



CITY OF BEND

# **Phase 2 Nonresidential Transportation Fee Discussion**

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# Goals of Today's Presentation

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- 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 17<sup>th</sup>)



# Summary of Recommendations To-Date

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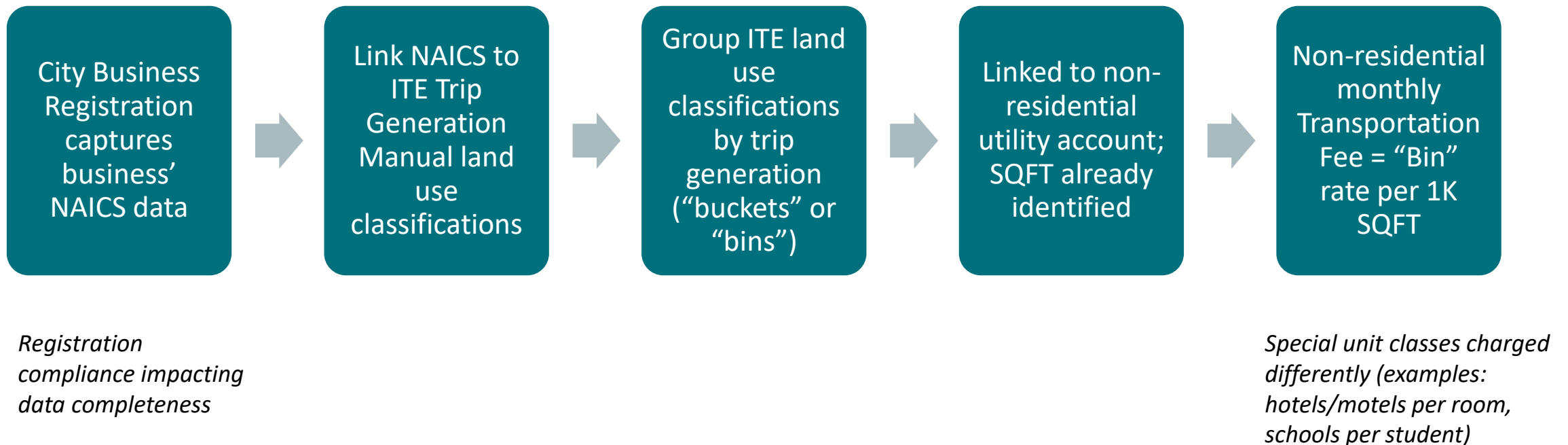
- No discounts/exemptions in Phase 2
  - Give annual update on impacts to childcare and Affordable Housing
- Expand STR supplemental fee to all types
- Special unit classes – followed staff recommendation for items to add (golf courses, gas stations, cemetery, car washes)



# Phase 2 Data Approach

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



# 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"><li>• Offices of Lawyers</li><li>• Offices of Certified Public Accountants</li><li>• Environment, Conservation and Wildlife Organizations</li><li>• Corporate, Subsidiary, and Regional Managing Offices</li><li>• Offices of Real Estate Agents and Brokers</li><li>• Other Individual and Family Services</li><li>• Research and Development Biotechnology</li><li>• Professional, Scientific, and Technical Services</li><li>• Insurance Agencies and Brokerages</li><li>• Services for Elderly and Persons with Disabilities</li><li>• Engineering Services</li><li>• + &gt;30 different NAICS assignments</li></ul>	General Office Building



# Rate Setting Approach

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- ~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

