DATE: September 12, 2012
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 12-30
Approving the Selection of the Mortenson/Hyatt Development Team and Authorizing Negotiations with Mortenson/Hyatt on Potential Disposition of Real Property in the Oregon Convention Center Urban Renewal Area for Construction of a Convention Center Hotel

BOARD ACTION REQUESTED
Adopt Resolution No. 6964

ACTION DESCRIPTION
Adoption of this Resolution will approve the selection of the Mortenson Development and Hyatt Hotels (Mortenson/Hyatt) team for the development of a Convention Center Hotel (CCH) in the Oregon Convention Center Urban Renewal Area (OCCURA) and authorize staff to enter into direct negotiations with the Mortenson/Hyatt team for a Disposition and Development Agreement (DDA) or other appropriate documentation for development of the CCH.

On April 30, 2012, the PDC Board endorsed Metro’s Request for Proposals (RFP) process for CCH. Metro issued the RFP on May 11, 2012, and by the July 22, 2012, deadline, had received two responses from teams led by (1) Garfield Traub Development, LLC, Langley Investment Properties, and Starwood Hotels (Garfield Traub/Langley/Starwood), and (2) Mortenson/Hyatt. An Evaluation Committee appointed by Metro reviewed the proposals. The Evaluation Committee recommended entering into negotiations with the Mortenson/Hyatt development team.

This action further supports and advances the partnership between Metro, Multnomah County, the City of Portland, and PDC to establish a CCH. Metro is the lead agency for the effort and Metro staff will be present at the meeting to answer any questions. In addition, the Metro Council is scheduled to take action on the Evaluation Committee recommendation on September 13, 2012. This action only approves the selection of Mortenson/Hyatt and authorizes negotiations with Mortenson/Hyatt on a potential DDA. Any resulting DDA will be subject to future Board approval.

BACKGROUND AND CONTEXT
Goal 1 of the OCCURA Plan is to “recruit at least one headquarters hotel in the immediate vicinity of the OCC to capitalize on the convention center’s capacity.”

In support of this goal, PDC has acquired properties directly across the street from the OCC for the purposes of developing a headquarters hotel. Specifically, PDC is the owner of Block 26 and the southern half of Block 43 (PDC Block 26/43 Property) and the 13,500 square foot parcel located at the
northwest corner of NE Holladay Street and NE Martin Luther King, Jr. Boulevard (PDC Block 47 Property).

Prior efforts to develop a headquarters hotel (HQ Hotel) between 2004 and 2012 included significant efforts by PDC staff and several Board actions (Attachment B). Although the programmatic requirements of a HQ Hotel varied during that effort, a HQ Hotel development was generally anticipated to be directly adjacent to the OCC and to require: (1) a minimum of a 600-room, three-and-a-half star hotel; (2) approximately 53,000 SF of meeting/ballroom and retail space; (3) upscale restaurant; (4) approximately 120 parking spaces; and (5) minimum 500-room block agreement.

In September 2004, PDC issued a Request for Proposals (RFP) seeking a developer for a HQ Hotel. In October 2005, after completion of the RFP process, the Board authorized exclusive negotiations with Garfield Traub Ashforth-Pacific (GTA) (Resolution No.6305).

The project’s due diligence phase revealed that a privately-owned model for the HQ Hotel would not be feasible. Therefore, in October 2006, the Board directed staff to work with partners Metro, MERC, Multnomah County, and the City of Portland’s Office of Management and Finance to study a publicly-owned hotel.

In 2007, project leadership transitioned to Metro, which owns the OCC and whose subsidiary, MERC, operates the OCC, since this owner/operator relationship would likely apply as well to a publicly-owned HQ Hotel. In late 2009, the effort was put on hold due to economic conditions, the local hotel market, opposition to public hotel ownership, and lack of political consensus on the amount and type of public investment.

