



Business Medical District Economic Improvement District, Redmond

Fall 2015 • Planning, Public Policy, and Management

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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 Program, 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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Executive Summary

Students in the graduate level Public Budget Administration course within the department of Planning, Public Policy and Management (PPPM) at the University of Oregon (UO) were tasked with examining the viability of an Economic Improvement District (EID) or Business Improvement District (BID) in Redmond, Oregon's Medical District. The City of Redmond provided three (3) elements it wanted included in any proposed EID or BID, including maintenance, business recruitment, and administration and management. One student group worked on this project. The group considered case studies of similar EIDs in Bend, Corvallis, Hillsboro, and Salem, and incorporated elements and/or budgetary items into their recommendation to the City of Redmond as appropriate. (See Appendix C for full case study analyses).

The group proposed two funding strategies: The first assessed properties based on square footage, and the second assessed properties based on assessed value. The strategies were analyzed based on several criteria: Equity, neutrality, administration, productivity, certainty, convenience, and political feasibility. The group ultimately recommended strategy two- assessing property owners according to assessed value, as this strategy is most likely to accomplish Redmond's goals and secure political feasibility. This strategy ranks high in terms of equity, administrative efficiency, and political feasibility, and would support a balanced budget. The group ruled out the strategy of assessing properties according to square footage, because this option was found to be less equitable, administratively efficient, and politically feasible.

By following the revenue strategy of assessing property owners according to assessed value, Redmond can create an EID in the Business Medical District that will lead to a vibrant and inviting environment attractive to investment, business, and general commercial activity.

Introduction

The City of Redmond is interested in potentially establishing Economic Improvement Districts (EIDs) in several areas of Redmond as a funding tool to support annual operations of maintenance, business recruitment, and administration. Through the UO's Public Budgeting and Administration course in the Fall of 2015, graduate students assessed and proposed the implementation of economic development districts in two areas of Redmond: Downtown and the Business Medical District. This report focuses specifically on an EID within the boundaries of the Business Medical District in Redmond, OR.

Graduate students examined the viability of an Economic Improvement District (EID) in Redmond, Oregon's Business Medical District. The City of Redmond sought a final analysis including an overview of the state enabling statutes, case studies of EIDs in other Oregon municipalities, and a recommended budget with balanced revenues and expenditures. The City of Redmond indicated that any proposed EID should be able to support annual operations of three specific elements:

- Maintenance
 - o Administrative/staff costs
 - o Build relationships with state/federal governments for potential grants/ funding
- Business Recruitment
 - o Recruit new businesses
 - o Create tools to recruit new businesses to the district
 - o Target potential new businesses and send marketing material
- Administration and Management
 - o Administrative costs
 - o Staff costs

To inform their analysis, UO students visited the proposed special district site in Redmond, Oregon; reviewed the relevant statutory law, conducted case study analysis of similar special districts in other Oregon cities (see case study analyses in Appendix C); communicated with economic improvement district personnel in other jurisdictions; reviewed land-use and zoning maps of Redmond; used GIS-based analysis; and conducted a financial analysis of the proposed special district.

This report will 1) outline the Business Medical District Context; 2) highlight the key points of the EID proposal; 3) review the extent to which economic improvement districts (EIDs) are enabled in the state of Oregon via the Oregon Revised Statutes; 4) describe the structure of the proposed EID; 5) describe the revenue strategy; 6) describe the expenditure strategy. Lastly, this report will

assess the efficacy of the EID according to political feasibility and discuss the strengths and weaknesses implementing such an EID.

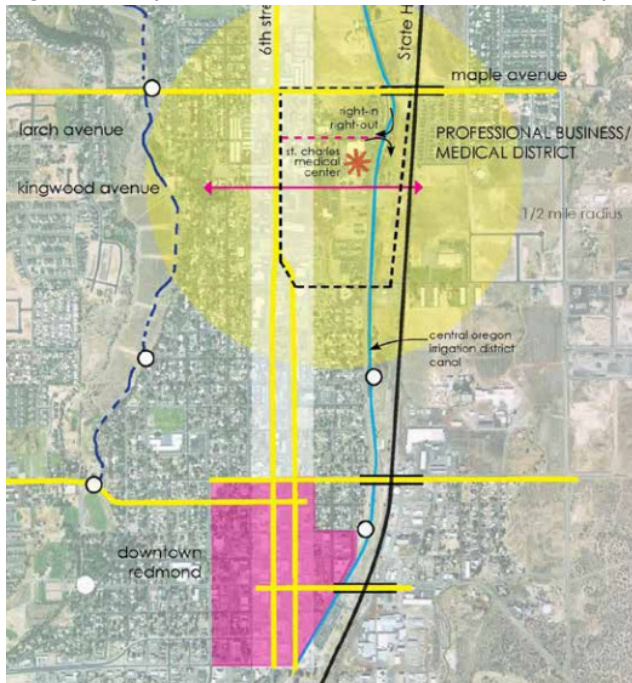
The material presented is the product of GIS data of the Business Medical District, Oregon Revised Statutes 223.112 – 223.132, the 2012 Business/Medical District Master Plan and Development Strategy, and EID case studies across the State of Oregon. The EIDs used as reference were in Bend, Corvallis, Hillsboro, and Salem (Appendix C).

Background Information

In 1951, Redmond became the first Oregon city to form a Public Hospital District. The new proposed Business Medical District consists of 63 parcels of land and contains the nonprofit St. Charles Medical Center, the second largest medical center in Central Oregon (See Figure 1).

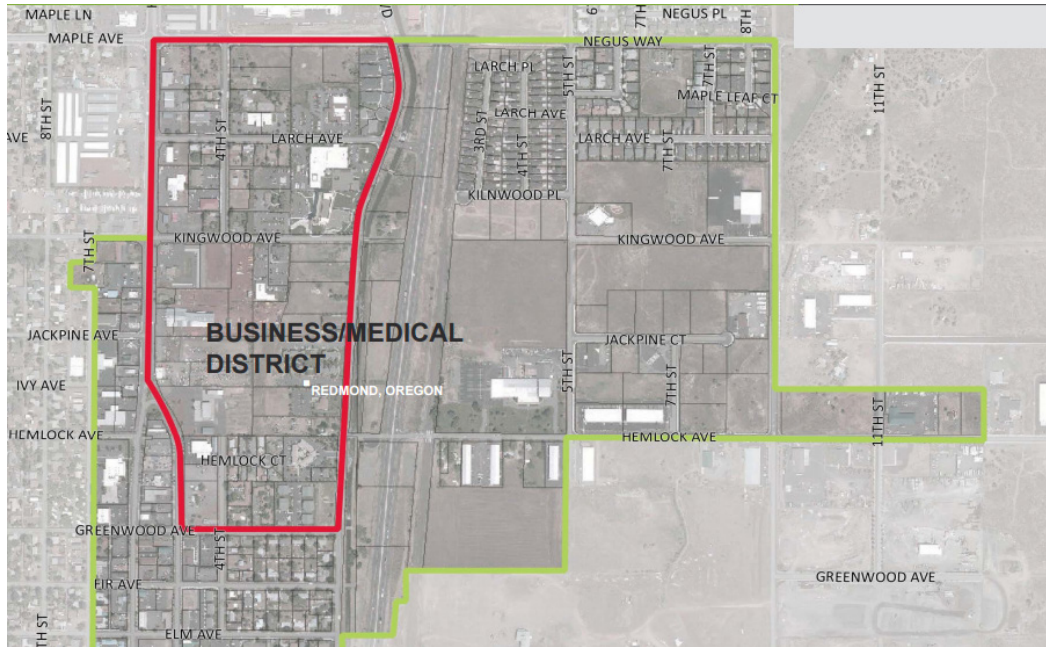
The 3,075,287 square feet of land within the Business Medical District consists of 63 parcels of land, 40% of which consist of commercial uses (See Figure 2). The footprint of commercial uses within the district amounts to upwards of 1 million square feet or 34% of the total square footage within the district. According to Oregon Revised Statutes, this means the taxable percentage of EID in the Business Medical District is 34%, or 1,045,597 square feet.

