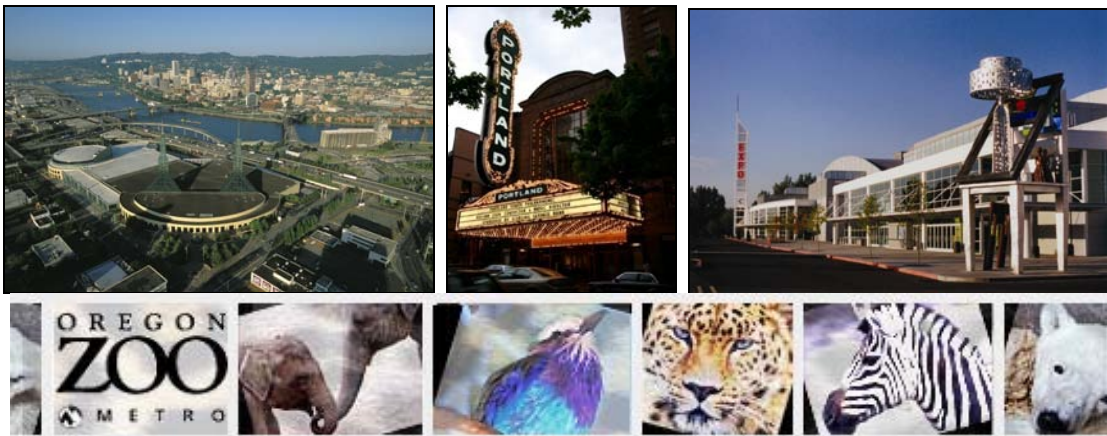




Metro Visitor Venues



Economic and Fiscal Impact Analysis FY 2010

Executive Summary February 2011

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February 4, 2011

Ms. Teri Dresler, General Manager
Metro Visitor Venues
600 NE Grand Avenue
Portland, OR 97232

Dear Ms. Dresler:

In accordance with our agreement, Crossroads Consulting Services LLC has completed its economic and fiscal impact analysis associated with operations of the Oregon Convention Center, the Portland Center for the Performing Arts, the Portland Metropolitan Exposition Center, and the Oregon Zoo in Fiscal Year 2010. The report presented herein includes the summary of our analysis; more detail regarding each venue's operation and resulting economic/fiscal impacts can be found in their respective reports issued under separate cover.

The findings and assumptions contained in the report reflect analysis of secondary sources of information including data that was obtained from the Metro Visitor Venues department as well as management at each facility. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. We have no obligation, unless subsequently engaged, to update our report or revise the information contained therein to reflect events and transactions occurring after the date of this report.

In accordance with the terms of our engagement letter, the accompanying report is restricted to internal use by Metro and its advisors and may not be relied upon by any third party for any purpose including financing. 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.

Our analysis does not constitute an examination, compilation or agreed upon procedures in accordance with the standards established by the American Institute of Certified Public Accountants.

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

We have enjoyed our on-going relationship with Metro and look forward to providing you with continued services in the future. If you have any questions about our analysis, please feel free to contact Susan Sieger at 813.281.1222.

Sincerely,

Crossroads Consulting Services LLC

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Introduction

Metro, the regional government, crosses city limits and county lines to build a resilient economy, keep nature close by and respond to a changing climate. Representing a diverse population of 1.5 million people in 25 cities and three counties, Metro's directly elected council gives voters a choice in decisions about how the region grows and communities prosper. In addition to its charter responsibilities established nearly 30 years ago – to provide planning, policy making and services to preserve and enhance the region's quality of life – Metro operates a family of visitor venues that provide a diverse range of cultural and educational activities and experiences; memorable gathering places for celebrations and business events; and significant economic return by hosting conventions, trade/consumer shows, art performances and live exhibits.

Metro's visitor venues group is comprised of the Oregon Convention Center (OCC), Portland Center for the Performing Arts (PCPA), Portland Metropolitan Exposition Center (Expo Center) and Oregon Zoo. Formed in July 2010 to enhance collaboration on operational issues, the team actively works towards a common mission of maintaining world-class gathering and entertainment spaces for residents and visitors.

Through its Metropolitan Exposition Recreation Commission (MERC), Metro benefits from business and community leaders whose expertise and guidance set the strategic business direction for three of the venues: OCC, Expo Center and PCPA. Commission members are nominated by Clackamas, Multnomah and Washington Counties and the City of Portland and appointed by the Metro Council to serve four-year terms.

