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Report on "Develop Regional Convention & Trade Show Center" (Metropolitan Service District Measure No. 26-19)

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Report on
"DEVELOP REGIONAL CONVENTION & TRADE SHOW CENTER"
(Metropolitan Service District Measure No. 26-19)

Question: "Shall the district finance, construct and operate a regional convention center and issue up to \$65 million general obligation bonds?"

Explanation: "Measure authorizes district to finance the acquisition, construction and operation of a regional convention and trade show center. The facility is intended to meet demand for national and international convention and trade show business and to develop jobs. The measure permits issuing up to \$65 million of general obligation bonds maturing within 25 years. Remaining funding may include state and private grants, local improvement district revenue, and lodgings tax."

To the Board of Governors,
City Club of Portland:

I. INTRODUCTION

District Measure No. 26-19 was authorized by the Council of the Metropolitan Service District (METRO) on July 10, 1986. The Measure, if approved by the voters in the November general election, would authorize METRO to issue \$65 million in general obligation bonds for the purpose of acquiring, constructing and operating a regional convention and trade show center ("convention center"). The general obligation bond issue, along with local improvement district funds, tax increment financing, and a State of Oregon grant, would make up the funding package necessary to support construction of an \$83.7 million convention center. Additionally, the Multnomah County hotel and motel tax was increased (from 6% to 9%) on December 19, 1985. The 3% tax increase is expected to bring in \$2 million annually to support the convention center's projected operating deficit and the marketing costs. Should voters fail to pass Measure 26-19 in November, the hotel and motel tax would return to 6% in 1989.

The July 10, 1986 vote by METRO capped a 17-month effort by the Regional Committee on Convention, Trade and Spectator Facilities (CTS Committee). The CTS Committee, formed by the governments of Washington, Clackamas, and Multnomah counties, the City of Portland, and METRO in January 1985, was charged with developing a 20-year master plan for convention, trade and spectator facilities in the tri-county area. The completed master plan was approved by the CTS Committee on May 12, 1986. At the same time, the CTS Committee selected a 17-block area located in the Holladay/Union section of Northeast Portland as the site for the proposed convention center. If approved by the voters in November, the Holladay/Union convention center would contain about 400,000 square feet of total floor area.

According to measure sponsors, the convention center is projected to create more than 3,500 full- and part-time jobs and \$37 million in additional wages to statewide workers. These new jobs, primarily in service-related industries, would pay approximately \$5.00 per hour. The convention center's total annual economic impact on the State of Oregon is estimated at \$137 million.

Sponsors of the measure say the convention center would provide an impetus for promoting long-term economic growth and business development in the tri-county area. They estimate that Portland could attract annually about 21 mid-sized conventions that would bring approximately 108,000 individuals to the tri-county area each year. Without the convention center, they argue, Portland could lose its competitive place in the convention market due to the expansion of convention facilities in many other West Coast metropolitan areas. The Greater Portland Convention and Visitors Association (GPCVA) estimates that Portland lost about \$69 million in convention business in the last 18 months due to inadequate convention facilities. This estimate includes only projected expenditures of associations which expressed an interest in coming to Portland but could not due to inadequate facilities or lack of available dates.

By voting "yes" on District Measure No. 26-19, voters would approve the funding mechanism and would accept the CTS Committee's recommended convention center funding package, site and management plan. Because these recommendations are interrelated (although not a direct part of the question before the voters), your Committee included them within the scope of its research.

II. BACKGROUND AND HISTORY

A. Existing Convention Facilities

Portland's Memorial Coliseum is the major publicly-funded facility available for conventions in the tri-county area. The Coliseum arena can seat up to 12,300 persons or can provide about 27,500 square feet of high ceiling exhibit space. There are three exhibit halls in the Coliseum complex, which can provide a maximum of 100,000 square feet of exhibit space. A total of 1,600 hotel and motel rooms are available within 12 blocks of the Coliseum complex.

The low ceiling in the exhibit halls (13.5 feet) and the 60+ pillars obstruct exhibit layouts and limit circulation. Further, although the Coliseum arena has been used for conventions, its large size and busy schedule make it an unattractive solution. The alternative, setting up temporary seating in the exhibit halls, is limited due to the visibility problems resulting from the pillars and the flat floor seating arrangement, and results in a reduction of space available for exhibits.

The Coliseum also is the home of the National Basketball Association Trailblazers and the host of numerous concerts and other spectator events. Trade show events now held at the Coliseum include the annual gem show and the auto show.

The Multnomah County Exposition Center (Expo Center) can provide about 221,000 square feet of exhibit space, seating for up to 5,000 persons, and parking for 5,000 cars. The ceiling height at Expo Center ranges from 15 feet in the main exhibit hall to 35 feet in the outlying buildings. There are five separate exhibit halls. The facility primarily is used for consumer and trade show events which come to Portland on an annual basis. Examples of such shows include the three-week home show, the antique and collectibles sale and truck and trailer shows. The Multnomah County Fair also is held at the Expo Center.