Figure 1: Map of Business Medical District with respect to Downtown Redmond²



² ZGF Architects, OTAK, Leland Consulting Group. 2012. Redmond Professional Business & Medical District: District Development Strategy and Master Plan. <http://www.redmond.or.us/home/showdocument?id=3778>

Figure 2: Zoomed-in view of Business Medical District (outlined in red) and Urban Renewal District boundary (outlined in green) with respect to nearest streets.³



Oregon Revised Statutes and EID

To develop a sense of what legal principles may be guiding development of the EID, students researched Oregon statutes, as summarized below.

The State of Oregon describes EIDs as, “a funding mechanism designed to enable a community to fulfill its commercial revitalization goals and plans; and is established as an assessment to property owners for use in promoting and improving the defined business district.”⁴

The Oregon Revised Statutes (ORS) that enable EIDs are specific to Chapter 233. Chapter 233 provides information for the enabling of Business Improvement Districts (BIDs) as well. Largely, the difference is in revenue strategy. In BIDs, revenue is generated through a surcharge or business license assessed to businesses. In EIDs however, fees are assessed on property owners rather than business owners. Statutes in particular that shaped the creation of our EID include ORS 223.112, 223.114, and 223.117, 223.119 (Additional statutory details can be found in Appendix A). Specifically, ORS 223.119 describes that an EID ordinance may require an advisory committee that is responsible for the expenditures of EID specific revenues generated by the proposed EID. Although not mandatory, according to state statute, we would still recommend the creation and implementation of an advisory committee. One model we

³ Ibid.

⁴ http://www.oregon.gov/oprd/HCD/PROGRAMS/docs/omsc_2011_eid-bid.pdf

looked at in our case studies was Bend, Oregon (Appendix C: Bend), which has been implementing an increasingly effective downtown EID program over the previous decade that involves spending a majority of expenses on marketing. Bend's EID advisory committee consists of a Board of Directors that oversees staff, policy, and the budget. The nine-person Board members serve two-year terms consisting of a 65% to 35% business to property owner representation.

We recommend Redmond create and adopt an advisory committee - the EID Business Medical Advisory Committee (BMAC). This committee will be made up of five people each serving two-year terms. The committee will be made up of 60% (3) to 40% (2) business to property owner representation. This was based on the model Bend uses - but scaled to Redmond (~27,427 vs. Bend's ~81,236 population).

EID Proposal

Students compiled the following overview of recommended steps that need to be taken to create an EID.

Create an EID. Given the recommendation for an EID made in the extensively-researched 2012 Business/Medical Master Plan and Development Strategy, and the limited number of business enterprise in the district, an EID would be preferable to a business improvement district (BID).

Structure of EID. Redmond could benefit greatly by utilizing an existing organization such as Redmond's Urban Renewal Agency Board. By functioning as the administrative lead for the EID, the Redmond Urban Renewal Agency Board would simply broaden the responsibilities they already undertake in their coordination with the Downtown Advisory Committee. The agency's board would function as a liaison between the city and the proposed Business Medical Advisory Committee.

The Urban Renewal Agency Board operating as the administrative lead for the proposed EID allows for an expedient and informed approach to economic development that may lead to valuable insight and information in terms of planning future development within the context of the proposed EID.

The Business Medical District can benefit by partnering with the Urban Renewal Agency to share in economic development activities in Redmond's EID, because the Business Medical District can potentially capitalize on working relationships and existing networks already established by the Urban Renewal Agency in the future. Further, the City of Redmond should avoid a duplication of services and unnecessary overhead in its development of the EID.

Create an Advisory Committee. According to our EID case studies, and Bend (Appendix C: Bend) in particular, best practice in Oregon suggests that an advisory committee responsible for advising the use of EID expenditures is the

most efficient and effective strategy. Moreover, pursuant to ORS 223.119, “the council shall strongly consider the appointment of owners of property within the district to the advisory committee.”

Therefore, we recommend the formation of a Business Medical Advisory Committee to be comprised of 3 property owners and 2 business owners within the district. Each member should serve a two-year term on the committee. Involving business and property owners creates political buy-in, which is imperative to the success of the EID, given that business and land-owners could pursue remonstrance if they failed to recognize sufficient benefits. Their participation increases the likelihood of perceived benefits.

Given that Redmond’s current Urban Renewal Agency Board (the City Council) oversees the Downtown Urban Renewal Advisory Committee, we recommend that the same board oversee the Business Medical Advisory Committee.

Generate Revenues according to Assessments on Assessed Value of Property. Of the strategies considered and according to the evaluation criteria of benefits received, equity, neutrality, convenience, administration, certainty, and productivity, this strategy was the most favorable. In particular, the assessed value strategy 1) was most equitable and 2) was indicative of the benefits received principle.

Balance Expenditures with Revenues while Paralleling Spending Strategy with Hillsboro’s EID. The Redmond EID would need many of the amenities suggested by budgets from EIDs across Oregon. The spending strategy would be comparable to that of Hillsboro while generated revenues will be most comparable to the maximum revenues anticipated by the proposed revenue strategy—\$30,000.

Revenues

The revenue structure for the proposed EID must comply with the ORS and, for the sake of political feasibility, should demonstrate comparability to revenue structures represented across Oregon. The ORS suggests that a portion of revenues can be collected in the form of assessment levied on property owners with EID boundaries.

Across the case studies analyzed, EIDs’ collected levied assessment within their boundaries in two ways. In the State of Oregon, assessments are levied according to 1) a flat rate assessed on the square footage on the property 2) a percentage of a chosen Assessed Value base. In the first strategy, a property owner commitment depends on square footage while in the second strategy the commitment of property owner is contingent on assessed value. There are other methods of assessing properties/business owners with EID’s such as according to number of employees, gross revenue, square feet of street frontage, or business license surcharge. However, given the administrative difficulty in collected gross revenue information and the limited business enterprises in the

area, neither of the aforementioned alternatives was considered in configuring an assessment strategy for the prospective Redmond EID. Further, in order to solidify political feasibility, we propose that the EID operate within the structural precedents set by the case studies. Accordingly, assessment by value or square footage of property were the only revenue options considered in depth.

The Oregon statutes note that the assessment must not exceed 1% of the Assessor’s Real Market Value of the property in any given year in which assessments are being levied. For the prospective EID, a Real Market Value sum of \$12,953,010 means the annual revenue total is not to exceed \$129,530.10

ORS 223.114 notes that assessments must only be assessed on properties that have zoning and land-uses specific to commercial or industrial use. Within the prospective EID boundaries, assessments can be levied only on commercial properties (See Table 1). The number of commercial properties constitutes 40% of all parcels within the EID while the square footage of these properties account for 30% of the EID square footage.

Table 1: Square Footage and Parcels for each Land-use within with EID Boundary.

Land-Use	Square Footage of Lot	% Total Square Footage	Number of Parcels	% total parcels
Residential	430,476	14%	13	21%
Commercial	1,041,586	34%	25	40%
Exempt	923,014	30%	8	13%
Blank (unknown)	680,211	22%	17	27%
Total	3,075,287	100%	63	100%

Recommended Funding Options

Based on legal statutes, case study research, and the proposed EID structure, student teams developed two potential strategies for Redmond's consideration.

Strategy 1

Bend and Hillsboro assess properties according to square foot, while Salem has alternate rates for vacant and improved properties (Appendix C: Bend, Hillsboro, and Salem). Within the prospective EID, there is potential to use a differentiated assessment rate according to vacancy. However, given the limitations of data demarcating vacancy within commercial uses, a flat rate across all properties is used to assess the efficacy of this strategy.

Assessing at a rate of \$0.12/ sq. ft., the maximum revenues with the statutory limit would be \$124,990.37 (See Table 2). This revenue total suggests that this strategy has the potential to be as productive or more productive than the assessment strategies of peer-EID's across Oregon. Officials in the district note that the revenue expectation for the district is approximately \$30,000. The rate to the nearest cent that approximates the ideal revenues for the district is \$0.03/sq. ft. Given data on assessed value and square footage per property within the EID, increases in assessed value of a property does not correlate with an increase in square footage of the lot. Given the lack of a correlation, levying assessments according to square footage potentially burdens property owners with large lots but low assessed values. Further, it can be presumed that properties with lower assessed values are less likely to directly or immediately benefit from their assessment contributions.⁵

Table 2 below shows potential assessment rates and revenues according to square footage.