The Oregon Zoo also benefits from a key public/private partnership through the Oregon Zoo Foundation (OZF) which is comprised of business and community leaders. The OZF's mission is to foster community pride and involvement in the Oregon Zoo and to secure financial support for the zoo's conservation, education and animal welfare programs.

The Metro visitor venues are varied in building type, history, and business focus and client mix:

- OCC is designed to maximize economic benefit for the State and region by attracting out-of-town visitors to conventions and local residents to special events and trade shows;
- PCPA is the cultural hub for the metropolitan region hosting a variety of performances and entertainment events in its multiple theatres;
- Expo Center is the region's primary destination for public events and consumer shows, some of which have been held there for 50 years; and
- Oregon Zoo is the State's most popular attraction whose mission is to inspire visitors to learn about endangered species protection and take action towards native habitat restoration.

The individual and aggregate contributions each makes towards the region's economy is powerful and significant. Combined, the venues hosted more than 1,400 events/performances in FY 2010 that attracted nearly 3.4 million people and offered a wide range of experiences for visitors and residents – contributing to the quality of life for the region and beyond.

Through market-driven best practices, the Metro visitor venues have been financially successful, even despite the economic downturn, and are positioned to achieve long-term financial success by pursuing the following strategies:

- Exceeding customers' expectations and providing a consistent, enjoyable visitor experience;
- Building and maintaining alliances with community and business partners;
- Effectively marketing the venues to retain existing customers and attract new business;
- Establishing and achieving annual benchmarks in sustainable business operations;
- Employing prudent financial measures that protect the public investment and minimize debt;
and
- Pursuing strategic initiatives to meet long-term business objectives and client needs.

The primary purpose of this study is to estimate the economic and fiscal impacts associated with on-going operations of Metro visitor venues to the regional economy. Economic impacts are estimated in terms of spending, jobs and earnings which create additional fiscal impacts and are reflected as changes in tax revenues.

General Methodology Overview

General Methodology Overview

An estimate of the economic benefits that occur in the Portland metro area and the State of Oregon as a result of on-going operations of the Metro visitor venues can be approached in several ways. The approach used in this analysis considers expenditures generated from each facility's operations from items such as personal services, food and beverage, goods and services, repairs and maintenance, contract services, general administrative, utilities, insurance, capital outlay, etc. as well as spending by attendees, sponsoring organizations, event producers, cast/crew and exhibitors outside the facility on items such as lodging, restaurants, retail, entertainment and transportation as the initial measure of economic activity in the marketplace. Once the amount for direct spending is estimated, a calculated multiplier is applied to generate the indirect and induced effects. The sum of direct, indirect and induced effects equals total economic impact which is expressed in terms of spending (output), employment (jobs), and personal earnings.

This analysis also estimates the fiscal impacts generated from on-going operations of the Metro visitor venues. The governmental entities considered in the fiscal analysis are the State of Oregon, Metro, Clackamas County, Multnomah County and Washington County. Revenues generated from income tax, transient lodging/room tax, excise tax, and motor vehicle rental tax were estimated.

The number of events and attendance, event mix, origin of attendees/visitors, facility financial operations, industry trends, economic conditions, direct spending categories used, per person spending amounts, distribution of spending, multipliers and specific taxes quantified are all variables that influence the economic and fiscal impact estimates.



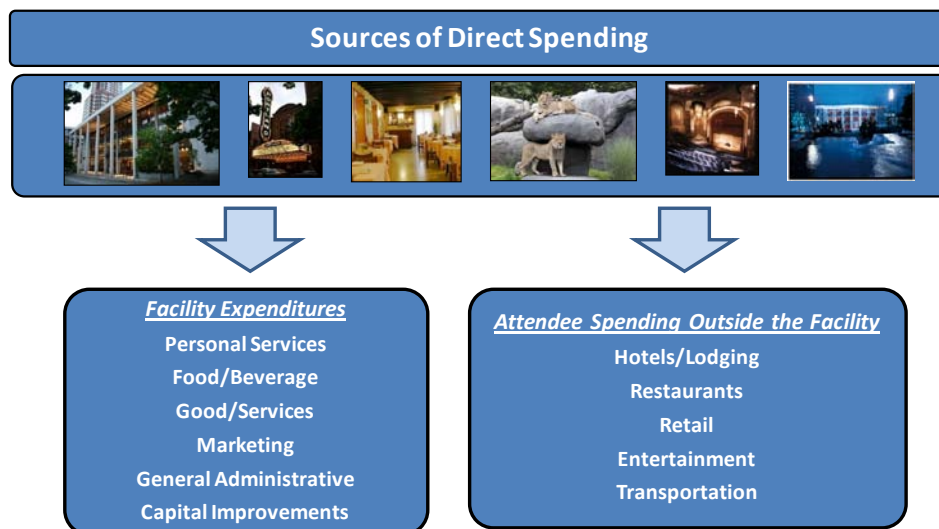
All dollar amounts depicted in this report are rounded to the nearest thousand and are presented in 2010 dollars unless otherwise noted.