Other convention facilities are available in the tri-county area. These facilities include major hotels and motels such as the Hilton, the Marriott

and the Red Lion Inns, private clubs with meeting room facilities, and universities with arena facilities, such as the Chiles Center at the University of Portland.

B. Recent History of Convention Center Interest in Portland

Expansion of Portland's convention facilities has been discussed off and on for several years. Various public agencies and citizen committees have cited the need for such facilities, and numerous professional studies and reports have been written (See Appendix B). Other metropolitan areas in the western United States have launched facility improvements which could erode Portland's competitive position in the convention market. Several recent proposals for convention facilities have been offered to Portland's political and civic leaders for action, but none of these proposals has gone beyond the planning stages.

Following is a brief description of those efforts:

- In 1976, voters considered and rejected a \$7.2 million general obligation bond measure to make additions and improvements to the Memorial Coliseum complex. Another proposal, to plan and construct a convention center at the west end of the Morrison bridge, was opposed by some downtown merchants and property owners in the area who were concerned about traffic and congestion problems at the proposed site. This proposal was not referred to the voters.
- In 1979, the Portland Chamber of Commerce issued a report recommending construction of a convention center at the Union Station site in Northwest Portland. Due to opposition from the railroads, which owned the site, the Chamber dropped this proposal.
- In May 1980, Mayor Connie McCready appointed the Spectator and Convention Facilities Task Force. The Task Force, charged with examining community needs and making recommendations for additional or improved spectator and convention facilities in the Portland Metropolitan Area, issued a report in August 1980, recommending capital improvements to the Portland Civic Stadium. As a result, a \$9.5 million general obligation bond measure was put before and approved by the voters in the November 1980 general election.
- Following the issuance of its report on the Civic Stadium, the Task Force met to consider other spectator and convention facilities. Various assessments and approaches contained in previous studies were reviewed and discussed. The Task Force, convinced of the need for new convention and spectator facilities, issued a report in August 1982 with a recommendation that "the City Council.... declare that a new convention center would be in the economic and civic interest of the City of Portland, and that development of such a center is therefore a goal of the Council". That proposal, however, never was referred to the voters.
- In May 1986, the City Club of Portland issued a report entitled "A Vision for the Central City," which concluded that the convention center should be built north of Old Town. The Central City Plan Citizens Steering Committee also has called for a convention center to be located within the central city.

C. Regional Committee on Convention Trade and Spectator Facilities

In January 1985, the governments of Washington, Clackamas and Multnomah counties, the City of Portland, and the METRO Council formed a 15-member Citizen Committee on Regional Convention, Trade and Spectator Facilities. Known as the CTS Committee, its membership was charged with recommending a 20-year regional master plan "to realize the economic and quality of life benefits of the emerging convention, trade and spectator facility industry."

Adopted on May 12, 1986, the completed master plan outlined the steps necessary for siting, funding and building: (1) a convention center for mid-sized conventions; (2) arena seating for up to 25,000 persons; (3) stadium seating for up to 65,000 persons; (4) an agri-business center to exhibit Oregon's agricultural products and livestock; and (5) a conference facility for medical and high-technology industry training. Developing a convention center was selected as the first priority for the CTS Committee.

The CTS Committee determined that the planning, development, promotion and management of convention, trade and spectator facilities are regional in nature and, therefore, should be undertaken from a coordinated, regional perspective. As a result, the CTS Committee selected METRO as the owner-operator of any public facilities built under the CTS master plan.

METRO was selected because it is an elected body and has clear statutory authority to serve as the bonding agent for publicly funded projects. METRO also has the authority to establish an operating commission. Under such a commission arrangement, the METRO Council would retain budget and taxing approval authority for all publicly funded projects, while all operating decisions would be delegated to a commission.

As part of the master plan, the CTS Committee recommended that the Memorial Coliseum, the Civic Stadium, and the Multnomah County Expo Center be operated by the METRO-appointed commission. If approved by the commissions of Multnomah County and the City of Portland, voters would be asked to dissolve the Exposition-Recreation Commission through a City of Portland charter amendment.

D. The Current Proposal

The CTS Committee formed subcommittees to address different types of regional facilities. The Convention Facilities Study Committee ("Study Committee") was formed to recommend a site for a mid-sized (averaging 5,000 delegates) regional convention center. Early in its investigation, the Study Committee determined that the convention center should be located somewhere in the central city area. The Study Committee then thoroughly researched four sites, including the existing Memorial Coliseum complex, South Waterfront, Union Station and Holladay/Union.

On May 12, 1986, the CTS Committee selected the 17-block Holladay/Union site for the proposed convention center. The Holladay/Union site is bounded by Northeast Union Avenue on the east, Holladay Street on the north, and the intersection of Interstate 5 and Interstate 84 on the west and south. The area is dominated by warehousing, automotive service businesses, vacant lots and empty buildings. About 25 businesses and a major water line would have to be relocated and the traffic on Oregon Street would have to be rerouted if the project is approved by the voters. Most of the businesses in the affected area have expressed a willingness to relocate.

