**Development Review Advisory Committee
MINUTES
Tuesday, November 15, 2011**

DRAC Members Present:

George Bruender	Hermann Colas	Jeff Fish
Don Geddes	Steve Heiteen	Dana Krawczuk
Ed McNamara	Rick Michaelson	Michelle Rudd
Keith Skille	Greg Theisen	Simon Tomkinson

City Staff Present:

Ross Caron, BDS	Cindy Dietz, Water	Rebecca Esau, BDS
Mark Fetters, BDS	Matt Grumm, Comm. Saltzman's Office	
Denise Kleim, BDS	Kurt Krueger, PBOT	Christine Leon, PBOT
Jim Nicks, BDS	Andy Peterson, BDS	Paul Scarlett, BDS
Riley Whitcomb, Parks		

Guests Present:

John Hasenberg, ORA	Susan Steward, BOMA

DRAC Members Absent:

Jeffrey Cole	David Humber	Renee Loveland
Bonny McKnight	Carrie Strickland	

Handouts
- DRAC Meeting Minutes 10/18/11
- Inter-Bureau Code Change Project List
- BDS Major Workload Parameters (Monthly / Cumulative)
- Non-Cumulative Cost Recovery Report
- BDS Budget Goals Memo
- BDS FY 2012-13 Budget Preparation Process
- Budget Ideas Form
- Preliminary Financial Plan Scenarios Update

Convene Meeting
DRAC Vice Chair Keith Skille convened the meeting and welcomed DRAC members and attendees. The 10/18/11 DRAC meeting minutes were approved.

Director's Report
<u>BDS Financial Update / Staffing & Service Levels</u>
BDS Director Paul Scarlett provided an update on the bureau's financial status and reviewed the handouts *BDS Major Workload Parameters (Monthly/Cumulative)* and *Non-Cumulative Cost Recovery Report*. The bureau is doing well financially; more mid- to large-size projects are coming in and revenues remain above 100% of costs. Director Scarlett noted that valuations have increased substantially since last year.

DRAC Member Ed McNamara asked if the bureau tracks early application conferences as an indicator of upcoming projects, and whether they are on the increase. BDS Land Use Services Manager Rebecca Esau said that they are tracked and that they are increasing in line with increases in permit applications.

Director Scarlett shared that he, BDS ITAP Manager Hank McDonald, & BDS Plan Review Section Manager Terry Whitehill attended the International Code Council (ICC) annual business meeting in Phoenix last month. The meeting will be held in Portland next year, and there may be a role for DRAC to play in the hosting of the event.

Director Scarlett also noted that the DRAC Plan Review Process subcommittee met last week to discuss issues related to streamlining and improving the plan review process. DRAC Member Simon Tomkinson said that the key issue from his perspective is where code authority begins and ends in relation to plan review, and to see where the City's rules and procedures match up. Putting more consistency into the plan review process is key; applicants need to know what to expect. Inconsistency leads to added costs for applicants and professionals involved in their projects. John Hasenberg (ORA) said that the subcommittee should meet on a regular, scheduled basis. A follow-up meeting has not yet been scheduled; Director Scarlett said the bureau is doing research on issues raised at the first meeting. BDS Plan Review/Permitting Services Manager Andy Peterson said he has asked his engineers to arrange a meeting with engineers in the community to begin to gather information and have a conversation about their issues. DRAC Member Dave Humber volunteered to participate in the engineer meeting and on the subcommittee.

Director Scarlett noted that 5 DRAC members will be ending their second terms at the end of January. BDS is currently recruiting individuals to fill those positions.

BDS Budget Discussion / Input from DRAC
Director Scarlett gave a brief overview of the bureau's budget focus and priorities and noted that two DRAC members are involved on the bureau's Budget Advisory Committee (BAC). BDS Administrative Services Manager Denise Kleim provided a more detailed overview of the bureau's budget planning process and reviewed the handouts *BDS Director's Budget Goals, Budget Preparation Process, Budget Process Timeline, Budget Ideas, Preliminary Financial Plan Scenarios,* and *BDS Impact Estimates of Proposed Fee Increases.*

DRAC Member Rick Michaelson asked if the projections show activity returning to the high levels of a few years ago; the answer was no. DRAC Member Jeff Fish asked about fluctuations in the projected growth rates in the out years (FY 2014-15 and 2015-16). Ms. Kleim said that most forecasters are being conservative in their projections for the next couple years, then loading growth that they think may occur into the out years. Projected fee increases are designed to

help programs reach 100% cost recovery and re-build their reserves. The reserve goal is 26% for the entire bureau; individual program reserve goals vary.

Mr. Tomkinson also noted the significant spike in projected growth rates for 2014-15, and expressed concern that the bureau might base its plans on those significant increases. He urged caution so the bureau doesn't become overextended. DRAC Member Greg Theisen questioned the link between the projected growth rates and fee increases; if growth increases significantly, why do fees still increase? Director Scarlett noted that in times of growth, the bureau adds staff to handle the increased workload, which increases the bureau's costs. 70% of the bureau's costs are staff costs. Ms. Kleim noted that the projections will be updated with input from the bureau's Financial Advisory Committee, and that the bureau will prepare "worst-case" projections again this year. Ms. Kleim said that she expects the growth rates for the next couple years to decline 1-2 percentage points when the projections are updated.