Methodology – Economic Impact Analysis

Regional input-output models are typically used by economists as a tool to understand the flow of goods and services among regions and measure the complex interactions among them given an initial spending estimate.

Direct Spending

Estimating direct spending is the first step in calculating economic impact. Direct spending represents the initial change in spending that occurs as a direct result of operations of the Metro visitor venues. This spending occurs both inside and outside of the venues. Direct spending at Metro visitor venues is generated from facility expenditures (including capital outlay) as well as from attendees, event producers, cast/crew members and exhibitors.



Indirect/Induced Impacts

The economic activity generated by the operation of the Metro visitor venues affects more than just the facility. In preparation for new spending in the economy, several other economic sectors are impacted and jobs are created. Indirect effects reflect the re-spending of the initial or direct expenditures or the business-to-business transactions required to satisfy the direct effect. Induced effects reflect changes in local spending on goods and services that result from income changes in the directly and indirectly affected industry sectors. The model generates estimates of these impacts through a series of relationships using local-level average wages, prices and transportation data, taking into account commute patterns and the relative interdependence of the economy on outside regions for goods and services.

Multiplier Effect

In an effort to quantify the inputs needed to produce the total output, economists have developed multiplier models. The estimation of multipliers relies on input-output models, a technique for quantifying interactions between firms, industries and social institutions within a local economy. This analysis uses IMPLAN software and databases which are developed under exclusive rights by the Minnesota IMPLAN Group, Inc. IMPLAN, which stands for *Impact Analysis for Planning*, is a computer software package that consists of procedures for estimating local input-output models and associated databases. The IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a defined economic area. Its proprietary methodology includes a matrix of production and distribution data among all counties in the U.S. As such, the advantages of this model are that it is sensitive to both location and type of spending and has the ability to provide indirect/induced spending, employment and earnings information by specific industry category while taking into account the leakages associated with the purchase of certain goods and services outside the economy under consideration.

Once the direct spending amounts are assigned to a logical category, the IMPLAN model estimates the economic multiplier effects for each type of direct new spending attracted to or retained in the area economy resulting from operations of the Metro visitor venues.

For purposes of this analysis, the following industry multipliers were used:

Tri-County Region Multipliers			
Category	Spending	Employment*	Earnings
Hotels	1.7532	16.0	0.5660
Eating & Drinking Places	1.7273	21.9	0.6111
Retail Trade	1.5902	21.1	0.7474
Entertainment	1.8781	31.4	0.7365
Transportation	1.7603	13.6	0.6700
Business Services	1.7076	12.2	0.6729
New Construction	1.7521	13.6	0.6847

Note: *Indicates the number of jobs per \$1 million in spending.

Source: IMPLAN.

These multipliers reflect IMPLAN's latest available economic data reflecting 2009 transactions and the complex interactions among regions.

