



Memorandum

Date: June 27, 2014

To: Chris Jordan, City Manager

From: Chris Kerr, Community Development Director

Subject: EDC recommendation on commercial street maintenance fee (SMF) increase

Purpose:

One of the City's Council's goals for 2014 is to: "Provide greater equity in street maintenance resources by adopting a revised commercial street maintenance fee." Towards that end, the Council requested that the Economic Development Committee (EDC) provide a recommendation on revising the fee. After thoroughly reviewing a variety of alternatives and their impacts on the business community the EDC unanimously recommended that the Council increase the existing limitation (or "cap") that currently exists on the highest trip generators in the City by 75% percent. This would represent an increase in their monthly fee from \$510.00 to \$892.50. The EDC determined that this recommendation is the most equitable and balanced means for commercial uses to share in the burden of maintaining our street system. With the recommendation, the EDC included the following considerations:

- This is the same 75% increase that was applied to all residential uses in the City.
- The increase will result in \$65,402.40 more revenue per year for the City.
- It will only impact the 17 highest trip generators in the city (11 of which would pay the new \$892.50 cap).
- This increase would not impact the vast majority of businesses (+200) operating in the City.

If the Council wishes to act on this recommendation, Staff will prepare the necessary Ordinance and municipal code amendments for consideration.

Background

Last year the City Council made a concerted investment in pavement maintenance in West Linn. The Council voted to increase the City's street maintenance fee (SMF) on all *residential* users by 75 percent; with a five percent increase over the next four fiscal years. However, the Council elected to not increase the accompany SMF for non-residential (i.e. commercial, industrial, and public institution) until such time as they could review the impacts it would have businesses in the City. The Council requested that the Economic Development Committee evaluate and recommend potential increases in the non-residential SMF that would fair but not onerous.

When the SMF was initially implemented, specific language was added to ensure that highest users in West Linn would not shoulder a disproportionate fee burden. This language established a maximum "cap" which discounted the non-residential fee for the highest users in the City. A consequence of this cap is that fee increases that have occurred for all other users in the City have diminished the proportional share that these higher users pay into the system.

Beginning last fall, the EDC worked with Staff and considered a variety of alternatives to consider, but not limited to:

- Making no changes to the fee at this time.
- Applying a 75% "across the board" increase on all commercial uses, regardless of size.
- Modifying the existing tiered system that is used to implement the fee.
- Increasing the fee for institutional uses (Parks, schools, etc.).
- Increasing the established maximum "cap" on the highest users by 75%.

As part of the informational outreach effort during these considerations, the City:

- Established a web page summarizing the issue with alternatives being considered;
- Presented an FAQ page on the history and purpose of the SMF on the City;
- Sent notice to over 400 licensed businesses in the City about the proposal and invited them to an open house to discuss;
- Held a "Breakfast Open House" that included City Staff, EDC representatives and the City's Finance Director to answer questions and provide information on this issue.
- Met one on one with several of the most impacted (highest users) in the City.
- Discussed the proposal at four different EDC meetings.

Attached are a series of helpful information posters that Staff produced on this topic.

Informational Posters



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Proposed changes to the city's street maintenance fee program

BACKGROUND:

Last year the city council made a concerted investment in pavement maintenance in West Linn.

The council voted to increase the city's street maintenance fee (SMF) on all residential users by 75 percent, with a 5 percent increase over the next four fiscal years. This resulted in a \$4.42 increase in their SMF.



The council elected to not increase the accompany SMF for nonresidential (i.e., commercial, industrial and public institution) until such time as they could review the impacts it would have on businesses in the city. The council requested that the West Linn Economic Development Committee evaluate and recommend potential increases in the nonresidential SMF that would fair.

When the SMF was initially implemented, specific language was added to ensure that highest users in West Linn would not shoulder a disproportionate fee burden. This language established a maximum "cap" that discounted the nonresidential fee for the highest users in the city.

A consequence of this cap is that fee increases that have occurred for all other users in the city have diminished the proportional share that these higher users pay into the system.



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Summary of proposed SMF changes

- Raising the cap that currently applies to the highest trip generators in the city by 75 percent.
- There will be no change for the remaining (+200) businesses in the city.
- This rate increase results in \$65,402.40 more revenue per year for the city.
- Will only impact the 17 highest generators in the city (11 of which would pay the new \$892.50 cap).
- Since the rate was increased on residential users by 75 percent it is equitable to increase the cap by the same amount.

