



METRO COUNCIL PRESIDENT TOM HUGHES

February 24, 2015

The Honorable Mark Hass, Chair  
Senate Committee on Finance and Revenue  
900 Court St. NE  
Salem, OR 97301

Dear Chair Hass:

Thank you for holding a public hearing on SB 64. I appreciate the opportunity to discuss with you and the members of Senate Committee on Finance and Revenue the contents of the bill, which relate strictly to clarifying existing statutory intent regarding Metro's authority under its home-rule charter.

That said, I'd like to take the opportunity to clear up any confusion the testimony provided by John DiLorenzo may have caused.

First and foremost, SB 64 does not change existing law - it merely cleans up awkward word placement in the current statute that has been the basis for serial lawsuits by opponents of the Oregon Convention Center hotel whose goal is to prevent the project from moving forward. The legal arguments that Mr. DiLorenzo presented to the committee have been thoroughly rejected by both the Clackamas and Multnomah County Circuit Courts, each of which independently concluded that ORS 268.310 (which SB 64 will amend) contains no language indicating any intent by the Legislature to preempt Metro's ability to act as allowed by its voter-approved Charter and Code. The text, context and legislative history of ORS 268.310 all demonstrate that the Legislature intended for Metro's home-rule charter to supersede the language in statute, and SB 64 ensures that no more public resources will be wasted on the matter.

Mr. DiLorenzo also raised a host of old issues and questions related to specifics of the Oregon Convention Center hotel project that have long since been resolved in the public record. Even though the details of the convention hotel project are not directly relevant to SB 64, I thought it would be prudent to set the record straight.

**1. The Oregon Convention Center hotel project enjoys a broad base of support across the state.**

Attached is a list of nearly 60 state and local businesses, trade and labor associations, tourism organizations and convention organizers that have officially expressed support for the convention hotel project. Jeff Kohnstamm, general manager of Timberline Lodge, testified at a public hearing on

the project in fall 2013 that his business receives a visible boost when a major convention visits Portland, showing the broad impact of conventions on our state economy.

The proposed convention center hotel project, which will attract 5-10 more of these groups per year, has been carefully vetted. Four appointed and elected governing bodies, including the 2013 Oregon Legislature, reviewed and evaluated the risks and benefits associated with the hotel project, resulting in near unanimous votes of approval. While I cannot verify the authenticity or results of political polling mentioned by Mr. DiLorenzo (as no such poll has been publicly released), I can attest to the fact that hundreds of individuals expressed support in community town halls and public hearings, along with written and oral testimony (again, please see the attached list of organizations).

## **2. The opportunity to utilize transient lodging tax revenues as a potential funding source was stated publicly by Metro from the onset.**

In May 2012, Metro issued a Request for Proposals (RFP) and asked respondents to propose a mix of private and public financing to develop a privately-owned and operated convention center hotel that met a list of required conditions. The RFP specifically listed the “rebating” of site-specific hotel transient lodging taxes for a period of years as a potential funding source available to developers.

That fall, Metro brought together a selection committee comprised of individuals from the travel and hospitality industry, including Mr. DiLorenzo’s client. In September, the committee unanimously announced the selection of the proposal submitted by Mortenson Development and Hyatt Hotel Corporation which proposed the reinvestment of transient lodging tax revenues over a 30-year period, anticipated at that time to total \$111 million. *The Oregonian* reported this fact in [several news articles](#).

The Mortenson/Hyatt team proposed monetizing the long-term value of the lodging tax into a revenue bond. The \$60 million revenue bond proposal is a method of financing the 30-year transient lodging tax stream of revenue – it does not represent a new subsidy, but is the current-day monetization of the same 30-year, \$111 million transient lodging tax figure that was proposed in July 2012.

## **3. The specific convention center hotel standards are guaranteed through the negotiated Development and Finance Agreement.**

The Room Block Agreement negotiated in summer 2014 with Hyatt Hotels contains standard terms, reasonable in the convention center hotel industry. In addition, a deed restriction recorded on the hotel property will guarantee that the site will operate as an upper-upscale, full service hotel in perpetuity. Although the room block provisions of the Agreement will be subordinate to first mortgages on the property, the hotel standards required under the Agreement will survive even in the highly unlikely event of a foreclosure. We have no record of a Hyatt-owned hotel entering into foreclosure, ever. And in the unlikely case that the room block goes away, the hotel’s location, size, and high quality essentially demands that it work closely with the neighboring Oregon Convention Center to fill its rooms.

