

BEND ECONOMIC DEVELOPMENT ADVISORY BOARD

Subject: MINUTES /JANUARY 6, 2015

Date: January 28, 2015

The Bend Economic Development Advisory Board held its regular meeting on Tuesday, January 6, 2015, at 8:00 A.M. in the Council Chambers at 710 NW Wall, Bend, OR. The meeting was called to order by Chair Corwin.

Those present included:

Committee: Coby Horton
Dan McCarthy
Tim Casey
Van Lewing
Wally Corwin
Erich Schultz
Preston Callicot
Wendy McGrane
Stephanie Senner
Katie Tank
Dale VanValkenburg
Robyn Sharp
Doug LaPlaca

Guests: Eric Strobel, Joe Ditzler, Bend Bulletin; Rachael Vandenberg, Bend Chamber; Dave Nissen, Nate Wyeth, Kevney Dugan, Matt Williams, Michelle Mercer, and LaDona Canevaro, Visit Bend; Scott Greenstone

Staff: Carolyn Eagan, Bend Business Advocate; Gwen Chapman, Purchasing Director; Jennifer Engels, Senior Administrative Specialist

Public Comment There was no public comment.

Approval of Minutes Member Tank moved to approve the December 2, 2014 minutes. Member Horton seconded the motion which passed unanimously.

Visit Bend Doug LaPlaca, Visit Bend and ex officio BEDAB member, introduced members of the Board and staff as well as Scott Greenstone, the financial management CFO. He distributed two handouts, including the *Visit Bend Business Plan Update* and the *Financial Performance Analysis*. He provided background on the tourism industry, Visit Bend, and its funding structure through the tourism tax policy. He explained the transient room tax (TRT) structure. Bend's TRT is currently 10% and will go to 10.4% in June of 2015. The tourism fund receives 30% back on the first 9% and 70% of 10% and

beyond. In fiscal year 2015, the City received \$4 million dollars into its general fund and \$2 million dollars into its tourism fund. Tourism fund dollars must be spent to promote tourism through advertising, research, promotion, etc. Ms. Eagan explained that these restrictions are set by state law.

Mr. LaPlaca discussed the regional structure. The state tourism board, Travel Oregon, charges 1% room tax on all short-term rentals across the state for its funding. Travel Oregon has divided the state into seven regions, and each is assigned a Regional Destinations Marketing Organization (RDMO) which is charged with promoting the entire region and managing the funds for that region, about \$150,000 for this region. In Central Oregon, our RDMO is Central Oregon Visitors Association (COVA) which is funded by a percentage of the lodging taxes from the unincorporated areas like Sunriver, Eagle Crest, Pronghorn. The Destination Marketing Organization (DMO) for Bend is Visit Bend which is funded by Bend's TRT. The state's 1% is in addition to the cities' and counties' TRT. Coordination of efforts among the four DMO's in Central Oregon were discussed. The biggest effort for Visit Bend is on destination marketing. Currently, the focus is on Washington and Oregon while COVA is focusing on Northern California. Advertising locally is not allowed. Visit Bend is also a member of a comparative set, Western Association of Visitors and Convention Bureaus, a group of twelve comparable cities. Promotion of the "shoulder seasons" when tourist numbers are down is particularly important. Mr. LaPlaca explained that the 10.4% rate is low for a destination locale such as Bend. Visitors would not be deterred by a higher tax rate for this area.

The Business Plan Update was reviewed. The plan is to have two formal reports and the presentation of the next year's business plan for adoption during the year. This will be confirmed with Council by Ms. Eagan. Updates will be provided on progress toward meeting goals. Mr. LaPlaca reviewed the handout which included the mission, vision, and purpose of the organization. Programs and services, as well as the marketing model, and staff were discussed. Fiscal year 2015 goals and objectives and progress made were outlined. All programs and activities are designed to create traffic and potential customers to the web site which then leads to actual physical visits. Cultural Tourism was discussed as a new focus for drawing tourists. This included work with Art in Public Places on the roundabout art tour, establishment of the Pillars of Art program, and work with the arts community to establish the Bend Cultural Tourism Fund. This will be the largest fund of its kind in the state with about \$150,000 of operating monies for grant funds. He explained the process for tracking contacts on the web site and the success of this year's advertising campaign. Twelve of the fourteen listed goals have been accomplished half-way through the fiscal year. Goals are constantly monitored and in progress. The new goal setting begins in March.

Mr. Nissen, Chair of the Board, commented that the door is open to all with questions. Tourism is high right now, and Visit Bend will continue to improve and enrich the experience while maintaining high quality.

Mr. Greenstone, Greenstone Financial and contract CFO of Visit Bend, reviewed the *Financial Performance Analysis* handout. The financial management and accounting system of Visit Bend is very solid. Current revenue is ahead of budget by 15%. Expenses for discretionary sales and marketing are over budget because the excess revenue is being spent. Visit Bend has a "break-even" budget so that income is spent while

adequate cash reserves exist without excess funds remaining. Income is put to productive use to promote tourism. Visit Bend is in a strong financial position and is proactive not reactive. Mr. LaPlaca added that there is an annual financial review.