* Chosen to mirror lowest sq. footage rate in Salem.

**Chosen to represent the rate to nearest cent that approximates ideal revenues suggested by district officials.

***Chosen to represent halfway point between lowest Bend rate and maximum rate.

****Maximum rate keeping revenues under statutory threshold.

Table 2: Assessment According to Square Footage

\$ 0.02/ Sq. Ft*	\$0.03/ Sq. Ft**	\$ 0.07/ Sq. Ft***	\$ 0.12/ Sq. Ft****
\$20,831.73	\$31,247.59	\$72,911.05	\$124,990.37

⁵ This assumes that "benefits" are most accessible by properties with more improvements, or higher assessed values.

Strategy 2

Corvallis assessed properties according to assessed value (Appendix C: Corvallis). Given the precedents assessed by our case studies, the assessment would be a flat rate. Assessing properties at a maximum rate of \$11.25/ \$1000 of assessed value would generate revenues amounting \$126,047.59 (See Table 3), the largest revenue total possible across both strategies in question. This revenue total suggests that this strategy also has the potential to be as productive or more productive than the assessment strategies of peer-EID's across Oregon. Like Strategy 1, this amount is also within the statutory limits of 1% of the Assessor's Real Market Value.

Given the structure of this strategy, it is more equitable than Strategy 1. Implicit to this strategy is the principle of vertical equity, requiring property owners with more assessed value to contribute more to the improvement of the district. Further, the assessment according to assessed value ensures the benefits-received principle is fulfilled whereby properties with higher assessed value, while contributing more to the assessment revenues, can expect to receive more of the benefits associated with improvements.

The minimum assessment rate of \$1.25 per \$1,000 is in accordance with the assessment rate of the Corvallis EID (Appendix C: Corvallis). However, this rate would only generate \$14,005.29. According to the case studies, this revenue total would not be sufficiently productive to foster meaningful improvements in the area. Therefore it is recommended to implement one of the other pricing strategies listed. In particular, the pricing strategy that meets the district goal of \$30,000 is a rate of \$2.68/\$1,000 of Assessed Value.

Table 3 below shows potential assessment rates and revenues according to assessed value.

*Chosen to mirror Corvallis rate.

**Chosen to represent the rate to nearest cent that approximates ideal revenues suggested by district officials.

***Chosen to represent halfway point between Corvallis rate and maximum rate.

****Maximum rate keeping revenues under statutory threshold.

Table 3: Assessment According to Assessed Value

\$1.25/\$1000*	\$2.68/\$1,000**	\$6.50/\$1000***	\$11.25/\$1000****
\$14,005.29	\$30,027.34	\$72,827.50	\$126,047.59

Evaluation Criteria

The evaluation criteria considered in assessing revenue strategies include equity, neutrality, certainty, convenience, administration (See Table 4). Also, whether a strategy was politically feasible and fit the benefits-received principle was also considered. It should be noted that strategies were assessed under the operating assumption that the assessed value of a property correlates with a given owner's ability to pay. While this assumption is tenuous at best, this assumption was necessary to arrive at a conclusive revenue strategy. Given the information constraints regarding income, revenues, and expenditures of property owners in question, more useful indicators of ability to pay were not considered here.

- Equity is a criterion that has two differentiated components: Horizontal equity and vertical equity. Horizontal equity ensures burden distribution is the same among persons in comparable circumstances while vertical equity suggests that individual burden ought to vary across the spectrum of income (in this case assessed value).
- Neutrality highlights that the proposed assessment should not have an impact on the way individuals make decisions.
- Administration is an element that suggests administration costs should not be out of proportion compared to revenue and should be efficient.
- Productivity notes that the assessment should provide sufficient and stable revenues to meet desired expenditures.
- Certainty suggests that the rules of assessment ought to be evenly applied.
- Convenience notes that assessments should be easy to pay. The benefits-received suggests that those paying the highest assessment receive the highest return for their contributions.
- Political feasibility was determined according the revenue strategy's capacity to reasonably arrive at the desired revenues without exceeding the statutory limit.

Strategy 2, the assessed value approach, is the more equitable of the two approaches in terms of vertical and horizontal equity. This strategy ensures that property owners with comparable assessed values pay similar assessments while also ensuring that there's a variation of burden across assessed value. Further, Strategy 2 meets the benefits-received principle whereby individuals that contribute the most are expected to receive the highest benefit of improvements. Strategy 1, the square footage approach, demonstrates vertical equity, but is horizontally inequitable. Horizontal equity is present in this approach given that property owners with comparable square footage are

assessed similarly. However, this strategy is not sufficiently agile to account for a given property’s assessed value.

Each strategy proved the ability to reach the revenues requested by the district without exceeding the statutory limit for revenues. Political feasibility, in addition to neutrality, certainty, convenience, and administration, were all criteria that did not play an instrumental role in determining which strategy the district ought to implement. Assessed value does not necessarily confer an owner’s ability to pay. While charging a proportionately higher assessment for properties with lower assessed values might discourage future improvements and compromise neutrality, such an assertion is tenuous given the lack of correlation between assessed value and ability to pay. Accordingly, it is possible that even in the assessed value scenario that neutrality might be compromised. Each option then has the potential be neutral and non-neutral. Further, certainty, convenience, and administration of each process are expected to be comparable. The administrative cost associated would be the same for each strategy insofar as all the data comes from the property assessor. Following, the administration, certainty, and convenience of each strategy are expected to closely follow the barometer set by the certainty and convenience of property tax collection.⁶

Table 4: Evaluation criteria across the assessed value and square footage revenue strategies.

	Assessed Value	Square Footage
Equity	Very Good	Poor
Neutrality	Good	Good
Administration	Very Good	Very Good
Productivity	Very Good	Very Good
Certainty	Good	Good
Convenience	Good	Good

⁶ Property tax collection certainty and convenience is rated as good because of the flexibility in modes of collection and hours of collection, while administration, if approached in a centralized fashion, can be very good. (These qualifiers are paraphrases from Robert L. Bland. "Revenue Choices: Principles to Guide the Manager." A Budgeting Guide for Local Government. 3rd Edition. Washington DC: ICMA Publications).

Redmond EID Proposed Revenue Strategy

Strategy 2 or the assessed value strategy is the proposed strategy for the proposed EID because it allows the district to reach its preferred revenue goals (See Figure 3) while also being the most equitable strategy and the strategy closely tied with the benefits-received principle.

Figure 3: Total revenues for the EID in the first year (assumed to constant revenues over the lifetime of EID)

EID FUND	FY 2016/17 Budget
Current Resources (Revenues)	
Assessment on Assessed Value	\$ 30,000
TOTAL RESOURCES	\$ 30,000

Expenditures

Based on the budget of \$30,000 in the first years of the EID, the expenditures can be allocated in the following manner, based on suggestions from the Redmond Urban Renewal Board and City staff (See Figure 4):

- Maintenance
 - o Administrative costs
 - o Staff costs
 - o Build relationships with state/federal governments for potential grants/additional funding
- Business Recruitment
 - o Recruit new businesses
 - o Create tools to recruit new businesses to the district
 - o Target potential new businesses and send marketing material
- Administration and Management
 - o Administrative costs
 - o Staff costs

These subgroups provide a more organized, and specific example of how the funds are being spent, and how much can and should be dedicated to each of the projects (See Figure 5).

The Redmond city staff also stated that the area should to be more effective for people using the businesses and services in the area. Maintenance should be used to improve the area in which the new businesses will move. This budget should be used to ensure there are adequate crosswalks in addition to lighting and signage for visitors.

During interviews with employees in the district, City of Redmond staff was told that the employees needed places nearby to go for lunch and meetings, and that patients at the hospital needed hotels in the area for friends and families of patients. This request drove the allocation to Business Recruitment. The district should use the funds for Business Recruitment to recruit businesses that can offer the services most needed. Desired businesses should be targeted and sent promotional information, ensuring they know their business would be well utilized in the Redmond Business Medical District.

