



A Budgeting Analysis of a Proposed Special District

Fall 2015 • Planning, Public Policy, and Management

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Cover Image Source: Eric Flowers, www.visitcentraloregon.com

About SCI

The Sustainable Cities Initiative (SCI) is a cross-disciplinary organization at the University of Oregon that promotes education, service, public outreach, and research on the design and development of sustainable cities. We are redefining higher education for the public good and catalyzing community change toward sustainability. Our work addresses sustainability at multiple scales and emerges from the conviction that creating the sustainable city cannot happen within any single discipline. SCI is grounded in cross-disciplinary engagement as the key strategy for improving community sustainability. Our work connects student energy, faculty experience, and community needs to produce innovative, tangible solutions for the creation of a sustainable society.

About SCYP

The Sustainable City Year Program (SCYP) is a year-long partnership between SCI and one city in Oregon, in which students and faculty in courses from across the university collaborate with the partner city on sustainability and livability projects. SCYP faculty and students work in collaboration with staff from the partner city through a variety of studio projects and service-learning courses to provide students with real-world projects to investigate. Students bring energy, enthusiasm, and innovative approaches to difficult, persistent problems. SCYP's primary value derives from collaborations resulting in on-the-ground impact and expanded conversations for a community ready to transition to a more sustainable and livable future.

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About Redmond, Oregon

Redmond, located in Deschutes County on the eastern side of Oregon's Cascade Range, has a population of 27,427 and is one of Oregon's fastest growing cities. The city's administration consists of an elected mayor and city council who appoint a City Manager. A number of Citizen Advisory Groups advise the City Manager, mayor, and city council.

From its inception, Redmond has had its eyes set firmly on the future. Redmond was initially founded in 1905 in anticipation of a canal irrigation project and proposed railway line. Redmond is on the western side of the High Desert Plateau and on the eastern edge of the Cascade mountain range. Redmond lies in the geographic heart of Oregon. Redmond focuses on its natural beauty, reveling in the outdoor recreational opportunities (camping, hiking, skiing) offered by the Cascade mountain range, four seasons climate, and 300+ days of sunshine annually.

Redmond has been focused on innovative, sustainable growth and revitalization while preserving the city's unique history and culture. In 1995, the City of Redmond began to make critical investments in revitalizing its downtown core. The initial phase of renovations strove to balance growth, livability and historic preservation by rerouting Oregon State Highway 97, improving critical infrastructure, and improving the facades of over 100 buildings in the historic center. The City of Redmond has worked with local businesses to revitalize retail, job creation and housing. To facilitate private sector buy-in, Redmond offers innovative incentive programs such as the Façade Rehabilitation and Reimbursement Grant and the "Downtown Jumpstart" loan competition, as well as Design Assistance.

Often referred to as "The Hub" of Central Oregon, Redmond is situated at the crossroads of US Highway 97 and US Highway 126. It is served by the Burlington Northern Sante Fe Railway, Cascades East Transit Regional Public Transportation Service, as well as a state of the art regional airport served by multiple commercial airlines and FedEx and UPS. In addition to its geographic location, Redmond is viewed as central to business growth in the region. In 2014, Central Oregon Community College opened a 34,300 square foot Technology Education Center to recruit new businesses and expand existing businesses in Central Oregon. Above all, Redmond prides itself on being a family-friendly city which was the motivation for the work presented in this report.



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This report represents original student work and recommendations prepared by students in the University of Oregon’s Sustainable City Year Program for the City of Redmond. Text and images contained in this report may not be used without permission from the University of Oregon.

Executive Summary

Students in the graduate level Public Budget Administration course within the department of Planning, Public Policy, and Management at the University of Oregon examined the viability of an Economic Improvement or Business Improvement District (EID or BID) in Redmond, Oregon's downtown. The City of Redmond provided three elements it wanted included in any proposed EID or BID, including a full time staff person, beautification efforts, and promotions and marketing.

Two student groups worked on this project. The groups considered case studies of similar EIDs in Bend, Salem, McMinnville, and Oregon City, and incorporated elements and/or budgetary items into their recommendation to the City of Redmond as appropriate. (See Appendix B for full case study analyses).

Both groups recommended establishing an EID based on the assessed value of commercial property within the proposed district boundaries. The analyses recommended an initial assessment period of three years – long enough to allow business and property owners to reap the benefits, and short enough to incorporate input and revise the EID terms as appropriate. This revenue options ranks high in terms of equity, administrative efficiency, and political feasibility, and would support a balanced¹ budget, one of Redmond's priorities.

The teams also considered the revenue options of an assessment based on square footage, and an assessment based on a business license surcharge, but ultimately found those options less equitable, administratively efficient, and politically feasible.

¹ Defined here as a budget in which revenues meet or exceed expenditures in every fiscal year.

Introduction and Background Information

Graduate students in the Public Budget Administration course within the Planning, Public Policy, and Management, Department at the University of Oregon examined the viability of an Economic or Business Improvement District (EID or BID) in downtown Redmond, Oregon. The City of Redmond indicated that any proposed EID or BID should be able to support annual operations of a Main Street-type organization, with three specific elements:

- One full time (1.0 FTE) employee, to provide programmatic and planning support
- Beautification, including flowers and landscape maintenance
- Promotions and marketing

The City of Redmond also sought an overview of the state enabling statutes, case studies of EIDs/BIDs in other Oregon municipalities, and a recommended budget with balanced revenues and expenditures.

To inform their analysis, the UO students visited the proposed special district site in Redmond, Oregon, interviewed city staff members, reviewed the relevant statutory law, conducted case study analysis of similar special districts in other Oregon cities (see case studies in Appendix B), communicated with economic improvement district personnel in other jurisdictions, reviewed land-use and zoning maps of Redmond's downtown area, used GIS-based analysis, and conducted a financial analysis of the proposed special district. The students applied knowledge learned in their Public Budget Administration course to evaluate different revenue options along with various criteria.

Site Analysis of Redmond's Downtown Area

Redmond aims to be a “first choice” community, and wants to distinguish itself from neighbors Bend and Sisters, which each have their own thriving business districts (City of Redmond 2015).

The majority of businesses in the downtown area are small, between one and six employees. The city center employs 34% of the Redmond workforce, and is the city’s main job creator. It also has the lowest density housing stock in the city. The Redmond City Council wants to focus on smart growth, and get out of the “boom and bust” cycle of extensive growth followed by contraction of the economy (City of Redmond 2015).

The city’s other priorities include improving existing buildings as opposed to constructing new facilities (City of Redmond 2015). In doing so, the city is focused on maintaining its art deco/art moderne style. It is concerned with holding onto its historic past. Thus, the city expressed that its objectives for the EID/BID include beautification, style/branding, public art projects, and youth-oriented projects (City of Redmond 2015).

