

## Summary of Development Finance Agreement and Room Block Agreement Terms

(Compare to terms of MOU between Metro, Multnomah County and City of Portland, and non-binding Term Sheet between Metro and Mortensen agreed in Fall 2013)

DFA = June 2014 proposed Development and Financing Agreement between Metro, Mortenson Development, and Hyatt

RBA = June 2014 proposed Room Block Agreement

Term Sheet = August 2013 Development Term Sheet between Metro and Mortenson Development

MOU = October 2013 Memorandum of Understanding between Metro, City of Portland and Multnomah County, a non-binding statement of commitments.

Closing = Funding of the Hotel Project

Substantial Completion = Hotel is transferred from Mortenson Development to Hyatt

Financial Review Team = financial experts from Metro, Multnomah County and City of Portland assigned to perform certain financial review responsibilities pursuant to VF IGA

Last Updated 6/10/2014

Issue Identified	First Proposed	Codified in Agreement	Summary of treatment / Additional Information
Hotel design supports revitalization and activation of the area surrounding the Oregon Convention Center	MOU	DFA	Hotel design will include features that, in addition to meeting City design review and permitting process standards, incorporate in goals of (a) activating the edges of the block and provide active ground floor use, (b) creating an iconic presence in the district, (especially at the NE Holladay and MLK, Jr. Boulevard intersection), and (c) creating interesting and safe pedestrian connections through the Hotel site.
Commitment that Hotel will serve as a rate leader in its competitive set; Metro will work with the Hotel Operator and Travel Portland to coordinate marketing plans and rate promotions on an ongoing basis	MOU	RBA	Marketing strategies will be coordinated between Travel Portland and the new hotel to ensure the Hotel is a market rate leader.
Development fee not to exceed 6% of the total construction costs	MOU	DFA	Although project budget must be reviewed and approved by Metro prior to Closing, the Development Fee is not to exceed 3.5%
Land cost appraisal conducted prior to Closing to verify appropriate market value	MOU	DFA	The purchase price for the project site, (excluding the Block 47 Property owned by PDC), shall be less than or equal to the appraised value, which appraisal will be provided to Metro.
Waiver to Portland City Code 6.04.130.D from the OCC Hotel Project operator to allow confidential sharing of the site-specific transient lodging tax information and quarterly pro forma variance report to the Financial Review Team during first two years of hotel operation.	MOU	DFA	Hyatt and all future owners of Hotel will provide a limited waiver to Portland City Code 6.04.130.D, to facilitate review of confidential information by Financial Review Team
Hotel location directly adjacent to the Oregon Convention Center	MOU, Term Sheet	DFA	Before Closing, Mortenson Development will acquire the property upon which the Project will be built, including Block 48 from private owners as well as the PDC-owned portion of Block 47.
Hotel achieves LEED Silver status	MOU, Term Sheet	DFA	Mortenson agrees the hotel will be constructed so as to obtain Silver level LEED certification or higher.
Utilization of union building trades for construction	MOU, Term Sheet	DFA	Mortenson Development guarantees Design/Builder will pay prevailing wage.
Executed labor peace agreement	MOU, Term Sheet	DFA	Hyatt and UNITE HERE signed a labor peace agreement in September 2012. (This agreement served as a national model for Hyatt and helped end a national boycott of Hyatt by the union)
Mortenson Development will ensure that the development, design, and construction of the Hotel comply with PDC's priorities for Emerging, Minority, and Women-Owned Businesses as set forth in RFP 13-2115	MOU, Term Sheet	DFA	Mortenson Development will comply with PDC's Business and Work Force Equity requirements as they existed in September 2012.
Hotel will use its best efforts to comply with Metro's First Opportunity Target Area hiring policy (FOTA)	MOU, Term Sheet	RBA	Hyatt will take reasonable steps to comply with the employee recruitment policy of FOTA. In addition, during the term of the RBA, Hotel Owner will require operator to comply with Contractor Recruitment portion of FOTA as to those service sub-contracts that would be unique to the Hotel.

