

**Testimony of Randy Tucker, Legislative Affairs Manager
In Opposition to House Bill 4146 (as introduced)
House Committee on Revenue
February 8, 2016**



As you know, Metro is the elected regional government of the Portland metropolitan area. In addition to our other responsibilities, we own and operate several large visitor venues: the Oregon Zoo, the Expo Center, and – most important for today’s conversation – the Oregon Convention Center.

The Metro Council supports the effort to identify funding to support the 2021 World Track event. In fact, we are proud to be hosting the 2016 Indoor World Track Championships at the Oregon Convention Center next month.

We also support using revenues from the state transient lodging tax (TLT) – 40% of which are generated in the Portland metropolitan region – to fund a portion of the 2021 event.

However, the Metro Council does not support permanently doubling the TLT, from 1 percent to 2 percent, as proposed in this bill.

We believe permanently doubling the current TLT rate and devoting the new resources primarily to state leisure tourism marketing will harm the state's ability to continue attracting lucrative convention groups.

In the Portland area, we already have the highest total transient lodging tax in the state. We spend these dollars carefully based on a highly articulated set of agreements between local jurisdictions. Among other things, these are the funds that support capital investments in key tourism-related facilities.

This measure would raise our total tax by another 1 percentage point and make Portland less competitive compared to cities we compete against to attract conventions. In addition, the new revenues would not be spent on our region’s two specific needs: attracting conventions and improving visitor facilities.

Group Business

Tourism generates millions of dollars for the state by supporting jobs and generating income tax revenue. One of the most important components of Oregon’s tourism industry is group business – bringing in large out-of-state convention groups.

Metro manages the Oregon Convention Center and we work closely with Travel Portland to land between 30 and 40 large groups every year. The benefits to the state and local governments of this group business are many:

- Conventioneers spend more money per capita, per day, than leisure travelers: \$333/day vs. about \$150/day.
- OCC has spurred \$5 billion in economic activity/spending since 1990.
- This represents an average of about \$200 million/year.
- In recent years, not surprisingly, that number has been higher: In 2015 alone, convention business generated \$538 million in direct and indirect spending just in the three-county Portland region.
- This translated to \$7.75 million in state income, lodging and corporate taxes, and another \$16 million in tax revenues for local jurisdictions.

Another reason conventions are important is that most of these groups come in the rainy "shoulder" season (October, November, February and March). These months are when our hotels and restaurants particularly need business. By contrast, in the summertime, our hotels are generally full.

Moreover, just as Rep. Nathanson said last week of the 2021 track and field event, conventions held in Portland have tremendous spillover benefits as attendees add time before or after their meetings to explore the many wonders Oregon has to offer – the coast, the Gorge, the wine country, Central and Eastern and Southern Oregon, etc.

In order to attract all of these convention groups, Metro, the City of Portland, Multnomah County, and Travel Portland need high-quality facilities and resources.

We use local transient lodging tax revenue to write down the cost of group business. Every convention group that receives TLT support to bring their group here must meet a return on investment standard of at least \$25 in local spending for every dollar of subsidy; in high season, that requirement jumps to \$40 per dollar of subsidy.

What our region needs to sustain and grow group business is more funding to ensure we have state-of-the-art facilities and resources to attract group business.

This is not what Travel Oregon spends its resources on. In fact, in our conversations with Travel Oregon, they have been very clear that their focus is on the individual traveler and that they are not in the business of supporting or attracting group travel.

From our perspective, doubling Travel Oregon's budget will not move the needle on group business, the most important tool for attracting tourists in the less busy rainy months when we need the business most. But it will make it more difficult for our region to make the investments necessary to support group business, the most lucrative segment of tourism in Oregon on a per-visitor basis.

Headroom

If the state raises the TLT by 1%, that leaves no room for the Portland region to raise its own tax to fund these priorities without further harming our competitive position in the national convention market. And because this bill directs the state TLT revenues to Travel Oregon for marketing purposes, that means our region will be unable to raise new resources for tourism facilities or to attract convention groups.

On the facilities side, we are talking about the kinds of capital investments that require bonding, hence a funding stream that is large enough, and reliable enough, to provide confidence to the bond market.

As you probably recall, the Legislature recently contributed \$10 million to complete the financing plan for the construction of a headquarters hotel for the Oregon Convention Center. Just last month, Metro settled all of the outstanding lawsuits that were keeping us from moving forward on the hotel project. We now have a clear path to build a facility that will provide significant economic benefits for our region and our state.

It would be unfortunate if, after all that, we took an action that undermined our ability to make the most of that facility and the Convention Center itself over the long run.

Alternative Proposals

As I stated at the outset, but it bears repeating, the Metro Council fully supports funding for the 2021 World Track event.

Along with several partners from our region, we have suggested amendments that offer two paths for raising the funding required for that event without having an adverse affect on the Portland region's efforts to continue bringing groups to Oregon.

1. **Limit the increase in the state lodging tax to 0.5% and sunset it after four years.** This raises \$21.7 million, enough to cover the estimated \$20 million cost of the track event, and allows us time to discuss potential long-term changes that can be beneficial to all parties.
2. **Limit the increase to 0.5%, make it permanent, and use 15% of the overall revenues for a competitive grant program to support investments in tourism-related events and facilities, including sporting events.** This is in addition to the 15% distributed to the regional destination marketing organizations (DMOs). For the first few years this grant program could provide the funding stream that supports the track and field event.

This second proposal leaves all parties better off than they are today:

- It funds the track event
- Travel Oregon has an increased budget on day one
- The regional DMOs see an increased budget that is also more reliable
- The grant program, which can be thought of as “Connect Oregon for Tourism,” provides a resource with which communities around the state can take advantage of opportunities to attract significant tourist spending
- Most importantly, our region retains headroom that will allow us to increase our tax by up to 0.5% to address our tourism-related facilities needs, at the appropriate time, without damaging our competitive position with respect to other convention markets
- There is no sunset, hence no need to revisit the system in a set period of time

While the Metro Council cannot support HB 4146 as introduced, the Council urges you to amend the bill with either of these proposals, either of which will receive our strong support.

Thank you for the opportunity to testify today.