The area that the City of Redmond has proposed for a special district extends from SW Highland Avenue on the south to W Antler Avenue on the north, and from SW 9th Street on the west to W Canal Boulevard on the east. This area covers approximately 42 square blocks. Land use in the downtown area is predominantly commercial, with about a fifth of the parcels used for residential use. Approximately 90% of the area is zoned commercial, with the remaining 10% zoned for public use (See Figure 1).

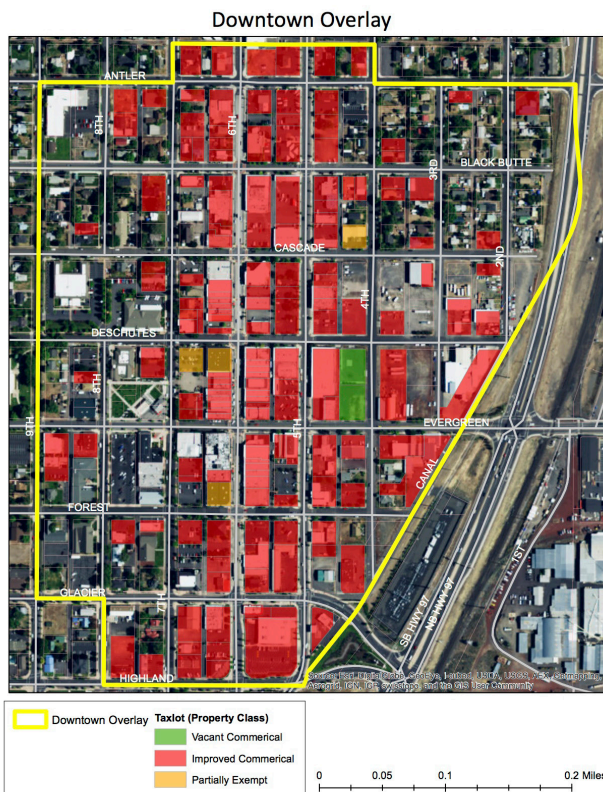


Figure 1: Map of Proposed special district boundaries and property classifications in downtown Redmond.

Source: Created by Rebecca Lewis, October 2015.

Data sources: Deschutes County GIS, City of Redmond

Enabling Statutes: Economic and Business Improvement Districts in Oregon

EIDs and BIDs are types of special districts, or limited purpose governmental units, which are separate corporate entities and have fiscal and administrative independence from the umbrella jurisdiction (Porter 1992). Special districts can be vital to jurisdictions because they provide specific services that are not provided or funded by the local government. In both EIDs and BIDs, fees or taxes are paid in order to fund projects within the district (Hoyt and Gopal-Agge 2007). EIDs and BIDs apply only to properties zoned commercial and industrial.

In an EID, the tax burden falls upon the property owner, and the tax is usually based on some measure of the value of property. In a BID, the tax burden falls upon the business owner, and the fee is usually paid via a business license surcharge.

Under Oregon state law, a local government can establish a special district for the purpose of economic improvement through an ordinance. The government can assess property owners within the district up to 1% of the total value of property for a maximum of five years. Cities also have the option to impose business license fees in order to fund economic development. For a more comprehensive discussion of Oregon's EID/BID enabling statutes, please see Appendix A.

Proposed EID Budget

Based on the elements that the City of Redmond desired in a downtown special district, the groups identified specific programming elements and calculated estimated expenditures. Including the proposed programming options, the cost for the first year of the special district is estimated to be \$79,323.00 (see Figure 2 below). The budget includes one-time expenditures of \$11,700.00 during the first year only, and subsequent annual expenditures of \$67,623.00.

Each element of the proposed budget is explained in greater detail in the sections that follow.

Figure 2: Redmond Downtown EID Proposed Expenditures

		Year One	Year Two	Year Three
One Full-Time Employee		\$45,000.00	\$45,000.00	\$45,000.00
Programmatic Support				
	Planning			
	Catering for Quarterly Meetings	\$700.00	\$700.00	\$700.00
Promotion/Marketing				
	Banners (4)	\$200.00		
	Streetlamp Signs	\$6,000.00		
	Newsletters	\$500.00	\$500.00	\$500.00
	Social Media			
	Website Development	\$1,500.00		
	Website Maintenance	\$630.00	\$630.00	\$630.00
	Newspaper Ads (12)	\$648.00	\$648.00	\$648.00
	Branding	\$4,000.00		
Beautification				
	Flowers & Landscaping	\$19,000.00	\$19,000.00	\$19,000.00
	Paint Costs for Murals	\$320.00	\$320.00	\$320.00
	Seasonal Tree Lights	\$825.00	\$825.00	\$825.00
	Total:	\$79,323.00	\$67,623.00	\$67,623.00

1.0 Full Time Equivalent Employee

Based on salaries for employees in comparable positions in two Oregon cities (Bend and Oregon City), and in consideration of the median income of Redmond², the groups estimated that the cost of one full-time employee is \$45,000.00. This amount includes the cost of benefits.

The employee would execute many of the marketing and planning tasks, so as to conserve finite revenues and supply enough work to justify a 1.0 FTE. The employee could utilize office space belonging to the city, so there would be no need to rent or budget for additional office space.

Beautification

Beautification efforts in the proposed EID include annual flowers, landscape maintenance, and seasonal lighting on street trees during the winter holidays. Street banners could be considered a form of area beautification; however, that expenditure is categorized under Promotions (discussed below). Based on case study data, Redmond will spend approximately \$19,000 for annual flowers and landscaping.

Another aspect of downtown beautification is the promotion of local art and culture, potentially through murals. The proposal includes a city initiative to promote inclusion of local youth in arts projects through a mural design contest. Youth would be invited to submit proposals for mural designs and then the city could designate some funding from the special district to fund implementation of the top two designs. The cost of paint would be approximately \$320, and would complete one or two murals annually. If this program proves popular, it could be expanded to include more artists, more styles of art, and more areas of the city.

The budget also includes seasonal lighting on street trees throughout the EID, which will not only beautify the area but will also promote downtown shopping during the holiday season. The decoration will also encourage economic activity at night during the winter months when consumers might be inclined to stay indoors, and adds an element of safety to nighttime activity. Based on case study data, the cost of street trees lights in Redmond's EID will be \$825.00

Promotion/Marketing: Branding, Banners, and Street Lamp Signs

The budget assumes that the full time employee will undertake all marketing and promotion activities (except for branding) in-house. As such, additional marketing/promotion costs in the budget except where specifically noted (usually for materials). This allows the EID to stretch its funding as far as possible.

In addition to the employee's marketing and promotion activities, the proposal recommends that the EID contract with an external public relations (PR) firm to

² Redmond's median household income is \$37,353.

design a branding campaign for the new EID. Based on the low end of a quote obtained from a PR firm in Bend, this cost would be approximately \$4,000.00. Although it is a significant one-time expenditure, the proposal recommends a branding campaign based on the success of neighboring Bend's EID and branding campaign.

Other promotional efforts include over-street banners and street lamp signs welcoming visitors to downtown Redmond. The proposal will fund four over-street banners on the outskirts of the EID area to mark each cardinal entrance. At a cost of approximately \$50 each, four over-street banners would cost \$200.00. The proposal anticipates replacement every three years, or once per EID cycle.