In May 2010, PDC entered into a non-binding Memorandum of Understanding (MOU) with StarTerra LLC, Hill/Redwood Development Corporation, Hyatt Hotels Corporation, and Intercommunity Mercy Housing to evaluate a mixed-use development concept on Blocks 47 and 49 directly north of the OCC (including the PDC-owned Block 47 parcel) to include a privately-owned headquarters hotel. The StarTerra team examined a 600-room, $177 million privately-owned hotel that StarTerra determined was not privately financeable. StarTerra submitted a proposal for a publicly-financed hotel that was determined by PDC to be unfeasible. The MOU expired November 8, 2010.

In 2011, PDC staff initiated a development solicitation process for the Inn at the Convention Center, which is located on the northern half of Block 43. Since that process is under way, this property has been excluded from consideration as part of the CCH solicitation process at this time.

In January 2012, Metro announced plans to lead a new effort to solicit proposals for a privately-owned CCH with associated 500-room block agreement adjacent to the OCC. In addition to Metro, this effort includes Multnomah County, the City of Portland, and PDC (CCH Partners). Metro has identified properties adjacent to the OCC as candidate sites for the CCH, including four publicly-owned properties and additional privately-owned properties. Metro believes now is an appropriate time to take a fresh look at developing a CCH because key circumstances have changed, including a significant improvement in general economic and hotel-specific industry metrics, and a decline in construction and financing costs. This combination of forces improves the feasibility of a CCH.

In support of Metro’s RFP efforts, on April 2, 2010, PDC entered into a non-binding MOU with StarTerra LLC permitting StarTerra to incorporate the 0.31 acre PDC Block 47 Property with the 2.6 acres of adjacent properties either owned or controlled by StarTerra for the purposes of responding to the Metro RFP, and expressing PDC’s intent to enter into direct negotiations with StarTerra for the disposition of the PDC Block 47 Property should StarTerra be the selected developer.
The CCH Partners agreed to a Statement of Principles dated April 13, 2012, pledging support to proceed with a developer selection process to determine the feasibility of a privately-owned CCH (Attachment C).

On April 30, 2012, the PDC Board endorsed Metro’s RFP process. Metro issued the RFP on May 11, 2012 and received two responses by the July 22, 2012 deadline, one from a team led by Mortenson/Hyatt, and one from a team led by Garfield Traub/Langley/Starwood.

The Mortenson/Hyatt team proposed a total of four development concepts as follows:

1. A 416-key Hyatt Regency and 181-key Hyatt Place on the StarTerra-controlled property located north of the OCC, including the PDC Block 47 Property (identified as Site 1 in Exhibit A);
2. A 600-key Hyatt Regency on the StarTerra-controlled property located north of the OCC, potentially including the PDC Block 47 Property (identified as Site 1 on Exhibit A);
3. A 421-key Hyatt Regency and 181-key Hyatt Place located on the PDC Block 26/43 Property (identified as Site 3 on Exhibit A); and
4. A 600-key Hyatt Regency located on the PDC Block 26/43 Property (identified as Site 3 on Exhibit A).

The Garfield Traub/Langley/Starwood team proposed a 587-key hotel operated by Starwood as a Sheraton located on the Plaza on the northeast corner of the OCC site which is owned by Metro/MERC (identified as Site 2 on Exhibit A).

An Evaluation Committee appointed by Metro and consisting of visitor industry stakeholders and representatives from Metro, PDC, Multnomah County, and the City of Portland evaluated the two proposals and recommended that Metro move forward with negotiations with the Mortenson/Hyatt development team.

COMMUNITY AND PUBLIC BENEFIT

The development of a major hotel in the vicinity of the OCC has been a long-term goal of the City, the OCC Urban Renewal Plan, and stakeholders including the Lloyd Executive Partnership (LEP) and the Lloyd District Community Association (LDCA). According to studies completed by industry experts for PDC and Metro in 2005-07, the addition of a CCH will likely attract, at a minimum, eight additional national conventions per year to Portland, which will generate $54.4 million tourism dollars and 820 living wage jobs.

