



# **Economic and Fiscal Impacts Analysis Update**

## **Executive Summary and Final Report July 2007**

ADVISORY



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July 13, 2007

Mr. Jeffrey Blosser, Director  
Oregon Convention Center  
777 NE Martin Luther King, Jr. Blvd.  
Portland, Oregon 97232

Dear Mr. Blosser:

Per our agreement dated March 22, 2004, we have completed our economic and fiscal impact analysis update for the Oregon Convention Center's operations during calendar year 2006. The report presented herein includes the summary of findings and principal conclusions from our research including an executive summary.

The findings and assumptions contained in the report reflect analysis of primary and secondary sources including information provided by management at the Oregon Convention Center. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. In accordance with the terms of our original engagement letter dated March 22, 2004, the accompanying report is restricted to internal use by the Oregon Convention Center and may not be relied upon by any third party for any purpose. Notwithstanding these limitations, it is understood that this document may be subject to public information laws and, as such, can be made available to the public upon request. We have no obligation, unless subsequently engaged, to update this report or revise this analysis as presented due to events or conditions occurring after the date of this report.



This analysis was prepared under the Consulting Standards issued by the American Institute of Certified Public Accountants (AICPA) and does not constitute an examination, compilation or agreed upon procedures in accordance with the standards established by the AICPA. As such, we do not express an opinion or any other form of assurance on whether the prospective financial statements are presented in conformity with AICPA presentation guidelines or on whether the underlying assumptions provide a reasonable basis for the presentation.

Although you have authorized reports to be sent electronically, only the final hard copy of the report should be viewed as our work product.

We have enjoyed working on this engagement and our on-going relationship with the Oregon Convention Center and look forward to the opportunity to provide you with continued service.

Sincerely,

**KPMG LLP**

# Executive Summary

## Background

KPMG LLP (KPMG) conducts an annual economic and fiscal impacts analysis for the Oregon Convention Center (OCC) based on historical event data and budget figures provided by management. The OCC is owned by METRO, the Portland metropolitan area regional government, and managed by the Metropolitan Exposition-Recreation Commission (MERC). The Portland Development Commission (PDC), in cooperation with MERC and the Portland Oregon Visitors Association (POVA), have sought for several years to facilitate development of a headquarters hotel adjacent to the OCC, and METRO assumed responsibility for this potential project in 2007. This section of the report summarizes findings of the calendar year 2006 economic/fiscal impact estimates and the potential implications that the lack of a headquarters hotel may have on these estimates.

## Purpose of the Report

The purpose of this economic/fiscal impact report is to estimate the economic activity generated by operations of the OCC in terms of spending, employment, and earnings as well as fiscal (tax) benefits to the Tri-County Metropolitan Region during calendar year 2006.

## Summary of Key Points

According to a pro-forma analysis conducted by PKF Consulting (PKF) in 2006, Portland's lack of a headquarters hotel in conjunction with factors such as competition from other cities, the small room block available near the OCC, the high occupancy rates at Portland hotels, and the distance to convention-quality hotels are contributing to the decline of the OCC's convention and tradeshow business.

# Executive Summary (cont'd)

## *Events and Attendance*

Based on historical OCC event activity, the number of smaller, local events is increasing and the number of larger, regional/national events with higher attendance decreased between 2005 and 2006. In addition, 87% of all events at the OCC were State/local in scope rather than national/regional/international which typically generate significantly more economic and fiscal impacts to the Tri-County Metropolitan region.

- **Small events:** The number of meetings and public shows, which are not typically large economic impact generators, increased between 2005 and 2006 and represented 69% of all events in 2006.
- **Larger events:** The number of conventions/tradeshows increased from 59 in 2002 to 89 in 2006. These events accounted for the largest share of attendee days at the OCC and were primarily national/regional/international in scope. Attendee days are defined as total attendance multiplied by the event length. For example, a three-day convention with 600 delegates equates to 1,800 attendee days which reflects that the same delegates return to the event each of the three days. Total attendee days at conventions/tradeshows have historically fluctuated in odd and even years; however, this figure decreased by 41% between 2005 and 2006. This is in part attributable to the seasonality of the convention/tradeshow industry, but the OCC also only attracted two large (10,000+) conventions/tradeshows in 2006 compared to typically four or five events annually.

# Executive Summary (cont'd)

## ***Economic/Fiscal Benefits***

Total economic and fiscal benefits estimated to be generated in the Tri-County Metropolitan Region from OCC operations in 2006 are outlined in the following table. Total spending generated within the region in 2006 was 32% lower than in 2005. This difference in spending was attributable to the decline in total attendee days, total convention/tradeshows attendee days, overnight visitor days, and total regional/ national/international attendee days. Overnight visitor attendee days decreased from 55% of total attendance in 2005 to 41% in 2006. Total employment and earnings also declined between 2005 and 2006. Total tax revenues decreased by 41% between 2005 and 2006.

<b>Estimated Economic/Fiscal Benefits To the Tri-County Metropolitan Region From OCC Operations in 2006</b>	
<b>Total Economic Benefits:</b>	
Direct Spending	\$215,008,000
Indirect/Induced Spending	\$158,822,000
Total Spending	\$373,830,000
Total Employment (Number of FTE jobs)	4,800
Total Earnings	\$150,075,000
<b>Total Fiscal Benefits:</b>	
State Metro, and Individual County Fiscal Benefits	\$12,804,000

# Executive Summary (cont'd)

## Potential Implications for the Development of a Headquarters Hotel

Research conducted by PKF suggests the lack of a headquarters hotel is negatively impacting the OCC's marketability to conventions/tradeshows, particularly those regional/national and international events that attract overnight guests. In 2006 alone, POVA records indicate that the OCC lost a total of 52 groups representing future bookings from 2006 through 2016 due to the lack of a headquarters hotel/limited hotel package. The majority of these groups were national or international in scope and were estimated to represent approximately 250,000 room nights.

Certain categories of attendees generate more spending at area hotels, restaurants, retail and other business establishments (e.g. overnight, those attending regional/national/international events). The same attendee days can be segregated into multiple categories. As shown below, several categories associated with higher spending per day were down in calendar year 2006 as compared to calendar year 2005:

- Convention/tradeshow attendee days decreased by 41%
- High impact (overnight) attendee days from all events decreased by 47%
- Regional/national/international attendee days at all events decreased by 52%

These factors contributed to a 32% decrease in total spending from OCC operations as decreasing numbers of attendee days leads to a decline in spending, employment, and earnings.

OCC event activity during calendar year 2006 supports the PKF and POVA findings that the lack of a headquarters hotel is negatively impacting the facility's ability to attract certain groups associated with relatively higher spending and, consequently, the economic and fiscal impacts to the region are similarly impacted.

# Introduction

The OCC is owned by METRO, a regional government, and managed by MERC, a seven-member commission which is a subsidiary of METRO. MERC also provides management and stewardship of other regional public assembly facilities including the Portland Center for the Performing Arts and the Portland Metropolitan Exposition Center. Originally opened in September of 1990, the OCC currently offers the following components subsequent to its expansion in April of 2003:

- *Exhibit Space:* 255,000 square feet of contiguous space divisible into six exhibit halls
- *Ballroom Space:* 59,400 square feet of total space, which includes a 25,200-square foot ballroom and a 34,200-square foot ballroom
- *Meeting Space:* 50 rooms totaling 52,330 square feet of meeting space
- *Skyview Terrace:* 7,000 square feet
- *Parking:* 800-space underground parking garage on-site and 2,500 parking spaces within walking distance

Over the last several years, the PDC, in conjunction with MERC and POVA, has actively sought the development of a headquarters hotel adjacent to the OCC. A developer has been chosen and PKF prepared a property-specific pro forma in 2006. Currently, a funding plan is being assembled and it is anticipated that the new hotel could open as early as 2010.

## Introduction (cont'd)

According to the PKF study, Portland's lack of a headquarters hotel in conjunction with factors such as the development of headquarters properties in competitive cities, the relatively small room block available proximate to the OCC, the distance to convention-quality hotels and high occupancy rates at Portland hotels during prime convention/tradeshow seasons are eroding the OCC's convention/tradeshow business and could eventually result in a loss of as many as 25,000 room nights annually.

The Tri-County Metropolitan Region benefits from the on-going operations of the OCC in a number of ways, including such tangible and intangible benefits as:

- Enhancing the area's image as a business, meetings and tourist destination
- Receiving regional and national exposure through destination marketing and visitation
- Providing a first-class meeting venue for area residents and out-of-town delegates/attendees
- Unifying the market area and creating a more distinct identity
- Providing a catalyst for urban redevelopment initiatives
- Generating additional economic activity and enhanced fiscal revenues

While the value of some of these benefits is difficult to measure, the economic activity generated by the OCC within the Tri-County Metropolitan Region can be quantified in terms of spending, employment and earnings. Based on information from a variety of sources including, but not limited to, representatives from area municipalities, OCC management and its advisors, this analysis summarizes the estimated direct, indirect and induced economic benefits and tax benefits to the entire Tri-County Metropolitan Region as well as to each individual county from the OCC's operations during calendar year 2006.