Mr. DiLorenzo noted three examples of “Hyatt facilities” that went into foreclosure. In all of these cases, property management firms owned facilities that contracted with Hyatt to operate them. In each case, however, closer inspection reveals all three firms were overleveraged and could not withstand the recent recession. For example, in Cleveland, the hotel was an integral part of an aging

downtown arcade mall that could not sustain a broad array of retail shops. In fact, almost no retail in downtown Cleveland survived. In Chesapeake, rather than being located in the heart of the city, the hotel was a part of a coastal golf resort that could not attract enough condo buyers. In each case, the Hyatt hotel continued successful operation.

Unlike these out of the ordinary examples, the convention center hotel will be owned and operated by Hyatt, and anchored to the convention center.

#### **4. The Oregon Convention Center generates significant economic activity**

Contrary to Mr. DiLorenzo's testimony, the Oregon Convention Center has attracted a substantial amount of state and local tourism. In the 25 years since it opened its doors, the OCC has generated more than \$5 billion in direct economic activity.

Portland's hotel market over the past decade has been, and continues to be, robust and resilient. Our system of using hotel taxes to reinvest in tourism promotion and facilities has allowed the region to attract and maintain convention business and help sustain the hotel industry through good and bad times. The investment in the convention center hotel is the next in a long line of these successes.

Senate Bill 64 gives effect to Metro's voter-approved charter by clarifying that Metro in fact has the authority to act in accordance with its charter. Again, thank you for your leadership on this legislation.

Sincerely,

A handwritten signature in cursive script that reads "Tom Hughes".

Tom Hughes  
Metro Council President

**List of Convention Center Hotel Project Supporters  
February 23, 2015**

- Travel Portland
- Travel Oregon
- Portland Business Alliance
- Portland Trail Blazers and Moda Center
- Hispanic Metropolitan Chamber of Commerce
- African American Chamber of Commerce
- Oregon League of Minority Voters
- Oregon Winegrowers Association
- Go Lloyd (formerly Lloyd District TMA)
- Lloyd EcoDistrict
- Lloyd Executive Partnership
- Lloyd Business Improvement District
- American Assets Trust
- Lloyd Center Mall
- NW Natural
- Pacific Power
- Liberty Mutual
- Langley Investment Properties
- The Ashforth Company
- Bonneville Power Administration
- CBRE
- Norris Beggs & Simpson
- Downtown Development Group
- Left Bank Project
- Port of Portland
- Alaska Air
- Hotel Eastlund
- DoubleTree by Hilton Hotel
- Jones Lang LaSalle Hotels
- Pollin Hotels
- Sheraton Hotels
- Timberline Lodge
- Escape Lodging
- Resort at the Mountain
- Waterleaf Architecture
- Emergency Nurses Association
- TESOL International Association
- The United Methodist Church
- Evangelical Lutheran Church in America
- Unitarian Universalist Association of Congregations
- Society of Environmental Toxicology and Chemistry
- Conference Managers Inc.
- Crowne Plaza Hotel
- America's Hub World Travel
- Lincoln Restaurant
- Mother's Bistro
- J Cafe
- AFL-CIO
- Oregon State Building and Construction Trades
- Columbia Pacific Building Trades
- UNITE HERE
- Northwest National Construction Alliance
- Sheet Metal Contractors Association
- Sheet Metal Workers Local 16
- Plumbing and Mechanical Contractors Association
- UA 290 Plumbers and Steamfitters
- Oregon State Association of Electrical Workers (IBEW)
- Holst Architects
- Technical Association of the Pulp and Paper Industry
- American Pharmacists' Association
- American Phytopathological Society
- American Society of Brewing Chemists
- Master Brewers Association of the Americas
- Controlled Release Society
- International Society for Molecular Plant Microbe Interactions
- Worldwide Distributors