Estimated to have the lowest total project costs of the four sites considered by the Study Committee, the Holladay/Union convention center would include 165,000 square feet of exhibit space with adequate ceiling height, 40,000 square feet of meeting rooms, and 95,000 square feet of support space. Exhibit and meeting room space would be developed on one level. Truck loading and storage areas would be adequately sized and have direct access to the floor of the exhibit halls. The total floor area of the proposed convention center is estimated at about 400,000 square feet.

A maximum of 300,000 net square feet of future expansion space is available at the Holladay/Union site. Of that amount, 100,000 net square feet of space could be built on the same level and contiguous to the original exhibit component. An additional 200,000 net square feet of space could be developed through construction over Northeast Glisan Street.

While still preserving the expansion area, 1,500 surface parking spaces could be placed on the Holladay/Union site. Those spaces would have immediate access to the exhibit halls. Additional parking could be obtained by leasing property owned by the Oregon Department of Transportation under the freeway ramps west of the site and by using the 2,050 spaces available at the Memorial Coliseum. Another 3,500 off-site parking spaces are available within a six-block area of the Coliseum.

About 30 percent of the Holladay/Union site is owned by the Lloyd Corporation Ltd. Before the Holladay/Union site was selected, it agreed to donate six and one-half blocks to the project. Since that time, the Lloyd Corporation announced its plans to sell 130 city blocks to Melvin Simon and Associates. Although the proposed sale includes the six and one-half blocks the Lloyd Corporation donated to the city for the Holladay/Union convention center, the buyer has indicated that the donation would remain in effect. Market value of the six and one-half blocks is estimated at \$3 million.

E. Proposed Financing Package

The capital financing plan for the convention center adopted by the METRO Council (Resolution No. 86-648) calls for a four-part financing package: (1) a \$65 million tri-county general obligation bond; (2) a \$5 million local improvement district; (3) A \$15 million State of Oregon grant; and (4) an unspecified amount of urban renewal tax increment funds. None of these four funding instruments has been approved by the appropriate body. Total development costs are estimated at \$83.7 million.

On July 10, 1986, the METRO Council voted to refer Measure 26-19 to the voters of Multnomah, Washington, and Clackamas counties. If approved, the \$65 million general obligation bond issue would cost the average residential and commercial property owner about 14 cents per \$1000 of assessed valuation or an estimated \$7.89 per year in increased property taxes on a home assessed at \$60,000. If approved, Measure 26-19 would be exempted from the limitations placed on property tax should Ballot Measure 3, the sales tax initiative, or Ballot Measure 9, the property tax limitation initiative, pass in November. Taxes levied for bonded indebtedness specifically are exempted from the provisions of these measures.

On December 19, 1985 the Multnomah County Commission approved a convention center special fund which increased the County hotel and motel tax from 6% to 9%. This convention center special fund is expected to pro-

vide an annual subsidy of \$2 million to support the convention center. Prior to this increase, approximately 83% of the 6% county hotel and motel tax was dedicated to the General Funds of Multnomah County and the City of Portland. The remainder of the hotel and motel tax fund (17%) went to the GPCVA to promote convention and tourism-related activities.

Of the \$2 million expected to be generated from the 3% hotel and motel tax increase, \$750,000 would be allocated to defray the convention center's operating expenses and insurance costs. One million dollars would be allocated for marketing requirements. If voters reject Measure 26-19 in November, the hotel and motel tax would return to 6% in 1989. (1)

F. The Convention Market

A January 1986 report by the GPCVA showed that more than 12,000 major convention and trade shows take place annually in the United States. In 1985, these events were attended by 25 million delegates, spouses, and exhibitors. Of the 12,000 major events, industry studies show that 59% has some form of exhibits. Of the conventions with exhibits, 45%, or 3,100 conventions, uses a convention center.

About 19%, or 600 of those 3,100 conventions, takes place in the western United States each year. GPCVA estimates that within five years of completion of a mid-sized convention center, Portland realistically could book 21 of those events that would be attended by an average of 108,000 delegates each year. If successful, the Portland region's share of the western region's mid-sized convention market would be about 3%. There are approximately 12 convention centers on the West Coast that would be competing with Portland for the same convention market.

Witnesses interviewed by your Committee said that Portland currently does well in attracting small conventions and trade shows (those involving fewer than 800 delegates). Those groups generally base their meetings and other activities in one or more of the area's major hotels. In some cases, the groups utilize the facilities at the Memorial Coliseum. Small conventions represent a relatively small portion of the total convention market.

At the other end of the spectrum are a few very large national conventions that attract 10,000 or more delegates. However, such events represent a relatively small segment of the convention market and would represent a small opportunity for Portland, considering the investment in convention and hotel space that would be required.