# Summary of OCC Event Activity

The convention and meetings industry is comprised of several types of events with varying space requirements. The following describes the primary event types hosted at the OCC.

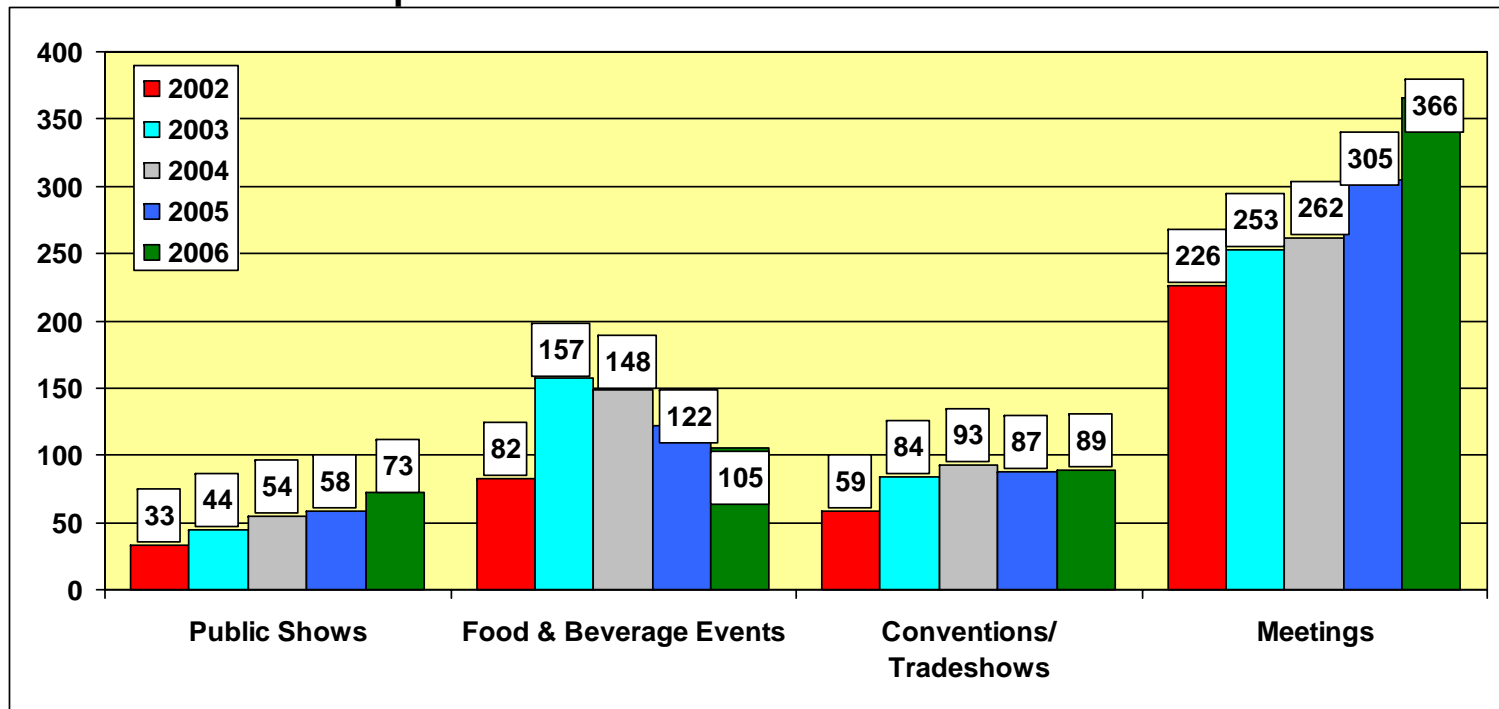
- *Convention* - An assembly of attendees from an association, corporation or other organization, meeting for a common purpose which typically require hotel/motel rooms.
- *Tradeshow* - An assembly of members from common trade associations or other organizations, meeting to buy and sell products, exchange information and generally conduct business via the use of exhibit booths. Tradeshows are usually not open to the public.
- *Meeting* - Any gathering of persons for a common cause such as annual meetings, religious meetings, seminars and other public assemblies.
- *Public Show* - Any assembly of members of common trade associations, organizations and/or other groups who meet solely to sell, display or demonstrate their wares and services to the general public where an admission fee may or may not be charged.
- *Food & Beverage Event* - Special events requiring catering services such as luncheons, receptions and banquets.

During calendar year 2006, the OCC hosted 633 events which drew total attendance of approximately 599,350. This event activity represents an increase of 61 events and a decrease of approximately 124,556 in total attendance from the prior calendar year. The pages that follow summarize event activity at the OCC in terms of number of events, attendance and attendee days.

# Summary of OCC Event Activity – Number of Events

The number of public shows and meetings increased between 2005 and 2006. Consistent with most convention centers, meetings comprised the largest number of events at the facility, accounting for approximately 58% of the total number of events in 2006. However, meetings are not typically a large economic impact generator. The OCC experienced a slight increase in the number of conventions/tradeshows from 87 in 2005 to 89 in 2006. The number of food and beverage events decreased for the third consecutive year.

Comparison of the Number of Events at the OCC



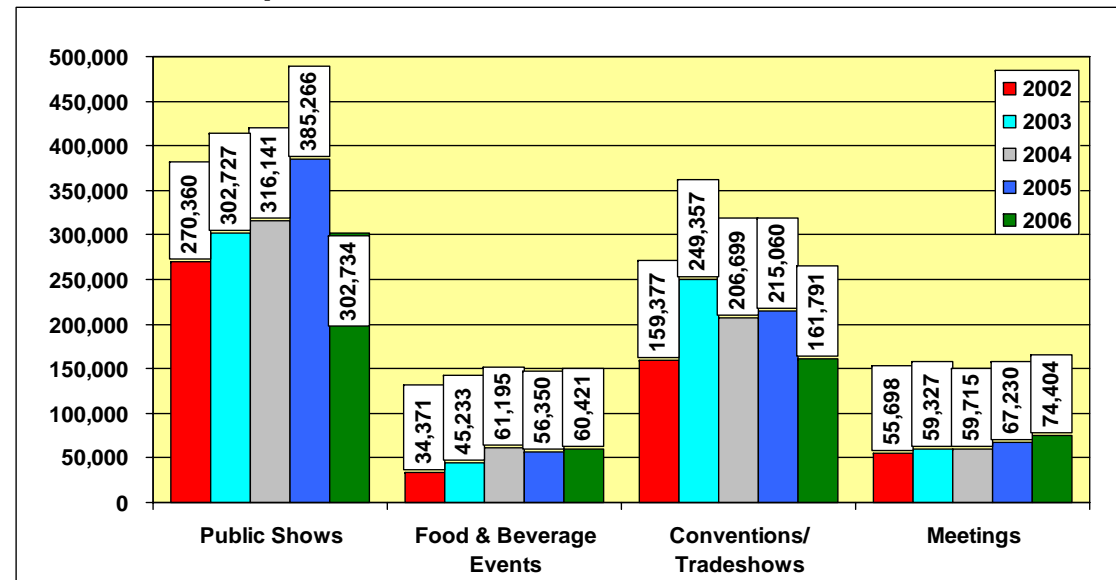
Source: OCC.

# Summary of OCC Event Activity – Total Attendance

Food and beverage events and meetings experienced an increase in total attendance between 2005 and 2006. Historically, public shows have accounted for the highest percentage of attendance at the facility, of which the annual International Auto Show is the largest. Although attendance at this event decreased by approximately 3,500 people between 2005 and 2006, this single event still accounted for approximately 23% of total attendance at public shows. Despite a slight increase in the number of conventions/tradeshows, total attendance at these events decreased by approximately 53,300 people or 25% which is likely attributable, in part, to the seasonality of the convention/tradeshows industry. Historically, the OCC has experienced higher convention/tradeshows attendance in odd years which may be due to the cyclic nature of the industry. For instance, the AFL-CIO Union Industries event attracted 40,000 attendees during 2005 which positively impacted attendance and resulting economic impact.

It should be noted; however, that the OCC has historically attracted four or five conventions/tradeshows annually that attract a minimum of 10,000 attendees. During calendar year 2006 the OCC attracted only two conventions and tradeshows (the National College Fair and the Farwest Nursery Show) with a minimum of 10,000 in attendance. In addition, research conducted by PKF suggests that the lack of a headquarters hotel is also negatively impacting the OCC's ability to attract larger conventions/tradeshows.