The proposal also recommends banners or signs on street lights on both sides of the street in each block, utilizing the branding completed by the PR firm. Approximately 150 such streetlight banners could cover the entire EID. At a cost of approximately \$40 each, the one-time cost for the banners would be \$6000.00. Depending on the success of the EID, the district may consider alternating the banners seasonally, between two and four times per year. This would add an additional expenditure of \$6000.00 per set of banners. Only one set of streetlight banners is included in the proposed budget.

Promotion and Marketing: Online and Newspaper Presence

The employee would also undertake all email and social media promotions, which would not add additional expense to the budget.

The proposal recommends that the special district create a website. Costs for the website include an estimated \$1,500.00 one-time cost for website development, as well as annual maintenance costs of \$630.00, which includes \$10/year for a domain name, \$120/year for web hosting, and \$500/year for ongoing maintenance and updates (performed by a web engineer).

Costs for advertising in the local or state paper 12 times per year (the initial four weeks after creation of the EID, six weeks during the winter holiday shopping season, and two additional ads to run at the district's discretion) would be approximately \$648.00.

Internal Promotion Within EID

In addition to external marketing and promotion efforts, the proposal recommends internal promotions, among the business the property owners in the EID. The employee should issue a quarterly newsletter updating business and property owners about progress, upcoming events, and any concerns. The cost to print and mail newsletters in-house is estimated to be \$500 annually, including costs for postage, envelopes, paper and ink (assuming the employee, as opposed to an outside firm, is responsible for drafting content).

The proposal also recommends quarterly meetings with business and property owner representatives, to build community among the EID stakeholders, encourage property or business owner buy-in to the program, and allow businesses and property owners to share ideas and provide feedback. The meetings should take place in a meeting space provided by the city, so as not to incur additional expense. Catering for these meetings is included in the budget.

Redmond Funding Options

Three revenue options analyzed by the students will be compared and discussed herein. The revenue options considered were: 1) a BID in which funds are raised through an annual business license surcharge, 2) an EID based on the square footage of commercial property within the district, and 3) an EID based on the assessed value of commercial property within the district. The evaluation criteria used in the analyses are reviewed briefly in the subsection below.

Option one, a business license surcharge, would tack an additional charge onto the annual business license fee, to cover the operating costs of the special district. This option was considered due to the ease of administration and low burden of collection and enforcement.

Option two, a fee based on the square footage of the commercial parcel, was considered because it may incentivize property owners to develop, improve, and/or occupy the land. Because property owners would be required to pay³ for the special district regardless of whether the property is improved, vacant or occupied, they may be motivated to improve their land and/or attract tenants to earn income on the land on which they are paying an assessment.

Option three, a fee based on assessed value of the commercial parcel, was considered because assessed value is less volatile than real market value (RMV), and thus it ensures a more stable and predictable revenue stream. Additionally, this fee structure is politically feasible because it is benefits-based and would result in a lower assessment due to the abundance of commercial property within the district.

Evaluation Criteria

The students used five criteria to evaluate the revenue options (equity, administrative efficiency, neutrality, political feasibility, and benefits-received principle), and then compared the three revenue options based on these criteria. The rankings of high, moderate, and low are used to indicate how well each revenue option meets each criterion.

- **Equity:** Revenue options that rank high in equity allocate resources and impose costs in a fair way. This includes horizontal equity (ensuring that those in comparable positions pay the same or a similar rate) and vertical equity (a variation in tax burden across a spectrum of ability-to-pay, ensuring that those with a higher ability to pay shoulder more of the tax burden).

³ Unless they remonstrate against the district, in accordance with ORS § 223.118.

- **Administrative Efficiency:** Revenues that rank high in administrative efficiency are not costly to administer in terms of money, time, or effort. Essentially, a tax must be able to pay for itself in terms of the costs associated with its collection and enforcement.
- **Neutrality:** A neutral tax or assessment does not affect the way that individuals spend money or the way that businesses make decisions. In economic terms, a neutral tax minimizes deadweight loss. A tax is more likely to be neutral if it has a broader tax base, small or no tax rate differentials, and is benefits-based.
- **Political Feasibility:** Is the funding source likely to be approved by businesses within the district? Does it comply with existing statutes?
- **Benefits Received Principle:** Do those paying for the service reap the benefits of that service?

A snapshot of the three revenue options based on the evaluation criteria is provided in Figure 3 below. The following sections explain each revenue option in terms of the five evaluation criteria in greater detail.

Figure 3: Matrix of revenue options in terms of evaluation criteria

Evaluation Criteria	Option 1: BID – Business License	Option 2: EID – Square Footage	Option 3: EID – Assessed Value
	Surcharge		
Horizontal Equity	High	High	High
Vertical Equity	Low	Low	Moderate/High
Administrative Efficiency	High	Moderate	High
Neutrality	Low/Moderate	Moderate	Moderate
Political Feasibility	Low	Low	High
Benefits-Received	Low	High	Moderate

Revenue Options

Option 1: BID Based on Business License Surcharge

Figure 4: Redmond, Oregon arch



Source: Redmond Economic Development, Inc., www.rediinfo.com

Under this revenue option, revenues are collected based on a business license surcharge. This fee applies to all business owners within the district regardless of whether their business is zoned commercial or otherwise. There are 96 registered businesses currently in Redmond's proposed downtown overlay district.

Based on the fee necessary to support a Main Street-type organization in downtown Redmond, utilizing a BID in a district the size of the Redmond Downtown Overlay risks a boundary effect, in which businesses will move just outside the boundaries of the district to avoid paying the fees, while still reaping benefits from the BID.

A BID rates **high** in terms of horizontal equity, because each business in the district pays the same fee. However, the BID rates **low** in vertical equity, because each business, regardless of size or income, is assessed the same fee.

It also rates **high** in administrative efficiency, because a flat business license surcharge requires no assessments or measurement of any kind. The fee could simply be tacked onto the existing infrastructure for collecting business license fees; thus, no additional administration is necessary.

This revenue option rates **low to moderate** with regard to neutrality, because the fee would likely be sufficiently high to distort hiring or operating practices, especially among smaller businesses and businesses with lower incomes. This

economic burden could financially bar business owners from hiring additional employees, employing full-time staff, and/or providing benefits. However, spreading the fee across the year, in monthly or quarterly installment payments, could sufficiently reduce the fee to mitigate any potential impact on hiring decisions.

This option's political feasibility is also **low**, because it represents an extremely regressive fee structure. Smaller businesses are likely to opt out, risking the viability of the BID altogether.

This option also rates low in terms of the benefits received principle, as not every business will benefit in the same manner even though each pays the same fee.

Option 2: EID Based On Square Footage of Commercial Parcels

Under this revenue option, property owners would be charged a fee based on the square footage of their commercial parcels within the proposed special district. According to data provided by the city, the total square footage of commercial parcels within the district is 1,433,353 square feet.

