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Phase 2 Nonresidential Transportation Fee Discussion

Russ Grayson, Chief Operations Officer

Sarah Hutson, Senior Policy Analyst

Cyrus Mooney, Business Advocate

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Goals of Today's Presentation

- Quick overview of decisions made
- Review preliminary Phase 2 rates and sample bill scenarios
- Work through questions and considerations for BEDAB recommendations:
 - # of grouped use categories (bins)
 - Data approach to rates / fee caps
 - Approach to mixed business use accounts
 - How to handle accounts with missing business use (NAICS) data
- Next steps: Prepare for final BEDAB meeting on the Transportation Fee (March 17th)



Summary of Recommendations To-Date

- No discounts/exemptions in Phase 2
 - Give annual update on impacts to childcare and Affordable Housing
- Expand STR supplemental fee to all types
- Special unit classes – followed staff recommendation for items to add (golf courses, gas stations, cemetery, car washes)



Phase 2 Data Approach

- While expertise in technical details is not necessary, it is important to understand the data-driven foundation behind Transportation Fee rate-setting



Registration compliance impacting data completeness

Special unit classes charged differently (examples: hotels/motels per room, schools per student)



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NAICS to ITE Data Linking

- Reminder NAICS to ITE mapping not 1:1
 - Making reasonable assumptions from NAICS data – not an account-level exercise
 - Appeals process available

Mapping Example

NAICS Name Assignments	ITE Code Assigned
<ul style="list-style-type: none">• Offices of Lawyers• Offices of Certified Public Accountants• Environment, Conservation and Wildlife Organizations• Corporate, Subsidiary, and Regional Managing Offices• Offices of Real Estate Agents and Brokers• Other Individual and Family Services• Research and Development Biotechnology• Professional, Scientific, and Technical Services• Insurance Agencies and Brokerages• Services for Elderly and Persons with Disabilities• Engineering Services• + >30 different NAICS assignments	General Office Building



Rate Setting Approach

- ~40% of non-residential utility accounts not associated with an active business registration
- To increase rate model accuracy, folded in a couple different data inputs:
 - Inactive business registration information
 - Commercial real estate analytics (CoStar) to make sense of accounts with multiple NAICS codes
- With additional data work, model represents ~85% of accounts
- Note to interpret initial estimates with caution, as increase in business registrations will impact mix of accounts and charges