**Comparison of Total Attendance at the OCC**



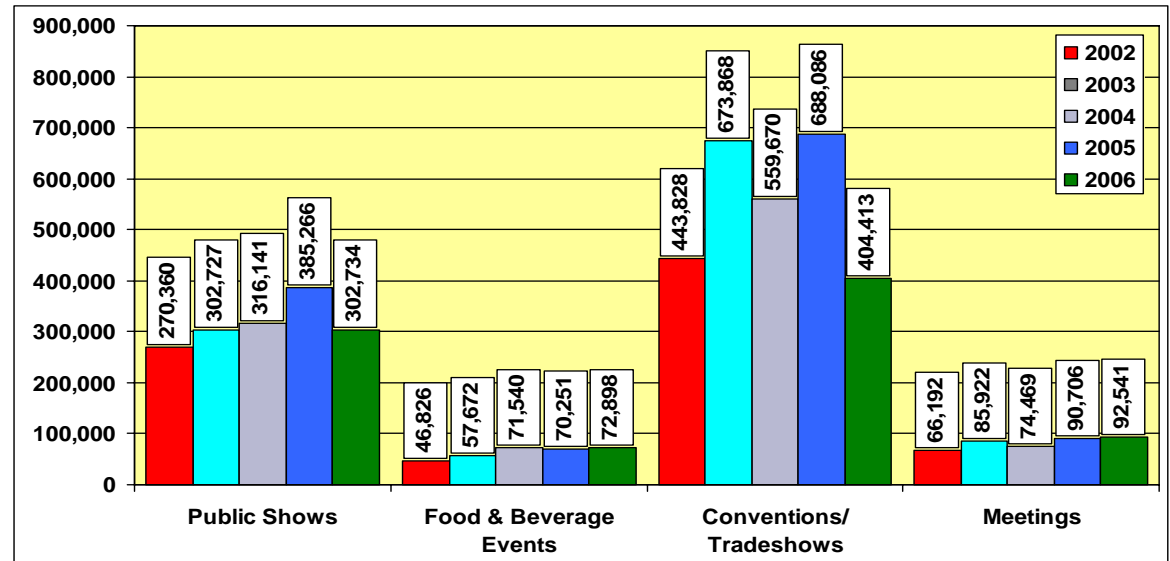
Source: OCC.

# Summary of OCC Event Activity – Total Attendee Days

The number of attendee days is an important component in the methodology used to calculate economic impact. For conventions/tradeshows, meetings as well as food and beverage events, an attendee day is defined as total attendance multiplied by the event length. For example, a three-day convention with 600 delegates equates to 1,800 attendee days which reflects that the same delegates return to the event each of the three days. Conversely, attendee days for public shows are assumed to be the same as total attendance since most attendees generally attend a public show only once during the event.

Total attendee days at conventions/tradeshows decreased by nearly 41% from approximately 688,100 in 2005 to just over 404,400 in 2006, which is important since these events typically generate the greatest amount of economic impact within the surrounding areas. As mentioned previously, one large convention and tradeshow held in 2005 accounted for 160,000 attendee days contributing to the decline in 2006. In addition, PKF research and other industry trends suggest that the decrease in convention/ tradeshow activity is likely attributable, in part, to the lack of a headquarters hotel in Portland and the increasing competitive nature of convention/ tradeshow business where many destinations offer adjacent hotels with significant room blocks for convention center related business.

**Comparison of Total Attendee Days at the OCC**



Source: OCC.

# Summary of OCC Event Activity – Scope

When estimating economic impact, different spending amounts are applied to attendees based on whether they are attending State/local or national/regional/international events. As shown in the table below, approximately 87% of all events hosted at the OCC were State/local in scope. However, approximately 43% of the conventions/tradeshows and 64% of related attendee days were generated from national/regional/international events. While the scope of conventions/tradeshows remained consistent with 2005 levels, the percentage of attendee days generated from national/regional/international events decreased nearly 20 points in 2006. Because state/local events are typically booked within a shorter timeframe, it is a common strategy for convention centers to experience a higher percentage of these events during years with less regional/national/international convention/tradeshow business in order to positively influence revenues.

Summary of 2006 OCC Event Activity by Scope						
Event Type	Number of Events			Attendee Days		
	State/ Local	National/ Regional/ International	Total	State/ Local	National/ Regional/ International	Total
Conventions & Tradeshows	51	38	89	147,436	256,977	404,413
Meetings	333	33	366	81,757	10,784	92,541
Other	168	10	178	348,836	26,796	375,632
<b>Total</b>	<b>552</b>	<b>81</b>	<b>633</b>	<b>578,029</b>	<b>294,557</b>	<b>872,586</b>

Source: OCC.

# Methodology

An assessment of the economic benefits that could potentially accrue to the Tri-County Metropolitan Region as a result of the on-going operations of the OCC can be approached in several ways. The approach used in this analysis considers the expense side of convention center operations as well as attendee, association and exhibitor spending for documentation of the initial direct impacts to a community. Expenses generated by convention center operations from salaries and wages, repairs and maintenance, contract services, administrative, marketing, utilities, insurance, etc. as well as an estimate of spending for attendees, associations and exhibitors using the facility are used as an initial measure of economic activity within the marketplace. Once the amount for direct spending is estimated, a multiplier is applied to generate the total (direct, indirect and induced) spending, earnings and employment associated with the project. This "multiplier" effect is estimated in this analysis using a regional economic forecasting model provided by the Minnesota IMPLAN Group, Inc.

The economic activity directly generated through the on-going operations of the OCC and the spending of its users affects more than just the facility and immediately surrounding land uses. As this money ripples through the economy, several other economic sectors are impacted and jobs are created. For example, when a caterer purchases food for an event at the OCC everyone from the wholesaler to the farmer that produced the food is impacted. In addition, local governmental entities that tax these economic transactions also benefit. The following are the specific aggregate industries used in this analysis:

- hotel/entertainment
- eating and drinking places
- transportation
- retail trade
- electric, gas, water & sanitary services
- business services

## Methodology (cont'd)

Once the total economic impact for the Tri-County Metropolitan Region is estimated, a percentage of the total is allocated to each of the three counties. Allocations for hotel spending are based on the historical transient lodging tax receipts for each county as a percentage of the total collections within the Tri-County Metropolitan Region. Allocations for all other spending are calculated in the same manner based on historical information on travel spending as provided by Dean Runyan Associates to the Oregon Tourism Commission. The table below summarizes the allocations for hotel and all other spending used in this analysis. It should be noted that Washington County increased its transient lodging tax rate from 7% to 9% effective July 1, 2006. As such, the percentage of hotel spending allocated to this County experienced a slight increase over 2005 levels.

County	% Allocation	
	Hotel Spending	All Other Spending
Clackamas	8.31%	12.24%
Multnomah	80.10%	74.32%
Washington	11.59%	13.44%
Total	100.00%	100.00%

Source: Dean Runyan Associates.

## Methodology (cont'd)

The three categories of measurement used to assess the economic impact of a project are spending, earnings and employment which are defined below:

- **Total spending (output)** represents the total direct and indirect/induced spending effects generated by the project. This calculation measures the total dollar change in spending (output) that occurs in the local economy for each dollar of output delivered to final demand.
- **Personal earnings** represent the wages and salaries earned by employees of businesses associated with or impacted by the project. In other words, the multiplier measures the total dollar change in earnings of households employed by the affected industries for each additional dollar of output delivered to final demand.
- **Employment** represents the number of full and part-time jobs supported by the project. The employment multiplier measures the total change in the number of jobs supported in the local economy for each additional \$1.0 million of output delivered to final demand.

In addition to the economic impact analysis, fiscal benefits resulting from on-going operations of the OCC are estimated. The governmental entities considered in this fiscal analysis include Clackamas, Multnomah and Washington Counties as well as METRO and the State of Oregon. Revenues generated from hotel/motel occupancy tax, excise tax, motor vehicle rental tax, business income tax and personal income tax are calculated. All amounts depicted in this report are presented in 2006 dollars unless otherwise noted. There may also be slight differences due to rounding related to the estimated economic benefits in aggregate to the Tri-County Metropolitan Region as compared to the amounts for each of the individual counties.

# Summary of Estimated Economic Benefits from On-Going OCC Operations

The table to the right summarizes the estimated economic impacts generated from OCC operations in 2006 in terms of total direct and indirect/induced spending, employment and earnings for the entire Tri-County Metropolitan Region as well as the allocation of this spending among the three individual counties using the previously described methodology. The pages that follow discuss each component in more detail.