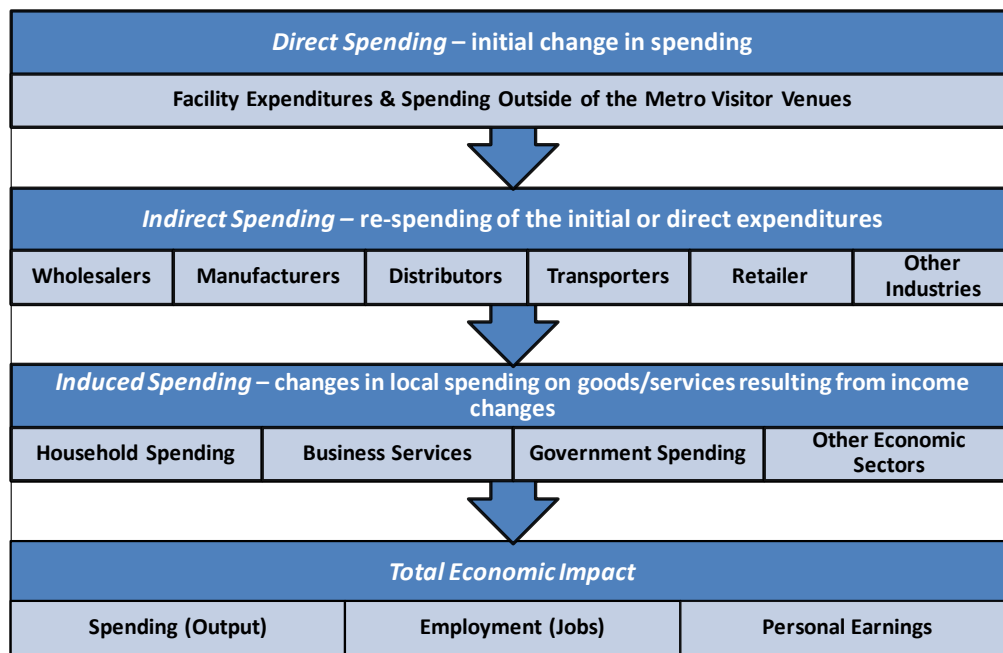
Total Economic Impact

The calculated multiplier effect is then added to the direct impact to quantify the total economic impact in terms of spending, employment and earnings which are defined below:

- **Spending (output)** represents the total direct, indirect and induced spending effects generated by Metro visitor venues' operations. 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.

- **Employment (jobs)** represents the number of full and part-time jobs supported by Metro visitor venues’ operations. 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.
- **Personal earnings** represent the wages and salaries earned by employees of businesses associated with or impacted by Metro visitor venues’ operations. 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.

The following graphic illustrates the multiplier effects for calculating total economic impact.



Methodology - Fiscal Impact Analysis

The estimated spending generated by the on-going operations of the Metro visitor venues creates tax revenues for area municipalities and the State. 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 State, particularly spending on items such as business services and everyday living expense of residents. Major tax sources impacted by facility operations were identified and taxable amounts to apply to each respective tax rate were estimated. Although other taxes, such as property taxes, may also be positively impacted by the on-going operations of the Metro visitor venues, this analysis estimated the revenues generated from corporate excise and income tax, personal income tax and transient lodging tax at the State level as well as excise tax, business income tax, transient lodging/room tax and motor vehicle rental tax at the County level.

Economic/Fiscal Impact Analysis

This section of the report provides a summary of utilization, financial operations, economic impacts and tax revenues for the Metro visitor venues combined as well as for each of the individual facilities for FY 2010.

Summary of Key Comparative Data at Metro Visitor Venues

As shown in the following table, Metro visitor venues hosted fewer events/performances and drew less attendance in FY 2010 than in the previous two fiscal years. Despite that, direct spending generated by the OCC, Expo and PCPA increased in FY 2010 which was primarily attributable to a significant increase in regional/national convention/tradeshow attendee days at the OCC. Convention/tradeshow activity is the primary driver of economic impact at the OCC. In the past several fiscal years, conventions/tradeshows have accounted for approximately 50% of OCC attendee days, whereas these event types represented 61% of attendee days in FY 2010. Further, the portion of OCC convention/tradeshow attendee days from regional/national/international events increased to 75% in FY 2010 which was significantly higher than in recent fiscal years. Given the distances traveled, regional/national/international events are assumed to generate a greater portion of overnight or high-impact attendee days and resulting spending in the economy. As such, this shift in OCC's mix of business in FY 2010 resulted in the overall increase in estimated economic and fiscal impacts.

