

Memorandum

To: Corvallis Mayor and City Council
From: Unofficial Business License Fee Committee
Date: March 13, 2008
Re: Business License Fee

BACKGROUND

The Economic Vitality Partnership (EVP) is an agreement between social, government and business support organizations to work cooperatively for the good of the economy of Corvallis and Benton County. Organized in 2003, the EVP engaged in conversations and updates about current work going on with each of the partners until January 2005 when the EVP adopted a goal to create a comprehensive strategic economic development plan.

Between January 2005 and November 2006 the partners worked together to create such a plan, based on the Corvallis Vision 2020 Statement. The EVP Strategic Planning Committee employed community and business surveys; hired facilitator, Barney and Worth; held three town hall meetings and 20 focus groups to produce the EVP Strategic Economic Development Plan titled *Prosperity That Fits*.

The Prosperity That Fits (PTF) Plan was accepted by the EVP partners in late 2006 and early 2007. A steering committee was created to oversee the activities and fundraising for the coordination of the PTF Plan. Mayor Charlie Tomlinson volunteered to act as convener.

At about the same time, the City of Corvallis created the Downtown Economic Vitality Plan Implementation Committee (DEVPIC) to explore ways to fund the city's portion of the PTF Plan and the Downtown Master Plan. DEVPIC explored a restaurant fee, an increase in transient occupancy tax and a business license fee. The DEVPIC asked Mayor Tomlinson to appoint a subcommittee to further explore a business license fee (BLF).

The Business License Fee Committee (BLFC) was composed of business people from the community including at least one representative from each of the business support organizations. The BLFC met several times and concluded that a business license fee may be a good option for funding a variety of the PTF Plan actions, provided it was not an exclusive source for the City of Corvallis and its use was focused on the direct benefit of businesses in the community.

DISCUSSION

In many communities around the state, country and globe, economic development activities are valued in the same way police, fire and infrastructure are valued in a community. An investment in economic health is seen as a necessary part of long range community success. Currently the City of Corvallis allocates approximately \$500,000 in revenues created by the transient occupancy tax (TOT) toward economic development services. Approximately \$300,000 goes to

Corvallis Tourism as the City's designated tourism agency and approximately \$200,000 is divided among about a dozen other organizations including business support organizations, economic development organizations and local festivals.

Generally, area business people are concerned that a moderate business license fee will be implemented and then the fee will increase significantly over time or revenues will be redirected to fund other City priorities. One way these concerns could be addressed is to consider a charter amendment.

In order for a business license fee to be successful, it will require the PTF Plan initiatives that directly and positively impact area businesses be funded and implemented. If executed well, the fee could do much to further improve the relationship between the City of Corvallis and area businesses. The possible consequences if executed poorly could fracture support from the business community, effectively making the PTF Plan worthless and unraveling all the work that has been done to forge better working relationships over the last few years.

REQUESTED ACTION

The committee of business people who explored the business license fee concept are only in favor of moving forward with such a fee if the revenues generated are used solely for the support of PTF Plan implementation.

The committee recommends the City Council begin the process of pursuing a charter amendment to ensure a minimal to moderate rate increase, a sunset clause and permanent direction of the funds toward economic vitality.

The committee recommends the institution of an interim business license fee until a Charter amendment can be fully explored, at a rate schedule not to exceed the rates outlined in the policy draft attached.

Finally, the committee recommends the selection committee makeup outlined in the policy draft not be altered to ensure business people make the decisions about strategic business investments for the duration of the fee.