Mid-size conventions (those attracting between 800 and 10,000 delegates), compose about 80% of the total convention market. It is this part of the market that sponsors of the measure hope to penetrate with improved convention facilities in Portland. Size and configuration of meeting and exhibit space are major factors in site selection for mid-size events, and the standard requirements for such events were used to determine the size of spaces planned in the proposed convention center. Sponsors of the measure say Portland currently has no facilities providing the required configurations. That lack, they say, is costing Portland convention business.

Managers at both the Memorial Coliseum and the Expo Center believe that the proposed convention center would have little to no effect on the use of their existing facilities. Their facilities are geared to a market that is

different from, but compatible with, the proposed convention center. The convention center, they believe, would serve only to complement the existing convention and trade show business in the greater Portland area. In the case of the Memorial Coliseum, for example, some consumer and trade shows have been constrained artificially from growing. The proposed convention center would alleviate this problem.

Trade and consumer shows can continue to be operated successfully at the Memorial Coliseum and the Expo Center. The Expo Center has experienced a steady growth rate over the last few years. With these shows, the customer may not be as concerned about aesthetics and there would be synergistic benefit from having both the Memorial Coliseum and the convention center close together. With very large conventions or trade shows, both facilities could be used at the same time, and the Coliseum's arena could be used for convention plenary sessions.

G. Projected Economic Benefits

The 25 largest conventions scheduled to come to Portland during 1986 will bring an estimated \$35 million to the Portland metropolitan area. That amount is based upon an average expenditure per delegate of \$155 per day for conventions with exhibits and \$110 per day for conventions without exhibits. (2)

According to information received from the GPCVA, conventions of all sizes currently bring in more than \$70 million per year of new revenue into the greater Portland area. That \$70 million produces a \$175 million impact on the economy of the State of Oregon. During 1984, about 230,000 convention delegates spent an estimated \$54.9 million in the region. Exhibitors, exhibit service contractors, and sponsoring organizations spent an additional \$15.7 million.

Improved convention facilities like those proposed by the CTS Committee would result in an additional \$59 million per year in direct spending within five years after the convention center is completed. (3) An additional \$78 million would be generated in secondary responding for a total annual economic impact of \$137 million.

METRO estimates that a convention facility would create approximately 3,500 new full and part-time jobs at an average wage of \$5.00 per hour. This equals more than \$37 million in additional wages to statewide workers. Increased business sales, wages, and hotel occupancy tax receipts would lead to a \$4.3 million annual increase in tax revenues collected by various government agencies. In addition, Metro predicts that more than 2,400 jobs and \$44 million in workers' wages would be generated during the two-year construction period.

According to information released by METRO in May 1986, the greatest economic impact of a convention center would be felt in Multnomah County (including the City of Portland). Increased business sales are estimated at \$107 million. More than 2,100 full and part-time jobs are projected for County residents, producing \$23 million in increased wages. More than \$1 million in new tax revenues would be generated for Multnomah County and the City of Portland. The increase would come primarily from increased proceeds from the 5% of the 9% hotel and motel room tax targeted for the two jurisdictions' General Funds. (The GPCVA would continue to receive 1% of the 9% hotel and motel tax.)

Clackamas County would experience increased business sales of more than \$13 million, more than 500 new full and part-time jobs, and about \$5.4 million in increased wages after the convention center realizes its full market potential. Washington County would experience more than \$11 million in new business sales, 525 new jobs and more than \$5.6 million in increased wages to workers residing in that area. Increased county tax revenues for both Clackamas and Washington counties would be minimal.

Tri-Met, METRO estimates, would receive about \$200,000 in increased payroll taxes. The State of Oregon's General Fund would receive an additional \$2.8 million annually through increased corporate and personal income tax revenues.

H. What Other Cities are Doing

Several other cities on the West Coast are considering or planning expansion of their convention facilities, according to a CTS Committee report issued in July 1985. Seattle, for example, is building a convention center in the downtown core area. When completed, the convention center will contain 140,000 square feet of exhibit space and 18 meeting rooms of various sizes. The facility cannot be expanded.

In Vancouver, British Columbia, a new convention facility is scheduled to open in July 1987 at the site of Canada Place at Expo '86. The convention center will cost \$144.8 million in Canadian dollars. In addition, the existing facility, B.C. Place Stadium, provides 150,000 square feet of exhibit space. The new convention facility is expected to generate \$130 million of new visitor spending and \$17 million of new tax revenues.

Other West Coast cities have plans to expand their convention facilities. Two of those are San Diego with 354,000 square feet of new exhibit space and 35 meeting rooms, and San Jose with 175,000 square feet of new exhibit space and 30 meeting rooms. Both facilities are scheduled for completion in 1988.

III. ARGUMENTS ADVANCED IN FAVOR OF THE MEASURE

A. Economic Development

1. A convention center would promote Oregon, the region, and the City of Portland. This would result in long-term economic gain for all three by attracting future development, such as major hotels and retail trade, and would diversify the economy of the region.
2. A convention center would draw decision makers to the region, resulting in future investment in the tri-county area or, by improving impressions of the region, enhance the likelihood of increased business trade.
3. A convention center would help the region maintain its competitive place in the convention marketplace.
4. The convention center would bridge the perceived east-side/west-side division which is disruptive to development of a vital central city area.

