, the County approved a revised VF IGA based on a general agreement on the terms reached in September. Staff at the City and Metro have identified a handful of changes needed to the version of the agreement adopted by the County in September, and the parties have agreed to further revise the agreement, which revisions are incorporated in the Second Amended and Restated Visitor Facilities Intergovernmental Agreement, which is attached to the Resolution 19-5054 as Exhibit A (the “Amended and Restated VF IGA”).

Second Amended and Restated Visitor Facilities Intergovernmental Agreement (the “Amended and Restated VF IGA”)

The proposed Amended and Restated VF IGA before Council reflects updated and new priorities and needs of the governments managing the region’s visitor facilities and public/private tourism promotion programs. A summary of the revisions made to the existing VF IGA is set forth below:

Funding Allocations under the Amended and Restated VF IGA:

- Authorizes a new, \$40 million bond for capital improvements at the Veterans Memorial Coliseum, to be issued no sooner than January 1, 2021.
- Authorizes a new, \$40 million bond for capital improvements at the Portland’s facilities, to be issued no sooner than January 1, 2024.
- Establishes a new funding priority for Livability and Safety Supportive Services, increasing the existing \$750,000 County support allocation by \$2.5 million in the current fiscal year, and then growing with the consumer price index (CPI).
- Establishes an Additional Livability and Safety Supportive Services allocation that adds specified funding amounts to grow the total combined allocations to “livability” to \$5.25 million by FY 23-24, with CPI increases annually thereafter.
- Consolidates and increases existing funding allocations for the Visitor Development Fund to \$2.5 million in FY 19-20.
- Updates the existing convention visitor transit pass funding allocation as the program shifts from paper to electronic tickets.
- Increases the existing Portland’s and Rose Quarter Facilities “buckets” from an estimated CPI-adjusted amount of \$634,000 to \$1.5 million in FY 28-29.
- Establishes a new Portland Expo Center allocation matching the funding amounts provided to P’s and Rose Quarter Facilities (\$575,000), and increases this allocation to \$1.5 million in FY 28-29.
- Establishes a reimbursement allocation to cover the administrative costs of the City’s updated tax collection system.
- Restructures Fund Reserves as follows:
  - Retains the Restricted Reserve, which is set at one times the maximum annual payments for program (non-bond) allocations and is restricted to covering such funding shortfalls.
  - Establishes a Strategic Reserve set at \$2 million for the purpose of funding large scale events or conventions upon action of the VDFI Board. Upon use, funds would be replenished by any funds available after the Restricted Reserve is fully funded.
  - Replaces the existing Bond Redemption Reserve with a General Reserve to capture surplus revenues.

Oversight under the Amended and Restated VF IGA:

- Retains the Financial Review Team (FRT) to provide annual financial reviews of fund balance, sufficiency of revenues, and future revenue bond issuances.

- Charges the FRT with making recommendations to the VDFI Board in the event of insufficient funding, and prescribes the possible across-the-board funding reductions that could be considered to address funding shortfalls.
- Authorizes the VDFI Board to act on FRT recommendations and reduce funding allocations in times of funding shortages.

Staff believes that the proposed Amended and Restated VF IGA includes fair and reasonable updates and revisions for the public and private partners involved in the tourism and convention industry.

Staff recommends adoption of Resolution 19-5054, approving and authorizing the execution of the Amended and Restated VF IGA. Upon consideration and approval of the Amended and Restated VF IGA by Council and City and County partners, the document will be executed and the new funding allocations and other terms and conditions will be implemented upon Multnomah County's correlating revisions to its County Code. The Amended and Restated VF IGA provides important updated funding and management approaches for the tourism and hospitality industry, and staff acknowledges the hard work and efforts of the jurisdictional partners.

#### **KNOWN OPPOSITION (TO BE UPDATED)**

No known opposition.

#### **LEGAL ANTECEDENTS**

Marketing of the OCC is a necessary part of the Metro's charter authority to operate public cultural, trade, conventional and exhibition facilities, Metro Charter Section 6.

#### **BUDGET IMPACTS**

This resolution seeks authority to enter into the Amended and Restated VF IGA. Approval by all three jurisdictions of the Amended and Restated VF IGA will impact the OCC, Portland's and the Portland Expo Center (Expo) in terms of each venue's rank and priority in the use of VFTA funds. With the approval of this Amended and Restated VF IGA, upon the County's corresponding Code revisions, the three MERC venues will receive additional funds in the 19-20 budget year. The revisions and changes made to the existing VFTA funding system will not threaten the bond payment streams for OCC Hotel bonds issued by Metro.

#### **ANTICIPATED EFFECTS**

Adopting Resolution No. 19-5054 will provide new and ongoing funding for key facilities and programs that Metro manages and operates.

#### **RECOMMENDED ACTION**

Staff recommends Council adopt Resolution No. 19-5054, thereby approving and authorizing the execution of the Second Amended and Restated Visitor Facilities Intergovernmental Agreement.