



PROSPER
PORTLAND
Building an Equitable Economy

DATE: January 12, 2022
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 22-02

Authorizing the Terms of a Hotel Management Agreement with Columbia Hospitality for the Inn at the Convention Center Located at 420 NE Holladay Street

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7442

At the January 12, 2022, Prosper Portland Board of Commissioners (Board) meeting, staff will request approval of the terms of a hotel management agreement (Agreement) with Columbia Hospitality to operate the Prosper Portland-owned Inn at the Convention Center Hotel (ICC Hotel) located at 420 NE Holladay Street in the Oregon Convention Center tax increment finance (TIF) district (see an Aerial and Site Map in Attachment A). If approved, staff will negotiate and execute an Agreement with Columbia Hospitality that will ensure the ICC Hotel is professionally managed and continues to provide a revenue stream to Prosper Portland.

STRATEGIC PLAN ALIGNMENT

This action delivers on several Strategic Plan goals, including creating healthy, complete neighborhoods through strengthening regional assets and by supporting the agency's Financial Sustainability Plan (FSP). More specifically, it will address FSP goals by optimizing financial returns of TIF funds and existing real estate assets and by using Prosper Portland's real estate portfolio to generate long-term revenue.

BACKGROUND AND CONTEXT

On May 8, 2002, through Resolution No. 5855, the Prosper Portland Board authorized acquisition of the ICC Hotel with the intent of demolishing the building and using the site and adjacent land for the development of a new convention center hotel. Ultimately, a different site was selected for that project which left Prosper Portland with a revenue-producing asset.

In 2018, Prosper Portland decided to retain the ICC Hotel in support of the FSP and to position the asset as an affordably priced, mid-scale economy hotel to provide affordable lodging options near the Oregon Convention Center. Accordingly, on September 11, 2019, through Resolution No. 7337, the Prosper Portland Board adopted real estate property plans for all agency assets, categorizing the ICC Hotel as an operating/hold Mission Related Investment.

On November 14, 2018, through Resolution No. 7337, the Prosper Portland Board authorized staff to enter into a hotel management agreement with Trek Ventures which included a commitment to modernize the building to meet the demands of today's budget conscious traveler. Design work ensued

and in June 2021, the Prosper Portland Board, acting in its role as Local Contract Review Board (LCRB), adopted Resolution No. 7420, authorizing staff to proceed with a competitive request for proposal (RFP) for solicitation for Construction Management/General Contractor services for renovation work. While issuance of that RFP has been placed on hold until a funding plan can be secured, the ICC Hotel remains operational and needs a consistent operator and manager.

Subsequent to the LCRB action, Trek Ventures LLC, gave notice of its intent to cease its role as ICC Hotel operator on March 31, 2022, the end of the current contract. In September 2021, Prosper Portland issued a competitive RFP seeking a new hotel operator to assume day-to-day management of the hotel. Prosper Portland received one responsive proposal to that solicitation. After review of the proposal and interviewing members of respondent's executive team, the review committee recommended awarding the contract to Columbia Hospitality.

Columbia Hospitality is an award-winning Seattle-based hospitality management company with deep roots in the Pacific Northwest. Founded in 1995, today it operates over 61 properties in Oregon, Washington, Idaho, Montana, and Northern California, a number of which are owned by public agencies or tribal governments. The Columbia Hospitality management team is made up of industry professionals with extensive experience in hotel operations, facility management, fiscal planning, marketing and revenue management and human resources. This team, and the approximately 3,000 staff employed by Columbia Hospitality, bring a depth of capacity that adds significant value to Prosper Portland.

EQUITY IMPACT

This action will ensure that the ICC Hotel is professionally managed and remains an affordable option for guests seeking lodging near the Oregon Convention Center. Additionally, Columbia Hospitality has a strong commitment to social equity. During the operator transition process, Columbia Hospitality will connect local service providers and suppliers to maximize employment and contracting opportunities from under-represented communities, including coordinating with the Community Workforce Navigator Program to establish a staff recruiting strategy.

COMMUNITY PARTICIPATION AND FEEDBACK

There was no public participation specific to this action. However, staff regularly engage with Go Lloyd and Lloyd EcoDistrict, organizations that represent a cross-section of area stakeholders including building owners, businesses, and residents; both organizations have indicated that quality management and completion of the planned improvements to the ICC Hotel are among their top priorities for the Oregon Convention Center TIF district.

BUDGET AND FINANCIAL INFORMATION

As mentioned, the Prosper Portland Board-approved Property Plan for the ICC Hotel categorizes the asset as a Mission Related Investment with a targeted annual return of six percent after renovation (see Attachment B). Prior to the COVID-19 pandemic, the ICC Hotel generated significant net revenue far exceeding the six percent return target with an average revenue of \$840,000 annually between FY 2014-15 and FY 2018-19. That average annual return was reduced to \$60,000 over the past two years because of the pandemic, the dated condition of the facility, and increased local competition. Given the current state of the hospitality industry and uncertainty on the source of renovation capital, staff adjusted the ICC Hotel operating budget to assume status quo operations that project a net return of approximately \$250,000 in FY 2021-22, and then averaging approximately \$400,000 through FY 2025-26.

These projections will be updated as there is more certainty about revocation capital sources and timing.

The terms of this Agreement with Columbia Hospitality include a monthly base fee of the greater of \$11,000, or 4.5 percent of the gross operating revenue and a monthly centralized services fee of \$8,000, which includes marketing, revenue management, accounting, and personnel services. In addition, Columbia Hospitality will be paid an annual incentive management fee of 15 percent of operating profits after payment of all fixed expenses (taxes, insurance, and other costs the operator cannot control) and a return to Prosper Portland on its capital investment in the property.