Development of a CCH will remove blight, improve the quality of the built environment, and capitalize on the public investment in the Portland Eastside Streetcar, which is located immediately adjacent to the PDC Property.

The selected developer will be required to pursue public and social equity goals depending upon the level of public investment. After adoption of this Resolution, PDC will enter into negotiations with the Mortensen/Hyatt team on a DDA.

To the extent the negotiations lead to the development of the hotel on the PDC Block 47 Property or the PDC Block 26/43 Property, disposing of PDC-owned property will also reduce PDC’s ongoing ownership and maintenance costs.
PUBLIC PARTICIPATION AND FEEDBACK

With regard to this action, Metro established an Evaluation Committee to evaluate the proposals consisting of the following public and private members:

- Mark Campbell, Chief Financial Officer, Multnomah County
- Teri Dresler, General Manager for Visitor Venues, Metro
- Ed Dundon, President and Designated Broker, The Dundon Company
- Roy Jay, President and Chief Executive, Roy Jay Enterprises
- Brian McCartin, Executive Vice President, Convention and Tourism Sales, Travel Portland
- Bill Mosher, Senior Managing Director, Trammell Crow Company
- Peter Parisot, Economic Development Director, City of Portland
- Wanda Rosenbarger, General Manager, Glimcher Realty Trust
- Steven Shain, Central City Manager, Portland Development Commission
- Bashar Wali, President, Provenance Hotels

In the past, project stakeholders including the OCCURAC, the Lloyd Executive Partnership (LEP), and the Lloyd District Community Association (LDCA) have been supportive of developing a CCH. The OCCURAC will have opportunities to provide feedback as the project progresses.

The effort to develop a major convention hotel adjacent to the OCC has been controversial due to the high costs of the project, lack of a complete private financing package, the 2007-09 evaluation of proposed public ownership of a hotel, public financing and/or public subsidy of a hotel relative to private-sector hotels that do not receive similar public financing, potential for a HQ Hotel to undercut room rates especially when conventions are not occurring, and lack of clarity on community benefits (i.e., increased national conventions and associated economic benefits) relative to costs. Public feedback will be solicited throughout this process.

BUDGET AND FINANCIAL INFORMATION

The FY 2012-13 PDC Approved Budget includes $4.0 million to support the development of a CCH (Attachment D).

This action will not authorize the expenditure of these funds or the disposition of the PDC-owned properties. The southern half of Block 43 was appraised with a market value of $1,920,000 in September 2011. Block 26 was purchased in 2001 for $2,350,000. The current market value of Block 26 and PDC Block 47 Property is not known as recent appraisals have not been conducted. An appraisal will be conducted prior to disposing of the PDC-owned property.

This action will result in increased workload for PDC staff. However, this has already been taken into account in establishing staff work plans to assist Metro with evaluating the proposals and negotiating potential financing terms, and will not require additional staff.

The sale of land and provision of PDC financing for the CCH, if any, will be subject to future Board approval.
RISK ASSESSMENT

This action creates a risk that, should the CCH not be financially feasible, project partners may request additional financial assistance from PDC. This risk has been mitigated by communicating to project partners that limited funds are available in the OCCURA and that those funds have been budgeted for other priority projects (Attachment E).

By authorizing the Executive Director to enter into direct negotiations with the selected developer, this action creates a potential perception risk that PDC will be bound to enter into a development agreement with the selected developer. This potential risk is mitigated by the following: (1) the Executive Director, in his/her discretion, may terminate negotiations with the selected developer; and (2) the sale of land and PDC financing terms will be subject to future Board approvals.

This action creates a public trust risk in that prior efforts to develop a headquarters hotel have been controversial and unsuccessful and that further efforts may be viewed as an inefficient use of public resources. Past unsuccessful efforts to develop a HQ Hotel have relied on public ownership and/or significant public financing of the hotel. In addition, economic conditions, the local hotel market and opposition to public hotel ownership have thwarted earlier efforts.