While calendar year 2006 event activity experienced a decline in attendance and attendee days, directly impacting economic impact; the estimated \$374 million in direct and indirect/induced spending and 4,800 jobs are significant impacts to the surrounding region's economy.

Estimated Economic Benefits To the Tri-County Metropolitan Region From OCC Operations in 2006	
<b>Total Economic Benefits:</b>	<b>Tri-County Region</b>
Direct Spending	\$215,008,000
Indirect/Induced Spending	\$158,822,000
<b>Total Direct and Indirect/Induced Spending</b>	<b>\$373,830,000</b>
Total Direct and Indirect/Induced Employment (# of FTE jobs)	4,800
Total Direct and Indirect/Induced Earnings	\$150,075,000
<b>Total Economic Benefits:</b>	<b>Clackamas County</b>
Direct Spending	\$24,358,000
Indirect/Induced Spending	\$18,011,000
<b>Total Direct and Indirect/Induced Spending</b>	<b>\$42,369,000</b>
Total Direct and Indirect/Induced Employment (# of FTE jobs)	500
Total Direct and Indirect/Induced Earnings	\$17,054,000
<b>Total Economic Benefits:</b>	<b>Multnomah County</b>
Direct Spending	\$162,673,000
Indirect/Induced Spending	\$120,141,000
<b>Total Direct and Indirect/Induced Spending</b>	<b>\$282,814,000</b>
Total Direct and Indirect/Induced Employment (# of FTE jobs)	3,600
Total Direct and Indirect/Induced Earnings	\$113,472,000
<b>Total Economic Benefits:</b>	<b>Washington County</b>
Direct Spending	\$27,977,000
Indirect/Induced Spending	\$20,670,000
<b>Total Direct and Indirect/Induced Spending</b>	<b>\$48,647,000</b>
Total Direct and Indirect/Induced Employment (# of FTE jobs)	600
Total Direct and Indirect/Induced Earnings	\$19,549,000

**Notes:**

Amounts are presented in 2006 dollars.

FTE denotes full-time equivalent employees.

There may be slight differences due to rounding.

# Summary of Direct Spending

The first step in calculating economic impact is estimating the direct spending. The benefits generated at the local level result from the impact of direct spending both by attendees and activities that support events held at the OCC. Direct spending impacts from operations are annually recurring in nature. The primary types of spending quantified in this analysis include:

- Attendee spending, including out-of-town delegates and local attendees
- Association spending
- Exhibitor spending
- Budgetary spending by the OCC

Per capita attendee spending amounts were estimated based on the Convention Expenditure and Impact Study conducted by Destination Marketing Association International (DMAI), which reflects the spending patterns of thousands of convention and meeting delegates from a broad base of meeting types. The 2005 Convention Expenditure and Impact Study Update provides the spending attributes for regional/national/international business and these amount were inflated by a 3% rate to reflect 2006 dollars. However, according to DMAI, State/local spending attributes were unavailable due to an inadequate sample for their most recent survey conducted in 2003 (77 event organizers responded representing primarily regional/national/international events). As such, and for purposes of this analysis, amounts from the 2002 Convention Income Survey were inflated by a 3% annual inflation rate to reflect spending generated by State/local events in 2006 dollars.

# Summary of Direct Spending (cont'd)

## *Attendee Spending*

Through information provided by management, OCC events were analyzed to distinguish attendees at regional/national/international events from those at State/local events. For purposes of this analysis, high impact attendees were defined as those that stay overnight in a hotel room. In general, low impact attendees are local patrons attending consumer shows, civic events and meetings. As such, adjustments were made to the DMAI spending amounts to account for low impact spending. Based on information provided by the OCC and for purposes of this analysis, all attendees at regional/national/international events were classified as high impact. In addition, 30% of State/local convention/tradeshows attendees and 5% of attendees at all other State/local events were assumed to be high impact. All remaining attendees were classified as low impact.

The following table presents the spending characteristics per delegate per day for State/local and regional/national/international events.

Per Day Spending	State/Local		Regional/ National/ International
	High Impact	Low Impact	High Impact
Delegate	\$241.98	\$27.58	\$297.67

Note: In 2006 dollars.

Source: DMAI.

# Summary of Direct Spending (cont'd)

## **Association & Exhibitor Spending**

Sponsoring organizations have substantial investments in the events that they host. These organizations purchase goods and services from either the convention center, food and beverage contractor or from outside sources. Items such as exhibit space and equipment rental are typically provided by the convention center, which are reflected as revenues for the provider. Since this spending is eventually reflected in the budgetary spending by the convention center, these amounts are excluded from association spending to avoid double counting. The estimated association spending amounts used in this analysis were from the DMAI Convention Expenditure and Impact Study and were based on spending amounts per delegate day.

The DMAI Convention Expenditure and Impact Study also estimates spending for exhibitors per attendee day. Similar to association spending, adjustments were made to these estimates to avoid double counting. Based on conversations with DMAI representatives, exhibitor spending at State/local events can be higher than that at regional/national/international events since these exhibitors are more likely from the local area. Thus, they tend to spend a greater portion of their exhibit-related expenses within their own community. Conversely, exhibitors attending regional/national/international events are likely to spend a greater portion of their expenses where they are based as opposed to the event location.

Association and exhibitor spending per delegate per day by scope of event are shown below.

<b>Per Day Spending</b>	<b>State/ Local</b>	<b>Regional/ National/ International</b>
Association <sup>1</sup>	\$15.12	\$15.91
Exhibitor <sup>1</sup>	\$117.79	\$74.55

Note: <sup>1</sup> Amounts are for 2006 spending per delegate.

Source: DMAI.

# Summary of Direct Spending (cont'd)

## ***Budgetary spending by the OCC***

Budgetary spending refers to the “expense side” generated by the OCC. Regardless of the source or magnitude of the revenues that the building produces, this analysis focuses on the operating expenditures occurring in the Tri-County economies. Based on information provided by management, operating expenditures for the OCC were approximately \$18.9 million in calendar year 2006.

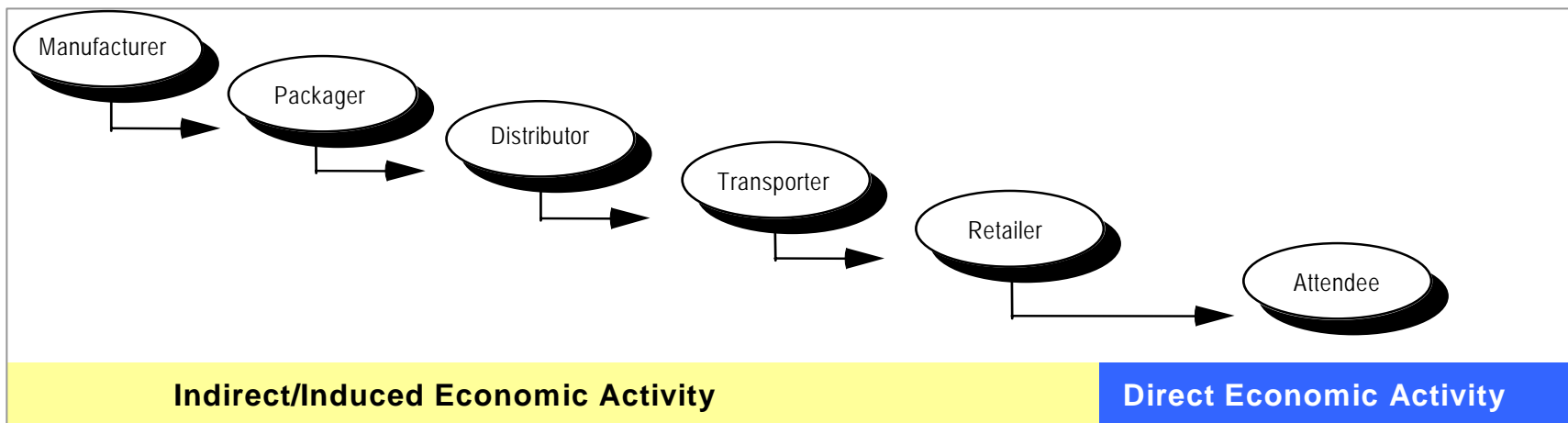
## ***Summary of Direct Spending***

Based on information provided by OCC management for 2006 and the DMAI spending estimates, the total direct spending related to OCC attendees, associations and exhibitors as well as budgetary spending was estimated to be approximately \$215.0 million in 2006. This estimated direct spending amount represents a 33% decrease from 2005 which is primarily attributable to a 40% decline in attendee spending and a 28% decrease in association/exhibitor spending. These spending amounts directly relate to the number of convention/tradeshow attendee days hosted. The table below shows the breakdown of estimated direct spending among these groups.

