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MEMO

To: Bend Economic Development Advisory Board

From: Transportation Fee Project Team

Date: 3/13/2025

Re: Transportation Fee Phase 2 Recommendations: Summary and Remaining Considerations

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Introduction

A key component of Transportation Fee Phase 2 development involved meeting with the Bend Economic Development Advisory Board (BEDAB) to discuss policy options for the non-residential fee structure. City staff met with BEDAB on December 16, January 6, February 3, and March 3 to address Council-directed areas of interest and gather input on the business-related impacts of various policy considerations. In these meetings, BEDAB has reviewed case study research on other cities with transportation fees, NAICS to ITE Manual data linking and benchmarking, and rate scenarios and sample bills.

This memo summarizes BEDAB's recommendations, presents fee scenarios based on input received, and outlines the remaining items for BEDAB to consider and weigh in on during the BEDAB special meeting for Transportation Fee Phase 2 taking place on March 17. The March 17 meeting is the final BEDAB meeting before the April 2 Council meeting, where Council will consider BEDAB's input to finalize the Phase 2 fee structure. According to the current timeline, Phase 2 fees will be presented to Council for adoption on May 7 and go into effect on July 1, 2025.

Acknowledgements

We extend our gratitude to BEDAB members for their thoughtful and thorough engagement in this challenging and technical topic. Their feedback has been invaluable in developing policy options that balance revenue generation, equity, data-driven approaches, and administrative feasibility.

Phase 1 Overview

We are currently in Phase 1 of the Transportation Fee and the City is on track to collect $5M in annual revenue as planned. Based on transportation modeling conducted by a third-party consultant, 53% of that revenue is generated from residential accounts and 47% from non-residential accounts, based on the impact on the City's transportation system by each sector. With the exception of some special use categories (e.g., schools, tourism accommodations, parks), non-residential fees are based on the building square footage of the non-residential utility account, with larger buildings paying higher fees than smaller buildings.

Based on Phase 1 discussions with BEDAB and Council, Phase 2 will factor in the intensity of use in the non-residential fee structure, along with the building square footage used in Phase 1. This means that business uses generating more trips on the transportation network could be charged a higher rate per square foot of building space than those generating fewer trips. During Phase 1, the City didn't have the full data to implement this type of fee structure, which is the approach generally used by other cities with similar fees. This, along with stepped up revenue goals, resulted in a phased approach to rates and efforts to gather the necessary data and develop the associated fee structure. This data collection work has been taking place for over a year and is the bulk of what BEDAB has been providing input on for Phase 2.

Phase 2 Data Collection

Collecting the relevant business use information has involved leveraging City business registrations, which gather North American Industry Classification System (NAICS) data for individual businesses in the City. NAICS data are crosswalked to ITE Manual data (the industry benchmark for quantifying the transportation impact of various business uses), grouping uses of similar impact together to create a gradated but not overly granular bin-based fee structure. These "bin" assignments are linked non-residential utility accounts, for which we already have building square footage (SQFT) identified. A non-residential fee per 1,000 SQFT per month is then determined based on the "bin" the non-residential account is placed in, according to their business use and intensity of impact on the transportation system. Intensity of use on the transportation system is based on the total daily trips of a use, using the ITE Manual data. ITE data is based on nation-wide surveys and other methodologies used by transportation engineers in understanding transportation impacts of various industries and uses.

Business registration compliance is a key data input in solidifying the Phase 2 fee structure. Part of the Phase 2 work has involved efforts to increase business registrations, which is required by City code.

Council Direction and BEDAB Input Areas

The ultimate problem statement that Council directed to BEDAB was that with a $10M annual revenue generation goal in Phase 2, with 47% being collected from non-residential accounts, what is an appropriate fee structure that factors in business use/intensity alongside square footage? The specific areas Council asked for BEDAB to provide input on included:

- Number of grouped use categories

- Additional special unit classes
- Discounts/exemptions (if any)
- Mixed-use approaches
- Fee caps
- Short-term Rentals (STRs)
- Data options and assumptions
- Cumulative impact on businesses

BEDAB Recommendations To-Date

Below is staff's understanding of the recommendations BEDAB has already provided from the items above:

- **Do not offer specific exemptions or discounts in Phase 2, but provide an annual update on fee impacts to childcare facilities and affordable housing developments.** BEDAB reviewed the estimated Transportation Fee impacts on childcare and affordable housing, as well as the potential foregone revenue to these groups should an exemption or discount be offered to these groups. After thoughtful discussion, BEDAB decided to recommend against offering any discounts in Phase 2, as it would impact the City's overall revenue collection goals. Additionally, BEDAB did not feel the Transportation Fee was the most appropriate mechanism to explore such options, based on the relative impact of the Transportation Fee compared to operating costs generally. BEDAB took the position that more holistic approaches should be taken to support childcare and affordable housing, and that the impact from the Transportation Fee alone was unlikely to be significant to these groups. However, BEDAB requested ongoing updates on fee impacts to childcare facilities and affordable housing developers, as well as updates on efforts being taken through other mechanisms to relieve financial burden on these customer groups.
- **Expand the short-term rental (STR) supplement to all types of STR licenses.** Currently, the City charges a one-time annual Transportation Fee "supplement" (added to STR license renewal cost) for STRs permitted to operate as whole-house rentals. Given the additional impact vacation rentals have on the transportation network and a desire to better capture transportation impacts from visitors to the City, BEDAB supported extending an STR supplement to all types of STR licenses in Phase 2.
- **Follow staff recommendations for the expansion of special unit class charges.** Understanding of trip impacts of different business uses is based on the ITE Manual, the regularly updated industry benchmark for this type of information. The ITE Manual recognizes that the transportation impact of several business uses are not effectively measured on a square footage basis and utilizes other units of measurement for certain uses. Therefore, it makes sense for the City to consider additional customer categories that should be assessed the Transportation Fee using other units of measurement. Based on consultant and staff analysis, these groups include gas stations (per fueling position), golf courses (per hole), cemetery (per acre), and car washes (per stall). BEDAB

broadly agreed to follow the staff recommendation for the expansion of special unit categories to include these customer classes.

March 3 Meeting Summary

At the March 3 meeting, BEDAB reviewed rate scenarios and sample bills from the preliminary draft rate modeling conducted by the consultant (Galardi Rothstein Group) retained for this work. Using the revenue target, revenue allocation, amount of non-residential building SQFT of City utility accounts, and number of trips generated based on known uses, the consultant developed a rate model for initial review. Certain assumptions were built into this initial model, including growth rates, inflationary adjustments, how to set accounts with no known business information for revenue recovery purposes, and assumptions regarding a certain percentage of expected customer appeals.

The initial rate model also reflected feedback raised during earlier BEDAB meetings to achieve policy-related goals. This included integrated retails rates (lower cost per 1,000 square foot of building space for areas that operate as shopping centers), extending that lower rate to defined business districts (Old Mill District and Downtown), and lower rates for mixed business uses that function as an industrial or business parks, with special consideration for medical uses.

The way bins are set can be adjusted to reflect different policy objectives. The approach presented to BEDAB on March 3 was a 6-bin scenario, with Bin 1's rate set to the high end of the trip range for the uses in that bin and the highest bin's rate set to the low end of the trip range for the uses in that bin, to mitigate certain customer categories experiencing significant bill increases from Phase 1 to Phase 2. The middle bins were set to their weighted average. The table below shows the rates based on those bin parameters. Numbers have been rounded and at this draft stage of preliminary estimates, numbers may shift with further analysis and model refinement:

First Look of Draft Phase 2 Bin Rates, Presented to BEDAB on March 3

Bin	Trip Range	Types of Uses	Charge per 1,000 SQFT
1	0-8	Warehouse/Storage, Furniture Store, Industrial Park, Manufacturing, Continuing Care, Assisted Living, Paint, RV Sales, Church	$5
2	8-15	Hospital, Office, Specialty Contractor, Utilities	$7
3	15-32	Nail/Hair Salon, Auto-related, Home Improvement Superstore, Large-Scale (>150K SQFT) Shopping, Department Store, Mixed Office, Medical Office Building Near Hospital, Day Care	$13
4	32-40	<150K Integrated Retail, Discount Super Store, Medical Office	$21
5	40-80	Pharmacy, Eating/Drinking Establishment, Bank, Supermarket, Nursery, Theater	$35
6	80+	Liquor Store, Fast Food w/Drive Thru, Convenience Store	$49

Additional Rate Scenarios

The next section of this memo presents additional scenarios or questions raised during BEDAB's March 3 discussion, in order to highlight how various policy objectives and approaches might influence rates for different business uses.