The administration and management of the EID is used to fund the day to day work required to keep the district running, and for the budget to run smoothly. There is room for the budget to grow in this subgroup, through the hiring of staff and the creation of an advisory board.

We recommend the addition of promotions and marketing to the budget, in an effort to increase the visibility of the district and to ensure that new businesses know it is there and is looking to expand. We recommend an expansion of the district revenue in the future so that these steps can be accomplished at a larger and hopefully more effective scale. This expansion is noted in the Appendix B.

Figure 4: Total expenditures for the EID (based on a \$30,000 revenue stream)

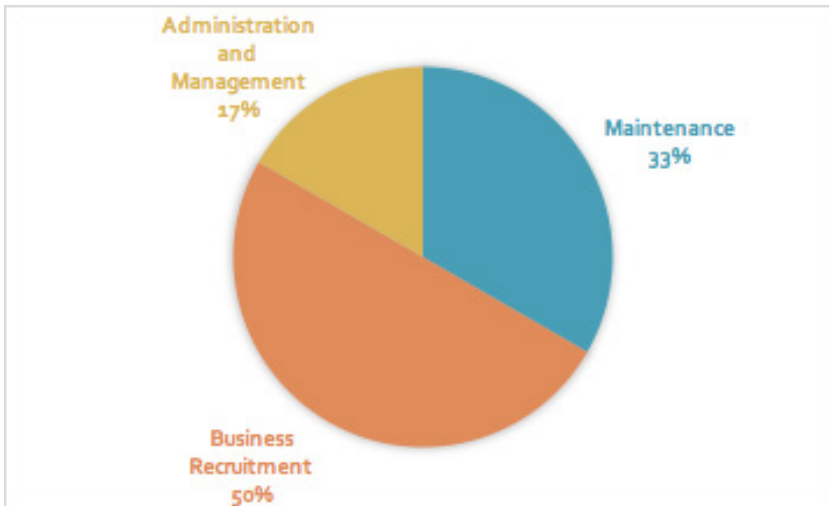


Figure 5: Percentage distribution of expenditures across EID goal

EID FUND	FY 2016/17 Budget	
Current Resources (Revenues)		
Assessment on Assessed Value	\$	30,000
TOTAL RESOURCES	\$	30,000
Expenditures		
Maintenance	\$	10,000
Business Recruitment	\$	15,000
Administration and Management	\$	5,000
TOTAL EXPENDITURES BY EID	\$	30,000

Conclusion

The Business Medical District is both an amazing potential opportunity, due to open development-ready space and proximity to U.S. Route 97, and a challenge, due to its current lack of connectivity to the Redmond City Center and lack of diverse businesses. Developing a politically-feasible strategy to bridge these gaps and allow prosperity to flow from the downtown into the Business Medical District is essential as the City of Redmond continues to grow exponentially.

The creation of an EID in the Business Medical District will lend itself to the creation of a vibrant and inviting environment attractive to investment, business, and general commercial activity. By following the revenue strategy of assessing property owners according to assessed value, the EID is likely to secure political feasibility given the equity associated with such a strategy. By creating an advisory committee and contracting with an already existing entity familiar with such processes, the EID will not only increase its political feasibility, but it will maximize its expenditure potential and allow for the allocation of more funds toward broader improvement strategies.

Appendices

Appendix A: Special District Enabling Statutes in Oregon

ORS 223.112 provides definitions pertinent to the enabling of an EID. This section of Chapter 223 defines council and economic improvement, specifically confining economic improvement to the following:

- a) the planning or management of development or improvement activities
- b) landscaping or other maintenance of public areas,
- c) promotion of commercial activity or public events,
- d) activities in support of business recruitment and development,
- e) improvements in parking systems or parking enforcement,
- f) any other economic improvement activity for which an assessment may be made on property specifically benefitted thereby.”⁷

ORS 223.114 specifically permits a council to establish, through an ordinance, a special jurisdiction whereby lots within said jurisdiction may be subject to assessments levied by the City pursuant to specially benefitting the lots in question. ORS 223.114 notes that also limits a city’s authority, noting that an EID may only include areas zoned for commercial or industrial use and that a city may not levy assessments on residential property or portions of structures used for residential purposes. Further, a city is not authorized to levy assessments “in any year that exceed one percent of the real market value of all the real property located within the district.”⁸

ORS 223.117 describes the requirements of an assessment ordinance produced for an EID aside from specifications regarding proposed improvements, the section also specifically states that notice, containing information about the proposed improvements and the impending public hearing, must be mailed/ delivered to affected property owners. According to Oregon Statute 223.117 subsection (1)(d) assessments of EIDs in Oregon are allowable up to a maximum period of five years. One thing that must also be taken into account when developing an EID is political and stakeholder feasibility. Therefore, we must be aware of something referred in ORS 223.118 as the Remonstrance against assessment. This statute states that the EID is able to be carried out as long as less than 33% of property owners within the district object, in writing, to the council. Under a voluntary EID, those who have submitted a written objection will be exempt from the EID assessments within that district, whereas all property owners would be subject to the assessment in an involuntary EID (assuming a remonstrance process does not take place).

⁷ Or. Rev. Stat. § 223.112.

⁸ Ibid. §223.114a

Other statutes that are relevant to EIDs in general but did not play an integral role in the creation of the Redmond EID expressed in this EID are as follows. ORS 223.118 outlines the factors to be considered and the requirements of council 1) when levying assessments and 2) if council is to receive written objections to the assessment at the public hearing. ORS 223.122 notes that existing urban renewal districts and local improvement districts have no impact on EIDs while ORS 223.124 describes the process council must undergo if it finds it necessary to levy assessments on EID properties beyond the previously specified period of assessment. ORS 223.127 outlines other sections of Chapter 223 that are relevant to EID, such as sections 205, 210, 387, 291, and 295 which discuss specifics ranging from property owner rights to categories of properties that might be subject to assessment within an EID. ORS 223.129 explains that money collected from EID assessments may not be used for initiatives outside the scope of the ordinance that established the EID. Further it notes that any public official that does not comply will be subject to a suit in the amount of wrongfully used money. ORS 223.132 affirms that forming EID's is an authority granted to cities in addition to previously established authorities as dictated by state laws.

Appendix B: Expenditures

Expenditures

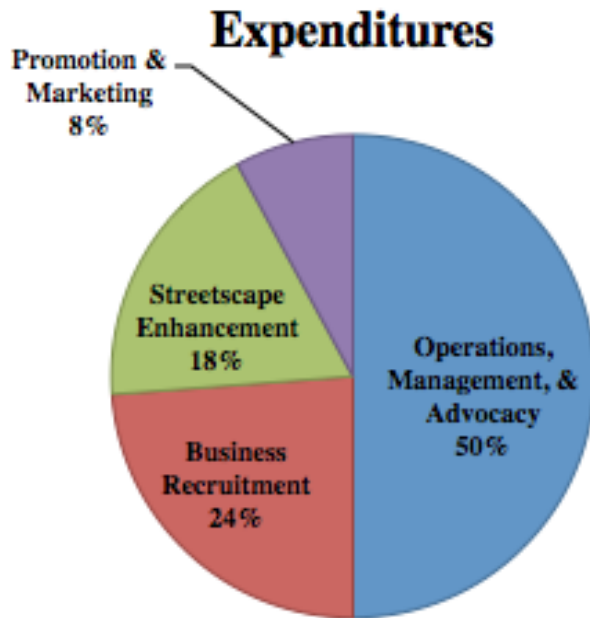
Based on the highest revenue income available, the city could look to expand the EID and bring in the maximum revenue stream. The overall available budget for the EID would be \$126,000, could be divided into the following four subgroups:

- Operations, Management & Advocacy
 - o Administrative costs
 - o Staff costs
 - o Build relationships with state/federal governments for potential grants/additional funding
- Business Recruitment
 - o Recruit new businesses
 - o Create tools to recruit new businesses to the district
 - o Target potential new businesses and send marketing material
- Maintenance
 - o Clean up the current area
 - o Install/maintain crosswalks
- Promotion and Marketing
 - o Promote the Business Medical District to entrepreneurs, investors, and visitors
 - o Reinforce the district as a desired destination

Figure 6: Total expenditures for the EID (assumed to constant revenues over the lifetime of EID but subject to change)

EID FUND	FY 2016/17 Budget	
Current Resources (Revenues)		
Assessment on Assessed Value	\$	30,000
TOTAL RESOURCES	\$	30,000
Expenditures		
Maintenance	\$	10,000
Business Recruitment	\$	15,000
Administration and Management	\$	5,000
TOTAL EXPENDITURES BY EID	\$	30,000

Figure 7: Percentage Distribution of Expenditures Across EID Goals



The expenditures are based on the case study for Hillsboro's EID. In Hillsboro, 65% of the overall budget was given to the Operations, Management, & Advocacy. That is not a possibility or necessity in Redmond, because the EID will be overseen by an already existing non-profit, unlike in Hillsboro where a non-profit had to be created. Instead, Operations, Management, & Advocacy is receiving 50% of the revenue to help fund a new 0.5 FTE that would likely be necessary to ensure the EID budget is being effectively used and overseen. The non-profit will preside over the full budget, as a contractor through the City of Redmond.