This revenue option rates **high** in horizontal equity, as similarly sized parcels will pay a similar rate. In terms of vertical equity, however, this method rates low, because the size of a parcel, which includes the lot space as well as developed space, does not necessarily mean the property generates more revenue. In particular, a small bar may generate more revenue than a large storage facility, but the storage facility would pay much more in taxes.

With regard to neutrality, revenue option 2 rates **moderate**. We suspect that it may affect property owners' behavior; however, we believe that it is more neutral than the assessment based on assessed value of property.

Figure 5: Image of commercial space in downtown Redmond



Source: Redmond Chamber of Commerce, www.visitredmondoregon.com

This option rates **moderate** in terms of administrative efficiency. This option would likely require staff effort to re-measure the properties in order to obtain the correct square footage on which to base the assessment. While it is likely the city has some of this information, it may not be recent and/or complete, or it may be stored in a different data set, all of which would require administrative effort to coordinate. It is also recommended that the square footage be measured upon conception of the EID, to ensure accuracy and uniformity.

Political feasibility for this method is **low**, due to the fact that a significant portion (20.87%) of properties would end up paying well over 1% of the assessed value in taxes. While Oregon law only requires consideration if the tax levied is greater than 1% of the district's total assessed value, it is worth noting that any proposed EID will be dissolved if greater than 33% of the total properties opt out, which further incentivizes those properties paying in excess of 1% of assessed value to opt out.

Lastly, for the benefits received principle, this method rates **high**, as larger properties likely have more frontage space to receive more of the direct and indirect benefits of the beautification efforts.

Option 3: EID Based On Assessed Value of Commercial Parcels

This revenue option charges property owners a set fee based on the assessed value of the parcel.

Assessed value, as opposed to real market value (RMV), of commercial parcels was utilized because it is less volatile than RMV (as RMV changes more rapidly and less predictably than assessed value). Based on data provided by the City of Redmond, the assessed value and RMV are currently equivalent, but based on Oregon's property tax laws (especially Measure 50), this may not always be the case.⁴

Under this revenue option, property owners would be assessed based on the value of their commercial parcels. The total assessed value of commercial property within the area is \$37,565,125.00. According to the Oregon Revised Statutes, any assessment on property owners to fund a special district must be less than or equal to 1% of the total value of property within the district.⁵

This revenue option ranks **high** in terms of vertical equity because it is benefits-based and progressive. Individuals owning higher-value properties will pay more, which in theory is benefits-based. Additionally, property owners will likely benefit from the special district by seeing their property values rise due to increased investment and beautification efforts. They can (and likely will) pass any increase in property taxes onto the tenant.

⁴ Measure 47 reduced property taxes to the lesser of the 1994–95 tax or the 1995–96 tax minus 10 percent, and limited future increases in assessed property values to 3 percent per year. Measure 50 repealed Measure 47, and limited annual growth in assessed value to 3 percent. Measure 50 also provides that property tax shall be based on the lower of the real market value and the assessed value.

⁵ Per ORS sec. 223.114(2)(a).

This revenue option ranks **moderate** to **high** in terms of horizontal equity, because the assessed value likely (but does not necessarily) corresponds to income or profits. In other words, the parcel might contain a high worth structure, requiring a higher assessment fee, but the business occupying that structure might not be highly profitable.

This option ranks **moderate** in terms of neutrality, and may impact the behavior of property owners within the district.⁶ With this revenue option, charges increase as property value increases, without regard to how much of the commercial parcel is leasable space, and without regard to whether the parcel is improved or not.

Finally, this revenue option rates **high** in terms of administrative efficiency because it would require little additional effort or infrastructure to collect and enforce the assessment. The assessed value of the property is already calculated for property tax purposes. Thus, the assessment could easily be added onto the property tax bill and property tax owners would pay these fees together to the county.

This option also ranks **high** in terms of political feasibility in comparison to the other revenue options, as most property owners are actually paying less under this option.

Lastly, this option ranks **moderate** in terms of the benefits received principle, as it is likely (although not assured) that more valuable parcels will benefit more from the EID.

Ultimately both student groups recommended this revenue option, based on its fairness, administrative efficiency, political palatability, and ability to support a balanced budget.

Figure 6: View of downtown Redmond, Oregon



Source: Eric Flowers, www.visitcentraloregon.com

⁶ Some of the anticipated impacts, although not neutral, may be positive for the special district. An example would be to incentivize development of commercial parcels. Thus, whereas this option may not be neutral, the impacts may be positive as opposed to negative.

Conclusion

The graduate students' analyses both recommended the establishment of an EID in downtown Redmond based on the assessed value of commercial property within the proposed special district boundaries. The assessment should be levied initially for a three-year period, which is a sufficient period of time for business and property owners to benefit from the EID, while being short enough to allow for input and revision as appropriate after three years (See case studies in Appendix B for cautionary tales of approving special districts for too long initially). This revenue option ranks high in terms of equity, administrative efficiency, and political feasibility, and would support a balanced⁷ budget. Because of its high political feasibility relative to the other revenue options, this option has the best probability of supporting the establishment of a special district in the first place.

⁷ Defined here as a budget in which revenues meet or exceed expenditures in every fiscal year.

Appendices

Appendix A: Special District Enabling Statutes in Oregon

The Oregon Revised Statutes (ORS) (2013) categorizes Economic Improvement Districts and Business Improvement Districts as “local service districts.” ORS § 174.116(2)(a). The establishment and operation of EIDs is governed by ORS 223.112.

The ORS defines economic improvement as the planning or management of development or improvement activities such as landscaping, maintenance of public areas, promotion of commercial activity or events, business recruitment or improvements in parking systems. ORS § 223.112. Municipal councils may establish an assessment for the cost of economic improvement upon the lots that are benefitted by the improvement. ORS § 223.114. Any such assessment cannot exceed 1% of the real market value of the property within the district, cannot be applied to areas that are not zoned for commercial or industrial use, and cannot apply to areas zoned residential or structures used for residential purposes. ORS § 223.114.

EID ordinances must contain a description of the project, an estimate of probable costs, geographic boundaries, and must specify the number of years assessments will be levied (not to exceed 5 years). ORS § 223.117. At the required public hearing, unless property owners representing more than 33% of applicable property object to the assessment, the economic improvement project will be approved. Property owners who submit objections will not have the assessment levied on any of their property. ORS § 223.118(1)(a). New property owners within the district or property owners who initially submitted an objection may agree to the assessment on their property and will be assessed these values for the remaining duration of the levy. ORS § 223.118(2).

In addition to assessing up to 1% of the value of property within the district, cities can also enact an ordinance to impose a business license fee to fund economic improvement. ORS § 223.144. These funds from business license fees are subject to the same requirements as the funds assessed on property owners, although the mechanism for dissolving the district is different and is not based on the 33% rule as with EIDs. ORS § 223.147.