Actions taken to mitigate these risks include: (1) reducing the programmatic requirements of the hotel to reduce scope and costs; (2) increasing the number of eligible sites from one publicly-owned site to multiple publicly- and privately-owned sites; and (3) specifically limiting the solicitation process to privately-owned and operated hotels.

An additional reason for unsuccessful prior efforts was a lack of political consensus among the local government partners on the amount and type of public investment to be made in the CCH. While many circumstances have changed, there is a continuing risk of lack of political consensus on the amount and type of public investment, especially where agreement among more than one governmental agency is required. This risk has been partially mitigated by the CCH Partners agreeing to a Statement of Principles at the outset of the project pledging their support to proceed with a developer selection process to determine the feasibility of a privately-owned hotel (Attachment C).

There is a risk that hotel proposals will not be financially feasible. The Evaluation Committee has evaluated the proposals and recommended moving forward with negotiations with the Mortenson/Hyatt development team. The financial feasibility of the development proposal will be further evaluated by Metro, PDC, Multnomah County, and the City of Portland during the subsequent negotiation stage prior to bringing any future actions on the sale of PDC land or provision of PDC financing to the Board.

ALTERNATIVE ACTIONS

Alternatively, the Board can direct staff to engage Metro, Multnomah County, and the City to reconsider the other proposal to determine if a mutually acceptable selection is possible or to initiate a new RFP process.

ATTACHMENTS

A. Project Summary  
B. HQ Hotel Chronology  
C. Statement of Principles
D. URA Financial Summary
E. Letter from Patrick Quinton to Andy Shaw
**PROJECT SUMMARY**

**Project Name:** Convention Center Hotel – PDC Block 26/43 Property and PDC Block 47 Property

**Description:** Approve selection of and entering into negotiations with the Mortensen/Hyatt development team for a Disposition and Development Agreement (or other appropriate documentation) for the potential disposition of the PDC Block 26/43 Property and/or the PDC Block 47 Property, for the purposes of developing a Convention Center Hotel

**URA:** Oregon Convention Center (OCC)

**Current Phase:** Selection of Development Team

**Next Milestone:** Disposition and Development Agreement

**Completion Target:** December 2012

**Outcome:** Development of a Convention Center Hotel adjacent to the OCC

Note: Site 1 consists of the 0.3 acre PDC-owned Block 47 property and the 2.6 acres owned or controlled by StarTerra LLC.
PDC Board Resolution

September 2004
Request for Proposal (RFP) #04-09. The Commission issued an RFP to seek a development team to construct a Headquarters Hotel (HQ Hotel) adjacent to the Oregon Convention Center.

PDC Board Resolution # 6218, Report # 05-03

January 12, 2005
RFP #04-09. The Commission approved a revised evaluation process and schedule for the four qualified proposals received.

PDC Board Report # 05-55

June 8, 2005
Briefing: RFP #04-09. HQ Hotel development team evaluation process update.

PDC Board Resolution # 6264, Report # 05-70

June 22, 2005
RFP #04-09. Modifications to the HQ Hotel’s development team solicitation and selection process.

PDC Board Report # 05-100

September 14, 2005
Briefing: RFP #04-09. The Executive Director’s recommendation for Garfield Traub and Ashforth Pacific Inc. (GTA) as the HQ Hotel development team.

PDC Board Report # 05-108

October 12, 2005
Briefing: RFP #04-09. The Executive Director affirmed GTA’s proposal as the most responsive of the received proposals.

PDC Board Resolution # 6305, Report # 05-116

October 26, 2005
Request to initiate exclusive negotiations with GTA to acquire land and develop the HQ Hotel.

PDC Board Report # 06-52

May 24, 2006
Commission briefing on HQ Hotel project. Commission directs staff to investigate a public ownership model.
PDC Board Report # 06-112
October 25, 2006
Update briefing on HQ Hotel project. Commission directs staff to continue public ownership model.

