



City of
PORTLAND, OREGON

Development Review Advisory Committee

Development Review Advisory Committee
MINUTES
Thursday, January 21, 2016

DRAC Members Present:

Claire Carder	Hermann Colas	Maxine Fitzpatrick
Michael Harrison	Rob Humphrey	Maryhelen Kinciaid
Jennifer Marsicek		

City Staff Present:

Fred Deis, BDS	Cindy Dietz, Water	Rebecca Esau, BDS
Mark Feters, BDS	Matt Grumm, Comm. Saltzman's Office	
Elshad Hajiyev, BDS	Sarah Huggins, Parks	Alisa Kane, BPS
Kurt Krueger, PBOT	Trang Lam, Parks	Phil Nameny, BPS
Mitch Nickolds, BDS	Kyle O'Brien, BDS	Kareen Perkins, BDS
Dora Perry, BDS	Andy Peterson, BDS	Elisabeth Reese-Cadigan, BES
Paul Scarlett, BDS	Deborah Sievert Morris, BDS	
Nancy Thorington, BDS	Shawn Wood, BPS	

Guests Present:

Nick Daniken, Greenwing Restoration
Margaret Davis, Beaumont Wilshire Neighborhood Association/UNR
Steve Elder, UNR
Jeff Fish, Fish Construction NW

DRAC Members Absent:

David Humber	Christopher Kopca	Dana Krawczuk
Kirk Olsen	Joe Schneider	Justin Wood

Handouts

- Draft DRAC Meeting Minutes 12/17/15
- Inter-Bureau Code Change List
- Non-Cumulative Cost Recovery Report
- BDS Major Workload Parameters
- Programmatic Revenue Growth Rates
- Proposed Position Requests
- Proposed Mandatory 5% General Fund Cuts
- BDS Reserve Balances
- 2016 DRAC WorkPlan
- Fee Comparison
- Draft Deconstruction Requirement Recommendation
- Deconstruction Advisory Group

Convene Meeting

DRAC Chair Maryhelen Kincaid convened the meeting and welcomed DRAC members and guests. A quorum was not yet present, so DRAC members could not approve minutes from the December 2015 DRAC meeting.

DRAC Membership Update

Ms. Kincaid Introduced new DRAC member Michael Harrison from OHSU, who is filling the Major Facilities Landowners position.

A handful of DRAC membership changes were approved by the City Council earlier this month, including:

- Joe Schneider was renewed for a second 3-year term representing Large Construction Contractors;
- Mitch Powell was appointed as a new DRAC member representing Home Remodelers;
- Michael Harrison was appointed as a new DRAC member representing Major Facilities Landowners;
- Dana Krawczuk shifted from the Frequent Development Review Customers position to Land Use Planning Professionals; and
- Rob Humphrey shifted from the Small Businesses position to Frequent Development Review Customers.

This leaves two remaining vacant positions – Small Businesses and Planning & Sustainability Commission.

DRAC Subcommittee Update

Ms. Kincaid reported that the DRAC Demo Subcommittee met twice recently and submitted a letter to the City Council regarding the Mayor's proposed Demolition Tax. As a result, the Mayor decided not to go forward with the proposed tax. The Demolition Subcommittee will meet again in the near future.

Ms. Kincaid directed DRAC members to review the handout **2016 DRAC Workplan** for updated information, particularly on subcommittees. The two other subcommittees will begin meeting in the near future.

Director's Report

BDS Director Paul Scarlett discussed BDS's financial status and reviewed the handouts **Non-Cumulative Cost Recovery Report** and **BDS Major Workload Parameters**. BDS's cost recovery remains very strong due to continuing high numbers of permits and higher permit valuations.

Mr. Scarlett said that in February the bureau will provide the DRAC with a list of large projects currently underway.

Information Technology Advancement Project (ITAP) Update

Mr. Scarlett said that ITAP has experienced delays. BDS initially anticipated implementation in 2015 - 2016. The bureau is working with Commissioner Saltzman, the City's Technology Oversight Committee, the project vendor, and the City Attorney on resolving issues. At this time it looks like the project will take another two years, but the bureau is exploring the possibility of getting certain portions of the system running earlier. Mr. Scarlett said he will have more information to share in February.

Bureau Organizational Assessment Follow-Up

Andy Peterson (BDS) gave an update on BDS's Organizational Assessment project. He said the bureau is putting together follow-up teams to work with project Advisory Committee on implementing recommendations from the assessment. The project will have strong integration with the bureau's ongoing equity work and will feed into the BDS Strategic Plan that will launch later this spring.