<b>Category</b>	<b>2006</b>
Attendee Spending	\$117,639,000
Association/Exhibitor Spending	78,491,000
OCC Budgetary Spending	18,878,000
<b>Total Direct Spending</b>	<b>\$215,008,000</b>

# Indirect/Induced Spending

The economic activity generated through the on-going operations of the OCC affects more than just the facility. In preparation for new spending in the economy, several other economic sectors are impacted and jobs are created. It is a common misconception to assume that the indirect/induced spending occurs subsequent to the purchase of the good as an "after effect." To further illustrate this point, consider that raw materials are purchased, labor is hired, and goods are produced, transported and marketed to retailers before the attendee spending takes place. To yield direct spending, several intermediary levels of spending must occur first.



# Multipliers

In an effort to quantify the inputs needed to produce the total output, economists have developed multiplier models. This “multiplier” effect is estimated in this analysis using a regional economic forecasting model provided by Minnesota IMPLAN Group, Inc., a private economic modeling company. The format and data is based on models developed and maintained by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA). One of the major advantages of this type of model is that it is sensitive to both location and type of spending, and has the ability to provide induced/indirect spending, employment and earnings information by industry category.

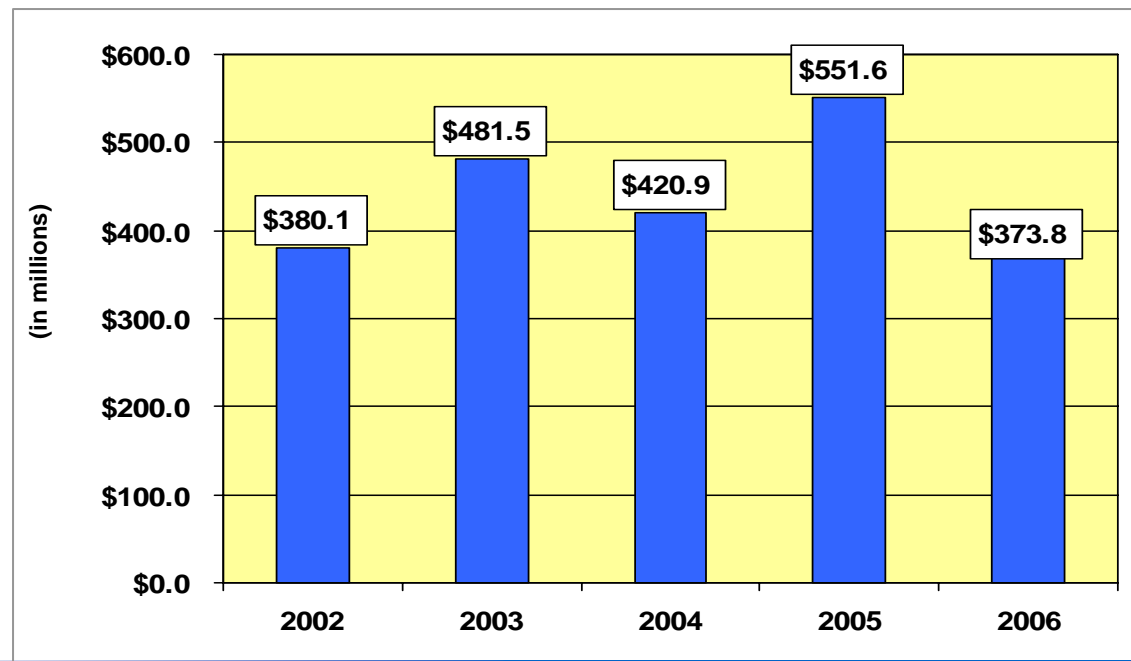
The direct spending amounts estimated from OCC operations were applied to the multipliers in order to calculate estimates for total spending, total earnings and total employment (jobs). The Tri-County Metropolitan Region multipliers used in this analysis are shown in the following table.

<b>Oregon's Tri-County Metropolitan Region Multipliers</b>			
<b>Category</b>	<b>Spending</b>	<b>Employment</b>	<b>Earnings</b>
Hotels/Entertainment	1.7304	29.1	0.6721
Eating & Drinking Places	1.6476	25.7	0.5522
Retail Trade	1.6912	21.1	0.6506
Transportation	1.7203	14.3	0.6471
Utilities	1.3556	5.0	0.3516
Business Services	1.8179	18.3	0.8223

Source: IMPLAN.

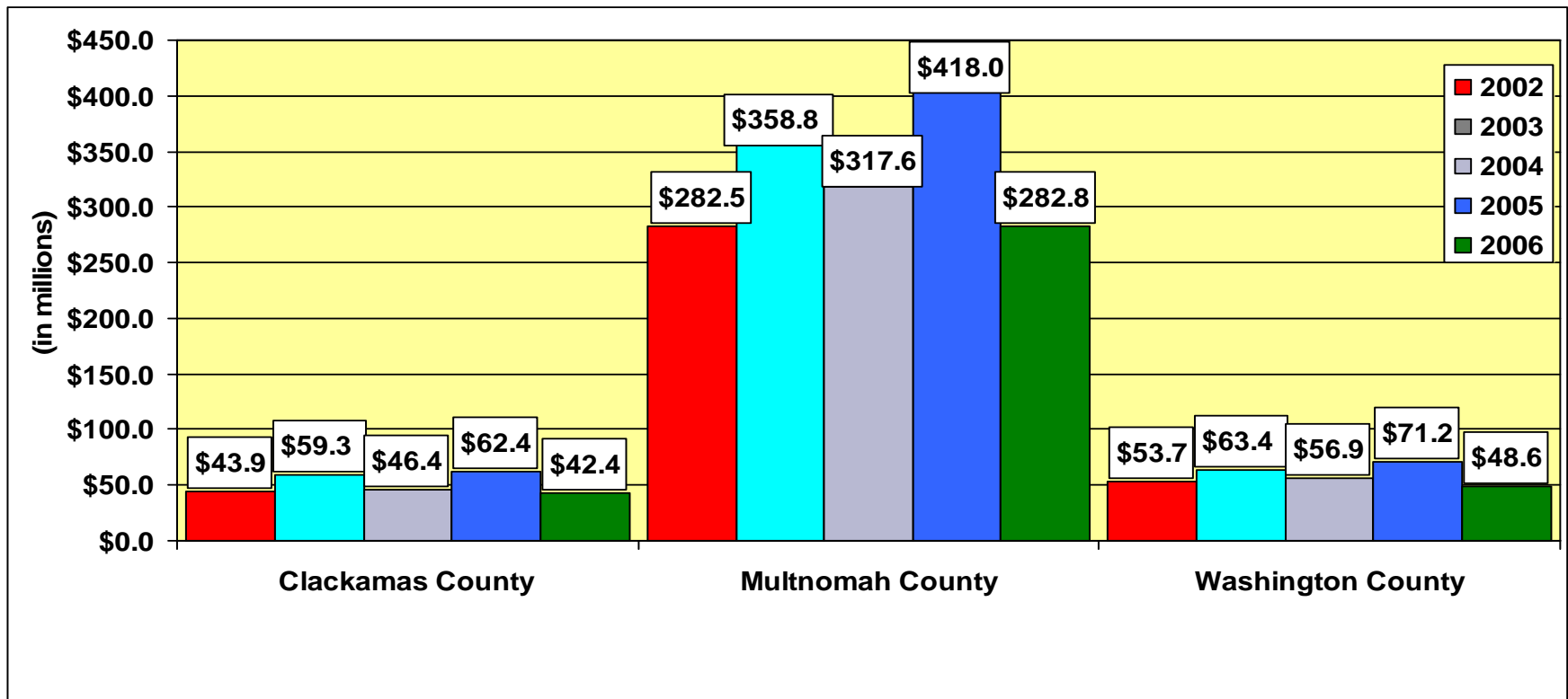
# Summary of Estimated Total Spending in the Tri-County Metropolitan Region

Outputs from the model indicate that total (direct and induced/indirect) spending generated within the Tri-County Metropolitan Region from OCC operations in 2006 was estimated to be approximately \$373.8 million, which was 32% lower than in 2005. This difference in total spending was primarily attributable to decreases in total attendee days (29%), total conventions/tradeshows attendee days (41%), total high impact attendee days (47%) and total regional/national/international attendee days (52%). In 2006, approximately 41% of total attendee days were high impact days compared to 55% in 2005. As mentioned in the event analysis section, this decline in event activity and resulting economic impact may be attributable, in part, to the seasonality of the convention and tradeshow industry as well as AFL-CIO Union Industries event that was held in 2005 which attracted 40,000 attendees. Research conducted by PKF also suggests the lack of a headquarters hotel is negatively impacting the OCC's marketability to conventions and tradeshows.