PDC Board Resolution # 6461, Report # 07-33
March 14, 2007
Transition Leadership of the HQ Hotel Development from the Portland Development Commission to Metro

PDC Board Resolution # 6462, Report # 07-34
March 14, 2007
Approve OCC URA Plan 16th Amendment and forward to Planning Commission and City Council with recommendation to approve. 16th amendment adds authority for investment in a public building to the UR Plan. The 16th amendment was not adopted by City Council.

(Note: The project was put on hold in late 2009 due to ongoing concerns with development costs, financing, and feasibility.)

PDC Board Resolution # 6942, Report # 12-06
April 30, 2012
Endorsing Metro’s Request for Proposals Process for a Convention Center Hotel and Authorizing the Executive Director to Enter into Direct Negotiations with the Selected Developer for the Disposition of Block 26 and the Southern Half of Block 43 in the Oregon Convention Center Urban Renewal Area for Development of a Convention Center Hotel
OREGON CONVENTION CENTER HOTEL PROJECT
STATEMENT OF PRINCIPLES

Project background

The Oregon Convention Center was a significant public investment in the region and state’s economic future. Today, we know that OCC has produced billions of dollars in regional economic impact, generating millions in state and local tax revenues and creating and supporting thousands of jobs. Yet the absence of a privately owned and operated convention center hotel has prevented OCC from reaching its full economic potential to attract more, lucrative national conventions to Portland.

Since OCC opened in 1990 and was expanded in 2003, meeting planners have consistently rated the facility as one of the best convention centers in the country. OCC is widely recognized as a national leader in sustainable operations and excellent customer service. Combined with the region’s amenities, which range from fine dining, ski slopes, ocean beaches and wine vineyards, Portland is considered a top destination among our competition for national conventions.

However, meeting planners also say OCC’s and Portland’s desirability cannot overcome the lack of an immediately adjacent block of at least 500 hotel rooms reserved specifically for larger conventions. As a result, OCC, the community and the men and women who work in the region’s hospitality industry lose lucrative national convention opportunities. In 2011 alone, Portland lost 30 conventions to other similarly sized cities and convention centers.¹

National meetings and conventions deliver the greatest return on investment for OCC and the region when compared to local trade shows and events. Studies reveal visitors attending national conventions spend an average of $330 per day, while individuals attending local events spend $31 per day.² Large conventions attract attendees who help fill up beds in many Portland hotels of all sizes.

The Portland Development Commission, along with its metropolitan partners, has pursued a headquarters hotel near OCC for a number of years. Economic conditions, the local hotel market and opposition to public hotel ownership thwarted previous attempts.

Since 2011, indicators suggest local and national hotel markets have rebounded from the 2008 economic recession. So have financial markets, even as interest rates remain at historic lows. Slow job growth has kept construction costs relatively low. This is an ideal time to take a fresh look at a convention center hotel that is privately owned and operated and capable of reserving a room block of at least 500 rooms, with associated amenities.

Because Metro owns and operates OCC and is responsible for achieving the facility’s fullest economic potential, and as stewards of the public dollars invested to date, it should act as the lead for this fresh look, with support and involvement by the City of Portland, Multnomah County and PDC.

¹ 2011 Travel Portland Lost Business Report
² 2011 Fiscal & economic impact Analysis, crossroads consulting
Project goals and process

Metro, the City of Portland, PDC and Multnomah County are interested in pursuing private sector development of a hotel that will assist in marketing the OCC for national conventions to ensure that the facility’s long-term financial success and regional economic impact are achieved. The hotel will be large enough to commit at a minimum, a 500 room block and shall also have amenities to support national conventions attending OCC (such as meeting rooms, ballrooms, restaurants, etc.). The hotel will be “flagged” with a quality brand with a national reputation familiar to meeting planners. Metro shall act as the lead for this project, with support and involvement by the other jurisdictions.