The final piece of the budget is the Promotion and Marketing of the area. It is important to bring attention to the district, and to encourage the use of the space. The purpose of the Business Medical District is not necessarily to attract tourist, but to attract those who are seeking medical attention and visitors to the area. It is important to market the district as a vibrant and necessary area of the City of Redmond.

APPENDIX C: EID Case Studies

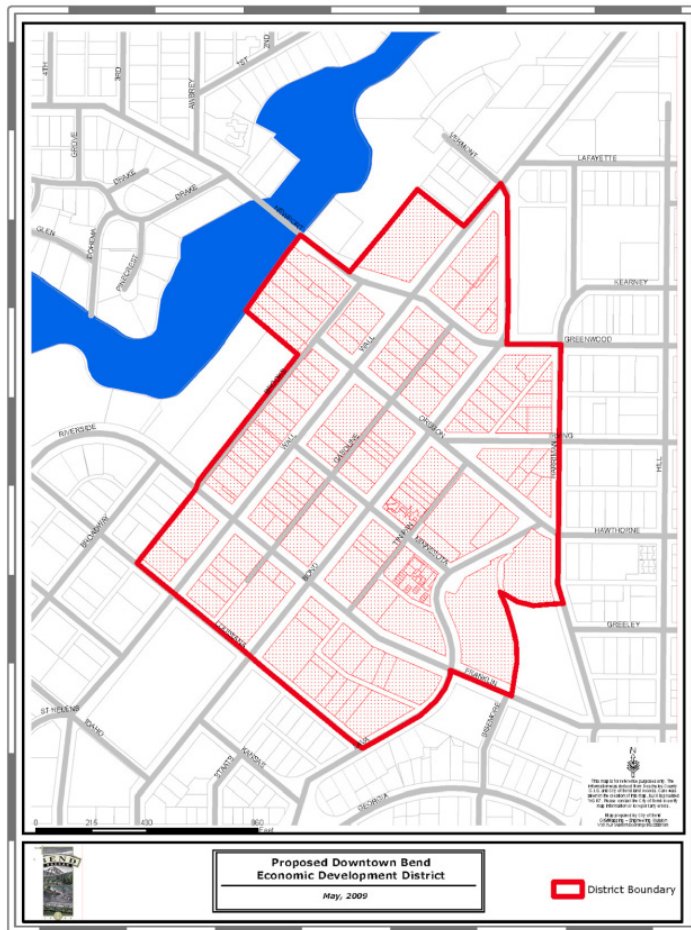
Case Study 1: Bend, OR

Local Context

Bend is a quickly expanding city. The estimated 2013 population is 81,236 – up from 52,029 in 2000. Bend is also the largest city in Central Oregon – an area consisting of very low population density. Formerly a logging town, Bend is now economically supported by outdoor sports, including mountain biking, fishing, hiking, camping, rock climbing, white-water rafting, skiing, paragliding, and golf.

The downtown improvement district is overseen by the nonprofit, “The Downtown Bend Business Association (DBBA) consisting of staff and board members. The DBBA was established in 1982 and serves over 325 businesses and 85 property owners in downtown Bend. The EID itself is entitled, “The Downtown Bend Economic Improvement District” and is (about) a 5x5 block located just minutes from major highways 97 and 20 and just east of the downtown river, Mirror Pond.

Figure 1: Map of Bend, OR EID



The EID was established between the nonprofit DBBA Board of Directors and staff who met with property and business owners to develop a scope of work, budget, project area, and duration of the EID. All commercial building spaces in the district are assessed a tax of \$0.18 per square foot. Business owners vote every three years whether or not to continue the EID. Public hearings allow property owners to make comment. These owners receive letter from the City of Bend announcing the public hearing scheduled in March. City Council, after hearing from property and business owners, refines the EID. There is then a hearing to consider final approval. If approved, billing for the reauthorized EID goes out in June. The previous vote garnered 100% support from downtown businesses. Bend states that all businesses must participate (involuntary) and that EIDs are an equitable option (Downtown Bend Economic Improvement District 2015 Q & A) (1).

Bend's downtown EID helps fund flower baskets, Christmas lights, displays, sidewalk cleaning, snow and graffiti removal, advertising, events, and 3 staff members that perform downtown maintenance. The 2015 EID focuses on marketing strategies to bring more business goers to downtown Bend. Bend's downtown district is strictly zoned commercial leased property. No real property or property used primarily for residence will be assessed as part of the EID.

Figure 2: Examples of EID Funded Projects

- | | |
|--|---|
| <ul style="list-style-type: none"> • Flower baskets-every block-spring, summer, and fall • Beautified planters-every block • Sidewalk snow removal-clear path for customers-district wide • Sidewalk sweeping and debris removal-year-round • Graffiti removal-on public right of way-year around • Tree lights • Holiday wreaths | <ul style="list-style-type: none"> • Banners • Benches • Trash receptacles-recondition • Marketing downtown to promote business • Events-drawing customers to the district including but not limited to: Art Walk, Art Hop, Sidewalk Sale, Holiday Tree Lighting & Oktoberfest • Advertising-drawing customers to the district-advertising on radio, tv, print, web and other outlets |
|--|---|

Bend is gaining notice nationwide for its innovative business, especially in the outdoor and tech industry. The Economic Development for Central Oregon, or EDCO, recently hosted the Bend Venture Conference. This gathering of entrepreneurs, businesses, and investors awarded a \$15,000 grant to a local startup in front of 400 attendees (OPB: Is Bend Becoming the Next Startup Haven?) (2).

Enabling Statutes

The Oregon statutes dealing with and authorizing EIDs can be found in Oregon Revised Statutes Chapter, “223 - Local Improvements and Works Generally” specifically 223.112-161, and most notably, “223.132 - Formation of economic improvement districts as additional power of cities”.

Figure 3: Oregon Statutes Related to EIDs

ECONOMIC IMPROVEMENT DISTRICTS	
223.112	Definitions for ORS 223.112 to 223.132
223.114	Economic improvement; assessment ordinance
223.117	Requirements of assessment ordinance
223.118	Remonstrance against assessment; exclusion of property
223.119	Advisory committee; functions
223.122	Effect of urban renewal districts or local improvement districts
223.124	Extension of assessment period
223.127	Application of certain assessment statutes to economic improvement districts
223.129	Expenditure of assessment revenues; liability for unauthorized expenditures
223.132	Formation of economic improvement districts as additional power of cities
223.141	Definitions for ORS 223.141 to 223.161
223.144	Economic improvement district; business license ordinance
223.147	Requirements of business license fee ordinance
223.151	Advisory committee; functions
223.154	Extension of business licensing period
223.157	Expenditure of business license revenues; liability for unauthorized expenditures
223.161	Effect of urban renewal districts or local improvement districts

Bend fulfills the requirements of the Oregon statutes in several ways. ORS 223.119 and ORS 223.151 define the roles of advisory committees related to EIDs. The Board of Directors for Downtown Bend oversees staff, policy, the EID budget. The Board has a 65% to 35% business to property owner representation and each member serves a two-year term. ORS 223.122 also defines the powers of an EID and differentiates EIDs from local improvement districts and urban renewal districts. Bend also has a city ordinance that governs the EID (city ordinance number 2234). The city ordinance works within the confines of the Oregon state statute to more narrowly define the EID and the process for creating and maintaining it. It includes 6 sections:

Section 1: Creation of the District

Section 2: Duration

Section 3: Assessment Rate

Section 4: Total Assessment

Section 5: Agreement to administer program and providing for the Expenditure of Funds

Section 6: Notice of assessments and hearing to receive remonstrances

These sections are administered through a variety of channels including finance directors and DBBA staff and board with final oversight by city council (Bend City Ordinance 2234) (3).