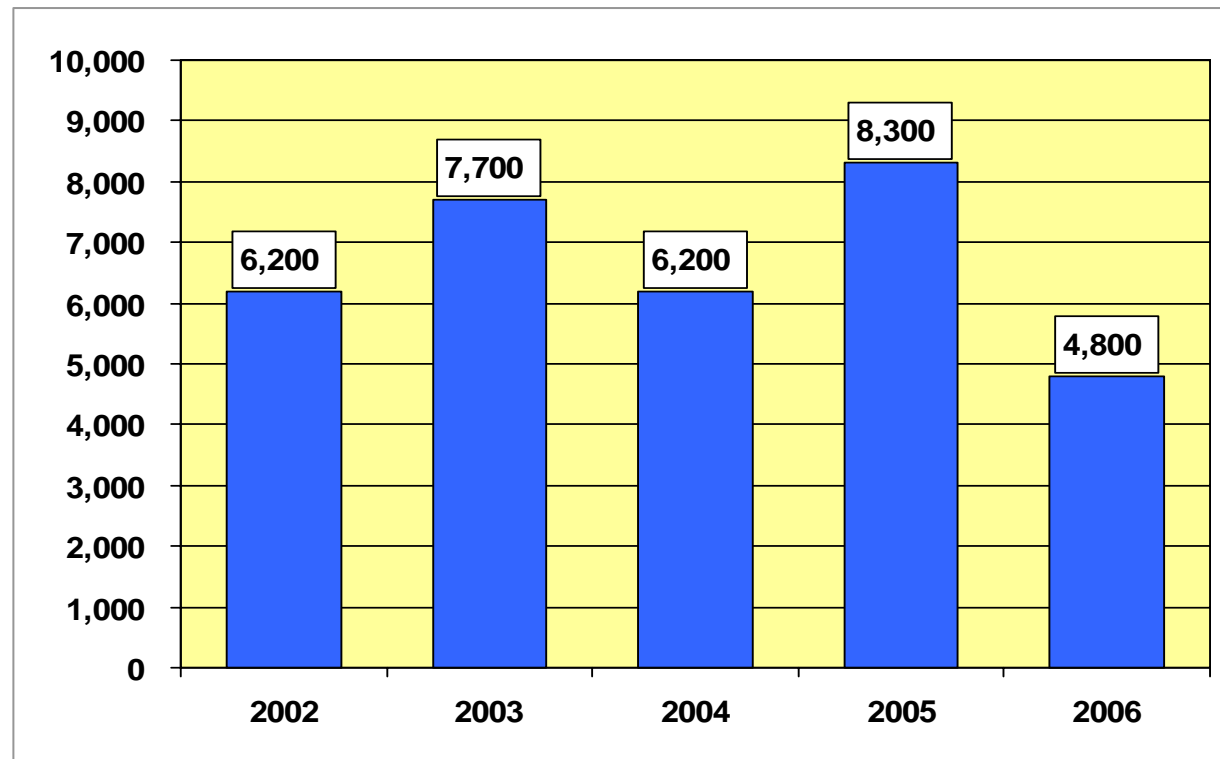
# Summary of Estimated Total Spending By County

Between 2005 and 2006, estimated total spending decreased by approximately 32% in each of the three counties comprising the Tri-County Metropolitan Region. As shown by the trend, this is consistent with the cyclic nature of OCC business.



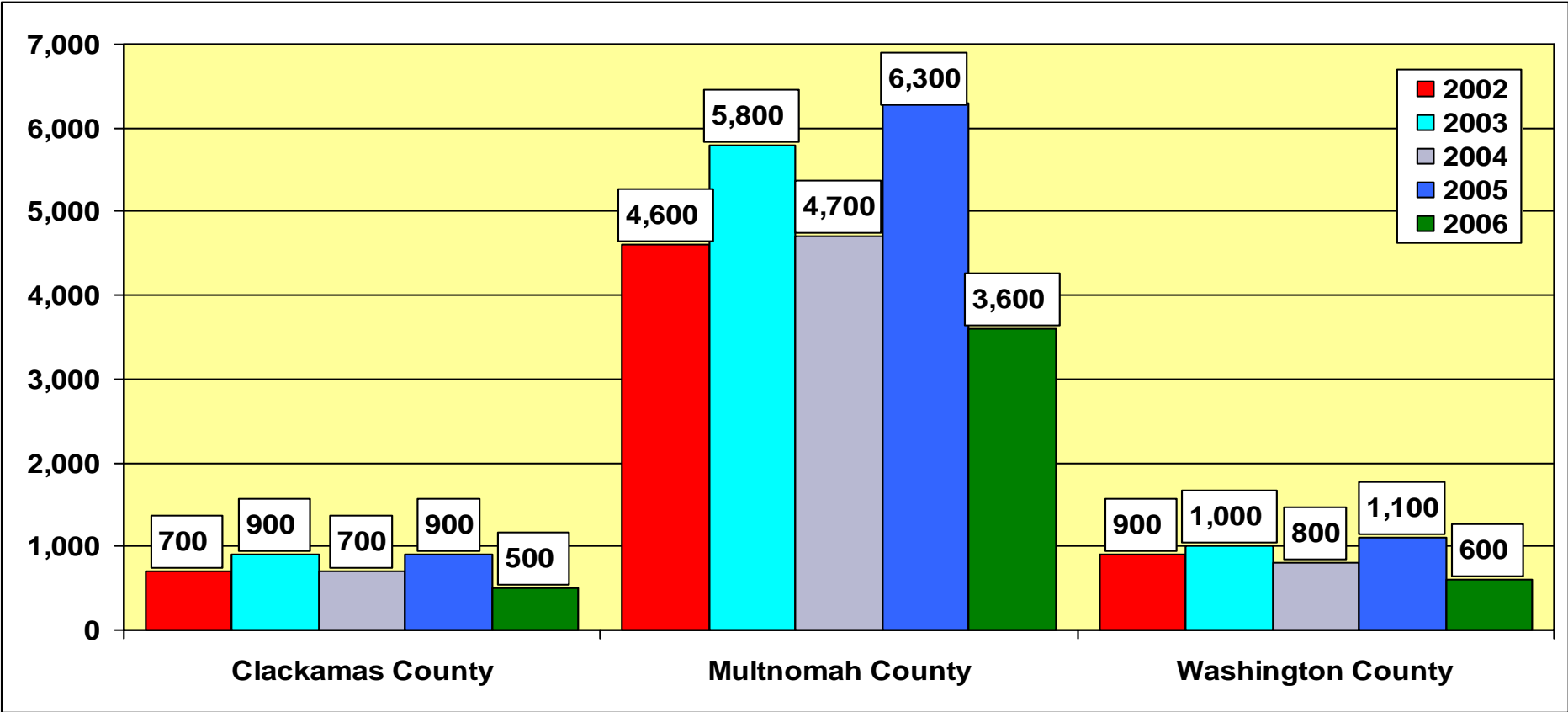
# Summary of Estimated Total Employment in the Tri-County Metropolitan Region

Based on the IMPLAN model, which calculates the number of jobs per \$1.0 million in spending, the economic activity associated with OCC operations in 2006 was estimated to generate approximately 4,800 total jobs in the Tri-County Metropolitan Region, a decrease of approximately 3,500 jobs from 2005. These jobs occur in many sectors of the economy, which both directly and indirectly support the increased level of business activity in the area.