Appendix B: EID Case Studies

Case Study 1: Bend, OR

The following document analyzes Bend, Oregon's Downtown Economic Improvement District (EID), and makes recommendations based upon Bend's EID relative to the proposed formation of a EID/BID in Redmond, Oregon. All information specific to Bend's EID was obtained from DowntownBend.org, unless otherwise noted.

Local Context

Bend, Oregon is a thriving community and the Deschutes County Seat, with approximately 80,000 residents. Bend is located along the Deschutes River and along the eastern border of the Cascade Range. Its enticing geography attracts residents as well as tourists, many of whom are drawn to the possibility of endless outdoor sporting opportunities, no matter the time of year. For this reason, Bend has branded itself "The Outdoor Playground of the West." Bend is also located at the intersections of the 97 and 20 highways, bringing near-constant traffic to the area. The Bend metro area is estimated to be the fifth largest in Oregon.

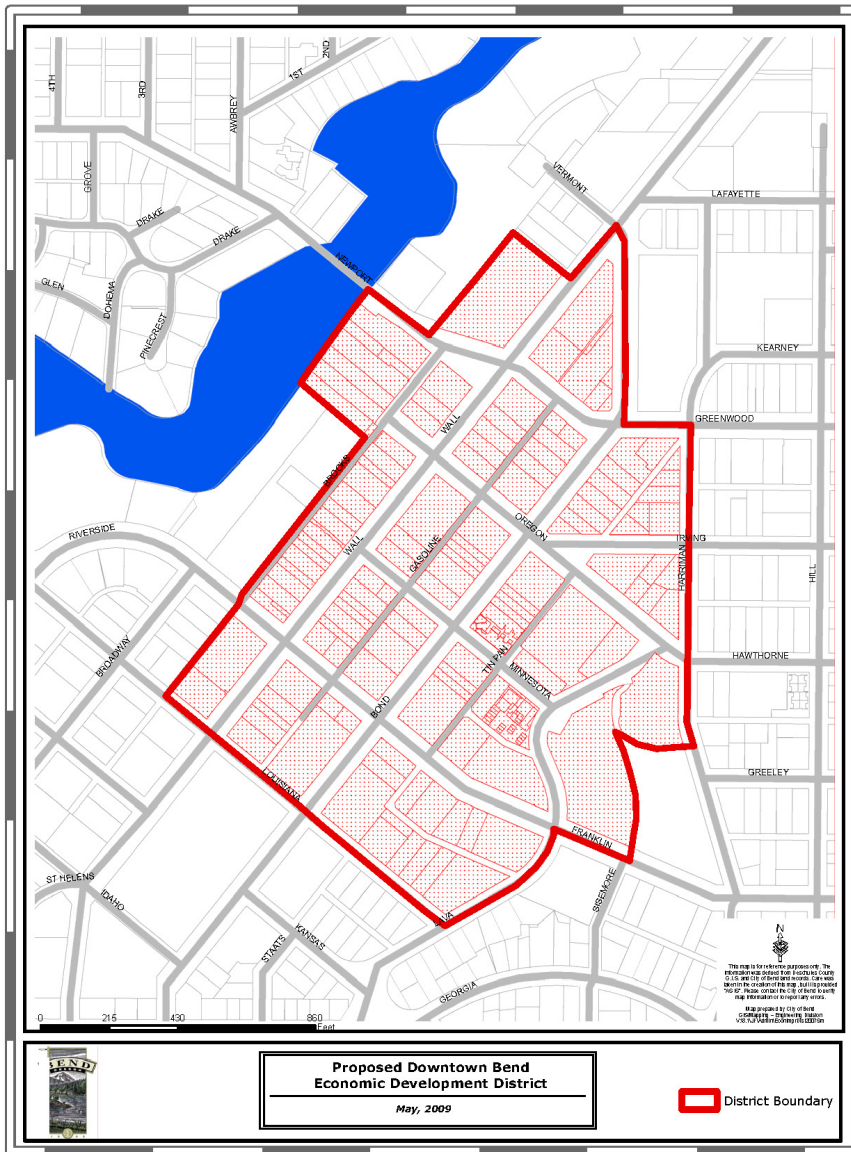
In 2005, business owners in the downtown area approved the Bend EID, by the narrowest of margins. (It was dissolved briefly in 2006, and reestablished in 2007). The Bend EID was most recently reapproved in May 2015, for 3 years, with 100% support; the next vote will be in 2018. The EID is located along the Deschutes River on the west side, and encompasses approximately 325 businesses and 85 property owners. Since 2005, the EID's assessment has increased from 11 cents per square foot of commercial property space to 18 cents.

Site Analysis

The Bend EID is bounded by Louisiana Avenue to the south, Lava Road and Harriman Street to the east, Greenwood Avenue to the north, and Brooks Street to the west (see Figure 1). It boasts an occupancy rate of approximately 95%.

The district is incredibly walkable, and a number of the businesses offer views of the Deschutes River. Unfortunately, some of the N-S streets are four lanes with significant road traffic, which may discourage pedestrians from exploring the outer sections of the EID on foot. Many of the retail stores also close early for weekend tourists (5 or 6 pm), prime pre-dinner shopping time after a day spent white water rafting or skiing. Furthermore, at least a few of the larger lots in the EID are occupied by banks, which are closed and deserted on the weekends – peak tourist time. However, the plethora of bars and restaurants in the EID are a good alternative for those interested in getting a flavor of Downtown Bend, even if many of the retail shops aren't open for business.

Figure 1: Map of Downtown Bend EID



Source: downtownbend.org

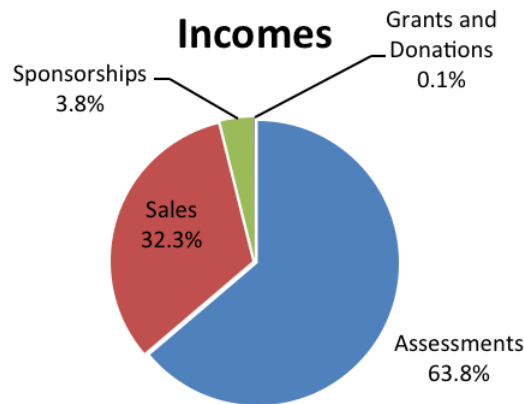
Governing Structure

The EID is managed by the Executive Director (ED) of the Downtown Bend Business Association (DBBA), a nonprofit organization with a Board of Directors and 1 staff member, who oversee the EID. The ED is funded for 1.0 FTE. The Board of Directors is composed of property owners (35%) and business owners (65%), and members serve two-year terms. The DBBA's mission is "To promote economic vitality by enhancing the experience, image, and lifestyle of Downtown Bend."

The DBBA is responsible for beautification efforts, such as flower baskets and planters; maintenance, such as sweeping the sidewalks and removing graffiti; holiday decorations, including tree lights and holiday wreaths; and events, such as street festivals, monthly art walks, the holiday tree lighting ceremony, and others. The ED is responsible for overseeing various committees tasked with economic improvement projects, drafting quarterly reports to business and property owners on the district's progress, overseeing all EID fiscal transactions, including budgeting, marketing, advertising, and planning events, and liaising with the City of Bend Finance Department.