Finances

Key Revenues of EID

In 2014-15 Bend's EID was able to generate \$279,005.87 after budgeting for \$233,853. This was an increase from Bend's 2012-13 revenue of \$227,773.62. The EID is clearly thriving, beating expectations, and increasing from year-to-year.

Revenues come in the form of the assessed tax, but also from grants and donations, interest, sales (events, gift certificates), and sponsorships. The greatest outlier here was sales, which generated over \$114,000 (41% of total revenue) after given a budget estimate of only \$75,500. By hosting many downtown events that act as fundraisers for the downtown, the city is put into a win-win-win situation. More business and consumers being driven downtown, more people being exposed to the downtown and the improvements, and more income going back into the EID (Annual Report Downtown Bend Business Association Fiscal Year 2012-2013) (4).

Key Expenditures of EID

Some obvious expenditures include beautification of downtown (15%), business services (6%), district management (11%), and the contingency fund (4%). The

striking outlier expenditure is marketing, which takes up a staggering 64%+ of expenditures in the EID. But, there are no doubts that doubling down on marketing is working and helping to exceed all expectations.

Implications for Redmond

Bend offers a successful model for an EID that is not only financially successful, but is fully supported by property owners, as evidenced by the 100% YES vote by local businesses within the district. According to state statute, if 33% or more of businesses, in writing, are opposed to the EID/BID in Oregon after a City Council ordinance and two formal hearings, a remonstrance (objection) process takes place.

Bend also uses its EID to help fund events like Art Hop, Oktoberfest, Sidewalk Sale, Holiday tree lighting, visits with Santa, Veteran's Day and Christmas Parades, and more. Proceeds from these events go right back into promoting the EID's yearlong goals (Downtown Bend Economic Improvement District 2015 Q & A) (5).

It is paramount for Redmond to not only use funds to increase the attractiveness of the Business Medical District, but to fund an overall marketing strategy related to Central Oregon's premier advantage: An attractive work/life balance. Downtown Bend hired a professional brand and marketing company to develop an entire downtown campaign. Many people are relocating to Bend due to their excellent marketing as an outdoor paradise, but they are also investing large sums of money and opening more cutting-edge businesses. Downtown Bend has also attracted about 25,000 Facebook "likes" and hundreds of thousands of web page views with its marketing techniques. While Redmond is focusing on attracting developers and business investment in the Business Medical District, Redmond can use Bend's tools as a template for molding successful branding and marketing strategies. One obvious advantage Redmond has to Bend is proximity to Mt. Hood (1hr 45min compared to Bend's 2hr 7min) so advertising Redmond as, "The Gateway to Mt. Hood" is one idea as a start to a customized and expansive marketing campaign.

1. <http://www.downtownbend.org/wp-content/uploads/2015/02/2015-Downtown-Bend-EID-FAQS.pdf>

2. http://www.opb.org/news/article/is-bend-becoming-the-next-startup-haven/?google_editors_picks=true

3. <http://bendoregon.gov/modules/showdocument.aspx?documentid=22350>

4. <http://www.downtownbend.org/wp-content/uploads/2014/05/2012-13-Downtown-Bend-Annual-Report.pdf>

5. <http://www.downtownbend.org/wp-content/uploads/2015/02/2015-Downtown-Bend-EID-FAQS.pdf>

Case Study 2: Corvallis

Local Context

The special district is constituted by Downtown Corvallis. Downtown Corvallis is the commercial hub for much of the city. Embracing the city's history, Downtown maintains numerous historic buildings. Additionally, downtown is home to Corvallis City Hall, which is adjacent to Central Park (See Figure 8).

In the readily available documentation regarding the special district, there was no map that clearly demarcated the boundaries of the special district in comparison to the city's prior understanding of downtown limits. Downtown Corvallis is fed by Highway 20 and abutted by Highway 30. One of central amenities of downtown is the Willamette River, which borders the area to the east (See Figure 1).

Enabling Statutes

The ORS that enable EIDs are specific to Chapter 233. Chapter 233 provides information for the enabling of BIDs as well. However, given the discussion of EIDs in particular, a tailored discussion of the sections of ORS 233 most relevant to EIDs follows. ORS 223.112 through ORS 223.132 are most relevant to the enabling of EIDs while ORS 233.241 through 223.161 extends commentary to enabling statutes for BIDs.

ORS 223.112 provides definitions pertinent to the enabling of an EID. This section of Chapter 223 defines council and economic improvement, specifically confining economic improvement to the following: "a) the planning or management of development or improvement activities, b) landscaping or other maintenance of public areas, c) promotion of commercial activity or public events, d) activities in support of business recruitment and development, e) improvements in parking systems or parking enforcement, any other economic improvement activity for which an assessment may be made on property specifically benefitted thereby."⁹ ORS 223.114 specifically permits a council to establish, through an ordinance, a special jurisdiction whereby lots within said jurisdiction may be subject to assessments levied by the city pursuant to specially benefitting the lots in question. ORS 223.114 also limits a city's authority, noting that an EID may only include areas zoned for commercial or industrial use and that a city may not levy assessments on residential property or portions of structures used for residential purposes. Further, a city is not authorized to levy assessments "in any year that exceed one percent of the real market value of all the real property located within the district."¹⁰ ORS 223.117 describes the requirements of an assessment ordinance produced for an EID aside from specifications regarding proposed improvements. The section also specifically states that notice, containing information about the proposed improvements and the impending public hearing, must be mailed/delivered to affected property owners. ORS 223.118 outlines the factors to be considered

⁹ Or. Rev. Stat. § 223.112.

¹⁰ Ibid. §223.114a

and the requirements of council 1) when levying assessments and 2) if council is to receive written objections to the assessment at the public hearing. ORS 223.119 describes that an EID ordinance may require an advisory committee that is responsible for the expenditures of EID specific revenue. ORS 223.122 notes that existing urban renewal districts and local improvement districts have no impact on EIDs while ORS 223.124 describes the process council must undergo if it finds it necessary to levy assessments on EID properties beyond the previously specified period of assessment. ORS 223.127 outlines other sections of Chapter 223 that are relevant to EID, such as sections 205, 210, 387, 291, and 295 which discuss specifics ranging from property owner rights to categories of properties that might be subject to assessment within an EID. ORS 223.129 explains that money collected from EID assessments may not be used for initiatives outside the scope of the ordinance that established the EID. Further it notes that any public official that does not comply will be subject to a suit in the amount of wrongfully used money. ORS 223.132 affirms that forming EID's is an authority granted to cities in addition to previously established authorities as dictated by state laws.