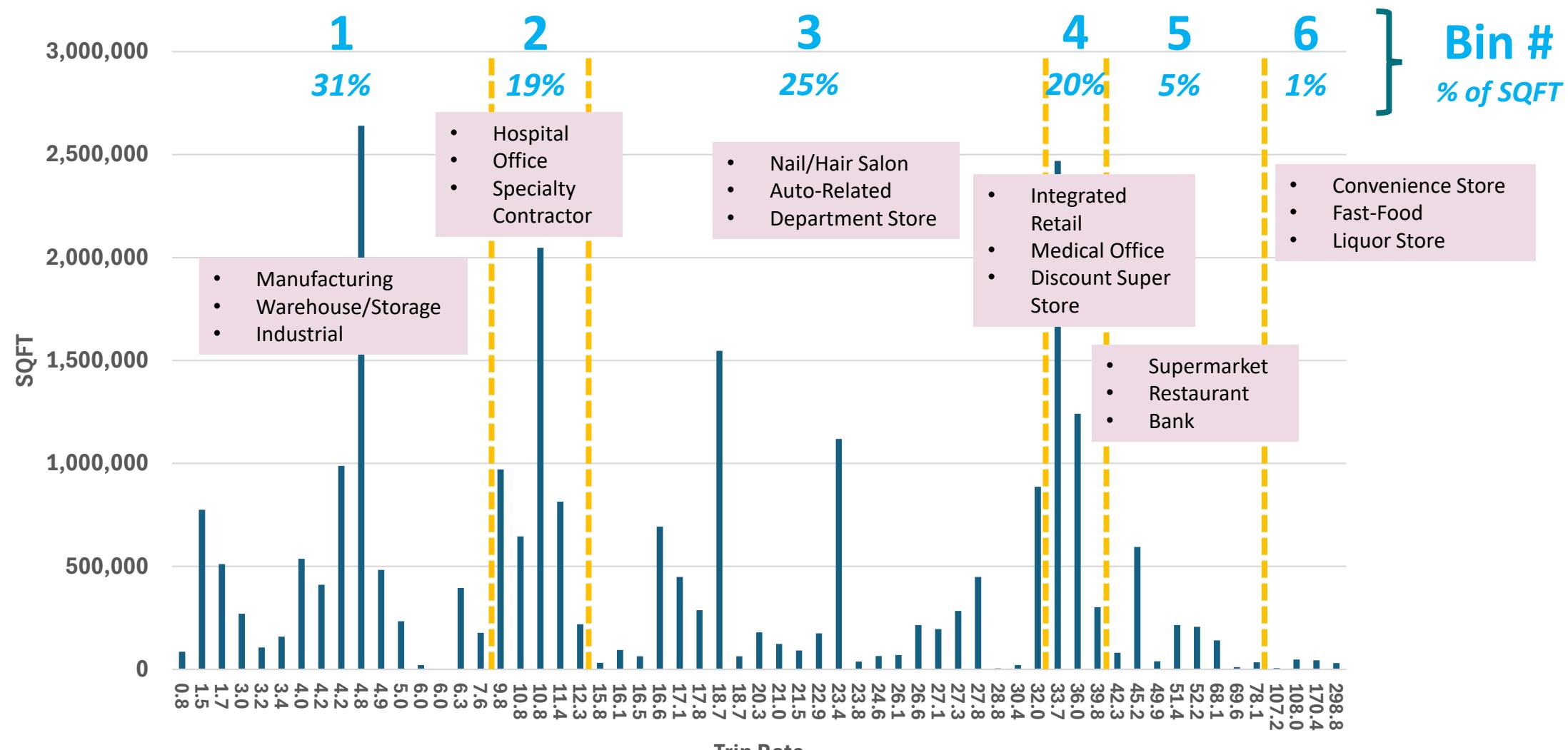


Bin-Setting Factors

- SQFT distribution by trip rate and natural breakpoints
- Grouping similar uses
- Mixed business use considerations
- Data availability
- Approaches by other cities



Trip Rate Distribution & Grouped Uses



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Note: Preliminary analysis; data subject to change.

Initial Phase 2 Rate Modeling Assumptions

- **Revenue Allocation:** Same as Phase 1 (53% residential / 47% non-residential)
- **6 Bins:**
 - **Bin 1** set at high end of trip range
 - **Bins 3-5** set to weighted average
 - **Bin 6** set at low end of trip range
- **Unidentified Accounts:** Approx. 14%, set to Bin 1 in the model
- **Mixed-Use:** Model accounts for several scenarios (details to follow in the presentation)
- **Growth Assumptions:** 1.5% residential growth and 1% non-residential growth
- **Inflationary Adjustment:** Includes 2.5% adjustment
- **Customer Appeals:** Assumes 5% of customers will appeal to a lower bin
- **Data Cleaning:** Ongoing tax lot/account information cleaning; rates will shift, but provide a general ballpark



First Look: New Phase 2 Special Unit Rates

Per Month Per Account, Unless Otherwise Stated		
	Phase 1 (Current)	Phase 2 (Proposed – Draft)
Short-Term Rental Supplement - Partial	Not Charged	
Gas Stations		
Gas Stations w/ Convenience Store		
Cemetery	Charged Per 1K SQFT	
Golf Course		
Car Washes		

Note: Draft rates will be populated in the presentation on 3/3/25, pending final QA. Recommend familiarizing with format of how rates will be shared in the interim.



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Note: Preliminary analysis; data subject to change.

First Look: Phase 2 Bin Rates

Per Month Per 1,000 SQFT (KSF) Per Account				
Bin	Trip Range	Types of Uses	Phase 1 (Current)	Phase 2 (Proposed – Draft)
1	0-8	Warehouse/Storage, Furniture Store, Industrial Park, Manufacturing, Continuing Care, Assisted Living, Paint, RV Sales, Church	\$6.25 (per KSF)	
2	8-15	Hospital, Office, Specialty Contractor, Utilities		
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		
4	32-40	<150K Integrated Retail, Discount Super Store, Medical Office		
5	40-80	Pharmacy, Eating/Drinking Establishment, Bank, Supermarket, Nursery, Theater		
6	80+	Liquor Store (107), Fast Food w/Drive Thru, Convenience Store		

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First Look: Rate Scenario Bill Examples

Bin	Example Accounts	Account SQFT	Phase 1 Current Monthly Bill	Phase 2 Monthly Bill (Proposed – Draft)
1	Distribution Center			
1	Warehouse			
1	Manufacturer			
1	Brewery			
2	General Office			
2	Hospital			
3	Shopping > 150K SQFT		Note: Draft scenario bill examples will be populated in the presentation on 3/3/25, pending final QA. Recommend familiarizing with format of how data will be shared in the interim.	
3	Medical Office Near Hospital			
4	Superstore			
4	Medical Office			
5	High-Turnover Restaurant			
5	Bank			
6	Fast Food			



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Note: Preliminary analysis; data subject to change.

Bins / Rates Questions & Considerations

- **Number of Bins:** Should we consolidate any bins or leave them as is?
 - **Fewer Bins:** Easier administrative management but higher rates for some uses
 - **More Bins:** Increased administrative burden but potentially more equitable rate structure; note that Bin 6 reflects data instability due to low SQFT
- **Setting Rates:** Should we set rates using different criteria or leave them as is?
 - Initial draft model softens impacts for high-trip uses
 - Using a weighted average trip rate across bins is more consistent, but increases rate considerably for Bin 6
 - Lower bins tend to have more SQFT (so higher bills overall)



Bins / Rates Questions & Considerations

- **Fee Increase Tolerance:** What is an acceptable level of fee increase while still meeting revenue goals? Will certain uses be more impacted by fee increases?
- **Additional Scenarios / Information:** What other rate scenarios or information would you like to see to support recommendations?