Increasing the commercial cap by 75 percent (to match the residential rate increase) results in a \$892.50 a month fee for the highest traffic generators in the city.

Commercial Cap		
<u>Current:</u>	\$ 510.00	17 businesses
<u>75% Increase:</u>	\$ 892.50	11 businesses

RESULT: The 75 percent increase would leave 11 businesses paying the new cap and would result in **\$5,450.20 a month** in additional revenue, which is **\$65,402.40 a year**.



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Impacted businesses

Business name	Number of trips	Monthly rate (with \$510 cap)	Monthly rate (no cap)	Monthly rate (with 75% increase cap)
Safeway	6,442.38	\$ 510.00	\$ 5,683.53	\$ 892.50
Albertsons	5,438.34	\$ 510.00	\$ 4,779.90	\$ 892.50
Walmart	4,460.40	\$ 510.00	\$ 3,899.75	\$ 892.50
Willamette Corporate Center	4,236.19	\$ 510.00	\$ 3,697.96	\$ 892.50
Market of Choice Grocery Store	3,534.87	\$ 510.00	\$ 3,066.77	\$ 892.50
McMenamins West Linn	2,960.01	\$ 510.00	\$ 2,549.40	\$ 892.50
Summerlinn Center	2,928.24	\$ 510.00	\$ 2,520.81	\$ 892.50
Shell Service Station	1,953.36	\$ 510.00	\$ 1,643.41	\$ 892.50
Chevron	1,685.60	\$ 510.00	\$ 1,402.43	\$ 892.50
Astro Service Station	1,348.48	\$ 510.00	\$ 1,099.02	\$ 892.50
The Filling Station	1,302.24	\$ 510.00	\$ 1,057.41	\$ 892.50
Karlin Willamette LLC	1,086.93	\$ 510.00	\$ 863.63	\$ 863.63
Wells Fargo	1,006.21	\$ 510.00	\$ 790.98	\$ 790.98
Chase Bank	929.30	\$ 510.00	\$ 721.76	\$ 721.76
West Linn Investors	855.57	\$ 510.00	\$ 655.40	\$ 655.40
Chase Bank	848.67	\$ 510.00	\$ 649.19	\$ 649.19
Key Bank of Oregon	818.17	\$ 510.00	\$ 621.74	\$ 621.74



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Total revenue generated (nonresidential)

Billed per customer			Total collected			
	<u>Per Month</u>	<u>Per Year</u>	<u>Number</u>	<u>Per Month</u>	<u>Per Year</u>	<u>%</u>
Cap	\$510.00	\$ 6,120	17	\$ 8,670	\$ 104,040	43%
	\$350 - \$510	\$ 4,800	3	\$ 1,200	\$ 14,400	6%
Schools	\$300	\$ 3,600	7	\$ 2,100	\$ 25,200	11%
	\$100 - \$300	\$ 2,400	18	\$ 3,600	\$ 43,200	18%
	\$20 - \$100	\$ 720	55	\$ 3,300	\$ 39,600	17%
	\$6 - 20	\$ 156	45	\$ 585	\$ 7,020	3%
Min.	\$5.89	\$ 71	91	\$ 536	\$ 6,432	3%
			Total:	236	\$ 19,991	\$ 239,892 100%

Breakfast Open House Open House at City Hall



Please join us for breakfast!

Friday, May 9, from 7:30 to 9 a.m.

West Linn City Hall, 22500 Salamo Road

Join your fellow West Linn business owners and commercial property owners for a breakfast open house on Friday, May 9, from 7:30 to 9 a.m. at city hall, 22500 Salamo Road.



The open house is your opportunity to learn about a proposed increase to the city's street maintenance fees for commercial businesses.

City staff and members of the West Linn Economic Development Committee will be on hand to answer questions and provide information on the issue. The city is soliciting feedback from the community on the proposed changes.

Background materials on this issue can be found on the city's website at westlinnoregon.gov/economicdevelopment/proposed-street-maintenance-fee-changes.

If you cannot attend the open house, you may contact Community Development Director Chris Kerr at ckerr@westlinnoregon.gov or 503-723-2538.