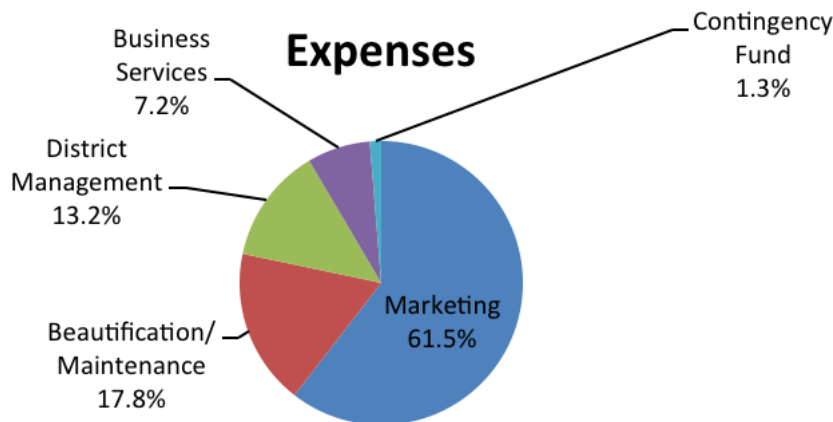
Revenue Sources

The total income⁸ budgeted for FY 2014-2015 was \$233,853.00. The primary income sources were assessments (63.8%), sales (32.3%), sponsorships (3.8%), and grants and donations (0.1%). Interest contributed less than one tenth of one percent of overall income, and is not reflected in the graph.



Expenditures

Expenses⁹ for FY 2014-2015 totaled \$233,669.00. Major expenses included: Marketing (60.5%), beautification and maintenance (17.8%), district management (13.2%), business services (7.2%), and contingency fund (1.3%).



⁸ The DBBA labels revenues "income" in its budget, so that term will be used here.

⁹ The DBBA labels expenditures "expenses" in its budget, so that term will be used here.

Conclusion

The Good

There are two primary takeaways from Bend relative to the formation of an EID in Redmond: First, initially low approval numbers are not necessarily indicative of an EID's eventual success; and second, a successful EID will likely promote support for subsequent increases in the assessments levied. Another important lesson from the Bend EID is for Redmond to take advantage of the town's natural beauty, and include businesses with riverside and/or mountain views within the EID area, as appropriate and feasible. Finally, it is possible to support a full time staff member to administer the EID/BID, depending on the amount of assessments collected. This is an important point, as it is one of Redmond's priorities in creating an EID/BID.

The Not So Good

Redmond should avoid, as much as possible, including businesses like banks and government offices in its EID/BID area, as they are closed holidays and weekends – main shopping and tourist times. Thus, a bank or government building within a special district essentially wastes spaces that could be occupied by a business that draws tourists downtown – and hopefully into other businesses as well. Also, Redmond should be conscientious of pedestrians, streets with heavy traffic, and the potential benefits of making some streets car-free (even if for limited periods of time). Additionally, Redmond must be careful to complete all necessary steps when establishing the EID/BID, as Bend's EID was dissolved in 2006 as the result of a lawsuit from business owners alleging that the necessary formation procedures were not followed (Metz 2006). (It was thereafter reestablished in 2007).

Elements of Bend's EID

Figure 4: No vehicle street in Bend's EID



Source: Matthew Hickey, flickr.com

Figure 5: Hanging flower baskets in Bend's EID



Source: downtownbend.org/news

Case Study 2: Oregon City, OR

Figure 6: Landscape of downtown Oregon City



Source: orccity.org

Local Context

Oregon City, the original State Capital of Oregon, is located 13 miles south of Portland in Clackamas County along the Willamette and Clackamas Rivers. As of 2014, the city's population was 35,266, up from 32,220 people in 2011 (City of Oregon City 2015). Oregon City hosts several shopping areas, cultural and historical attractions, and recreational opportunities. In April 2011, the City of Oregon City designated a commercial area to become an Economic Improvement District (EID) in order to achieve the following goals¹⁰:

- Reduce vacancy to below 5%
- Increase use of ground floor spaces
- Develop housing units within district
- Activate public spaces
- Integrate the downtown area with the mill site
- Support downtown economic development
- Link the north end of downtown with the historic core

Oregon City's EID and the associated fund were established in 2011 and was the city's second attempt to create an EID. Oregon City's EID was in place for four years. In December 2014, when the EID was up for renewal, property owners voted not to renew. Recently, however, the EID was restarted at a lower assessment rate (0.5%), which made it much more politically feasible (Stone 2015).

Site Analysis

Oregon City's EID runs along the east side of the Willamette River and spans about 12 blocks from north to south and two blocks from east to west. The district includes around 100 tax lots whose owners are assessed a fee based on property value. The city's Main Street runs down the middle of the district and a bridge connecting downtown to the west bank of the river connects to 7th Street, which is located near the south end of the district. See Appendix for a complete map of the district.

¹⁰ Downtown Oregon City 2015

Governing Structure

In order to manage the city's EID, the City of Oregon City partners with Main Street Oregon City (also known as Downtown Oregon City Association), a 501c(3) non-profit organization (Oregon City 2015). Downtown Oregon City Association administers the funds received through the city's EID. Because Downtown Oregon City Association is a non-profit organization, they also receive other forms of funding (like grants) which allows them to fully fund programs while reducing service costs to the district.

Downtown Oregon City Association is a nationally accredited "Main Street" and is headed by a board of directors. The board consists of 8 to 11 members (varying from year to year) representing property owners, businesses and local residents. While coming from different backgrounds, each member shares an interest in revitalizing downtown Oregon City (City of Oregon City 2015). Downtown Oregon City Association includes four committees with different focuses: The Promotions Committee, the Economic Restructuring Committee, the Design Committee, and the Organization Committee (Downtown Oregon City 2015).

Revenue Sources

Funding for Oregon City's EID comes from external funding (grants and donations), the City of Oregon City, and fees assessed from property owners within the district. Between 2011 and 2014 Oregon City assessed property owners within the district 1% of their property value (Downtown Oregon City 2015). Fees ranged from \$218 to a maximum of \$1,950, and the median annual fee in 2014 was around \$1,520. As of April, 2015, the new rate is 0.5% and revenue from the fees will be much lower. Along with these fees, the Downtown Oregon City Association funds the EID through external grants. Generally, the amount of grant money invested matches or exceeds the amount of funding that is assessed through property values. Between 2011 and 2014, the EID assessed \$383,000 to invest in downtown improvements (City of Oregon City 2015).

For FY 2015-2016, Downtown Oregon City Association has estimated revenues of \$246,389 with \$59,987 coming from EID assessments, \$60,000 from government grants and \$128,925 from program revenue (including from fundraising events) (See Figure 7). The city also supports the work of Downtown Oregon City Association through a portion of dedicated Business License revenues. With the addition of external funding accessed by the Downtown Oregon City Association, the EID has invested around \$817,000 into services and projects aimed improvements and economic development (Downtown Oregon City 2015).