Discussion

DRAC Member Hermann Colas asked about BDS performance timelines and the bureau's efforts to improve performance. Mr. Scarlett talked about filling vacancies, finding efficiencies, and working with customers to make sure that plans are complete when they're submitted. Mr. Peterson said that customers who need more assistance with their plans take significant staff time. Mr. Scarlett also recognized that other City development bureaus may not be able to hire staff positions as readily as BDS, and this has an impact on timelines.

Mr. Colas suggested that the money in BDS reserves should be used to improve performance. He asked whether there could be arrangements where customers can pay more to receive faster service. Mr. Scarlett replied that this has been discussed over the years, but it can create issues regarding equity/fairness. BDS does have the Major Projects Group (MPG), but that's for only the largest, most complex projects. Some of the current delays in the review process are based on staff vacancies, and these will be addressed as positions are filled. BDS has found that customers primarily want predictability – if they know how long processes will take, they can plan for it.

DRAC Member Michael Harrison asked whether there are metrics that show where bottlenecks are in the system, so BDS can see where the issues are. Mr. Peterson replied that BDS meets bi-weekly with the other development bureaus to talk about development review issues, and performance information is available on BDS's website at <http://www.portlandoregon.gov/bds/66308>.

Meeting Minutes

By this time more DRAC members had arrived and a quorum was present. DRAC members then reviewed and approved the December 21, 2015 meeting minutes.

DRAC Chair/Vice Chair Elections

Mr. Scarlett reminded DRAC members that City Code requires the DRAC to elect a Chair and Vice Chair each January. After discussion, DRAC members voted for the current Chair (Maryhelen Kincaid) and Vice Chair (Rob Humphrey) to continue in those positions for 2016.

BDS Fiscal Year (FY) 2016-17 Budget Request

Mr. Scarlett briefly described BDS's budget development process. He said the budget is a balancing act between financial projections, workload and staffing levels, and performance data. The BDS budget reflects input from a variety of sources, including stakeholder groups such as the DRAC.

96% of BDS's revenues come from permits, with the remaining 4% coming from fees/fines and the City's General Fund. The Mayor has directed all City bureaus to make 5% cuts in their General Fund appropriations for FY 2016-17.

As it has the last couple years, BDS would like to add permit fee-supported positions through the 2016 Spring Budget Monitoring Process (BMP), rather than through the FY 2016-17 budget. This will allow the bureau to add the positions in May 2016 instead of July. Commissioner Saltzman is supportive of this move, and Mr. Scarlett said BDS would like DRAC support as well. BDS's FY 2016-17 Requested Budget will thus contain only General Fund requests.

BDS Finance Manager Elshad Hajiyev reviewed the handouts **Programmatic Revenue Growth Rates, Proposed Position Requests, and Proposed Mandatory 5% General Fund Cuts**. The financial projections are based on BDS's research and input from the BDS Finance Committee, which met twice to review the models and projections. The Finance Committee agreed that BDS's models and methods were sound and defensible, and they didn't recommend any changes. Economists generally expect a "correction" in the economy sometime in the next few years, but they're not sure exactly how big it will be or when it will occur. The bureau thus decided to spread the anticipated correction over the last 4 years of the 5-year plan. The Alternative Case scenario was also changed to take the correction into account.

Ms. Kincaid asked about the rationale for the proposed 10% fee increase for the Environmental Soils Program, since no other fee increases were being proposed. Mr. Hajiyev explained that the program was inherited from Multnomah County many years ago, and that it has carried a deficit of \$1.5 million for some time. The County has to approve any fee increase for the program. BDS tried over the years to raise fees or return the program to the County, but was unsuccessful. A few years ago, BDS entered into an agreement with the County to raise fees 70% in the following year, then 10% annually for the subsequent 5 years. FY 2016-17 will be the last year of the agreement. Projections show that the program should be debt-free in three years.

Mr. Scarlett reiterated his commitment to the DRAC to review BDS fees to determine where they could possibly be reduced. BDS must be able to balance its budget over 5 years of Financial Plan. Any proposed fee changes will go to the City Council later this spring, for adoption in June. He said that he would like the DRAC Fees & Regulations Subcommittee to work on this in the near future.

Mr. Colas said that BDS reserves are growing not because fees are increasing, but because there is more development work. If the fees are adequate, and BDS decides to decrease the fees, will they have to be raised again when the workload decreases? He said he is more concerned that services are good, rather than the amount of the fees.

Mr. Hajiyev briefly referenced the handouts **Reserve Balances** and **Fee Comparison**.

DRAC Member Claire Carder said it would be good for the subcommittee to take a single permit set and look at where the fees go – how much to plans examination, permit issuance, inspections, etc.