B. Jobs

5. New jobs associated with the convention center would result in an improved regional economy and would increase the revenue collected by the State through personal and corporate income taxes.
6. A convention center would create jobs for citizens in the region. These jobs would range from temporary construction jobs to permanent jobs in the service, hotel/motel, retail, and tourism industries.
7. A convention center would provide relatively low-skilled jobs in an area of Portland with a great many unskilled/unemployed workers.

C. Property Taxes

8. The burden of financing a convention center would be shared by all of the residential and commercial property owners in the affected region, who also would share proportionately in the projected benefits.
9. The average residential and commercial property owner in the Metropolitan Service District would experience only a slight increase in property taxes.

D. Tourism, Marketing & Trade

10. Conventioneers would become familiar with the State of Oregon as a destination point. As a result, they would be more likely to return to the region in the future or take the opportunity to tour other parts of the state before or after attending a convention.
11. A convention center would result in increased traffic at the airport. This would result in a need to upgrade the existing facilities and in increased revenues for the Port of Portland.
12. A convention center would help foster the perception of Portland as a "major league city."
13. Portland's central location, midpoint between the east coast and the Pacific Rim, would be ideal for international conventions. This would strengthen the ties between Portland and its Asian trading partners.

E. Other Revenue/Tax Issues

14. Enhanced convention business would result in increased hotel and motel tax receipts. A portion of that money would go directly into the general fund of Multnomah County and the City of Portland.
15. The tax reform proposal, under consideration by the U.S. Congress, contains a provision exempting this convention center from that portion of the proposed legislation eliminating certain tax-free municipal bonds. A decision to finance a convention center after tax reform would result in about \$14 million in increased costs to property owners over a 20-year period, due to the higher rate of interest that METRO would have to pay to retire the bonds if investors were required to pay taxes on their interest income.

F. Owner/Operator.

16. By successfully operating the Zoo and managing the solid waste, METRO has demonstrated that it is qualified to own and operate a convention center.

IV. ARGUMENTS ADVANCED AGAINST THE MEASURE

A. Economic Development

1. The proposed convention center is labor intensive. The region would be better off investing in capital-intensive projects rather than developing a service-related industry.
2. The positive, direct economic benefits of a convention center may be overstated. The convention center would result in an income transfer but would not produce a net economic benefit to the region.

B. Property Taxes

3. Measure 26-19 would increase the tax burden paid by the residential and commercial property owners in the Metropolitan Service District.
4. Residential and commercial property owners in Washington and Clackamas counties would be paying for a convention center to be built in the City of Portland.

C. Jobs

5. Few high-skilled or high-paying jobs would be created. The jobs generated by the convention center would be primarily low-paying, service-type jobs. Many of the jobs would be temporary.

D. Tourism, Marketing, & Trade

6. The budget for marketing the convention center would be insufficient to promote adequately and to secure additional convention business for the Portland Metropolitan Area.
7. There is no guarantee that conventions would come to Portland in sufficient numbers to support the convention center.

E. Other Revenue/Tax Issues

8. An annual subsidy would be required to meet the convention center's operating costs. If convention business fails to increase hotel and motel tax receipts sufficiently, subsidizing the convention center's operating costs would impose an increased burden on taxpayers.
9. The convention center would generate other infrastructure requirements not funded by this project. Additional problems created by the convention center would include increased congestion, traffic, parking and the need for additional police protection. Dealing with those problems would place an additional tax burden on citizens in the tri-county area.

F. Owner/Operator

10. METRO has not demonstrated that it is qualified to own and operate a convention facility.

V. DISCUSSION

Your Committee was impressed with the arguments presented in support of a regional convention center. The apparent lack of organized opposition to the funding measure speaks highly of the proposal. Even the individuals interviewed by your Committee who presented arguments which were less than supportive of this project were not against the concept of a convention center or the proposed funding package.

Because this measure will appear on the ballot throughout the Metropolitan Service District, it will be necessary for sponsors to generate voter support in suburban portions of the region as well as in the central Portland area where much of the direct economic benefits may be felt. Witnesses from both Clackamas and Washington counties expressed frustration about the perceived dominance of Portland over affairs in their areas. They stated that suburban voters are wary about supporting measures to finance projects in the Portland area. Witnesses agreed, however, that the central city is the logical location for the siting of a convention facility and indicated support for the project. A commitment for active support of the convention center proposal, however, was conditioned on gaining a commitment from Portland's civic and political leaders for a fair share of the spending on other major regional projects such as a new sports arena, domed stadium, or a major new highway connecting the Sunset Corridor with Interstate 5.

