



May 18, 2009

Metro Council President David Bragdon  
Multnomah County Chair Ted Wheeler  
Mayor Sam Adams

Subject: Headquarter Hotel

On May 11, 2009 the Board of Directors for Tri-County Lodging Association met to seek consensus on the proposed HQ Hotel project after meeting with Starwood, and other hotel owners and operators.

Tri-County Lodging Association recognizes and supports the goal of a hotel adjacent to the Oregon Convention Center if that project is completed with no increase in local (TLT) Transient Lodging Taxes or use of current TLT to support its operation and either a) privately owned, operated and financed, or b) at least 25% of the project cost private equity at risk from the developers and operator backed by a guaranteed Net Operating Income. Further, TCLA strongly supports policy efforts to renew the image of Portland as "business friendly" and continued work toward a final comprehensive East Side Development plan designed to foster increased economic development. Ideally, this critical East Side development should be timed for completion in advance of or at least in conjunction with opening of any Headquarter hotel. The tourism industry in Portland Metro is a vital economic engine made up of small businesses employing thousands of hard working local residents. However, TCLA cannot support approval of this proposed publicly financed hotel at this time.

Because we are concerned that the projections used may not accurately reflect Portland market realities, the board of TCLA have developed and are enclosing here an alternative pro forma for your careful consideration which reflects a significant reduction in Net Operating Income (ranging from 29%-40% per year) compared to Starwood's proforma. The enclosed pro forma was developed with a majority consensus from a diverse group of owners / operators with personal hotel expertise in Portland using real time data from Smith Travel Research and utilizing many of the same growth and performance assumptions provided by Starwood. We would encourage Piper Jaffrey to run the identical shock scenario's against the TCLA proforma to provide a clearer definition of how this project would be impacted in a pronounced event. The TCLA board also agrees that the current competitive set of hotels the proposed convention center hotel would compete against as defined by Metro & Starwood is not accurate and should include the Nines Hotel in place of the Westin Portland.

Finally, in addition to representing lodging properties in Portland Metro, we are also members of the community and value the public process Portland is known for. To this end, we thank Metro, Multnomah County, the Mayor's office and PDC for their help in arranging a meeting so we could weigh all the input possible in reaching our current position. We look forward to an enhanced working relationship between Portland Metro's lodging community, local and regional government.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Hampton", written over a horizontal line.

Jeff Hampton  
Executive Director  
Tri-County Lodging Association

CC: Metro Councilors, Multnomah County Commissioners, Portland City Commissioners  
Encl: Tri County Pro Forma