Based on the initial data review, BEDAB requested analysis and review of several other data options, including:

- Bringing Bin 1 up to the current Phase 1 rate, so that no monthly bill would decrease in Phase 2
- Moving forward with a 5-bin rather than 6-bin structure due to the low number of accounts in Bin 6
- Examining the impact of taking the average transportation impacts of the uses in a bin rather than adjusting to the highest or lowest end of the trip range for rate-setting
    - Note: This option counters the desired scenario of bringing Bin 1 up to the current rate, so was not pursued further
- Considering ways to lower the fee impact on business uses associated with Bins 3 and 4, given their prevalence in the community
- Resetting some baseline assumptions for revenue recovery, including placing unclassified accounts in Bin 3 instead of Bin 1

The Bend Chamber Advocacy Council also met to discuss the Transportation Fee Phase 2 draft rates and impacts on businesses, and additionally requested scenarios that consider the following:

- Flattening fee increases across categories to mitigate certain customer categories experiencing significant bill increases from Phase 1 to Phase 2
- Identifying industries that have lower margins and that are less able to absorb the fee increase and considering options that lower the impact to those business types
    - Independent medical practices, restaurants, and small retailers were specifically discussed
- Considering the fee impacts of slightly increasing residential fees, as well as the City foregoing revenue and under-collecting from the initial revenue target of $10M for Phase 2
- Implementing fee caps so no businesses pay over a certain amount per month

The scenarios below reflect these inputs and compare both the cost per bin as well as the fee impacts on several example businesses. For simplicity, several of the highest-priority goals have been combined (including increasing the floor for the fee and using a 5-bin option). This was done to limit an overwhelming number of permutations of fee options. However, the examples below are intended to illustrate the often-mentioned analogies of squeezing the balloon or spreading the peanut butter: fee decreases in one area result in fee increases in another, because the overall revenue target remains the same. BEDAB's goal is to help shape the considerations regarding the trade-offs and opportunities of these options.

- **Scenario A:** Used as the baseline option for all the additional scenarios explored, this option uses 5 bins and sets Bin 1 at the current Phase 1 rate per building SQFT.
- **Scenario B:** This option looks at a lower Phase 2 revenue collection ($9.5M instead of $10M), using the Scenario A bin and rate structure.
- **Scenario C:** This option shows a significantly lower Phase 2 revenue collection ($9M instead of $10M), using the Scenario A bin and rate structure.
- **Scenario D:** This scenario builds upon the Scenario A baseline option to show the impact on non-residential fees when the residential fees fully double, as was originally expected. In the initial rate model shown on March 3, residential fees slightly less than doubled due to better data accuracy and account growth, so this option assumes a full doubling of the residential fee in Phase 2.
- **Scenario E:** Given the concern regarding impacts of the increasing fee to independent medical practices and restaurants in particular, this option explores rates if all medical office uses are moved to Bin 2 (instead of being in Bin 3 or 4 based on initial assumptions and transportation impact data). This move effectively treats all medical as office, which data show are common concurrent uses. This scenario also moved all restaurant uses to Bin 4 (instead of Bins 4 or 5 based on initial assumptions and transportation impact data), given the hyper-specificity of various restaurant categories. Collapsing restaurant categories provides for administrative efficiency and recognizes commonalities between restaurant types. Because the modeling incorporates other retail approaches through the integrated and shopping area rates, this scenario does not make any additional adjustments for those types of uses.
- **Scenario F:** This scenario looks at the impact of having 4 bins instead of 5 (Bin 1 set to a trip range of 0-15, Bin 2 to 15-32, Bin 3 to 32-40, and Bin 4 to 40+). This scenario was included to address the request to flatten the fee increase across bins.
- **Scenario G:** This scenario shows a 3-bin, rather than 5-bin option (Bin 1 set to a trip range of 0-15, Bin 2 to 15-40, and Bin 3 to 40+). Like Scenario F, this was done to explore a further flattening of the fee increase across bins.

The next table shows the rate impacts of these various scenarios and the table following that shows example monthly bill impacts for each scenario.

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Draft Transportation Fee Phase 2 Bin Rates - Charges per 1,000 SQFT per Month

Note: This is a preliminary analysis and data & rates are subject to change based on further refinement and direction.

Bin	Trip Range	Types of Uses	Scenario A: Baseline	Scenario B: Lower Revenue	Scenario C: Significantly Lower Revenue	Scenario D: Original Residential Fee Estimates (Double)	Scenario E: Medical Offices and Restaurants Moved to Lower Bins	Scenario F: 4 Bins	Scenario G: 3 Bins
1	0-8	Warehouse/Storage, Furniture Store, Industrial Park, Manufacturing, Continuing Care, Assisted Living, Paint, RV Sales, Church	$6.25	$6.25	$6.25	$6.25	$6.25	$8	$8
2	8-15	Hospital, Office, Specialty Contractor, Utilities	$8	$7.50	$7	$8	$8	$11	$13.50
3	15-32	Nail/Hair Salon, Auto-related, Home Improvement Superstore, Large-Scale (>150K SQFT) Shopping, Department Store, Mixed Office, Medical Office Building Near Hospital, Day Care	$11	$10.50	$9.50	$9.50	$13	$18	$20.50
4	32-40	<150K Integrated Retail, Discount Super Store, Medical Office	$18	$17	$16	$12	$19	$21	N/A
5	40+	Pharmacy, Eating/Drinking Establishment, Bank, Supermarket, Nursery, Theater, Liquor Store, Fast Food w/Drive Thru, Convenience Store	$33	$31	$29	$19	$29	N/A	N/A