Figure 7: Downtown Oregon City Association Overall 2015-16 Proposed Budget

Program Revenue	\$ 128,925	Refer to 2015-16 DRAFT Program Budget
EID	\$ 59,987	After 5% city administration fee
Allowance for Uncollectable	-\$ 2,523	Estimated at 4%
Government Grants	\$ 60,000	City general fund allocation
Total Revenue	\$ 246,389	
Expenses		
Business Fees	\$ 750	
Contract Services		
Accounting & Bookkeeping	\$ 3,000	Form 990 and Monthly Board Statements
Facilities and Equipment		
Rent	\$ 7,200	
Equipment	\$ 600	No planned equipment purchases
Operations (Office Expenses)	\$ 4,000	Includes team/project management subscription and web hosting
President's Discretionary	\$ 500	
Volunteer Appreciation	\$ 1,000	
Insurance and Other	\$ 4,000	
Travel and Meetings	\$ 4,000	Will apply for scholarships for 2nd staff to attend national
Payroll	\$ 120,010	Annualized Jonathan and Jessica Current Salary and Taxes
Total G&A and Payroll	\$ 145,060	
Total Other Program Expenses	\$ 92,199	Refer to 2015-16 DRAFT Program Budget
Projected Net Income	\$ 9,130	

Expenditures

Based on the proposed 2015-16 Program Budget, expenditures are split into four categories by committee: Promotions, Design, Economic Restructuring, and Organization. The budget for each committee includes both revenues and expenses for related activities.

- The Promotions Committee is expected to spend \$46,849 (on city events including the Tree Lighting, First Friday celebrations, a 5k race, and a car show) and bring in \$65,175 in revenue (from the same events).
- The Design Committee will spend \$41,950 (on downtown cleanup projects and tree light maintenance) and bring in \$38,750 in revenue.
- The Economic Restructuring Committee will spend \$200 on yearly and interim market research and will bring in no revenue.
- The Organization Committee will spend \$3,200 on a Membership and Friends Program Launch and business education, a newsletter and volunteer recruitment. The Membership and Friends program is a campaign that is expected to provide \$25,000 in revenue.

For all programs and activities, the total estimated expenditures for 2015-2016 are \$92,199. Overall throughout all committees, the Downtown Oregon City Association pays for 4,774 staff hours and receives 4,109 volunteer hours.

Conclusion

Although the Downtown Oregon City Association has faced some challenges, it has had many successes. The EID was discontinued in December 2014, but because it follows the Main Street Funding Model, focusing on diversified funding sources, it was able to continue programming until the EID was reinstated in 2015. The Main Street Funding Model recommends that downtown associations strive to receive one third of their funding from direct contributions from the district, one third from city funding and one third from external fundraising. The revenue stream for Downtown Oregon City Association comes very close to this (Stone 2015).

Its governance structure, including management by a non-profit organization, has also been essential in helping the EID diversify funding and leverage the power of over 4,000 volunteer hours annually.

In addition to providing valuable lessons for success, Oregon City's EID offers some warnings to other cities wishing to implement an EID, including Redmond. One possible reason that the EID was discontinued when it came up for renewal was because the Downtown Oregon City Association was going through an internal transition at this same time. This made it difficult to have a coordinated effort to promote the renewal of the property assessments and to articulate to property owners the ongoing value of the program. During this time, one property owner went out and collected standardized remonstrations from about 40% of property owners which kept the EID from being renewed.

Additionally, the Oregon City Downtown Association set its assessment rate for property values at 1%, which is the highest rate allowed under Oregon law. This rate was much less politically palatable than the rate at which the EID was renewed, 0.5%. The program might have been more successful initially if it had set a more reasonable rate and worked to gradually increase the rate over time. Finally, according to one EID representative, seeking to renew the EID every three years rather than every five years is preferable, because the organization can solicit feedback frequently enough to implement it before property owners become disenfranchised with the program.

Case Study 3: McMinnville, OR

Local Context

In 1986, McMinnville, Oregon created an EID as a response to low occupancy rates in its downtown area, and competition from chain stores. The need for a managing entity to take charge prompted the creation of the McMinnville Downtown Association (ODOT 2011).

29 years after the creation of the EID, McMinnville's EID continues to operate and expand. The McMinnville EID is operated by the McMinnville Downtown Association (MDA), a 501(c)(6) tax-exempt organization. McMinnville has a population of approximately 33,000 and an unemployment rate of 4.6%, which is lower than Oregon overall (5.2%) (BLS 2015). The per-capita income in McMinnville is \$21,812, 20% lower than the state average of \$26,177 (BLS 2015).

Site Analysis

McMinnville covers 10.5 square miles approximately 35 miles southwest of Portland, Oregon. McMinnville is surrounded by vineyards. The McMinnville EID occupies a small portion of McMinnville. Its EID spans 36 square blocks in downtown McMinnville. The EID stretches from Adams Street in the west to Logan Street in the east and from 1st to 5th Streets on the south and north boundaries. The McMinnville EID occupies the town's original main street, and many of the buildings date back to the late 1870s (MDA 2015).

Figure 8: McMinnville EID and assessment Zones



Source: City of McMinnville

Governance Structure

The MDA handles day-to-day operations of the EID. The MDA has 17 full-time employees, 15 of whom are titled Directors, President, or Treasurer. The MDA is the decision-making body of the EID. The MDA is bound by Oregon statutes governing economic improvement districts and beholden to the McMinnville City Council. Changes to assessment funding sources must go through the city council.

Revenue Sources

The MDA is financed with a combination of property assessment based fees, membership dues, and fundraising (ODOT 2011). There are two different assessment zones based on proximity to the historic downtown (see Figure 8). Downtown proximity has a particular draw that makes property there more valuable. The main assessment zone encompasses 14 blocks and charges 7.5 cents per square foot. The secondary assessment zone covers 22 square blocks and charges fees of 3.75 cents per square foot. These charges appear on the McMinnville, Oregon budget under Special Assessment Fund as a part of one of the 14 Governmental Funds utilized by the city (City of McMinnville 2015). These assessed charges bring in approximately \$474,100 per year as of 2015 and are collected by the city but paid directly to the MDA (City of McMinnville 2015).

The MDA had a budget of approximately \$250,000 per year as of 2011. The MDA collected approximately \$200,000 in revenue from McMinnville's General Fund, membership dues, and proceeds from fundraising events (ODOT 2011). This has grown more than 200% in the last four years. Frequent events are important to the McMinnville EID's continuing success by directly contributing revenue and keeping people talking about downtown McMinnville.

Expenditures

The MDA files a form 990 with the IRS like all 501(c) organizations. The MDA lists a wide range of expenditures. The two largest expenses for the year 2014 are compensation in the amount of \$54,816 (20.6%) and other salaries and wages totaling \$34,737 (13%). Beautification and marketing expenses total \$36,570 (13.7%).