District Governing Structure

The Corvallis EID is governed by the corporation, Downtown Corvallis Association (DCA) which, through the EID fund, functions to bolster the stability and health of the downtown economy pursuant to making “downtown the primary destination for shopping, business, living, dining and entertainment.”¹¹

The DCA was founded in 1983 and through the EID, continues to be the arbiter of economic improvement projects. In the downtown area, generally, the city contracts with the DCA on economic improvement projects.¹²

In accordance with Section 10.07.080 of the Corvallis Code, the city has designated the Board of Directors of the DCA as the Advisory Committee for the EID. Additionally, the city has designated the Advisory Committee (the Board of Directors of DCA) to allocate expenditure of the funds generated by the district for economic improvement activities.¹³

Demonstrating overall compliance with state statutes (while offering specificity in places), the Corvallis Code notes, in alignment with the ORS 223.122, that funds generated by the EID be specific to “planning or management of planning or management of development or improvement activities; landscaping or other maintenance of public areas; promotion of commercial activity or public events; activities in support of business recruitment and development; and improvements in parking systems or parking enforcement; and to fund administrative and miscellaneous costs incurred in furtherance of the above-referenced activities.”¹⁴

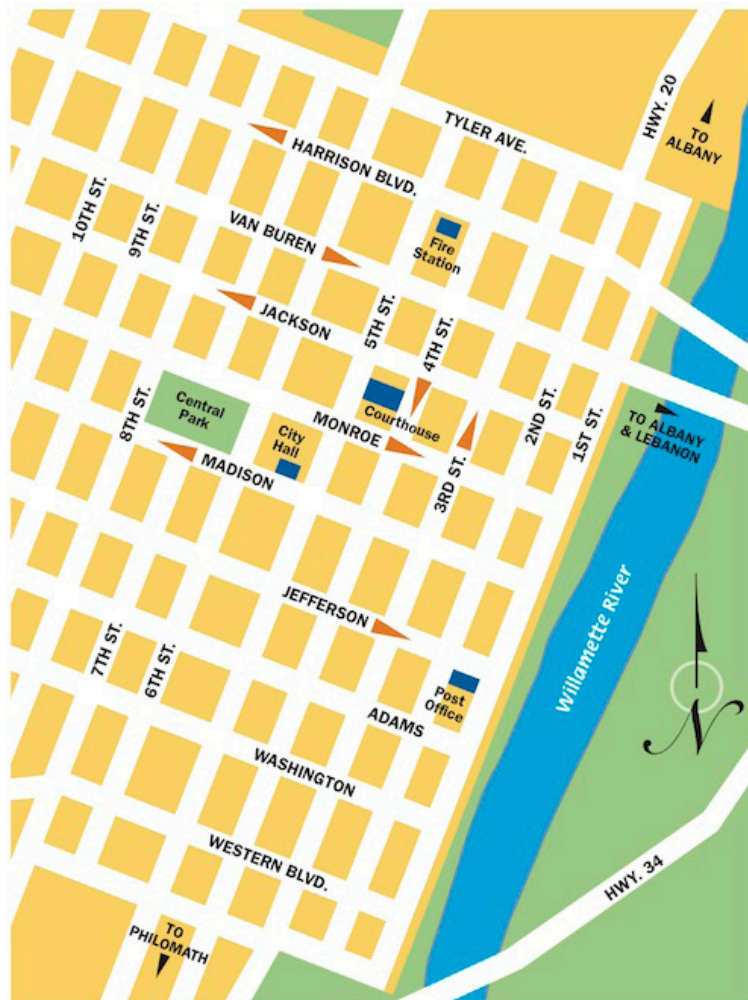
¹¹ Downtown Corvallis Association.2015. “Economic Improvement District.” <http://www.downtowncorvallis.org/info/eid.php>

¹² Downtown Corvallis Association.2015. “Economic Improvement District.” <http://www.downtowncorvallis.org/info/eid.php>

¹³ City of Corvallis. 2015. Corvallis, Oregon – Code of Ordinances. Section 10.07.08.

¹⁴ City of Corvallis. 2015. Corvallis, Oregon – Code of Ordinances. Section 10.07.010

Figure 8: Map of Downtown Corvallis, OR ¹⁵



Finances

Neither the Corvallis Code, nor Corvallis Annual Budget Documents, nor available DCA materials, provided commentary on anticipated EID-related revenues for DCA. Neither of these documents commented on the production of a DCA budget related to EID related activities. However, the Corvallis Code statutes provide information regarding assessment rates for properties within the EID boundaries and the presumed only source of revenue for the EID. The Corvallis Code states that, properties within the EID boundary are assessed \$1.25 per \$1000 of the Assessor’s Real Market Value annually¹⁶. The assessment is voluntary¹⁷ and, according to Section 10.01.050, is imposed for 5 years. Properties can be excluded from the assessment by submitted written objections at the public hearing.¹⁸

¹⁵ Downtown Corvallis Association. 2015. “Experience Downtown.” <http://www.downtowncorvallis.org/experience/map.php>

¹⁶ City of Corvallis. 2015. Corvallis, Oregon – Code of Ordinances. Section 10.07.030

¹⁷ City of Corvallis. 2015. Corvallis, Oregon – Code of Ordinances. Section 10.07.060

¹⁸ City of Corvallis. 2015. Corvallis, Oregon – Code of Ordinances. Section 10.01.050

Total Expenditures

The Corvallis Code, in Section 10.07.010, notes that the annual estimated expenditures related to economic improvement within the EID amounts to \$82,988.91. The code did not mention the specific categories of expenditure or projects and corresponding costs that might comprise the estimated expenditures. However, the DCA website mentions projects that have received allocations of EID monies. These projects include “business advocacy, business consulting/advising, zero percent interest loan program, long-term parking plan, economic development projects, free brown bag workshops, business recruitment and retention programs, business education seminars, group advertising rates, and downtown image campaign marketing.”¹⁹

Implications for Redmond

Given the topics in question and available information regarding the Corvallis EID, Redmond might emulate 1) the designation of an Advisory Committee responsible for revenues and expenditures of the EID, 2) the implementation of a voluntary assessment and 3) the assessing of a percentage on the Assessor’s Real Market Value.

By designating an Advisory Committee, the city can support an area with development goals at little or no additional cost to the city. By implementing a voluntary assessment, Redmond will maintain a fair approach to the operation of the district, allowing property owners to be attentive and play an engaged role in contributing to improvement. By having the assessment toward the Assessor’s Real Market Value, Redmond would achieve some semblance of vertical equity. It should be noted though, that given the differing economic context; goals; and proposed developments, the particular algorithm used within the Corvallis EID is necessarily different than the algorithm that might be used in Redmond. More research is required to arrive at a suggested percentage of Assessor’s Real Market Value that should be assessed on property owners within an EID in Redmond.

There was nothing particularly alarming about the operation of the Corvallis EID that would suggest any aspect of its operation should be avoided.

¹⁹ Downtown Corvallis Association.2015. “Economic Improvement District.” <http://www.downtowncorvallis.org/info/eid.php>

Case Study 3: Hillsboro

Local Context

The Hillsboro Downtown EID is part of a larger plan through the city called the Hillsboro 2020 Vision and is being used in conjunction with the Downtown Framework Plan and the Downtown Urban Renewal Plan.²⁰ Downtown serves as the central hub of Hillsboro, and the city wants to capitalize on the area and make it the priority meeting and gathering location for the city. The EID is specifically going to be used to fund non-infrastructure projects.²¹

The Hillsboro EID is located in downtown, with specific boundaries as follows:

North boundary - south side of Lincoln Street

South boundary - north side of Baseline Street

West Boundary - east side of 1st Avenue

East boundary - 5th Avenue (including the following commercial properties east of 5th Avenue: 512 and 536 East Main Street; 126, 134 and 152 SE 5th Avenue; and 505 SE Washington Street)²²

Enabling Statutes

Oregon statute § 223.144 explains that an EID can only be created when at least 33% of businesses/people who conduct business in the area approve it. The city, after it has the approval, can issue a business license fee, which usually takes the form of an additional fee that is attached to an already existing business license fee. Once an EID has been determined, the city cannot include any area that is not commercial or industrial zoned. In addition, the funding that comes from the increase in fees cannot primarily benefit any businesses that are conducting their services out of the EID. All the funds that come from the EID must benefit the businesses within it. This is to ensure that those who are paying the additional fee are directly reaping the benefits.²³

Governing Structure

The city, who will act as treasurer, and collect and distribute all funds obtained by the property owners, will bill property owners. In addition, the City of Hillsboro will join with a 501(c)(3) non-profit that is established by the property owners, and the purpose of that non-profit is to implement the EID, and to equally administer the district funds.²⁴ By joining all of the business owners together, into a collaborative non-profit, those who are paying into the EID are also overseeing how the funding is managed and shared throughout the downtown area.

²⁰ Hillsboro Economic Development Memorandum. 24 November 2014; 3A/5A; Pg. 1. <http://www.hillsboro-oregon.gov/modules/showdocument.aspx?documentid=5713>

²¹ Hillsboro Economic Development Memorandum; Exhibit 3

²² Hillsboro Economic Development Memorandum; Pg. 1.