Accounts Without NAICS Data Questions & Considerations

- **Data Inputs:** Staff recommend NOT assigning bins based on supplemental rate modeling inputs due to equity, data accuracy, and billing issues
- **Compliance:** Business registration is required by City code. Communications are ongoing to increase compliance.
- **Unregistered Accounts:** Expect to still have accounts without business use data. How should we charge these accounts?
 - Lower bin: Less financial impact, but may decrease registration incentive
 - Higher bin: Greater financial impact, but may encourage registration



Accounts Without NAICS Data Questions & Considerations

- **Grace Period:** Should there be a grace period for credits on account corrections?
 - More accurate cost to customers and higher level of customer service, but has administrative and revenue impacts
- **Annual Renewals:** How should accounts with lapsed registrations be handled?
 - Could leave as is or align with unregistered account approach



Draft Approach to Mixed Business Use Accounts

- **~14% of total non-residential SQFT** is attributable to mixed business use, where different types of commercial activities occur on the same account
- **ITE and bin assignments** straightforward for many accounts where NAICS codes are all attributable to the same root codes (ex: all types of manufacturing uses)
- For accounts with **uses of varying impacts**, a representative average trip rate is currently assigned in the model
 - Industrial flex space (e.g., retail, office, wholesale, manufacturing) – Bin 2
 - Warehouse and office – Bin 1
- Need to balance equity, administrative burden, and changes in customers and how accounts are handled in perpetuity



Draft Approach to Mixed Business Use Accounts

- **Medical uses and initial model assignments:**
 - Hospital/medical office building on hospital campus: Bin 2
 - Medical office building near hospital (Medical Overlay District): Bin 3
 - Regular medical office building: Bin 4
 - Mixed medical and regular office: Bin 3
- **Integrated retail uses and initial model assignments:**
 - >150K SQFT: Bin 3
 - <150K SQFT: Bin 4
- **Area rates:**
 - >150K SQFT, Bin 3: Proposed for commercial zones with many different accounts operating as a consolidated area (park once concept)
 - Central Business District (Downtown)
 - Old Mill District



Mixed Business Use Questions & Considerations

- **Number of Mixed-Use Assignments** : How should we approach this?
 - Fewer special categories: Easier administrative management but doesn't fully credit low-trip uses
 - More special categories: Increased administrative burden, especially as accounts change use or new accounts are started, but potentially more equitable rate structure
- **Medical Uses**: Should we think about these rates differently or leave them as is?
 - Notable number of independent medical practices in the City
 - Cost pressures highlighted during SDC methodology update process
 - More nuanced rate structure acknowledges varying uses



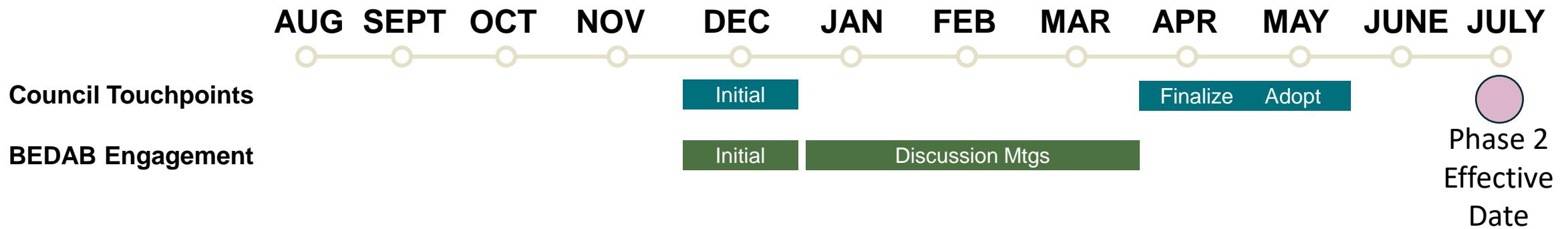
Mixed Business Use Questions & Considerations

- **Integrated retail and area rates:** Should we think about these rates differently or leave them as is?
 - Consistent with SDC approach
 - Note: Even though >150K SQFT has a lower \$/KSF than the <150K SQFT rate, the bill will be higher due to the larger multiplier
- **Issues:**
 - Additional administrative work tied to any special assignments
 - Some mixed business uses across tax lots, have no way of knowing if integrated, >150K SQFT, etc.
 - Will need to rely on appeals process for scenarios we are unable to identify
 - Note: Data also limited for mixed customer type accounts (residential and commercial uses); charging a combined rate where data allow, but will also rely on appeals process to adjust to combined rate



Wrap-Up

Next meeting March 17th - 1 hour to solidify BEDAB recommendations



- What else does the group need to move forward?
- Any additional feedback/recommendations BEDAB would like to make?





To obtain this information in an alternate format such as Braille, large print, electronic formats, etc. please contact Sarah Hutson at shutson@bendoregon.gov; Relay Users Dial 7-1-1.



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