



City of

PORTLAND, OREGON

Development Review Advisory Committee

1900 SW 4th Avenue, Suite 5000
Portland, Oregon 97201
503-823-7308
FAX: 503-823-7250
TTY 503-823-6868
www.portlandonline.com/bds

To: Mayor Ted Wheeler

CC: Commissioner Chloe Eudaly
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Dan Saltzman

From: Development Review Advisory Committee (DRAC)

Date: May 8, 2017

Re: Development Priorities, Fees, and the DRAC

Mayor Wheeler and members of the Portland City Council,

On April 3, 2017, we wrote to you regarding increases in development fees, including SDCs, and their impact on the development of affordable housing. On April 17, 2017, the DRAC Fees and Regulations Subcommittee met with staff from the City development bureaus and the City Budget Office to discuss the GATR report on housing development and the impact of cumulative fee increases on all development.

Subsequently on April 20, 2017, we heard presentations from the Bureaus of Water and Environmental Services and the office of Urban Forestry (Parks) regarding increases in development fees, rates, and SDCs that they have planned for FY 2017-18. The Bureau of Transportation has recently provided information regarding their proposed fee increases for next fiscal year.

These recent discussions and developments have led us to several observations regarding development and fees that we want to share with you:

- 1. The City Council's priorities regarding development are not clear and sometimes work against one another.** Since the declaration of the housing emergency in 2015, the development of affordable housing has been put forward as a key priority for the City. However, since that time the Council has approved code and policy changes (such as the Tree Code, Energy Scoring Policy, and LTIC) that have undermined the ability to develop housing at the lower end of the market by increasing the overall cost of development, sometimes dramatically.

The problem of contravening development policies is exacerbated by Portland's governmental structure. The various development bureaus are accountable to their respective Commissioners for the enforcement of discreet portions of the code. Members of the development community are commonly caught between bureaus that have differing priorities and answer to different Commissioners.

- 2. No one is currently monitoring the overall cost of development or the cumulative impact of development and SDC fee increases.** Fee proposals from the various development bureaus are usually crafted in a siloed manner, without considering the overall impact to development costs. The City Council then reviews those proposals individually, isolated from other fee proposals and the bigger picture of the overall cost of development in the city. A single fee proposal that may seem small in isolation can take on greater significance when considered in the context of other fee proposals and the full cost of development, and Portland's governmental structure provides little incentive for bureaus to look at that larger context.

For example, the combination of the newest automatic annual SDC adjustment formulas (such as with the Parks SDC); notable SDC escalations proposed by bureaus that are not on annual indexes; and the general directive by City Council to move closer each year to 100% cost recovery has resulted in many bureaus' SDCs increasing by 6-8% annually for the past 5 years, with plans to stay on this course for yet several more years.

- 3. The DRAC is hindered in its role as a citizen advisory body by the process used by the development bureaus to present fee proposals.** The development bureaus generally take development and SDC fee proposals to City Council each year in late spring, with implementation on July 1. The bureaus usually bring those proposals to the DRAC for consideration between March and May, after they have already been fully developed. Despite repeated requests from the DRAC, bureaus have been reluctant to present information on fees earlier in the year. By the time the DRAC hears the fee proposals, the bureaus have already made their decisions and are ready to go to the Council, leaving the DRAC with no meaningful opportunity to give input.

In light of these observations, we make the following recommendations:

- 1. Due to insufficient prior notice of FY 2017-18 fee proposals from the development bureaus, and the lack of information on the impact of those proposals on overall development costs, the DRAC is withholding recommendation on all FY 2017-18 fee proposals.** As was stated in our letter to the Council of April 3, 2017, we recommend that the Council establish a moratorium on any development or SDC fee increases until a larger discussion regarding the cost of development and fee increase processes can take place.

2. **We recommend that the Council direct the development bureaus to demonstrate the impact of any development fee proposals (including SDCs and code/policy changes that create new fees) on the overall cost of development and on the achievement of the Council's ranked development priorities.** This will necessitate that the overall cost of development be calculated and tracked, and will require communication and interaction between the development bureaus as they develop fee proposals. Further, the bureaus will be compelled to evaluate any proposals against stated Council priorities.
3. **We recommend that the Council separate the review of SDC fee and methodology changes from other fee proposals, and that SDC implementation be moved from July 1 to January 1.** We believe that the complexity of SDC fees and methodologies justifies separating them from other fee proposals in order to give sufficient time for review and discussion.
4. **We recommend that the Council review all development fee proposals together, rather than separately.** This will require coordination from the development bureaus in presenting their fee changes together. It will also provide the Council with a better picture of the overall impact of fee changes, and there may be more consideration given to controlling rising costs.
5. **We recommend that the City Council clarify and rank its priorities related to development, and use those ranked priorities to evaluate code and policy proposals and provide direction to the development bureaus.** We believe that more clearly defined priorities will help prevent the further promulgation of codes and policies that undermine those priorities. Greater clarity will also help the DRAC in its advisory role to the development bureaus, and will help the bureaus in sorting out situations where codes or policies are in conflict. We ask the Council to weigh and rank issues of importance such as affordability, sustainability, trees, street improvements, walkability, neighborhood character, density, and the like.

Finally, we recognize that as DRAC members, we have a responsibility to ensure that the DRAC is fully exercising its responsibilities as a citizen advisory body on development, as stated in Portland City Code 3.30.030A: "The purpose of the Committee (*DRAC*) is to foster a timely, predictable and accountable development review process that implements the City's goals for land use, transportation, housing, economic development, neighborhood livability and the environment."

To that end, we intend to take a more active role in testifying before the Council on matters related to development, and to present an annual report to the Council on the state of development in Portland.

We also extend an invitation to all of you to attend DRAC meetings so you more fully understand the development issues we are wrestling with and the diverse stakeholder groups represented on the Committee.

We are committed to serving the City of Portland, and we look forward to working with the City Council in our role as the City's development advisory body.

Sincerely,



Maryhelen Kincaid, DRAC Chair

DRAC Members

	Member Category	Affiliation
Jeff Bachrach	Planning & Sustainability Commission	Bachrach Law, P.C.
Claire Carder	Neighborhood Coalition Land Use Committees	Neighborhood Coalitions
Hermann Colas	Minority Construction Contractors & Development Professionals	Colas Construction, Inc.
Maxine Fitzpatrick	Low-Income Housing Developers	PCRI, Inc.
Michael Harrison	Major Facilities Landowners	Oregon Health & Science University
David Humber	Public Works Permit Customers	Humber Design Group Inc.
Rob Humphrey (DRAC Vice Chair)	Frequent Development Review Customers	Faster Permits
Maryhelen Kincaid (DRAC Chair)	Citywide Neighborhood Interests	Citywide Land Use Interests
Christopher Kopca	Historic Preservation	Downtown Development Group LLC
Dana Krawczuk	Land Use Planning Professionals	Perkins Coie LLP
Jennifer Marsicek	Design Professionals	Scott Edwards Architecture
Kirk Olsen	Large Developers	Trammell Crow Company
Mitch Powell	Home Remodelers	The Powell Group
Joe Schneider	Large Construction Contractors	Skanska
Justin Wood	Home Builders	Fish Construction NW Inc.