Mr. McNamara also questioned the relationship between the projected growth rates and fee increases. He said that there should be economies of scale with continued growth, and that the ITAP project should lead to reduced costs. He asked if the fee increases could be broken out to show the percentages that will go to support ITAP, increased staff and cost of living increases, and re-building reserves. Ms. Kleim said the bureau can prepare a breakdown of the drivers of the increases. Mr. Michaelson questioned whether the bureau really needs a 5% fee increase in FY 2012-13, since there was an 8% increase in FY 2011-12 and the bureau is doing better financially. Ms. Kleim noted that Table 1B shows projected staff additions for the next 5 years based on projected increases in work.

Mr. McNamara also noted that SDC fee costs are outside of BDS's control, but have a significant impact on development. Director Scarlett said that he is unaware of any plans for changes to SDC fees, and said that BDS can carry the message forward regarding the impact of SDC fees.

DRAC Member Steve Heiteen reminded DRAC members that a significant portion of the fee increases is to address increases in salaries, benefits, and cost of living. He said that when BDS submits the required General Fund cuts (4%, 6%, and 8%), it should show the specific impacts of the cuts on services. Mr. Skille said the bureau should also note the benefit the City receives from the limited General Fund dollars that go to BDS.

Mr. Fish asked whether the Parks Bureau should cover BDS's costs related to code enforcement for Occupy Portland. Director Scarlett replied that compliance was achieved quickly and any costs incurred will be covered out of BDS's General Fund monies.

Ms. Kleim asked DRAC members to send any other comments or ideas on the budget to her or Mark Fetters within the next 2 months. At the next DRAC meeting, the bureau will have input to share from the BAC and BDS employees. Christine Leon (PBOT) asked to have the PBOT budget on the December DRAC agenda.

Tree Code Implementation & Funding
Mr. Tomkinson shared his concerns regarding the requirements of the new Tree Code and the financial impact of its implementation. City Council has dedicated no funding for implementation, but neighborhood groups have been pushing Council for implementation.

Ms. Esau said that Phase 2 goes into effect on Feb. 13th, and the current implementation cost estimate is $500,000 - $800,000 annually. She asked DRAC members for their feedback on where the monies should come from (which bureau(s), General Fund vs. fees, etc.). Mr. Fish

said that the permit fee should match what he and others on the initial stakeholder committee proposed, with the rest of the costs being picked up by the General Fund. He said the fee for homeowners should be kept low; otherwise, they will cut trees down without getting permits.

Ms. Esau described possible alternatives, including a longer implementation period, that would meet the community's needs but cost less. DRAC Member Don Geddes said that he is opposed to the new code for a few reasons: a report from Portland State University says that the city's tree canopy is increasing; City budgets are tight; and this isn't a high priority item. He felt it should be put on hold until monies are available. Other DRAC members concurred.

DRAC Member Dana Krawczuk asked what the impact would be if the full cost of implementation is placed on permit holders. Ms. Esau said the challenge in estimating costs is that it is not known how many permits will be issued. They have taken the approach of figuring out a reasonable permit cost and building from there. Mr. McNamara noted that $800,000 could buy a lot of trees; he suggested delaying implementation with a suggestion of using $100,000 - $150,000 to plant trees. DRAC Member Hermann Colas said that developers and builders will end up paying most of the fees, and in effect subsidizing homeowners who won't be aware of the new code. Mr. Fish noted that very few tree violations are cited and that the cost of the new code is out of line.

Mr. Tomkinson asked that DRAC take something to City Council urging that the Tree Code not be implemented without dedicated funding. Ms. Esau noted that the Council will be under significant pressure to implement the code from community groups.

Mr. Skille suggested that a letter to Council be drafted by the next DRAC meeting. Mr. Fetters will prepare a letter for the DRAC's review.

Information Technology Advancement Project (ITAP) Update
ITAP Manager Hank McDonald provided an update on the ITAP project. The Request for Proposals (RFP) is currently being drafted and should go to the IT Oversight Committee by next week. The quality assurance/quality control (QA/QC) piece will go to City Council late in November. The QA/QC firm selected will review the RFP.

Mr. McDonald said the RFP will call for integration with the State's online permitting system, meaning that there will be real-time updates between the two systems. Applicants could work on City of Portland permits either through Portland's system or the State's system. The State wants either full integration or complete separation. Mr. McDonald asked DRAC members for input on whether full integration with the State's system is desirable. Mr. Michaelson said that full integration is irrelevant to him. Mr. McNamara asked whether it could be bid both ways. Mr. Heiteen suggested that full integration will be more costly, and should therefore be avoided. Mr. Colas asked whether it would be possible to remain separate for now, but integrate later. Mr. McDonald said that the State wants integration, but he's unsure whether they would pursue a legislative mandate for integration. Riley Whitcomb (Parks Bureau) asked whether choosing full integration would give an advantage to Accella in the bid process, and Mr. McDonald said that it could give Accella an advantage.

Next DRAC Meeting: Tuesday, December 20, 2011, 10:00 a.m. -11:30 a.m.
Minutes prepared by Mark Fetters, BDS