Witnesses, other than Washington and Clackamas county representatives, who expressed negative views were economists who questioned the validity of the economic benefits projected by METRO. These individuals stated that only in very rare circumstances does a public facility of the nature described by the CTS Committee show a substantial net economic benefit (where benefits exceed costs). Net economic benefits occur only in very large cities, such as San Francisco or New York, or where the economy is particularly robust. This is not particularly true for Portland.

One quantifiable argument against the convention center proposal is that its funding would come largely from an increase in property tax rates, which many taxpayers already regard as too high. Although any increase is a hardship for taxpayers on low incomes, the projected cost of this convention center will be relatively low for the majority of taxpayers. The major issue to be evaluated by voters, then, is whether the expected benefits of the convention center are justified sufficiently to warrant the increase in property taxes necessary to fund construction.

A. Direct Economic Impacts

Sponsors of the convention center funding measure list a wide range of economic benefits expected to result from the center's construction and operation. All the projected benefits are predicated on the assumption that Portland, with the ability to offer a first-class convention facility, would be able to attract an increased share of the mid-size convention market in the western United States.

Sponsors of the measure estimate that these figures are from the low end of projected usage levels, and that the total economic impact, estimat-

ed at 2-1/2 times direct dollars, is estimated conservatively. Some witnesses interviewed by your Committee expressed doubt about the region's ability to reach this level of gross economic impact because, in smaller metropolitan areas such as Portland, much of the convention dollar comes from within the state itself. This phenomenon alone would result in a transfer of money from one part of the region's economy to another and not in the additional economic benefit stated by measure sponsors. However, an independent marketing analysis performed by the GPCVA claims that a majority of this new money would come from sources outside of Oregon.

Another concern voiced was that the jobs created by this convention center would not result in a per capita increase in wages and employment to the region's residents. This is because many of the jobs generated by the convention center would be low wage, service industry positions which would not offset jobs lost in the state's manufacturing sector in recent years. This is particularly true for the 2,400 construction jobs METRO claims would be created during the construction period. These jobs would transfer employment from one part of the region to another. A related concern was the possibility that any new economic activity stemming from a convention center might result in an in-migration of job seekers to the area. Thus, the overall economic health of the region would be left unchanged.

Several witnesses before your Committee stated that the economic analysis performed by METRO is misleading because it does not consider the costs as well as the benefits of a convention center (net economic benefit). A net economic benefit may not be realized due to the labor-intensive nature of the convention industry. The demands of the convention center itself, such as the debt service on the general obligation bonds, and of its employees and their families on public infrastructure facilities, such as roads, sewers, parks, police, and schools, must be included as costs. Investment in capital-intensive or energy-intensive industry, on the other hand, would result in significant contributions to state and local tax bases, and due to fewer employees in such firms, less use of public facilities. Capital-intensive projects, therefore, were considered by these witnesses to be a better investment of public dollars.

A related concern expressed by some witnesses was that the Request for Proposals (RFP) used by METRO to select an outside economic consultant may have compromised an unbiased evaluation. Witnesses noted that the RFP specified the variables the consultant was to use in the study and included a preliminary estimate of the direct economic impact (\$45 million) that was to be used as a "given," subject to review and validation by the consultant. Providing positive economic estimates was perceived by one witness as potentially biasing the study's results.

Other uncertainties may affect the success of a Portland convention center. Such uncertainties include the impact of tax reform on convention travel, the impact of volatile air fares on travel, the effect of the long travel distance to Portland from many major population centers, the Pacific Northwest's reputation for cool and rainy weather, and the fact that a number of other cities on the west coast are either planning or building new convention facilities at this time.

To summarize, witnesses gave conflicting economic and marketing forecasts. Your Committee has not been able to determine the validity of

these projections. Your Committee found no way to predict whether the convention center would reach the use levels projected by the sponsors, and whether the projected economic benefits would be realized. The proposal brings other benefits, however, which may be more important.

B. Indirect Economic & Non-economic Benefits

There are a number of hard-to-quantify indirect benefits, both economic and non-economic, which would result from the convention center. Several are discussed briefly below:

- Increased National Exposure. The convention center would present a number of opportunities for Portland to gain greater national exposure. The increase in the hotel and motel tax, dedicated in part to funding an expanded marketing program for convention business and tourism, should result in increased awareness of the City by convention planners, convention delegates and the general public at large. Conventions would bring many new visitors to Portland who otherwise might not visit the City. Increased air travel by those attending conventions in Portland is expected to bring improvements in the frequency and schedules of airlines serving the City, a benefit not only to convention visitors but to all travelers in and out of Portland.
- Tourism Opportunities. The convention center would attract tourists. It is estimated by sponsors of the measure that at least 7% of those attending conventions in Portland would add to their stay with travel to Mt. Hood, the Oregon Coast or other recreational destinations in the state, either before or after each convention. Such travel should be a welcome boost to the tourist industry in many areas of the state. In addition, it is hoped that people who come to Portland for the first time for a convention would be favorably impressed and would return to the area to vacation in subsequent years.
- New Business Opportunities. Corporate decisionmakers from across the country would attend conventions in Portland, resulting in increased awareness of the Portland area as a location for business development and construction of new facilities. Measure supporters cite the case of a major Japanese electronics company which selected Washington County as the site for a major new manufacturing facility. A significant factor in the decision reportedly was the favorable impression of the city by a top company official who visited Portland to attend an international volleyball exhibition.
- International Trade. Located in the Pacific Rim trading area, a major convention facility in Portland could serve as a draw for gatherings involving U.S.-Asian trade partners, thus opening another avenue of trade and tourism between Portland and the Far East.
- Civic Pride. Although it is impossible to place a value on increased civic pride, nearly all witnesses mentioned the fact that a first-class convention center would be an additional step in fostering the perception of Portland as a "major league" city.
- Benefits Resulting From The Holladay/Union Site. Witnesses before the Committee generally agreed that any of the four sites