Additional goals include:

1. Revitalization and activation of the area surrounding the OCC. The hotel will provide active ground floor uses, urban design features that create an interesting and people-oriented place, entrances that relate to the existing OCC facilities, and other key neighborhood connections (such as streetcar stops, light rail stations, etc.);
2. Commitment to a level of a) Minority/Women/Emerging Small Business (M/W/ESB) goals, b) and First Opportunity Target Area (FOTA) employment goals and c) green building standards (LEED or Energy Star certification); and
3. Utilization of union building trades for construction (and potentially represented hotel employees).

The project must be across the street from the OCC and development could occur on any of four potential sites that are known to be available for development or similarly situated privately-owned parcels (See Exhibit A).

The process will include issuance of a competitive development procurement managed by Metro, with the full participation and support of the jurisdictional partners. The competitive development procurement will call for interested development teams to identify their team members and propose a hotel development program, conceptual design, and financial structure.

Metro will accept proposals that meet the project goals with minimal level of required public investment. A joint evaluation process will mutually determine which proposal, if any, should be selected. The competitive development procurement will clearly define and require proposers to commit to a room block agreement and other desirable features, as described below.

Proposals shall be of sufficient detail to determine that:

1. The development team is capable of a project of this type and scale—and has had past relevant experience with similar projects;
2. The project is financially feasible, based on the respondent’s estimated project budget, financing structure, and operating pro forma, and includes amount of public support requested;
3. The proposed hotel is of sufficient size and quality, with an appropriate associated amenity package, and commits to a minimum 500 room block agreement;
4. The proposed location is directly across the street from the OCC; and
5. The development team is able to complete the project on a reasonable schedule, with an anticipated hotel project opening by summer 2015.

We the undersigned agree to this statement of principles as of April 13, 2012 and pledge our support during the next year to proceed with a developer selection process and to determine if a privately-owned hotel is feasible.

Metro

Tom Hughes, Council President

Multnomah County

Jeff Cogen, County Chair

City of Portland, Oregon

Sam Adams, Mayor

Portland Development Commission

Patrick Quinton, Executive Director
### URA Financial Summary

#### Five-Year Forecast Project Requirements Detail

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**Convention Center URA**

**Resources**

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**Requirements**

**Program Expenditures**

**Administration**

| Urban Renewal Plan Area Develop. | 45,960 | 0 | 0 | 0 | 0 | 0 |
| A3541250 Economic Dev Init-CNVA | 0 | 5,000 | 0 | 0 | 0 | 0 |
| P3590100 Public Outreach-CNVA | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 25,000 |

**Financial Administration**

| Debt Management-CNVA | 20,013 | 30,044 | 30,044 | 30,044 | 30,044 | 30,044 |
| Administration Total | 74,727 | 35,044 | 30,044 | 30,044 | 30,044 | 30,044 |

**Business Dev**

**Cluster Industry Development**

| Cluster Development-CNVA | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 100,000 |
| B1610300 Site Recruitment-CNVA | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 25,000 |

**Business Financing**

| BIF-General-CNVA | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 125,000 |
| Small Business & Entrepreneurs | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 50,000 |

**Business Dev Total**

| 600,000 | 600,000 | 600,000 | 600,000 | 600,000 | 300,000 |

**Infrastructure**

**Public Facilities**

| 30,000 | 0 | 0 | 0 | 0 | 0 |
| N55035115 Green Streets-CNVA | 150,000 | 0 | 0 | 0 | 0 |
| Infrastructure Total | 30,000 | 150,000 | 0 | 0 | 0 | 0 |

**Portland Hsg Bureau**

| Affordable Rental Hsg-CNVA | 1,468,816 | 6,322,071 | 446,183 | 0 | 0 | 0 |
| PHB Staff & Admin-CNVA | 212,234 | 0 | 0 | 0 | 0 | 0 |

**Housing**

| 6,500 | 6,500 | 6,500 | 0 | 0 | 0 |
| 21,000 | 6,500 | 6,500 | 0 | 0 | 0 |
| 262,752 | 0 | 0 | 0 | 0 | 0 |
| 480,614 | 0 | 0 | 0 | 0 | 0 |