Summary of Key Comparative Data - Metro Visitor Venues Combined				
Category	FY 2008	FY 2009	FY 2010 (Excluding Oregon Zoo)	FY 2010
Utilization:				
Events/Performances	1,497	1,722	1,456	1,456
Total Use Days	2,908	3,192	2,694	2,694
Total Attendance	1,942,100	1,940,400	1,718,600	3,353,600
Financial Operations:				
Operating Revenues	\$30,411,000	\$30,032,000	\$29,725,000	\$48,809,000
Operating Expenses	37,503,000	39,703,000	40,063,000	64,758,000
Net Operating Results	<u>(\$7,092,000)</u>	<u>(\$9,671,000)</u>	<u>(\$10,338,000)</u>	<u>(\$15,949,000)</u>
Economic/Fiscal Impacts:				
Direct Spending	\$307,394,000	\$294,898,000	\$359,114,000	\$397,752,000
Indirect/Induced Spending	227,073,000	227,138,000	258,369,000	283,978,000
Total Spending	<u>\$534,467,000</u>	<u>\$522,036,000</u>	<u>\$617,483,000</u>	<u>\$681,730,000</u>
Total Jobs	5,810	5,540	5,980	6,680
Total Earnings	\$205,949,000	\$203,672,000	\$230,617,000	\$257,716,000
Total Fiscal Benefits	\$18,415,000	\$18,292,000	\$21,652,000	\$22,830,000

Note: FY 2008 and FY 2009 comparative data excludes the Oregon Zoo as FY 2010 is the first year this analysis was completed.

As shown, activities at all Metro visitor venues were estimated to generate approximately \$681.7 million in total spending which supported 6,680 jobs and created \$257.7 million in personal earnings. In aggregate, activities at these four venues were also estimated to generate approximately \$22.8 million in tax revenues in FY 2010.

Summary of Event Activity at Metro Visitor Venues – FY 2010

In FY 2010, Metro visitor venues hosted more than 1,400 events/performances that accounted for approximately 2,700 total use days and attracted nearly 3.4 million attendees. Events hosted at OCC include national and international conventions/tradeshows, public shows, meetings and social functions. PCPA events include performing arts events, comedy/concerts, lectures, meetings and receptions. Expo event activity is comprised primarily of public shows and trade shows where regional businesses can exhibit their goods as well as meetings and social functions. Oregon Zoo visitors are comprised of paid admissions, zoo members who may attend multiple times throughout the year as well as free admits (e.g., children under age two).

Summary of Event Activity at Metro Visitor Venues - FY 2010					
	OCC	PCPA	Expo Center	Oregon Zoo	Total
Events/Performances	424	934	98	n/a	1,456
Total Use Days	1,050	1,229	415	n/a	2,694
Attendance	521,200	776,800	420,600	1,635,000	3,353,600

Note: n/a denotes not applicable.

Sources: Metro; management at individual facilities.

Summary of Financial Operations at Metro Visitor Venues – FY 2010

Metro visitor venues generated approximately \$48.8 million in operating revenues in FY 2010. The OCC, PCPA and Oregon Zoo generated an operating loss which is partially subsidized by non-operating revenues such as transient lodging tax, grants, contributions, admission surcharge and government support from the City of Portland. It is not unusual for convention centers and performing arts centers to operate at a loss given that the mission of these venues is to generate economic impact by attracting out-of-town visitors and to offer diverse cultural arts activities to area residents. In addition, zoos typically do not generate sufficient revenues from their admissions and programs to offset operating expenses. Instead, zoos are commonly supported by a non-profit organization, like the Oregon Zoo Foundation, aimed at generating funding for conservation and educational programs as well as other public/private donations to subsidize operations. On the other hand, the Expo Center serves as the region’s primary destination for public events and consumer shows that attract primarily area residents, and realized a net operating income of \$867,000 in FY 2010. In aggregate, Metro visitor venues generated a net operating loss of approximately \$15.9 million before non-operating revenues and expenses, capital and transfers. These four venues directly employed more than 300 full-time employees in FY 2010 in addition to many part-time permanent and seasonal jobs.

Summary of Financial Operations at Metro Visitor Venues - FY 2010					
Category	OCC	PCPA	Expo Center	Oregon Zoo	Total
Total Operating Revenues	\$16,645,000	\$7,999,000	\$5,081,000	\$19,084,000	\$48,809,000
Total Operating Expenditures	\$24,983,000	\$10,866,000	\$4,214,000	\$24,695,000	\$64,758,000
Net Operating Results	(\$8,338,000)	(\$2,867,000)	\$867,000	(\$5,611,000)	(\$15,949,000)
Total Full-Time Jobs	110	31	14	156	311

Notes: Support and risk management costs are included in operating expenditures.

Zoo financial operations exclude any support from the Oregon Zoo Foundation.

Full-time jobs shown for the Oregon Zoo also include the Oregon Zoo Foundation.

Sources: Metro; management at individual facilities.