Notably, information contained MDA's Form 990 seems to contradict the McMinnville City Budget information concerning the Special Assessment Fund.

Conclusion

McMinnville has enjoyed a successful EID for many decades. Occupancy rates are high and stable. Important takeaways from McMinnville's success include the nature of its downtown area. McMinnville lays claim to the title of the "Oldest Main Street in Oregon." Attracting businesses and customers relies heavily on an attractive and memorable experience. The character and charm of 150-year

old buildings should not be discounted when considering the success of the EID.

Utilizing a non-profit organization to run the EID also has notable benefits. Membership fees and fees for locating inside the EID provide the McMinnville Downtown Association with the majority of its funding, but fundraising events contribute as well. The non-profit is also less constrained in ways it may fundraise than the city government. The strengths of the McMinnville EID are its historic location and resulting charm, and being run by a separate entity, distanced from the city government. Redmond, Oregon should be mindful of these considerations involving history as a marketing hook and the benefits of running their EID through an associated non-profit rather than as another city department.

Case Study 4: Salem, OR

Local Context

Salem is the third largest city in Oregon, with a population of 154,637 (U.S. Census 2010). According to the Livability Index, Salem has one of Oregon's strongest economies, as Downtown Salem is home to a diverse range of civic, commercial, residential, and institutional uses (Livability Index 2015). Over the past five years, several new housing developments have been built, numerous new retailers and restaurants have opened, and major improvements have been made to streets, parks, and other public spaces. Featuring more than 520 businesses, Salem's vibrant downtown core features national retail stores including Macy's, Kohl's, J.C. Penneys and Nordstroms, local shops, restaurants, and attractions. The retail core continues to be supported by strong and vibrant historic neighborhoods at its periphery, including the Capitol Mall, Salem Regional Hospital, and Willamette University (City of Salem 2015).

Figure 9: Historic downtown Salem, Oregon



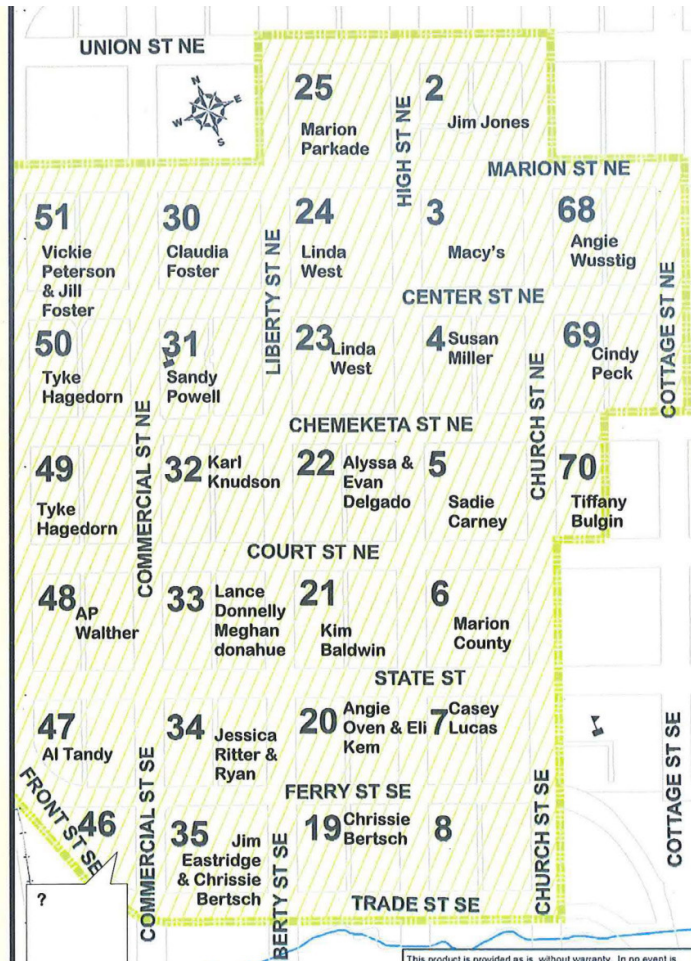
Source: Salem Historic Landmarks Commission, salemhlc.wordpress.com

Until 2006, the Downtown Association administered all downtown beautification and community development efforts. For 35 years the Association was funded by a parking tax, which collected \$435,000 for the Association annually. However, citing budget shortfalls in 2006, the City of Salem decided against appropriating any of the parking tax funds to the Downtown Association. Thus, the Downtown EID was created to provide funds for the Downtown Association. The EID was designed to be renewed every three years and has since been dissolved (Salem Community Vision 2015). A site analysis, along with the governing structure, revenue sources, and expenditures are explained below.

Site Analysis

The Salem EID was located in downtown Salem. See Figure 10 for district boundaries.

Figure 10: Salem EID boundaries and block captains



Source: City of Salem

Governance Structure

The governing structure of the Downtown Salem EID was broken into two entities: Assessment and administration. Assessment was conducted by the Finance Division of the City of Salem as overseen by the Director of Finance. The assessments were conducted annually in October, SRC § 44.366.

The administration governing structure changed many times over course of the existence of the EID. At first, a third-party agency known as Go Downtown Salem administered the funds collected through the EID levies. Go Downtown Salem did not include the Downtown Association in any spending decisions

and was widely regarded as a “secretive organization” much disliked by the downtown community, SRC § 44.989. To combat this feeling of distrust, the city awarded the contract to a new association, the Salem Downtown Partnership, prior to the renewal of the EID in 2011. However, due to intense criticism, the City Manager terminated the Salem Downtown Partnership contract after only one year (Salem Community Vision 2015).

The city then decided to take over the administration of the Downtown EID and the City Manager created a personal “advisory group.” This decision again faced heavy criticism, as the group met in secret and no meeting minutes were kept for 18 months, which resulted in the City Manager personally administering EID funds promised to the Salem Downtown Partnership until the district was eventually dissolved (Salem Community Vision 2015).

Revenue Sources

Revenue in the Downtown EID was levied on all commercial property based on an assessment rate of \$0.07 per square foot per year of real property with structural improvements, and \$0.02 per square foot per year for unimproved property and parking lots, SRC § 44.367. This levy resulted in annual revenues of approximately \$220,000.

Expenditures

As noted above, each governing body in charge of administering the EID funds did not provide a line-item budget breakdown of expenditures. Expenditures were listed more generally, noting Event Planning (Salem First Wednesdays), Street Cleaning, Sidewalk Cleaning, and Flowers as the main expenditures listed. Overall, disclosure was poor (Salem Community Vision 2015).

Conclusion

Using Salem’s EID as a precautionary tale, the City of Redmond should note the lack of disclosure regarding how the funds were used after collection. The lack of transparency frustrated the members of the EID, as they were unable to pinpoint how their money was being spent. Additionally, they were unable to adequately provide input regarding their vision for the city.

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