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Draft Transportation Fee Phase 2 Rate Scenarios Monthly Bill Comparisons: Phase 1 Current vs. Phase 2 Draft Monthly Bills

Note: This is a preliminary analysis and data & rates are subject to change based on further refinement and direction.

				Phase 2 Draft Scenarios - Monthly Bills						
Bin	**Example Accounts**	**Account SQFT**	**Phase 1 Current Monthly Bill**	**Scenario A: Baseline**	**Scenario B: Lower Revenue**	**Scenario C: Significantly Lower Revenue**	**Scenario D: Original Residential Fee Estimates (Double)**	**Scenario E: Medical Offices and Restaurants Moved to Lower Bins**	**Scenario F: 4 Bins**	**Scenario G: 3 Bins**
1	Distribution Center	101K	$541	$631	$631	$631	$631	$631	$808	$808
1	Warehouse	75K	$425	$469	$469	$469	$469	$469	$600	$600
1	Manufacturer	660K	$2,218	$4,126	$4,126	$4,126	$4,126	$4,126	$5,281	$5,281
1	Brewery	62K	$367	$388	$388	$388	$388	$388	$496	$496
2	General Office	30K	$188	$240	$225	$210	$240	$240	$240 (Bin 1)	$240 (Bin 1)
2	Hospital	400K	$1,438	$3,200	$3,000	$2,800	$3,200	$3,200	$3,200 (Bin 1)	$3,200 (Bin 1)
3	Shopping > 150K SQFT	175K	$763	$1,925	$1,838	$1,663	$1,663	$2,275	$1,925 (Bin 2)	$2,363 (Bin 2)
3	Medical Office Near Hospital	20K	$125	$220	$210	$190	$190	$160 (Bin 2)	$220 (Bin 2)	$270 (Bin 2)
4	Superstore	75K	$425	$1,350	$1,275	$1,200	$900	$1,425	$1,350 (Bin 3)	$1,013 (Bin 2)
4	Medical Office	20K	$125	$360	$340	$320	$240	$160 (Bin 2)	$360 (Bin 3)	$270 (Bin 2)
5	High-Turnover Restaurant	15K	$94	$495	$465	$435	$285	$285 (Bin 4)	$315 (Bin 4)	$308 (Bin 3)
5	Bank	1K	$6	$33	$31	$29	$19	$29	$21 (Bin 4)	$21 (Bin 3)
5	Fast Food	2K	$13	$66	$62	$58	$38	$38 (Bin 4)	$42 (Bin 4)	$41 (Bin 3)

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Discussion Items for BEDAB

During the March 17 meeting, staff are seeking the following input from BEDAB:

- Which of the scenarios presented best meet the overarching objectives for Phase 2, and therefore should be further evaluated by Council?
    - What are the trade-offs (e.g., is any foregone revenue for operations and maintenance justified by the fee impact it would have on businesses)?
- What, if any other adjustments, should be considered for certain outlier businesses?
    - A handful of businesses are shown in Phase 2 to pay a very high Transportation Fee due to their large square footage and business use. Should a fee cap be considered in Phase 2 to limit the high-end of monthly fees?
- Do the scenarios address potential impacts to those business types that may be least able to absorb these fee increases?
    - Because the revenue is needed to provide transportation services to our community and the businesses that rely on it, it would be helpful for Council to hear about fee impacts to specific business categories. From discussions with the Chamber and other stakeholders, medical establishments, restaurants, and smaller retailers might be among these businesses that operate with the smallest margins or are least able to pass increased operating costs onto customers or clients. Moving these uses to a lower “bin” means rates in other bins will adjust in order to still reach full revenue targets, but BEDAB may recommend that this is justified by the community benefit provided. Alternatively, the City could forego additional revenue if the community benefit of lower fees for certain business types outweighs the impact of the foregone revenue. However, it is worth keeping in mind the trade-off of impacting operations, maintenance, and programmatic needs for the transportation system; the costs of which continue to increase in the face of inflation and rising costs of materials.