Summary of Estimated Economic Impacts from Metro Visitor Venues – FY 2010

The table that follows summarizes the estimated economic impacts generated from Metro visitor venues in FY 2010 in terms of total direct and indirect/induced spending, employment and earnings based on the methodology and assumptions outlined in this report and further described in each individual venue report. As shown, Metro visitor venues were estimated to generate approximately \$681.7 million in total spending within the region and 6,680 jobs.

Summary of Estimated Economic Impacts Generated from Operations of Metro Visitor Venues - FY 2010					
Category	OCC	PCPA	Expo Center	Oregon Zoo	Total
Total Economic Benefits:					
Direct Spending	\$305,658,000	\$33,649,000	\$19,807,000	\$38,638,000	\$397,752,000
Indirect/Induced Spending	220,221,000	23,868,000	14,280,000	25,609,000	283,978,000
Total Spending	\$525,879,000	\$57,517,000	\$34,087,000	\$64,247,000	\$681,730,000
Total Jobs	5,000	610	370	700	6,680
Total Earnings	\$195,319,000	\$22,280,000	\$13,018,000	\$27,099,000	\$257,716,000

Note: Earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the facility(s).

Summary of Estimated Fiscal Impacts from Metro Visitor Venues – FY 2010

Based on the event activity and financial operating data provided by Metro and each of the individual facilities as well as other assumptions outlined in this report, Metro visitor venues were estimated to generate approximately \$22.8 million in tax revenues in FY 2010. For purposes of this analysis, fiscal benefits associated with the on-going operations of these four facilities are estimated for the State of Oregon, Metro, Clackamas County, Multnomah County and Washington County.

Summary of Estimated Fiscal Impacts Generated from Operations of Metro Visitor Venues - FY 2010					
Category	OCC	PCPA	Expo Center	Oregon Zoo	Total
State of Oregon					
Personal Income Tax	\$5,360,000	\$611,000	\$357,000	\$744,000	\$7,072,000
Corporate Excise and Income Tax	888,000	98,000	58,000	112,000	1,156,000
Transient Lodging Tax	828,000	54,000	27,000	24,000	933,000
Subtotal	\$7,076,000	\$763,000	\$442,000	\$880,000	\$9,161,000
Metro					
Excise Tax	\$1,218,000	see note 1	\$394,000	see note 1	\$1,612,000
Clackamas County					
Transient Room Tax	\$581,000	see note 2	see note 2	see note 2	\$581,000
Multnomah County					
Transient Lodgings Tax (see note 3)	\$7,481,000	\$623,000	\$311,000	\$273,000	\$8,688,000
Motor Vehicle Rental Tax	1,566,000	see note 4	see note 4	see note 4	1,566,000
Business Income Tax	150,000	21,000	13,000	25,000	209,000
Subtotal	\$9,197,000	\$644,000	\$324,000	\$298,000	\$10,463,000
Washington County					
Lodging Tax	\$1,013,000	see note 2	see note 2	see note 2	\$1,013,000
Total Tax Benefits	\$19,085,000	\$1,407,000	\$1,160,000	\$1,178,000	\$22,830,000
Percent of Total	84%	6%	5%	5%	100%

- Notes: (1) No excise tax is collected from PCPA or the Oregon Zoo as part of the intergovernmental agreement with the City of Portland.
(2) Transient lodging tax associated with event activity at the PCPA, Expo Center and Oregon Zoo is only estimated for Multnomah County because it is assumed that most benefits occur in this jurisdiction.
(3) Although Multnomah county collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.
(4) Motor vehicle rental tax was only calculated for event activity at the OCC.

Multnomah County realizes approximately 46% of the total estimated fiscal benefits followed by the State of Oregon (40%) and Metro (7%), respectively.



Metro visitor venues are unique business entities that generate significant economic activity to the Portland metro area and the State of Oregon. Although the four facilities operated at a combined deficit of approximately \$15.9 million when evaluating operating revenues only, and not including other revenue sources, their activity generated more than \$22.8 million in local and State tax benefits in FY 2010 resulting in a 1.4 to 1.0 ratio of fiscal benefits to operating costs representing a positive economic return.

Although this document provides a summary of our analysis, it is important for the reader to review each respective report in its entirety in order to gain a better understanding of the methodology and the assumptions used to develop the estimated economic and fiscal impacts for the four Metro visitor venues.