RISK ASSESSMENT

There are few risks to this proposed action, as Columbia Hospitality has a proven track record of successful asset management. The primary risk is that if the Prosper Portland Board does not approve terms of the Agreement, Prosper Portland will be left without a hotel operator after the current contract terminates on March 31, 2022. For the ICC Hotel to remain in operation, a new Agreement must be in place by February to ensure the smooth transition of responsibilities from the existing to the new operator.

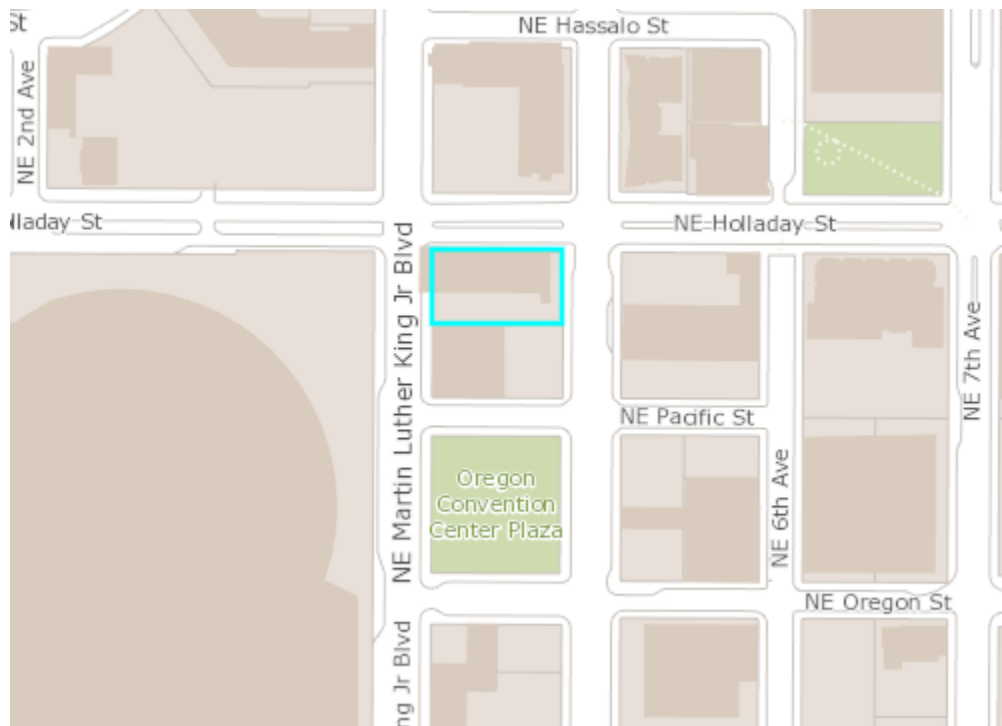
ATTACHMENTS

- A. Photo and Site Map
- B. Property Plan
- C. Oregon Convention Center TIF Financial Summary

PHOTO AND SITE MAP



Photo of the Inn at Convention Center looking to the northwest



420 NE Holladay Street

OREGON CONVENTION CENTER TIF FINANCIAL SUMMARY

**Financial Summary
 Five-Year Forecast**

<u>Convention Center URA Fund</u>	<u>Revised FY 2021-22</u>	<u>Forecast FY 2022-23</u>	<u>Forecast FY 2023-24</u>	<u>Forecast FY 2024-25</u>	<u>Forecast FY 2025-26</u>	<u>Forecast FY 2026-27</u>
Resources						
Beginning Fund Balance	4,058,323	497,968	1,334,606	2,310,814	3,305,741	4,573,157
Revenue						
Fees and Charges	4,998	-	-	-	-	-
Interest on Investments	73,336	104,370	97,213	84,812	-	-
Loan Collections	176,873	208,258	218,022	218,023	218,023	218,023
Rent and Property Income	3,214,500	4,328,000	4,478,800	4,590,640	4,711,772	4,830,904
Total Revenue	3,469,707	4,640,628	4,794,035	4,893,475	4,929,795	5,048,927
Total Resources	7,528,030	5,138,596	6,128,641	7,204,289	8,235,536	9,622,084
Requirements						
Administration						
A00027-Debt Management-CNV	21,028	12,121	12,121	12,121	12,121	-
Administration Total	21,028	12,121	12,121	12,121	12,121	-
Property Redevelopment						
Real Estate Management						
A00306-910 NE MLK Building-CNV	27,876	28,416	28,979	29,565	30,151	30,737
A00307-Frmr B&K Car Rental-CNV	23,473	58	-	25,103	25,671	26,239
A00309-Inn at Conv Ctr Mgmt-CNV	1,683,400	1,863,000	1,911,000	1,942,000	1,979,000	2,015,000
A00310-Block 49-CNV	1,247,600	1,285,400	1,295,690	1,300,979	1,306,789	1,311,345
Real Estate Predevelopment						
A00309-Inn at Conv Ctr Mgmt-CNV	3,300,000	-	-	-	-	-
Real Estate Disposition						
Property Redevelopment Total	6,282,349	3,176,758	3,235,669	3,297,647	3,341,611	3,383,321
Total Program Expenditures	6,303,377	3,188,879	3,247,790	3,309,768	3,353,732	3,383,321
Personnel Services	169,140	107,310	95,982	100,272	31,349	-
Total Fund Expenditures	6,472,517	3,296,189	3,343,772	3,410,040	3,385,081	3,383,321
Interfund Transfers - Indirect Charges	557,545	507,801	474,055	488,508	277,298	-
Contingency	497,968	1,334,606	2,310,814	3,305,741	4,573,157	6,238,763
Total Fund Requirements	7,528,030	5,138,596	6,128,641	7,204,289	8,235,536	9,622,084