**Proforma Profit & Loss Statement**  
**OCC HQ Hotel**  
**TCLA Projections - \$132.50**  
 4/19/2009

|                                   | Projection    |       | Projection    |       | Projection    |       | Projection    |       | Projection    |       |
|-----------------------------------|---------------|-------|---------------|-------|---------------|-------|---------------|-------|---------------|-------|
|                                   | Year 1        | 2012  | Year 2        | 2013  | Year 3        | 2014  | Year 4        | 2015  | Year 5        | 2016  |
|                                   | Amount        | Ratio | Amount        | Ratio | Amount        | Ratio | Amount        | Ratio | Amount        | Ratio |
| <b>Occupancy - Rooms</b>          | 58.0%         |       | 61.0%         |       | 65.0%         |       | 69.0%         |       | 71.0%         |       |
| <b>Average Daily Rate - Rooms</b> | \$132.50      |       | \$139.79      |       | \$146.78      |       | \$152.65      |       | \$157.23      |       |
| <b>Average Daily Rate - Rooms</b> | \$132.50      |       | \$139.79      |       | \$146.78      |       | \$152.65      |       | \$157.23      |       |
| <b>Revenue</b>                    | \$ 16,661,849 | 62.3% | \$ 18,487,470 | 61.6% | \$ 20,684,751 | 61.0% | \$ 22,835,965 | 61.3% | \$ 24,202,814 | 61.0% |
| Rooms                             | 8,439,000     | 31.6% | 9,704,850     | 32.3% | 11,160,578    | 32.9% | 12,276,655    | 33.0% | 13,258,766    | 33.4% |
| Food & Beverage                   | 943,124       | 3.5%  | 991,906       | 3.3%  | 1,056,949     | 3.1%  | 1,121,992     | 3.0%  | 1,154,513     | 2.9%  |
| Parking Garage                    | 340,000       | 1.3%  | 415,000       | 1.4%  | 490,000       | 1.4%  | 504,000       | 1.4%  | 521,000       | 1.3%  |
| Other Operating Departments       | 345,000       | 1.3%  | 419,000       | 1.4%  | 496,000       | 1.5%  | 511,000       | 1.4%  | 528,000       | 1.3%  |
| Rent & Other Income               | 2,578,972     | 10.0% | 3,016,926     | 10.0% | 3,388,878     | 10.0% | 3,729,652     | 10.0% | 3,985,993     | 10.0% |
| <b>Departmental Profit</b>        | 11,330,057    | 68.0% | 12,941,229    | 70.0% | 14,893,021    | 72.0% | 16,441,895    | 72.0% | 17,426,026    | 72.0% |
| Rooms                             | 1,940,970     | 23.0% | 2,426,213     | 25.0% | 3,013,356     | 27.0% | 3,314,692     | 27.0% | 3,579,867     | 27.0% |
| Food & Beverage                   | 471,562       | 5.0%  | 495,953       | 5.0%  | 560,183       | 5.3%  | 605,876       | 5.4%  | 634,982       | 5.0%  |
| Parking Garage                    | 30,000        | 0.3%  | 40,000        | 0.2%  | 51,000        | 0.2%  | 52,000        | 0.2%  | 54,000        | 0.2%  |
| Other Operating Departments       | 345,000       | 4.1%  | 419,000       | 4.0%  | 496,000       | 4.0%  | 511,000       | 4.0%  | 528,000       | 4.0%  |
| Rent & Other Income               | 14,117,589    | 53%   | 16,322,394    | 54%   | 19,013,560    | 56%   | 20,925,462    | 56%   | 22,222,875    | 56%   |
| <b>Gross Operating Income</b>     | 2,074,000     | 7.8%  | 2,074,000     | 6.9%  | 2,137,000     | 6.3%  | 2,201,000     | 5.9%  | 2,267,000     | 5.7%  |
| Undistributed Oper. Expenses      | 534,579       | 2.0%  | 600,325       | 2.0%  | 677,766       | 2.0%  | 744,992       | 2.0%  | 793,302       | 2.0%  |
| Admin and General                 | 1,811,000     | 6.8%  | 1,811,000     | 6.0%  | 1,866,000     | 5.5%  | 1,922,000     | 5.2%  | 1,979,660     | 5.0%  |
| Credit Card Commissions           | 400,935       | 1.5%  | 450,243       | 1.5%  | 508,324       | 1.5%  | 558,744       | 1.5%  | 594,976       | 1.5%  |
| Sales & Marketing                 | 534,579       | 2.0%  | 600,325       | 2.0%  | 677,766       | 2.0%  | 744,992       | 2.0%  | 793,302       | 2.0%  |
| SPG Fee                           | 1,670,095     | 3.5%  | 1,850,892     | 3.5%  | 1,694,414     | 5.0%  | 1,862,480     | 5.0%  | 1,983,235     | 5.0%  |
| Chain Marketing Fee               | 832,000       | 3.2%  | 980,000       | 3.3%  | 1,103,000     | 3.3%  | 1,136,000     | 3.0%  | 1,173,000     | 3.0%  |
| Repairs & Maintenance             | 7,877,187     | 29.5% | 8,366,785     | 27.9% | 8,664,659     | 25.6% | 9,170,207     | 24.6% | 9,584,495     | 24.2% |
| Utilities                         | 6,240,402     | 23.3% | 7,955,610     | 26.5% | 10,349,291    | 30.5% | 11,755,255    | 31.6% | 12,638,380    | 31.9% |
| <b>House Profit</b>               | 534,579       | 2.0%  | 750,406       | 2.5%  | 1,016,648     | 3.0%  | 1,117,488     | 3.0%  | 1,189,953     | 3.0%  |
| Fixed Charges                     | 0.0%          | 0.0%  | 0.0%          | 0.0%  | 0.0%          | 0.0%  | 0.0%          | 0.0%  | 0.0%          |       |
| Management Fees                   | 0.0%          | 0.0%  | 0.0%          | 0.0%  | 0.0%          | 0.0%  | 0.0%          | 0.0%  | 0.0%          |       |
| Incentive Management Fee          | 450,000       | 1.7%  | 464,000       | 1.5%  | 478,000       | 1.4%  | 492,000       | 1.3%  | 507,000       | 1.3%  |
| Taxes                             | 1,069,159     | 2.0%  | 1,200,649     | 3.0%  | 1,353,531     | 4.0%  | 1,489,984     | 4.0%  | 1,586,604     | 4.0%  |
| Insurance                         | 2,053,738     | 7.7%  | 2,415,055     | 8.0%  | 2,850,179     | 8.4%  | 3,099,471     | 8.3%  | 4,024,557     | 10.1% |
| FF&E Reserve                      | 6,313,000     |       | 9,201,000     |       | 12,093,000    |       | 12,425,000    |       | 12,193,000    |       |
| TCLA NOI AFTER FF&E Reserves      | (\$2,126,337) | -34%  | (\$3,660,445) | -40%  | (\$4,593,889) | -38%  | (\$3,769,217) | -30%  | (\$3,579,170) | -29%  |
| Starwood NOI AFTER FF&E Reserves  |               |       |               |       |               |       |               |       |               |       |
| Variance +/-                      |               |       |               |       |               |       |               |       |               |       |
| <b>Hotel Operating Statistics</b> |               |       |               |       |               |       |               |       |               |       |
| Occupancy - Rooms                 | 58.0%         |       | 61.0%         |       | 65.0%         |       | 69.0%         |       | 71.0%         |       |
| Average Daily Rate - Rooms        | \$132.50      |       | \$139.79      |       | \$146.78      |       | \$152.65      |       | \$157.23      |       |
| Rev/PAR                           | \$85.85       |       | \$85.27       |       | \$95.40       |       | \$105.33      |       | \$111.63      |       |
| Number of Rooms Hotel             | 594           |       | 594           |       | 594           |       | 594           |       | 594           |       |
| Occupied Rooms                    | 125,750       |       | 132,254       |       | 140,927       |       | 149,599       |       | 153,955       |       |
| Available Rooms                   | 216,810       |       | 216,810       |       | 216,810       |       | 216,810       |       | 216,810       |       |