

BEND ECONOMIC DEVELOPMENT ADVISORY BOARD

Subject: MINUTES /FEBRUARY 3, 2015

Date: February 17, 2015

The Bend Economic Development Advisory Board held its regular meeting on Tuesday, February 3, 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: Dan McCarthy
Tim Casey
Van Lewing
Wally Corwin
Erich Schultz
Preston Callicot
Stephanie Senner
Katie Tank
Dale VanValkenburg
Robyn Sharp
Doug LaPlaca
Steve Curley

Councilor: Casey Roats
Victor Chudowsky

Guests: Eric Strobel, Janet Burton, Ron Boozell, Rachael Rees Vandenberg;
Roger Lee; Jamie Chrisman

Staff: Carolyn Eagan, Bend Business Advocate; Jon Skidmore, Assistant City Manager; Sharon Wojda, Finance Director; Rose Schaefer and Brooks Slyter, Accounting and Financial Reporting Managers; Jennifer Engels, Senior Administrative Specialist

Public Comment There was no public comment.

Introductions Ms. Eagan introduced Council member Casey Roats who will be the liaison to BEDAB. Councilor Chudowsky will be the liaison to EDCO.

Approval of Minutes Member VanValkenburg moved to approve the January 6, 2015 minutes. Member Tank seconded the motion which passed unanimously.

Visit Bend Councilor Chudowsky spoke on BEDAB's oversight of the Visit Bend contract. He explained the changes made with regard to a Council member sitting on the Visit Bend Board. Tourism is the City's largest economic development endeavor so there

is great fiduciary responsibility to ensure that the money is well-spent. He outlined what Council is looking for in terms of oversight for this contract.

- Review Visit Bend business plan and make a recommendation prior to its coming before Council
- Ensure that Visit Bend accomplishes the goals and objectives in the plan
- Ensure that tax dollars are spent wisely
- Ensure service to tourism with City money—promotion plan meets the needs of the entire tourism industry in Bend

Member LaPlaca explained that the Board of tourism experts is responsible for the same things. BEDAB is viewed as the board of business experts. This will provide two perspectives and an extra level of organizational oversight.

Chair Corwin confirmed that there would be no subcommittee as Council voted that the entire BEDAB would take part. He requested a monthly status update from Member LaPlaca, and that Member LaPlaca attend the meetings. Specific items that need to come to a vote will be brought forward by Ms. Eagan so that there is ample time for review and discussion. It is critical that BEDAB does the four things requested by Councilor Chudowsky.

Councilor Chudowsky explained that recommendations can be made by letter or attendance. Chair Corwin confirmed that recommendations would be voted on by the Board. The possibility of having an *ex officio* member on the Visit Bend Board was discussed. The Visit Bend Board would have to extend the offer, and then, BEDAB could select a representative.

Bend Business Advocate Update Ms. Eagan presented the final changes to the Business Registration Code and reviewed the process to be followed. The recommendations will go to Council in March. Members are asked to review and be prepared to vote on the changes at the March meeting. CEDR recommends the changes as presented.

Vacation Rentals Mr. Skidmore provided background on the vacation rental issue. He shared a map showing current vacation rental properties and noted the concentration in the inner downtown areas. Applications for Type 1 approval have been increasing in number in the last few years. This type of approval does not require any neighbor notification. The concentration of rentals and the lack of notification were two issues that brought citizens to Council and the Planning Commission about this problem. The Vacation Rental Task Force was created and began examining the questions of concentration and notice. Recommendations for a set of land use issues will be sent to the Planning Commission for review. These recommendations include:

- A spacing standard that limits the number of vacation rentals within a 250 foot area with two proposals-no more than 5-10% of properties are existing vacation rentals within the circumference to get an approval or none within the circumference and no more than 5-10% of those properties with approvals in a ¼ mile diameter.

- Exemption of Mt. Bachelor Village
- Retention of Type 1 review for commercial and mixed use zoning districts
- Requirement of a Type 2 review for a permit in residential areas that would include notification of neighbors within 500 feet and a neighborhood meeting prior to submission of an application

A subcommittee has been formed to develop Good Neighbor Guidelines.

The next piece for the committee is to discuss an operating license. Current vacation rentals may be required to obtain an operating license. This may affect the number of rentals that continue to operate.

Member Tank, who serves on the Vacation Rental Task Force, commented on the public's desire to preserve neighborhoods while still allowing for vacation rentals. It is a density issue that currently impacts specific neighborhoods. The new permit would go with the owner and not with the land, but those now in place would not be impacted as long as the operating license is in place.