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Hotel amenities description: - 600 rentable guest rooms - 35,000 total sq ft meeting and ballroom space - Three-meal, upscale restaurant - Lobby bar - Coffee bar - Indoor pool and whirlpool - Exercise room - Business center - Gift shop - Any other amenities consistent with Regency brand	MOU, Term Sheet	DFA	Hotel will be built and operated as an upper upscale convention hotel ensuring that it operate as a full service 3.5+ star hotel with amenities consistent with that rating.
 During construction, Mortenson Development will structure approximately \$119.5 million in private investment through a combination of private equity and private debt accessed through institutional financing sources such as money center banks or life insurance companies	MOU, Term Sheet	DFA	Based on the current project budget Mortenson will structure approximately \$134 million in private investment. Increase in private investment required reflects increased construction costs and interest rates since the selection of Mortenson as the Developer in 2013.
Metro will provide Mortenson Development a project grant for an amount not to exceed \$4 million, contingent upon negotiation of the Development and Financing Agreement	MOU, Term Sheet	DFA	Metro will reimburse Mortenson Development for 40% of pre-development costs incurred, not to exceed a total of \$600,000. Qualified pre-development costs are limited to Hotel Project-related costs of inspections, architectural and engineering services, transportation studies, and applications for and pursuit of entitlements. All pre-development costs paid for by Metro will come out of the \$4 million grant distributed after Closing, in accordance with the terms of the Project Funding Agreement.
Metro will issue, or cause to be issued, a revenue bond in the approximate amount of \$60 million supported by the revenue stream generated from Hotel transit and lodging taxes	MOU, Term Sheet	DFA	At Closing, Metro will issue revenue bonds consistent with expected site-specific transient lodging tax (SSTLT). Although Bond payments will be backed by the entire Visitor Facilities Trust Account (VFTA), the size of the bond will be based off the projected SSTLT's.
The state of Oregon has confirmed it will provide direct financing towards the Project in the form of a grant in an amount of \$10 million (the Lottery Bond Financing).	MOU, Term Sheet	DFA	Metro will use its best efforts to complete all required processes and execute the documents required to secure the Lottery Bond Financing and to obtain disbursement of the proceeds at the earliest possible date. If for any reason some or all of the Lottery Bond Proceeds are not obtained by Metro, Metro shall have no obligation to provide alternative funding for this source.
Mortenson Development Inc. to serve as project developer, assuming all responsibilities relating to design, entitlement, financing and construction. Hotel to be sold by Mortenson to Hyatt upon Substantial Completion of construction, for Hyatt to own and operate.	Term Sheet	DFA	Mortenson Development will construct the hotel under the design/build approach, which places design and construction responsibilities with one contractor, which will handle all permitting and construction. Metro is not a party to separate agreement between Mortenson Development, as developer, and Mortenson Construction, as Design-Builder, for the construction of the Hotel. Metro is also not a party to the separate agreement between Mortenson Development and Hyatt, for the purchase of the Hotel by Hyatt upon Substantial Completion. At Closing, however, MA Morteonson Companies Inc will provide Metro with a Completion Guaranty, which guarantees completion of the Project in accordance with the DFA even in the event that Design-Builder and/or Hyatt fail to perform in accordance with these separate agreements.
Stipulated architects and financial consultants	Term Sheet	DFA	Elness Swenson Graham Architects will serve as the lead design firm, with Ankrom Moisan Associated Architects as the local design partner. Piper Jaffray & Co. will serve as finance investment banking consultants, with Jones Lang LaSalle Hotels providing market and feasibility studies.