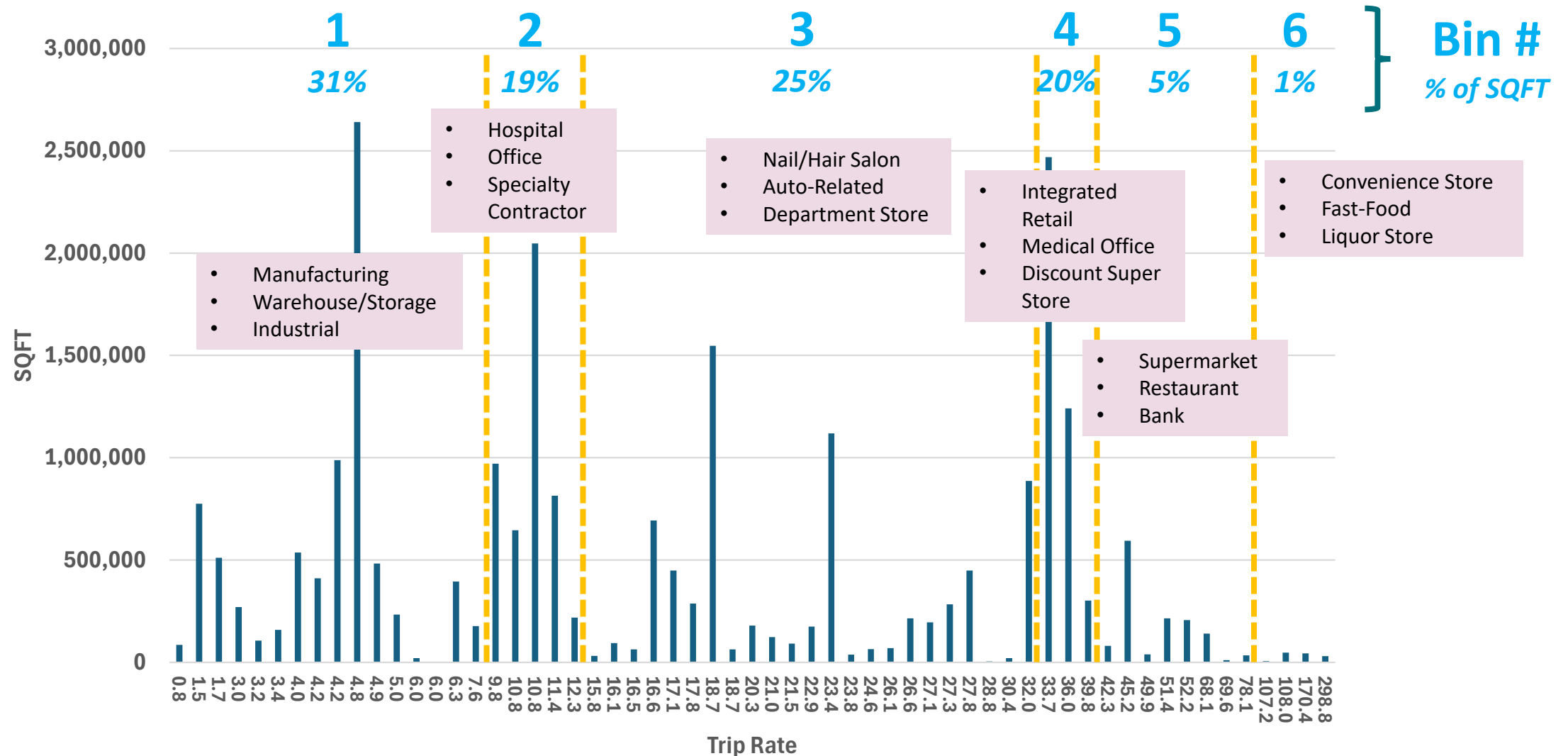


# Bin-Setting Factors

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- 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

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- **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	Charged Per 1K SQFT	
Gas Stations w/ Convenience Store		
Cemetery		
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.

# 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)  *Tiered rate applies for accounts with >50K SQFT of building space	
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		

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: 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	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	Shopping > 150K SQFT			
3	Medical Office Near Hospital			
4	Superstore			
4	Medical Office			
5	High-Turnover Restaurant			
5	Bank			
6	Fast Food			



# Bins / Rates Questions & Considerations

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- **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

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- **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

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- **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

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- **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

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- **~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

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- **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

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- **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

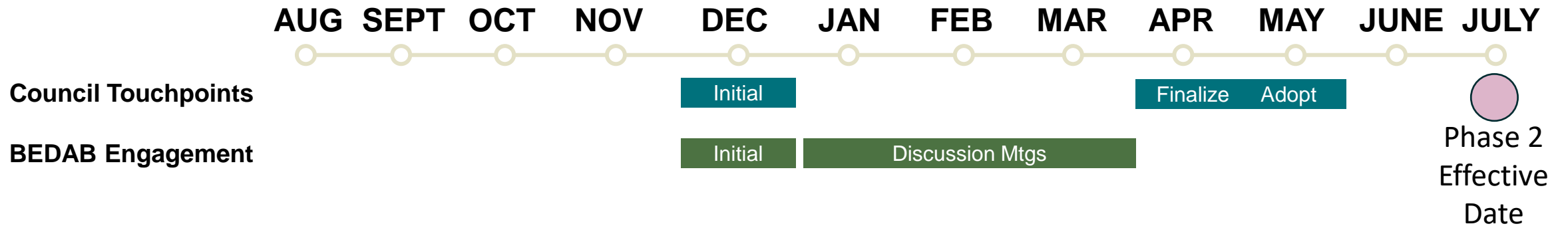
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- **Integrated retail and area rates:** Should we think about these rates differently or leave them as is?
  - Consistent with SDC approach
  - Note: Even though >150K SQFT has a lower \$/KSF than the <150K SQFT rate, the bill will be higher due to 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 17<sup>th</sup> - 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](mailto:shutson@bendoregon.gov); Relay Users Dial 7-1-1.