Member Callicot asked about current density. Mr. Skidmore explained that the Old Bend neighborhood is at 13% and River West is at 7-9%. He asked if applications are stacked up now in an effort to get ahead of the new regulations. Mr. Skidmore explained that there has been some increase, but it goes in cycles.

Chair Corwin confirmed that the property must be kept viable to keep the permit active. Mr. Skidmore explained that transient room tax must be paid to a certain amount to keep the property active.

Occupancy limitations were discussed. Two per bedroom and two per common space are the current limitations. Owners sometimes have limitations that are more restrictive.

Chair Corwin asked about applying commercial building codes to vacation rentals in the same manner as bed and breakfast establishments. Mr. Skidmore explained that these are still residential uses and, as such, remain under the residential building code.

Public safety may be addressed in the licensing phase with a required checklist or inspection for things like fire alarms, egress, etc. ADA issues are not under consideration as it is residential and not commercial. There has been some discussion at the state and county level regarding these issues.

Oversight of this program may move to a Program Coordinator within the city manager's office. This is a newly proposed position.

Ms. Eagan explained that, if a vacation rental is operated under an assumed business name, it would be required to have a business registration. If it is not, it would fall under the passive holding category and would be exempt. All would be required to have the operating license, if approved.

Discussion of homeowners association regulations and possible Neighborhood Association governance followed. Areas that historically have not had a homeowners association would find it difficult to create one now. Neighborhood Associations have been active in the issue, but have no covenants or legal status.

Councilor Roats asked about legal risk, and Mr. Skidmore explained that there is significant risk for Measure 49 claims once the City becomes more restrictive. Devaluation of property could be considered an issue.

The Advocacy Sub-committee will review the recommendations of the Vacation Rental Task Force and return to the Board for discussion. A recommendation will be made to Council regarding BEDAB's position when the issue comes before Council. Chair Corwin cautioned that the BEDAB position should reflect the business community's interests.

EDCO Update Member Sharp distributed the *EDCO February 2015 Monthly Report* and reviewed progress in the Move, Start, Grow areas and the pipeline information for each area. She noted the diversity of the companies. Member Sharp reviewed the *Strategic Projects and Updates*. She explained the effort to have our county and the tri-county area recognized as a Certified Work Ready Community. The effort fell short in the emerging job seekers area. Other areas reviewed were the Rural Renewable Energy Development Zone, the Enterprise Zone, Deschutes County Economic Development Fund, and the Oregon Prospector. The EDCO Annual Luncheon is February 12 and tickets are scarce at this time. Chair Corwin discussed changes to Workforce Oregon and its board.

Member LaPlaca commented that the tourism industry is very healthy and on the way to a fourth consecutive record year. The winter and shoulder seasons are a focus, and advertising is beginning to show results. Local communities are beginning to push back a bit against the number of tourists. The fiscal year 2016 plan is in progress.

Bend Business Advocate Budget Update Revenue has been slow. Three hundred businesses that failed to renew in 2014 will receive reminder emails. The beginning of the monthly business registration newsletter will be this week. Almost four thousand registered businesses have provided email addresses. The *bendforbusiness.com* site will launch with the newsletter.

Ms. Eagan asked if the Board was interested in a presentation about transit and funding. The Board expressed interest.

The request for proposals (RFP) for the industry clusters will go out today. The RFP will be out for four weeks with decisions made the end of March. Council will approve in April.

The UGB effort has been asked to remain on schedule. The goal is to have Council adopt the proposal in April 2016. Councilor Chudowsky asked Ms. Eagan to request that BEDAB write a letter reasserting the desire to keep to the timeline and to extend the UGB. The Board agreed. Ms. Eagan will draft the letter.

City Council Goal Setting Ms. Eagan explained that Councilors provide input for Council goals and receive input from staff regarding current projects. This year, Council has asked for input from committees. She provided a handout, *2015 Citizen Committee*

Goals, and reviewed the items. Goals and objectives from the BEDAB 2013-2016 Strategic Plan were listed.

A second section of the handout asked for goals which would require Council involvement, and five items were listed. After discussion, the following changes and comments were made:

- Language in item 5, sentence 2, was amended to read “Do not take your foot off the pedal on the UGB.”
- Item 5 was moved to item 3 position.
- Item 2 removed the specific language, “Exempt SDC’s for affordable housing projects. Scale SDC’s to promote a variety of housing options. Make development code changes to allow for greater variety of housing types. Create other incentives that promote a variety of housing types.”
- Item 3 (Juniper Ridge) must be active to meet employment goals and available lands for business growth.
- Item 1 stresses the importance of sewer infrastructure and long-term, sustainable funding for streets. SDC issues are being worked on by City departments.