²³ <http://www.oregonlaws.org/ors/223.144>

²⁴ Hillsboro Economic Development Memorandum; Pg. 2.

Finances

The only properties that can be assessed are those that are zoned as commercial or industrial; no residential zoned properties will be part of the EID. In addition, no property, no matter the zoning, will not be assessed more than \$1,700.²⁵ Properties that lie in the EID, and along Main Street will be assessed 0.6% of their value, except for the properties between 5th and 6th Avenues, and those that do not front Main Street. These properties will be assessed at 0.4% of their value.²⁶ The total budget for the district is \$135,000, and those funds will be obtained through the assessment of the properties in the EID. These rates will remain the same throughout the extent of the EID.²⁷

Expenditures

The overall budget needed for the EID is \$135,000, and is divided into four subgroups:²⁸

Downtown Operations, Management & Advocacy - \$87,000

Downtown Business Recruitment - \$20,000

Downtown Promotion and Marketing - \$15,000

Downtown Streetscape Enhancement - \$13,000

These subgroups provide a more organized, and specific example of how the funds are being spent, and how much can and should be dedicated to each of the projects.

Implications for Redmond

The City of Hillsboro implemented their EID in 2014. A key aspect of Hillsboro's revenue source is basing the amount on the assessed value of the property, not on square feet, as other EIDs have been done. In addition, the cap of \$1,700 on each property does not allow for one property, or property owner, to have to pay a greater amount than others, and allows for more equity among properties. These forms of revenue should be observed by the City of Redmond, and could also be used in the Business Medical District. The City of Redmond is working to improve the Business Medical District, and by implementing an EID, the revenue to restore the area can be obtained. Because of the location of the Medical District in Redmond, and the lack of businesses in the area, it may be beneficial to set the cap higher, or potentially base the revenue on a higher percentage of the assessed value.

²⁵ Hillsboro Economic Development Ordinance; Section 5.

²⁶ Hillsboro Economic Development Ordinance; Section 5.

²⁷ Hillsboro Economic Development Ordinance; Section 6.

²⁸ Hillsboro Economic Development Memorandum; Exhibit 3.

Case Study 4: Salem

Local Context

On January 14, 2008, the Salem City Council enacted Ordinance Bill Number 1-08, for a period of three years. On September 12, 2011, the Salem City Council passed Ordinance Bill Number 291-11, re-establishing the Salem Downtown Economic Improvement District. The ordinance, per the ORS, describes allowable activities of the EID, and also outlines the geographical boundaries of the EID as:

“Beginning at the intersection of the north line of Marion Street NE and the west 27 line of Front Street NE; thence easterly along the north line of Marion Street NE 28 to the west line of Liberty Street NE; thence northerly along the west line of 29 Liberty Street NE to the north line of Union Street NE; thence easterly along the 30 north line of Union Street NE to the east line of Church Street NE; thence southerly along the east line of Church Street NE to the north line of Marion 2 Street NE; thence easterly to the east line of Cottage Street NE; thence southerly 3 along the east line of Cottage Street NE to north line of Chemeketa Street NE; 4 thence westerly along the north line of Chemeketa Street NE to the west line of 5 the alley between Chemeketa Street NE and Court Street NE; thence southerly 6 along the west line of said alley to the north line of Court Street NE; thence 7 westerly along the north line of Court Street NE to the east line of Church Street 8 NE; thence southerly along the east line of Church Street NE to the south line of 9 Trade Street SE; thence westerly along the south line of Trade Street SE to the 10 west line of Front Street SE; thence northerly along the west line of Front Street . 11 SE to the point of intersection of the west line of Front Street SE and the north 12 line of Ferry Street SE; thence westerly to a point on the top of the east bank of 13 the Willamette Slough and River; thence northerly along the top of said bank to a 14 point on the north line of Marion Street NE; thence easterly along the north line of 15 Marion Street NE to the point of beginning.”

Additionally, the Ordinance stipulates the duration of the EID, as a period of three years and dictates allowable expenditures. In accordance with the ORS, the Salem Downtown EID requires that “Money derived from assessments levied and from interest earned on monies collected shall be spent only for the economic improvements, as defined by 21 ORS 223.112” (Council of the City of Salem, 2011).

A 2014 report to the Mayor and City Council, through the City Manager, indicates that EID funds have been used for the following purposes:

- Funding the Downtown Salem Clean
- Keeping the sidewalks clean of debris
- Cleaning trash receptacles

- Providing citizens and visitors assistance in finding attractions and businesses within Salem
- Holiday Golden Ticket/Shop Local program
- Block Captain project
- Downtown Salem website
- Sidewalk bench painting
- Sidewalk leaf clean-up
- Banners
- First Wednesday promotions (Norris, 2014).

Enabling Statutes

The State of Oregon’s statutes outline clear regulations for the formation, implementation, and management of EIDs. The state defines Economic Improvement as:

- The planning or management of development or improvement activities
- Landscaping or other maintenance of public areas
- Promotion of commercial activity or public events
- Activities in support of business recruitment and development
- Improvements in parking systems or parking enforcement
- Any other economic activity for which an assessment may be made on property specially benefitted thereby (State of Oregon, 2013, ORS 223.112).

Oregon statutes also empower cities to “enact an ordinance establishing a procedure to be followed by the city in making assessments for the cost of an economic improvement upon the lots which are specially benefitted from all or part of the improvements.” The statutes also impose some limitations. Assessments may not exceed one percent of the real market value of the properties located within the EID. Assessments may not be levied against residential property, and also exclude all areas that are not zoned industrial or commercial (State of Oregon, 2013, 223.114). Moreover, sections 223.117 and 223.118 describe the requirements of the assessment ordinance associated with the EID, as well as the process for remonstrance against assessment.

Governing Structure

Early in its existence, the Downtown Salem EID was administered through the city’s contract with Go Downtown Salem. Upon terminating that contract, the city entered into an agreement with the Downtown Salem Partnership, the company that managed Salem’s EID until the spring of 2013. From that time, until

business owners enacted the remonstrance process and the EID dissolved, the city administered the EID by means of the City Administrator and a Steering Committee comprised of key stakeholders (Norris, 2014).

Property owners within the Downtown Salem EID exercised the remonstrance process in the spring of 2014. As a result of this action, all activities and expenditures will cease by the end of the 2015 calendar year (City of Salem, 2015).

Finances

The City of Salem's Adopted Budget lists assessment principle, assessment interests, and bad debt recovery as revenues for the EID (City of Salem, 2015). Specifically, "The annual assessment on real property with structure improvements is \$.07 per square foot per year and \$0.02 per square foot on undeveloped property and parking lots. Improvement project costs have been approximately \$200,000 per year" (Norris, 2014).

The leading expenditures indicated in the City of Salem's budget are temporary employment services, intra-city direct charges, and intra-city budgeted transfers. The services purchased with these expenditures include downtown cleanup, the Downtown Salem website, bench painting, and First Wednesday promotions (Norris, 2014).

Implications for Redmond

In summary, it is imperative to consider the demise of the Downtown Salem EID in order to prevent a similar fate for the City of Redmond. A recent article in the local newspaper, the Salem Statesman Journal, explains that the property owners within the EID were satisfied with the services and benefits they received when Salem's EID was operated by outside contractors, as was initially intended. The City managed the EID for the 16 months preceding the remonstrance process. Property owners indicated they felt that the City wanted "full control" of the EID and that benefits from that model did not outweigh the costs they incurred (Rose, 2014). It seems that changing EID administration from a private contractor, to the City, created marked distrust between business owners and the City.

The primary concern is that the City of Salem's Adopted Budget for FY 13-14 dedicated \$75,000 of the city's Parking Fund to downtown promotions and cleanup efforts, while the following year's budget dropped this contribution to \$25,000. The parking fund receives revenue from parking taxes that downtown business owners pay to the city (Rose, 2014). In essence, property owners began to feel that they were paying more and receiving less. The City of Redmond must carefully consider how it will demonstrate benefits to property owners within its EID. Moreover, it is advised that the original governance structure remain intact, unless property owners initiate changes. The risk of remonstrance, which is allowable per State of Oregon Statutes, is high if property owners are unsatisfied.