considered by the CTS Committee would have been adequate to house a marketable convention center for the City, and that the siting issue was of less importance than the general need to build a facility. Nevertheless, your Committee believes that selection of the Holladay/Union site presents some very important additional benefits that add to the overall attractiveness of the proposal.

Construction of the center along N.E. Union Avenue would revitalize a blighted neighborhood, provide jobs in an area of the city where they are needed, and provide an important source of support for the light rail system that borders the site. Most importantly, by selecting a site on the Willamette River's east bank, the center planners have taken a significant step to bridge a perceived east-side/west-side division that is disruptive to development of a vital central city area. The site selected is complementary to the developing Central City Plan and is seen by some as the cornerstone of a major redevelopment of the Near East Side, ultimately creating a high density corridor south of the Lloyd Center convention center area along Union and Grand Avenues to the Hawthorne Bridge.

C. Funding Package

Although the \$65 million general obligation bond issue which voters will be asked to approve in November represents a majority of the \$83.7 million budget needed for construction of the convention center, there are other important pieces to the funding package. While sponsors of the Measure state that the bonds for the convention center would not be sold until the balance of the funding is assured, they would not speculate on whether other funding sources would be sought if they are unable to obtain the anticipated funding package, or if they would proceed with a smaller convention center should the bond measure pass but they are unable to secure the balance of the funds required to build a mid-sized convention center. While not directly tied to this measure, your Committee believes it is important that voters be aware of the other elements of the convention center funding plan and how they relate to the bond issue vote.

A grant of \$15 million will be sought from the 1987 Oregon Legislature if the bond measure passes in November. With the many interests vying for state funding, gaining approval of this amount is not assured; yet without it, the Convention Center proposal would not be viable. Several witnesses told your Committee, however, that a "yes" vote by tri-county voters probably would create enough momentum to carry the proposal successfully through the legislative process. Governor Vic Atiyeh has agreed to include a request for \$15 million for the convention center in the transitional budget he will prepare for his successor.

Additional funding is anticipated from a local improvement district (LID) yet to be formed by the City of Portland and from tax increment fund revenues should the site be declared an urban renewal district. Property owners closer to the site of the proposed convention center may be asked to pay a higher portion of the costs of the LID, according to measure sponsors.

Operation of the center is expected to result in an annual operating deficit of \$750,000. Because market competition dictates that space be rented at a loss, one witness told the Committee that greater than expected

success in attracting users to the center would create a larger than expected deficit as well. (In spite of this direct operating deficit, other spending by conventioners is projected to create an overall benefit to the region's economy). An increase in the Multnomah County hotel and motel tax already has gone into effect to cover the operating deficit of the center.

D. Selection of Management Agency

Your Committee is aware that the selection of METRO as the owner/operator of the proposed convention center is not without its problems. In a March 21, 1986 report, the City Club stated that while METRO has done a credible job of operating the Washington Park Zoo and managing solid waste, it is "not fulfilling its promise as a regional government agency". Specific failures mentioned in the report include: lack of citizen identification with METRO, and the perception that METRO is just another layer of government, has an insufficient revenue base, and is tainted by past failures such as Johnson Creek flood control and siting a landfill. In addition, the report states that a lack of real leadership and its governing structure contribute to METRO's problems. The report did support a strengthened Metro, however, until a more effective form of regional government can be established. (4)

Once the CTS Committee decided that the convention center should be funded on a regional level, however, only two region-wide government bodies existed with the authority to issue the bonds and operate the convention facility: METRO and the Port of Portland. The CTS Committee selected METRO on the basis that it was better suited to provide this type of regional service and that individuals comprising its governing body are elected. (Day-to-day operation of the facility is expected to be carried out by an operating commission, created by METRO along the lines of the current Portland Exposition-Recreation Commission.) Because Port commissioners are appointed by the governor and the Committee believes citizen accountability is better achieved through an elected body, your Committee supports this approach. The track record of the Exposition-Recreation Commission proves that such an arrangement can be successful.