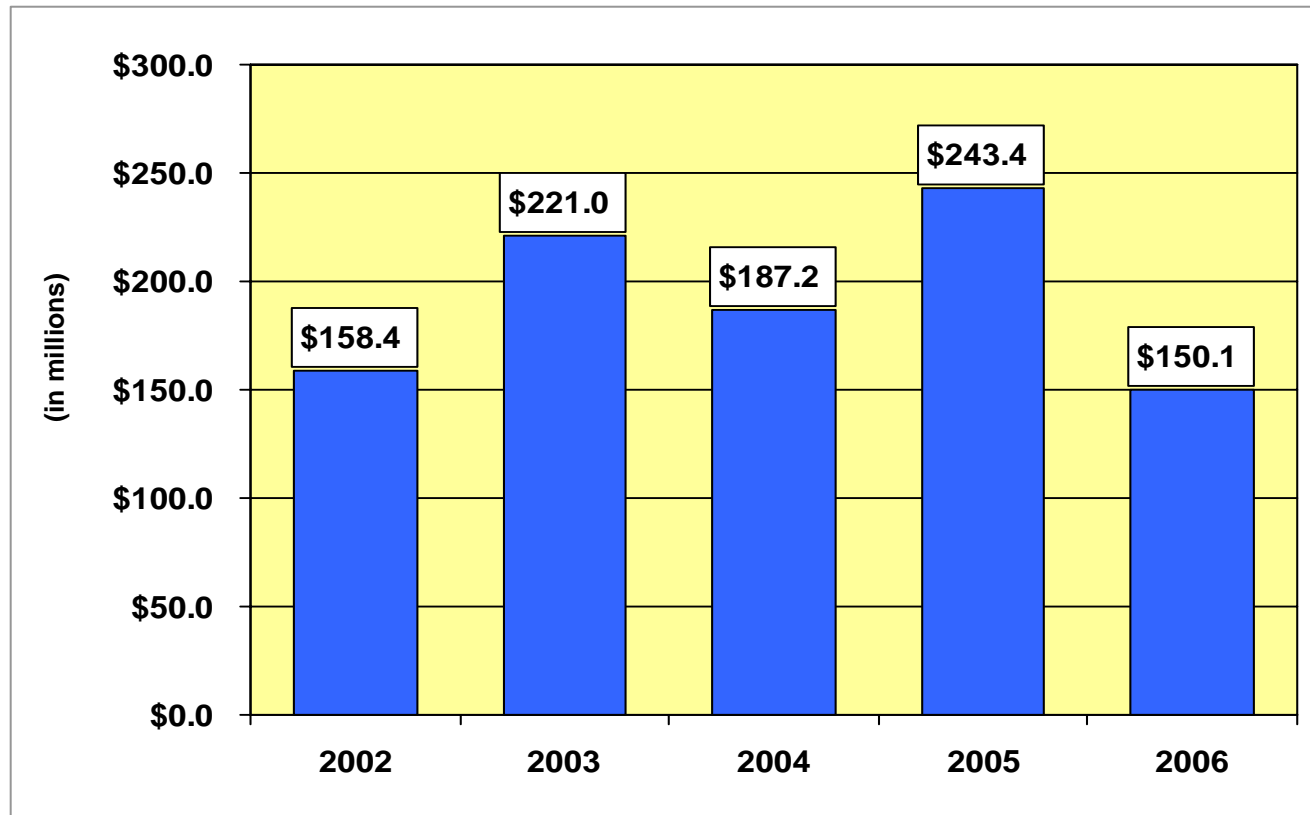
# Summary of Estimated Total Employment by County

As with total spending, estimated total employment generated from OCC operations decreased in each of the three counties between 2005 and 2006.



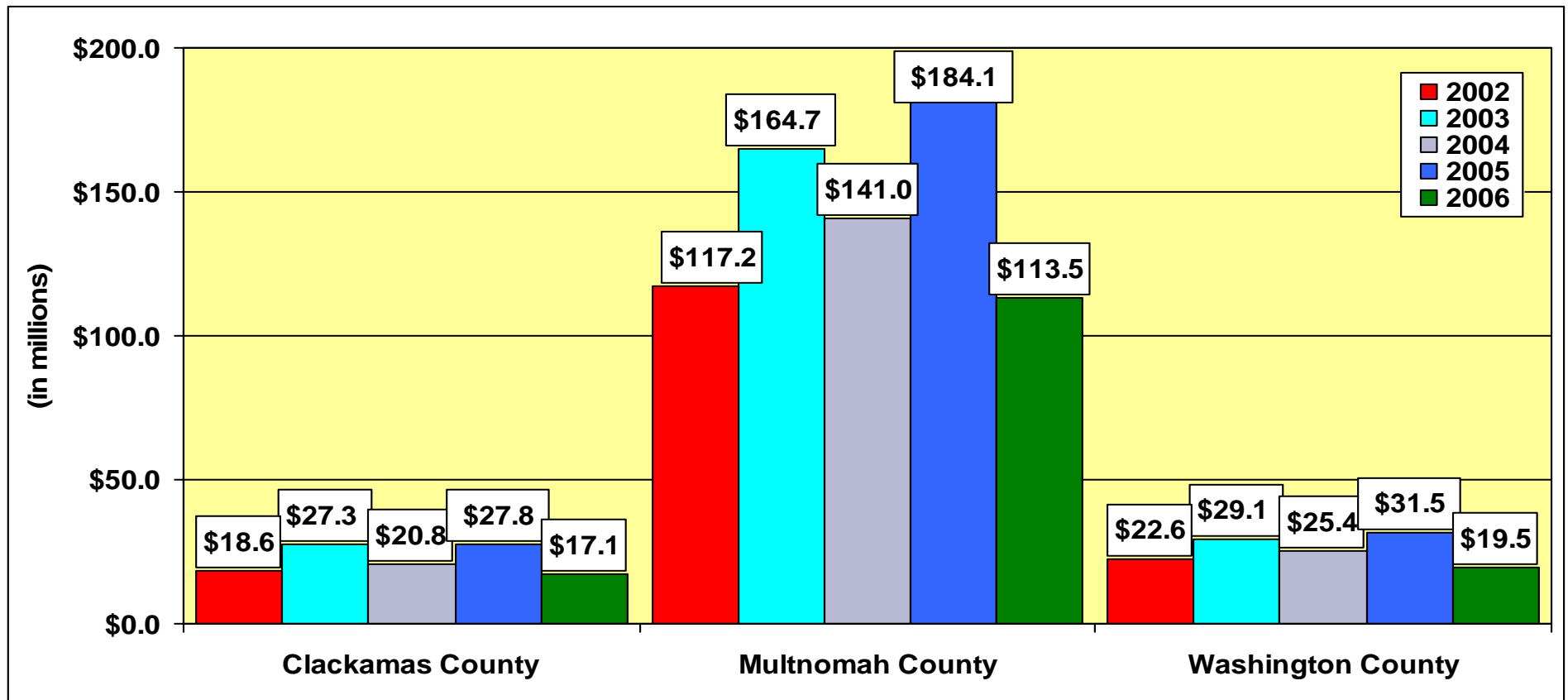
# Summary of Estimated Total Earnings in the Tri-County Metropolitan Region

Total earnings in the Tri-County Metropolitan Region generated from OCC operations in 2006 were estimated to be approximately \$150.1 million.



# Summary of Estimated Total Earnings By County

Between 2005 and 2006, estimated total earnings generated from OCC operations decreased by approximately 38% in each of the three profiled counties.



# Fiscal Impacts Analysis

The estimated spending generated by the on-going operations of the OCC creates tax revenues for the Tri-County Metropolitan Region. Experience in other markets suggests that while a significant portion of the direct spending likely occurs near the facility, additional spending occurs in other areas within the Tri-County Metropolitan Region, particularly spending on items such as business services and everyday living expenses of residents.

Major tax sources potentially impacted by OCC operations were identified in order to estimate the taxable amounts to apply to each respective tax rate. Although other taxes, such as property taxes and gasoline taxes, may be impacted by the on-going operations of the OCC, this analysis estimated revenues generated from the following taxes based on the direct and indirect/induced spending amounts previously discussed:

## State of Oregon

- Personal Income Tax
- Transient Lodging (Hotel/Motel) Tax
- Corporate Excise and Income Tax

## METRO

- Excise Tax

## Clackamas County

- Transient Room Tax

## Multnomah County

- Transient Lodgings Tax
- Motor Vehicle Rental Tax
- Business Income Tax

## Washington County

- Lodging Tax

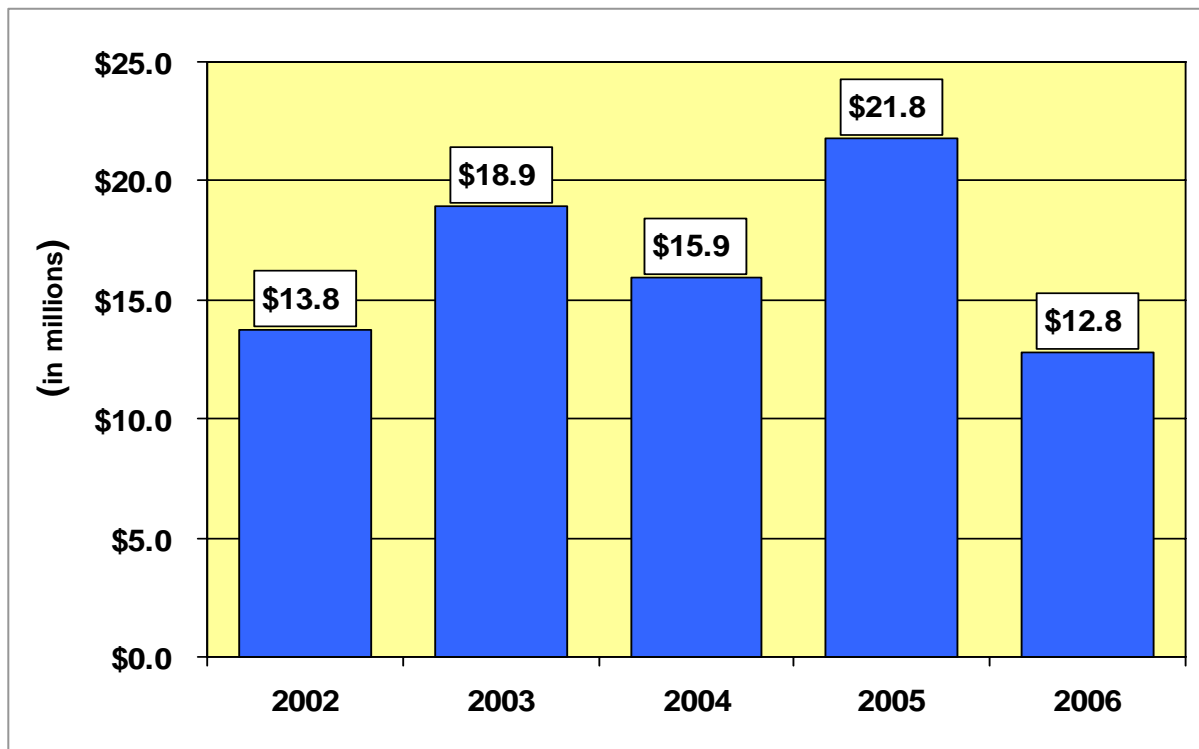
# Summary of Estimated Fiscal Impacts Generated From OCC Operations in 2006

