

# INSTITUTE OF PORTLAND METROPOLITAN STUDIES

## FORUM ON SUSTAINABILITY AND THE ECONOMY



### Portland's Headquarters Hotel: Proper Public Policy?

**Professor Heywood Sanders**

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<http://utsa.edu/copp/staff/hsanders.html>

Friday, October 21st, 2005

2:00 to 4:00 pm

Room 204, Urban Center-Distance Learning Center

Webcast: <http://www.media.pdx.edu> (choose Stream #1 or #2)

Portland State University

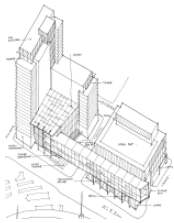
Professor Heywood Sanders is a noted scholar economic development through construction of convention centers and headquarters hotels. He will discuss the experience of cities around the US regarding the economic returns to the public's investment in these projects and how this experience relates to the local debate over the proposed Oregon Convention Center Headquarters Hotel.

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### Background

#### PDC has selected the Ashforth Pacific/Garfield Traub Oregon Convention Center Headquarters Hotel Proposal:

- 23-story 600-room Westin Hotel (400 rooms- 1<sup>st</sup> phase) + 300 parking spaces
- Cost Estimate: \$144 million; Source: City Tax-Exempt Bonds



- "The OCC would have lost \$15,000 a day if not for \$6 million in tax subsidies. Hotels are 60% occupied, as fewer than 30% of convention-goers last year came from outside Portland." The fix, says center director Jeff Blosser, is a new 600-room convention hotel, backed by the city. "We lose a lot of shows because we don't have a big hotel. But it doesn't pencil out for a private company; a hotel here would need help," he says. Blosser commissioned Strategic Advisory Group, an Atlanta consultancy that specializes in convention center and hotel studies, to assess the idea. SAG says the new hotel will bring in annual spending of \$116,000 per room. Maybe Blosser should run those numbers past the folks in St. Louis. In 2003 St. Louis followed a \$270 million convention expansion with a 1,081-room, \$265 million adjacent hotel, paid for with public and private money. Hospitality Consulting Services projected 800,000 room-

nights per year citywide with the addition of the Renaissance hotel. Instead St. Louis is getting only 400,000." *Forbes*, 2/28/2005, citing Professor Sanders.

#### In a January 2005 Brookings Institution report, Professor Sanders found that:

- "Faced with increased competition, many cities spend more money on additional convention amenities, like publicly-financed hotels to serve as convention "headquarters." Despite dedicated taxes to pay off the public bonds issued to build convention centers, many—including Washington, D.C and St. Louis—operate at a loss."
- "For example, the new 918-room Renaissance headquarters hotel in St. Louis continues to be a drain on city resources. With no boost in convention business, the Renaissance has averaged under 50 percent occupancy at a rate of just \$110—far less than the projected 63 percent occupancy and \$131 a night room rate estimated by the 2000 feasibility study that justified the hotel. The city is thus regularly subsidizing the convention center at the expense of other public services or other revitalization strategies."

#### In 2002, a PSU Development Planning Workshop proposed that:

- A 650-room headquarters hotel could be built inside the city-owned Coliseum without new public subsidy and could better capture the business and leisure traveler markets, along with convention business, while reinforcing existing hotels. Students from Professor Will Macht's workshop will present that proposal.