Member VanValkenburg moved to approve the five items with the edits discussed. Member Tank seconded the motion which passed unanimously.

Sub-Committee Updates:

Advocacy Sub-Committee: Member VanValkenburg mentioned work on the SDC’s and UGB which had been discussed earlier. Work on the event ordinance continues. This process will be handled by the City Manager’s office from now on.

CEDR: Chair Corwin would like to review the budget forecast at the next CEDR meeting. Income information and budget proposals from Finance will be available soon.

Marketing Sub-Committee: Member Senner reported that the committee would review the *bendforbusiness.com* site at the next meeting. She asked members to inform business owners and associates about the site.

System Development Charge (SDC) Financing and Deferral Programs Sharon Wojda, Finance Director, presented an overview of three SDC financing programs. These programs are offered for water, sewer, and street SDC’s but not for park SDC’s.

- Affordable Housing offers 5 year financing at one and one-half percent interest. Habitat for Humanity takes full advantage of this program.
- 5 year financing at 6% and 10 years at 7% is offered or an SDC deferral where payment is deferred for nine months or until there is a Certificate of Occupancy. If payment is not made at the end of nine months, interest accrues at 12%.
- 0% interest for commercial accounts that will build in job generation has been available but is not utilized often.

The deferral program has ramped up with the rebound in the economy. Between 2008 and 2013, it was renewed annually. In 2013, the program was renewed for two years and will expire at the end of August, 2015. The 0% commercial program will expire June 30, 2015 and will not be renewed. Processing each application requires about five hours of Finance staff time as well as Community Development staff time. She provided statistics on the number of deferrals over time since 2009. In 2013 and 2014, the percent of permits that seek this deferral has remained around 13-14%. There were 63 applications in 2014. The program was initially put in place to spur the economy during the recession and to assist residential builders.

Member McCarthy left the meeting.

The number of contractors benefitting from the program was discussed. The program is promoted at the Community Development counter. There is no loan or initiation fee so the Finance Department costs are not included. Mr. Lee asked if there could be a more efficient process.

Ms. Wojda asked Ms. Slyter to clarify the time requirements. Some applicants are more sophisticated and provide all necessary documents; others need more individual contact and help through the process. Ms. Slyter explained that each loan is actually three loans—water, sewer, and streets—per property. These include documents and liens. It is a time and labor intensive process. Chair Corwin mentioned the CDD effort to have complete, accurate applications. This might be an option for the deferrals, as well.

Member Senner asked if it is only the deferrals that are so time consuming. Ms. Wojda replied that the other programs are more straightforward and not as time consuming.

Member VanValkenburg asked about moving the due date for SDC's to the end of a project when the Certificate of Occupancy is obtained. Possibilities for this were discussed, and Chair Corwin stated that it would be worth exploring. Commercial buildings might be more complicated with tenant improvements and other issues.

Ms. Eagan commented that there should be continued conversation about the deferral program, but the 0% program should not be renewed. Finance and Planning could discuss possible options.

Member LaPlaca inquired about the percentage of SDC fees that go to the City. Ms. Eagan explained that it is about half. Residential and lodging units pay SDC fees for parks, but commercial units do not. Fees can be prohibitive on large projects or for small builders.

Member Curley believes that a decision must be made regarding what to incentivize and what to value. After reviewing the process and the goals, changes might be made in the focus—more affordable housing or more multi-family housing, for example—that would be more in step with current goals.

Ms. Eagan suggested checking with Jim Long, Affordable Housing Manager, to determine why more builders are not utilizing the program for affordable housing and what it would take to make it part of the program.

Ms. Eagan suggested that members of BEDAB be more involved in the SDC study regarding parks. BEDAB is sending a letter to the Parks Board in support of the affordable housing recommendation. February 17 is the Parks Board meeting at which the City will present its recommendation. Chair Corwin stressed the concern by Bend businesses over lack of affordable housing for employees.

Councilor Roats commented that he would like information from BEDAB so he remains informed. The politics of Bend are changing, and there are many advocating for anti-business policies. These groups and individuals are very vocal. The business community and BEDAB need to ensure that the voice of business is heard. Currently, lifestyle over economic development is the choice.

Adjournment Chair Corwin adjourned the meeting at 10:03 AM.

Submitted by Jennifer Engels, City of Bend