Chair Corwin asked members to review and come back with ideas on the best way to compare goals and objectives with a metric. Councilors will discuss BEDAB's role in oversight as based on the contract at another date.

Affordable Housing Initiatives Member VanValkenburg presented the Advocacy Sub-committee recommendation. The minutes of the Advocacy Sub-committee and drafts of the recommended letters to Council and Bend Parks and Recreation were distributed. Member VanValkenburg reviewed the history of the issue and the Affordable Housing Committees recommendations which include cottage code, additional dwelling units, density bonus, and SDC fee adjustment. Advocacy Sub-Committee supports these. Member Senner asked if the additional dwelling units were a concern in the vacation rental discussion. While these could become a part of the vacation rental discussion, this type of housing would also provide smaller home options for seniors, single people, and small families. Chair Corwin is concerned with the reduction of SDC fees and the effect this might have on delaying City projects. Ms. Eagan explained that further study would be conducted on all recommended options. She also explained the Affordable Housing fund currently collected and spent each year. Bend always has a significant local match for state and federal funding for affordable housing. There is no currently identified percentage of housing that should be affordable housing. Bend has more demand than supply. High cost of land and SDC fees make it a challenge in Bend. Council asked for initiatives from the Affordable Housing Committee. All options will be reviewed by the Planning Commission. Regulation of, and possible problems with, the various options were discussed. Code changes for the cottage code and additional dwelling units would be land use issues and follow the process for changes to the development code, including public process. Neighborhood Associations will also have the opportunity to react. BEDAB is weighing in to comment that affordable housing is important to the business community and its expansion. Affordable housing is an economic development issue. Chair Corwin would like it reviewed if problems for businesses arise. Member Horton moved to approve the letters be sent. Member Senner seconded the motion which passed unanimously.

Cluster Development RFP Ms. Eagan explained that this is a step toward utilizing the remaining funds from the Cascade Natural Gas one-time payment. A process needed to be developed, and Ms. Chapman has been working on this. Ms. Chapman explained the process used by the City and presented a draft of the RFP developed for this program. She shared the sections of the document. Flexibility is built into the process. Member Senner asked that "consultant" be changed to "proposer or organization". Member Sharp asked that "performance" be changed to "interview". Chair Corwin recommended that CEDR review the document at its January 30 meeting and finalize the recommendations. It can be discussed at the February 3 BEDAB meeting. Members may send recommendations to Member Shultz or attend the CEDR meeting. Ms. Eagan explained that applicants will be asked to define the cluster, provide data on why it is a cluster, and describe the potential impact on the work force. Member Senner questioned if "cluster" will be a confusing term for the public and not make sense to those outside of economic

development. Suggested titles could be included in recommendations. Ms. Eagan would like to see a balance of clear information and use of economic development terminology. Member Senner moved to send comments to Member Schultz and to authorize CEDR to approve the document. The motion was seconded by Member McGrane and passed unanimously.

EDCO Update Ms. Sharp distributed two handouts. She clarified that the Board asked that the report be more Bend specific and identify challenges to recruitment including why Bend loses potential businesses and what pipelines are used for recruitment. She discussed the handout which offered comparisons for enterprise zones in the surrounding areas, with particular attention to the additional benefits offered as incentives. Incentives offered by Bend are low; the only incentive is the waiver of the \$200 application fee. BEDAB could possibly recommend addition of some incentives. Specifics of other programs were discussed. Ms. Sharp was asked to provide information on how long-term performance agreements are enforced when up-front costs are waived and how lost revenue is back-filled. Land costs and available space are also issues that influence business choices. Ms. Eagan would be agreeable to taking proposals to Council about incentives. Ms. Sharp explained that recruiting larger companies to Bend is more difficult due to availability of space, costs, housing (cost and availability), etc. Small companies are an easier fit. She will provide more information on jobs created next time. Member Casey believes all problems and stopping blocks should be identified. This report is a good beginning. The Board would like to pursue identification and prioritization of problems and the pipelines to identify where it can take action. Work could be done with the Bend Chamber on this identification. Information on small companies coming in would be good, as well. Ms. Sharp explained that growth of existing companies is the best economic development. Ms. Eagan commented that obstacles to relocation as well as to growth should be examined. Blue collar jobs are lacking in Bend which is a national trend. Member Senner suggested looking at which businesses do thrive in Bend. Ms. Sharp is interested in sponsoring a Made In Bend day in the spring and would like elected leaders and City officials to participate. In the future, Ms. Eagan would like gift baskets of Bend items created for marketing gifts.

Adjournment Chair Corwin adjourned the meeting at 10:10 AM.