VI. CONCLUSION

Your Committee believes that a convention center would be a worthwhile addition to the Portland Metropolitan Area, despite the reservations about the direct economic benefits resulting from construction of the convention center and unanswered questions about the distribution of those benefits. The increased national exposure and a boost to the State's tourist industry make this project worthy of support from citizens in the Tri-County Area. Because of the proposed changes in the tax laws and the commitment of other cities to expand or develop convention facilities, your Committee believes it is important to build a convention facility now. Although it is difficult to quantify economic benefits reliably, it seems clear that a convention center would bring new visitors to the region, that those visitors would represent new opportunities for development of tourism and other industries in the State, and that direct spending by delegates would result in some increase in the level of regional economic activity.

For the average Tri-County Area resident, direct economic benefits from the convention center may be quite small and difficult to identify. However, the associated cost in additional property tax also is small, and the various indirect benefits to the region tip the scale in favor of the convention center proposal.

VII. RECOMMENDATION

Your Committee recommends a "yes" vote on Measure 26-19 on the November 4, 1986 general election ballot.

Respectfully submitted,

Rochelle Cashdan
Paul Dagle
John Clinton Geil
Tom Gillpatrick
Melinda Harris
Linda Hedge
Brad Higbee
Ross Simmons
Helen A. Goodwin, Chair

Approved by the Research Board* September 9, 1986 for transmittal to the Board of Governors. Received by the Board of Governors on September 15, 1986 and ordered published and distributed to the membership for discussion and action on October 3, 1986.

* Research Board members Frank Langfitt, whose firm represents Melvin Simon & Associates; A. McKay Rich, Associate Director, Washington Park Zoo (which is managed by METRO); and Lyndon Wilson, who is Metro's Convention Center Project Director, abstained from deliberating and voting on this report.

REFERENCES*

(1) Until November 4, 1986, receipts from the hotel and motel tax special fund will be divided between the GPCVA (1/3) and METRO (1/3). After November 4, all receipts from the hotel and motel tax will go directly to METRO to support the convention center project.

(2) Business Journal, July 21, 1986

(3) All figures cited are for the year 1994, expected to be the first year of full utilization of the center. Because most convention sponsors book dates several years in advance, it is estimated that the full market potential of the center could not be reached until 1994, its fifth year of operation. All figures are expressed in constant 1984 dollars.

(4) "Report on Regional Government in the Portland Metropolitan Area," City Club of Portland Bulletin, March 13, 1986.

* A complete bibliography is on file at the City Club office.

Appendix

PERSONS INTERVIEWED

Lloyd Anderson, Executive Director, Port of Portland; Member, Committee on Regional Convention, Trade and Spectator Facilities; Chairman, Committee for Economic Opportunity (Citizens Committee in Support of the Bond Measure)

David J. Bennett, Attorney; Vice President, I-5 Corridor Association

Len Bergstein, President, Northwest Strategies, Inc.

Kandis Brewer, Vice President, Pihas, Schmidt, Westerdahl

Robert G. Cameron, Executive Vice President, Lloyd Corporation, Ltd.

Jane Cease, State Senator, District 10; Member, Irvington Neighborhood Assn.

John Christison, General Manager, Exposition - Recreation Commission

J.E. "Bud" Clark, mayor, City of Portland; Member, Committee on Regional Convention, Trade and Spectator Facilities

Sonny Conder, Economist, City of Portland

R. Louis Elliott, Broker, Elliott Associates, Inc.

Myron B. Katz, Assistant to the Administrator & Senior Economist, Bonneville Power Administration (Retired)

Christopher M. Kopca, Project Manager, Portland Development Commission

Robin Lindquist, Executive Vice President, Portland Association of Building Owners and Managers

Rebecca Marshall, Vice President, Government Finance Associates

Neil McFarlane, Public Facilities Analyst, METRO

Steven C. Morris, Executive Director, Greater Portland Convention and Visitors Association

Paul Phillips, President, Tualatin Valley Economic Development Corporation; State Representative District 9

Sam Philip, General Manager, Multnomah County Exposition Center

Robert Ridgeley, Chariman, Committee on Regional Convention, Trade and Spectator Facilities; President and Chief Executive Officer, Northwest Natural Gas Co.

Harvey Rogers, Partner and Chair, Municipal Bond Department, Lindsay, Hart, Neil & Weigler

George "Bing" Sheldon, A.I.A.; President, SERA Architects

Harriet Sherbourne, Vice President, Cornerstone Columbia Development Company

Steven Siegel, Administrator, Intergovernmental Resource Center, METRO

Don Stasney, Architect; Chairman, Central City Plan Citizens Steering Committee; Founder/Director, Oregon School of Design

Chris Tobkin, Executive Assistant to Mayor J. E. "Bud" Clark

Tom Vanderzanden, Director, Planning and Economic Development, Clackamas County Department of Transportation and Development

Lyndon A. S. "Tuck" Wilson, Jr., Convention Center Project Director, METRO

Ed Whitelaw, Professor of Economics, University of Oregon; President, ECO Northwest