**Portland Hsg Bureau Total**

| 2,540,418 | 9,333,071 | 452,163 | 0 | 0 | 0 |

**Property Redevelop**

**Commercial Property Redevelopment**

| 32540159 Central City 2035-CNVA | 0 | 132,651 | 0 | 0 | 0 | 0 |
| 195,000 | 70,000 | 70,000 | 70,000 | 70,000 | 0 |

**Commercial Real Estate Lending**

| 250,000 | 250,000 | 250,000 | 250,000 | 0 | 0 |

| 20,000 | 0 | 0 | 0 | 0 | 0 |
| 23,000,000 | 0 | 0 | 0 | 0 | 0 |
| 200,000 | 640,000 | 640,000 | 640,000 | 640,000 | 0 |
| 100,000 | 100,000 | 0 | 0 | 0 | 0 |
| 5,000 | 0 | 0 | 0 | 0 | 0 |

| 250,000 | 250,000 | 250,000 | 250,000 | 0 | 0 |
## Five-Year Forecast Project Requirements Detail

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<td>Total Requirements</td>
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May 7, 2012

Mr. Andy Shaw
Chief of Staff
Metro
600 NE Grand Ave.
Portland, OR 97232

Re: Convention Center Hotel

Dear Andy,

Thanks to President Hughes, you, and Metro staff for your efforts to revive conversations between Metro, the City of Portland, Multnomah County, and PDC about the possibility of developing a headquarters hotel at the Oregon Convention Center. As you know, the development of a major hotel adjacent to the Oregon Convention Center has been a long-standing goal for PDC and the City of Portland. Signing on to the Statement of Principles on April 13, 2012, as well as endorsements of the RFP process by the Metro Council and PDC Board, are promising first steps in the process.

I am writing to you to at this stage in the project to provide some clarity and set expectations regarding the availability of PDC resources to support this project. PDC’s annual budgets in recent years have consistently included $4.0 million for the Convention Center Hotel and the FY 12-13 Requested Budget is no different. In addition, PDC owns various parcels near the Convention Center – Block 47 (adjacent to the StarTerra property), the southern half of Block 43, and Block 26 – which have been included in previous negotiations about a potential site for a hotel. While these resources continue to be available for a potential hotel project, our current and projected resource constraints require that we offer these resources to the project under different terms than in previous negotiations.

The Oregon Convention Center Urban Renewal Area (URA) is set to expire in 2013 and, as a result, has a finite pool of funds to invest in projects. The bulk of the available resources has been allocated to other priority projects, including the Veterans Memorial Coliseum renovation. For these reasons, I do not foresee a scenario under which PDC could invest more than the $4.0 million currently budgeted for the project. In addition, it is our preference to seek opportunities that allow for the return of resources to PDC either through repayment of our investment in the project or ownership of a project asset (e.g., parking) that produces revenue for the agency. We understand that Metro is considering a direct investment in this project as well, and we are certainly open to working with Metro to structure a combined investment that produces a financial return for both agencies.
Andy Shaw  
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With regard to the properties owned by PDC, we prefer to dispose of these properties at fair market value and intend to conduct negotiations with developers who express interest in these parcels with that outcome in mind. PDC is willing to consider financing a portion of the purchase price for the parcels, but will negotiate terms and conditions on the financing that provide for a reasonable return to PDC and a return of loan principal in a timeframe appropriate to transactions of this nature.

Once again, thank you for your efforts to initiate a process to make a Convention Center Hotel a reality. We are eager to work with our public sector partners and a private development partner to produce a long overdue asset that will produce economic benefits for the region for many years to come.

Sincerely,

Patrick Quinton  
Executive Director

PQ gw

CC:  Chair Scott Andrews  
      Mayor Sam Adams  
      Cheryl Twete, Metro  
      Lew Bowers, PDC  
      Eric Jacobson, PDC