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Mortenson Development will provide Metro with copies of design product, budgets, statement of sources and uses of funds, financing commitments, operating pro formas, and other relevant information as mutually agreed upon throughout the Hotel project process.	Term Sheet	DFA	During the design and construction of the Project, including during the period prior to Closing, Mortenson Development shall submit monthly reports Metro, as to the progress of design, financing, budgets, schedules, cost estimates and upcoming approvals.
Metro to obtain a Room Block Agreement that addresses convention room block needs and concerns	Term Sheet	RBA	The RBA includes two blocks: a 500 room block (36+ months in advance) and a 300 room block (24+ months in advance). The larger conventions the OCC seeks to attract with an adjacent convention center hotel typically book convention space 36 to 72 months in advance.
Hyatt is expected to participate in the predevelopment process and provide project management oversight to ensure that the project is designed, constructed and equipped to meet the Hyatt Regency brand standard. After construction is complete, Hyatt will purchase the Hotel.	Term Sheet	DFA & Separate Agreement	Mortenson Development is concurrently entering into an agreement with Hyatt to transfer the Hotel to Hyatt. Such Hotel Sale Agreement shall require that the Hotel will be encumbered by a Hyatt Regency franchise management agreement or, if such franchise or management agreement terminates, that the Hotel be managed and maintained as an upper-upscale convention center hotel. Any transfer of the Hotel will include assignment of the Room Block Agreement, which also incorporates in these terms.
The project is anticipated to have a total budget, inclusive of all hard and soft costs, of \$197.5 million.	Term Sheet	DFA	The project's total estimated budget, inclusive of soft and hard costs, as of June 2014 is \$212 million. This is a result of escalating construction costs and private lending costs. While the total estimate cost has increased, public financial support remains the same (no more than \$78 million).
** Project schedule assumed completion of development agreements and iterative design by July 1, 2014, with a projected opening of September 2016. **	Term Sheet	DFA	The project schedule outlined in the term sheet is no longer current. Circumstances in winter 2014 necessitated delays in the negotiations that pushed back the timetable for reaching agreement on development and financing/room block. The current schedule assumes completion of development agreements in June 2014, completion of bond issuance and project Closing by April 2015, construction start in summer 2015 with completion in fall 2017.
As a condition to Metro issuance of the Metro Revenue Bond, Metro and Owner/Hyatt Hotel Corporation shall have executed a Room Block Agreement to be negotiated among such parties which addresses and defines the terms required by Metro and Owner relating to city-wide events, event room blocks of 500 rooms and a mutually agreed upon timeframe, and event block rates.	Term Sheet	DFA/RBA	The Room Block Agreement terms have been negotiated between Hyatt and Metro. The Room Block Agreement will be recorded at Closing and shall run with the Hotel project site and bind future purchasers of the property. To implement the immediately preceding sentence, Mortenson Development as owner of the Hotel site during construction, will consent to the recording of the Room Block Agreement at execution.
Mortenson Development will ensure that all contractors, subcontractors and consultants fully comply with the State of Oregon's BOLI statues and regulations and any other applicable regulations.	Term Sheet	DFA	Developer is obligated to pay prevailing wage. Additionally, Mortenson Development will obtain a Payment and Performance Bond during construction to further mitigate the risk of the Design/Builder's failure to pay its subcontractors and otherwise deliver the completed project.
Hyatt Regency or higher quality brand (3.5+ stars) with any changes or sales to be notified to Metro	MOU, Term Sheet	DFA & RBA	Mortenson Development is concurrently entering an agreement with Hyatt. As the hotel owner, Hyatt will be required to manage and maintain an upper-upscale convention center hotel, managed by a qualified team experienced in large convention center hotels of similar quality to Hyatt Regency.
<b>Separate Agreements</b>			

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Metro will amend the VFTA Intergovernmental Agreement, upon approval from the City of Portland and Multnomah County and Metro Council, to create a funding mechanism within the VFTA to support the issuance of revenue bonds for the Hotel, based on the equivalent of 11.5% of the site-specific TLT expected to be generated by the operations of the Hotel	Term Sheet	Separate agreement	<p>The recently amended IGA added a new "bucket" to make payments on Metro-issued revenue bonds that will support Hotel development.</p> <p>Although the Bond is backed by the VFTA system, the IGA parties agreed to size the bond based upon SSSLT projections. Lodging taxes generated by the hotel will be reviewed by a Financial Review Team comprised of staff from the public partners every five years. If, in any given five year period, SSSLT receipts do not meet the projected amounts and VFTA reserves have been depleted, Metro may be required to reimburse the VFTA system.</p>
Metro is expected to coordinate necessary approvals for funding from PDC, City, Multnomah County and Metro Council; negotiate and enter into development and financing agreements, including intergovernmental agreements, Visitor Development Initiative amendments, etc.	Term Sheet	DFA, Separate agreements	Metro, the City of Portland and Multnomah County have all approved changes to the Visitor Facilities Intergovernmental Agreement (VF IGA) that will allow for site-specific transient lodging taxes (SS TLTs) to pay for revenue bonds to be issued by Metro. Metro will continue to coordinate any agreements necessary between the public parties and is committed to the Financial Review Team obligations outlined in the VF IGA. PDC shall enter into separate agreements with Mortensen for Block 47, parking arrangements on Block 49 and for the terms of a loan from PDC, if agreed.
PDC is expected to provide direct financing in the form of a loan in an amount up to \$4 million, contingent upon budget authority and PDC Board approval of appropriate financing agreements; Potential Sale of Block 47 from PDC to Mortenson Development at FMV	MOU, Term Sheet	Separate agreement	If Mortenson Development borrows funds from PDC for the Project, Mortenson Development and PDC will enter into a separate loan agreement; PDC and Mortenson Development are in negotiations to come to terms on the disposition of Block 47.
PDC is expected to participate in the project pre-development process, providing technical assistance as requested	Term Sheet	N/A	PDC will participate in the project's pre-development process, providing technical assistance and facilitation with other city Bureaus as needed.
Adequate parking to meet the needs of the Hotel (approx. 300 spaces) with no Metro project funding used for a separate structure or needs beyond the Hotel's; Structured parking either underneath or adjacent to the hotel	MOU, Term Sheet	DFA and Separate agreement	PDC and Mortenson Development currently negotiating an agreement regarding parking adjacent to the hotel (Block 49, immediately west of the designated hotel site); As currently contemplated, the parking structure would be PDC-owned, and the Hotel would have the right to use a minimum of 300 parking spaces for the Hotel uses.