Tax revenues generated from OCC operations and related spending in 2006 were estimated to be approximately \$12.8 million.

<b>Estimated Fiscal Impacts from OCC Operations in 2006</b>	
<b>State of Oregon</b>	
Personal Income Tax	\$4,448,000
Corporate Excise and Income Tax	568,000
Transient Lodging Tax	498,000
Total	<u>\$5,514,000</u>
<b>METRO</b>	
Excise Tax	\$974,000
Total	<u>\$974,000</u>
<b>Clackamas County</b>	
Transient Room Tax	\$373,000
Total	<u>\$373,000</u>
<b>Multnomah County</b>	
Transient Lodgings Tax	\$4,590,000
Motor Vehicle Rental Tax	797,000
Business Income Tax	94,000
Total	<u>\$5,481,000</u>
<b>Washington County</b>	
Lodging Tax	\$462,000
Total	<u>\$462,000</u>
<b>Total Tax Benefits</b>	<b>\$12,804,000</b>

# Summary of Estimated Total Fiscal Impacts Generated From OCC Operations

As shown below, estimated fiscal impacts generated from OCC operations decreased by approximately 41% between 2005 and 2006, which was primarily attributable to the decrease in convention/tradeshow attendees and related spending.



# Summary of Assumptions Used in the Fiscal Impacts Analysis

The pages that follow summarize key assumptions utilized in this analysis to estimate the fiscal benefits realized by the State of Oregon, METRO, and the three individual counties in the Tri-County Metropolitan Region from OCC operations.

## **State of Oregon**

*Personal Income Tax* – The State of Oregon imposes a personal income tax, which is calculated on a graduated scale. Personal income tax is the State of Oregon's largest source of revenue. Based on information from the State of Oregon Department of Revenue, the Statewide effective tax rate for personal income is 5.7%. For purposes of this analysis, personal income tax was calculated by applying the effective tax rate of 5.7% to 52% of total earnings, which represents the State's average taxable income as a percentage of total income.

*Transient Lodging Tax* – Effective in 2004, public and private lodging providers began paying a 1% State lodging tax. This tax is in addition to and not in place of any local transient lodging tax. This tax continuously appropriates funds to the Oregon Tourism Commission to promote tourism programs in Oregon. For purposes of this analysis, the 1% tax rate was applied to 100% of direct hotel spending.

*Corporate Excise and Income Tax* – Corporate excise and income tax is the second largest source of revenue for the State. All corporations doing business in Oregon pay excise tax while corporations not doing business in the State but having income from an Oregon source pay income tax. The corporate tax rate is 6.6% of Oregon net income. For purposes of this analysis and based on information from the State of Oregon Department of Revenue, the 6.6% tax rate was applied to 4% of direct spending in order to reflect net taxable income.

# Summary of Assumptions Used in the Fiscal Impacts Analysis (cont'd)

## **METRO**

*Excise Tax* – METRO imposes an excise tax of 7.5% of total earned revenues of facilities owned or operated by MERC. The tax is remitted on a monthly basis to METRO and is a General Fund Revenue dedicated to the funding of general government activities as well as various planning, parks and green spaces activities. For purposes of this analysis, the actual excise tax amount paid by the OCC was used.

## **Clackamas County**

*Transient Room Tax* – Clackamas County imposes a 6% transient room tax on hotels, defined as any structure or any portion of any structure which is occupied or intended or designed for transient occupancy for 30 days or less for dwelling, lodging or sleeping purposes. Revenues generated by this source are allocated as follows: two points are used for administration purposes, a flat fee is allocated to help fund the County Fair and the remaining amount goes to the Tourism Development Council Fund which is used to promote tourism. The flat fee allocated to the County Fair was originally set at \$250,000 per year and is adjusted by CPI annually. For fiscal year 2006, the flat fee was approximately \$350,000.

In addition to the 6% tax rate imposed by Clackamas County, several cities in the County also impose additional transient room taxes, which range from 3% to 5%. For purposes of this analysis, a tax rate of 9% was applied to 100% of direct hotel spending in the County. Although all tax revenue is generated within the County, the County only retains six of the nine points while the various cities within the County receive the remaining amount.

# Summary of Assumptions Used in the Fiscal Impacts Analysis (cont'd)

## Multnomah County

*Transient Lodgings Tax* – Multnomah County imposes a tax of 11.5% of the rent charged by the operator of any structure or any portion of any structure which is occupied or intended or designed for transient occupancy for 30 days or less for dwelling, lodging or sleeping purposes. This tax is allocated as follows:

- the base rate of 5.5% is allocated to the County's general fund
- a 1% surcharge rate of the tax is used for contracting with private organizations for the promotion, solicitation, procurement and service of County convention business and tourism
- a 3% surcharge rate of the tax is allocated to the excise tax fund of which hotel operators can deduct 5% of the 3% for administrative costs. The remaining amount is dedicated to various projects such as the OCC, the Portland Center for the Performing Arts, and the Regional Arts and Culture Council
- a 2.5% surcharge rate of the tax is allocated to the Visitors Facilities Trust Account (VFTA) of which hotel operators can deduct 5% of the 2.5% for administrative costs

For purposes of this analysis, the tax rate of 11.5% was applied to 100% of direct hotel spending in Multnomah County.

*Motor Vehicle Rental Tax* – Multnomah County levies a tax on the rental of motor vehicles from a commercial establishment doing business in the County if the rental is for a period of 30 days or less. The total tax rate is 12.5% of the rental fee charged by the commercial establishment for the rental. The tax is remitted to the County on a quarterly basis. The collections from the base rate of 10% is allocated to the County's general fund while the remaining 2.5% is allocated to the OCC debt service. For purposes of this analysis, the tax rate of 12.5% was applied to 50% of direct local transportation spending in Multnomah County.

# Summary of Assumptions Used in the Fiscal Impacts Analysis (cont'd)

*Business Income Tax* – A business income tax is imposed on each person doing business within Multnomah County equal to 1.45% of the net income from that business within the County. This tax is administered by the City of Portland. For purposes of this analysis, the business income tax rate of 1.45% was applied to 4% of total direct spending in order to reflect net taxable income.

*Personal Income Tax* – In addition to the State's personal income tax, Multnomah County used to levy an additional 1.25% on Oregon's taxable personal income. According to the County's Chief Financial Officer, this tax sunset at the end of calendar year 2005 and, as such, it was not in effect for income earned during 2006. Consequently, personal income tax is excluded from our analysis. As a point of reference, OCC operations were estimated to generate approximately \$1.2 million in personal income tax in 2005.

## **Washington County**

*Lodging Tax* – Washington County increased its tax on short term stays in hotels, motels and RV parks from 7% to 9% effective July 1, 2006. For purposes of this analysis, the 7% tax rate was applied to 50% of direct hotel spending in Washington County and a 9% tax rate was applied to the remaining 50%. The new allocation of collections is as follows:

- One point is retained by the County as an administrative fee
- One point is dedicated to the Fair Board to support the County Fair
- Two points are granted to the promotion of tourism and are no longer automatically given to the County's Visitor's Association; rather all interested parties must submit proposals to the County for an allocation of this portion, including the Visitor's Association
- The remaining five points are split between the County and cities and are primarily used to fund functions like public safety, public health, transportation and other local government services.