DRAC Support for BDS Budget Request

Mr. Scarlett then asked for DRAC support for BDS's FY 2016-17 Requested Budget, as well as for the decision to add fee-supported positions in the 2016 Spring BMP. After discussion, the DRAC members present decided to vote by email in order to give more time to review the proposal and to give DRAC members who were not present the opportunity to weigh in. Ms. Kincaid asked Mark Feters (BDS) to send information to all DRAC members with instructions for them to approve or reject the proposal via email by Wednesday, January 27th.

Deconstruction Proposal Update

Shawn Wood and Alisa Kane (BPS) reviewed the handouts **Deconstruction Requirement Recommendation (Draft)** and **Deconstruction Advisory Group (DAG)**. Mr. Wood described the issues related to deconstruction and the work of the DAG. City Council authorized creation of DAG in February 2015 and asked for a report by June 2015. They will be going back to the Council again on February 17th with recommended code changes that would become effective on October 31st.

Mr. Wood talked about the benefits of deconstruction and the reasons behind the recommendations. BDS's role would be to look up the year the structure was built, use the historic resource designation on demolition permit applications to determine if deconstruction would be required, and attach a list of certified deconstruction contractors to permits.

Mr. Colas observed that the proposal would create a new industry, subsidized by contractors, with costs passed on to the property owners. Ms. Kane said that the higher costs for deconstruction are due to labor costs, which vary by project.

Mr. Humphrey expressed concern that the deconstruction industry will not have enough capacity to handle the deconstruction work that would be generated by the proposal. He referenced a scenario in which the deconstruction industry fails, but the code still requires deconstruction. Ms. Kane replied that the code will allow administrative rules to be created that will give the BPS Director the authority to suspend the requirements if needed. Mr. Wood said they will also come back to City Council to check-in one year after implementation. Ms. Kane added that they specifically questioned the deconstruction industry about their capacity and what they could handle.

Mr. Harrison asked whether there is currently a certification for deconstruction contractors. Mr. Wood replied that there is not, but they are working with various associations to create a certification that would be in place prior to the code being implemented.

DRAC Member Maxine Fitzpatrick said she is supportive of this effort, and that her company (PCRI) has been deconstructing for many years. She said that deconstruction takes planning; the builder needs to know up front that deconstruction will be used.

Guest Jeff Fish noted that he was a member of the Deconstruction Advisory Group and that he supports deconstruction, but he is concerned about how it will be paid for. The salvage community has done a good job on education. The issue is that the costs will be passed on to consumers and will cause the cost of all new housing to rise, along with existing housing. Higher demolition costs will be factored into the purchase price of new house, which will drive up the costs of other new houses, which will drive up costs generally. He said that about 25% of new homes involve the demolition of old homes.

Upcoming City Council Items of Interest

Ms. Kincaid said that she will ask BDS to copy the DRAC on its report noting upcoming City Council items of interest.

Public Comment

Guest Margaret Davis said that she was disappointed that the DRAC questioned the existence of the demolition epidemic at the recent City Council hearing. She said the available data supports the existence of an epidemic. She added that now that BDS reserves are at \$60 million, there needs to be more enforcement on the ground related to demolitions – such as dealing with hazardous materials and issues related to mechanical demolition.

Phil Nameny (BPS) announced that the Residential Infill Project is meeting today with its stakeholder committee for a workshop. There will be an open house after the workshop from 5:00 – 6:30 p.m. today in the Portland Building, 2nd floor, Room C.

Elisabeth Reese-Cadigan (BES) said that BES has been getting close to cost recovery. Its Citizens Review Board has a proposal to get cost recovery to 100%. She will bring information to the February DRAC meeting.

BDS Announcement re: Combination Permits

Ms. Kincaid referenced BDS's announcement yesterday regarding changes to requirements for sub-contractor information on residential combination permit applications (see <http://www.portlandoregon.gov/bds/article/560048>).

Mr. Peterson said the idea behind the change is to secure subcontractor information at the time of permit application. If the information is not provided at the time of application, the trade permits will need to be purchased separately. This change will streamline plan review and inspection processes. Currently, BDS inspectors are being called to make inspections for work that hasn't been permitted.

DRAC members discussed concerns regarding the change, and the larger question of where the line is between management decisions the City can make and things that should come to the DRAC.

Other

Matt Grumm (Commissioner Saltzman's Office) announced that the Tree Code amendment will go to City Council on March 3rd.

Next DRAC Meeting:
Thursday, February 18, 2016
Minutes prepared by Mark Feters, BDS