



City of
PORTLAND, OREGON

Development Review Advisory Committee

Development Review Advisory Committee
Meeting Minutes
Thursday, January 18, 2018

DRAC Members Present:

Alexander Boetzel	Claire Carder	Hermann Colas
Michael Harrison	Rob Humphrey	Maryhelen Kincaid
Christopher Kopca	Sarah Radelet	Joe Schneider
Martha Williamson		

City Staff Present:

Tyler Bump, BPS	Shannon Carney, Budget Office	Dan Cote, BDS
Rebecca Esau, BDS	Rick Faber, Urban Forestry	Mark Feters, BDS
Matt Grumm, Comm. Saltzman's Office		Elshad Hajiyev, BDS
Sarah Huggins, Parks	Kurt Krueger, PBOT	Vu Mai, Water
Cindy Meyer, BDS	Phil Nameny, BPS	Kyle O'Brien, BDS
Yung Ouyang, Budget Office		Dora Perry, BDS
Andy Peterson, BDS	Elisabeth Reese Cadigan, BES	
Marshall Runkel, Comm. Eudaly's Office		Emily Sandy, BDS
Brandon Spencer-Hartle, BPS		Nancy Thorington, BDS
Terry Whitehill, BDS		

Guests Present:

Shawn Green	Gary Ives, Homebuilder	Jeff Fish, Fish Construction NW
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DRAC Members Absent:

Jeff Bachrach	Maxine Fitzpatrick	Jennifer Marsicek
Kirk Olsen	Mitch Powell	Justin Wood

Handouts

- Draft DRAC Meeting Minutes 12/12/17
- Inter-Bureau Code Change List
- Non-Cumulative Cost Recovery Report
- BDS Major Workload Parameters
- Potential Amendments to Title 11 – Trees in Development Situations
- Fast-Track Permitting Pilot Project Summary
- Fast-Track Pilot Reviewers
- ADU SDC Waiver Extension Memo
- Draft Letter re: Construction Workforce Training
- Historic Resources Code Project Overview
- BDS Program Growth Rates
- BDS Requested Positions (Preliminary)
- Upcoming City Council Agenda Items

Convene Meeting

DRAC Chair Maryhelen Kincaid convened the meeting and welcomed DRAC members, City staff, and guests.

Announcements

Tree Code Amendment

Emily Sandy (BDS) reviewed the handout ***Potential Amendments to Title 11 – Trees in Development Situations***. Sandy said there is currently no timeline for taking the amendments to City Council. The amendments resolve a problem where developers are required to protect a tree located on one side of a house when doing an addition on the other side of the house. The amendments would not allow trees to be removed under a building permit; applicants would need to get a separate permit to remove trees.

Rick Faber (Urban Forestry) worked closely with BDS on the proposal, and said it will make it easier for small projects that don't impact trees. It closes a current loophole that allows applicants to remove unrelated trees under a development permit, when those trees would not have been removable otherwise.

New BDS Inspections Manager

BDS Director Rebecca Esau introduced Dan Cote, who is the Interim BDS POPS (Portland Online Permitting System) and Inspections Manager. Esau also noted that the current Plan Review and Permitting Services Division is being split into two separate divisions. Andy Peterson (BDS) will manage Plan Review Services, while David Kuhnhausen (BDS) is the new manager for Permitting Services. Esau said that an updated organizational chart will be provided to DRAC members.

Meeting Minutes

Minutes from the December 21, 2017 DRAC meeting were reviewed and approved by DRAC Members.

DRAC Chair / Vice-Chair Elections

Kincaid noted that DRAC Members Justin Wood and Claire Carder had indicated interest in the DRAC Chair and Vice Chair positions (respectively) for 2018. No other DRAC members indicated interest in the positions, so DRAC Members voted to elect J. Wood as Chair and Carder as Vice Chair for 2018.

DRAC Service Levels Subcommittee

Esau said that the Service Levels Subcommittee will meet next week to discuss the Fast-Track Permitting Pilot Project and Review Gates. Esau invited other DRAC members to contact Mark Feters (BDS) if interested in joining the Subcommittee.

Mayor's Fast-Track Permitting Pilot Project

Esau reviewed the handouts ***Fast-Track Permitting Pilot Project Summary*** and ***Fast-Track Pilot Reviewers***, and gave an update on the project. The main goal is to reduce review turnaround times by 20% for first checksheets on building and public works permits.

Kincaid asked what the 20% reduction equates to in time. Esau said the current goal is 20 days to first checksheet, so the reduction would take it to 16 days. Peterson said that currently, the actual time to first checksheet is 8 weeks; so in reality the reduction will be from 8 weeks to 16 days.

Government Accountability, Transparency, Results (GATR) / Fees & Systems Development Charges (SDCs)

Shannon Carney (Budget Office) gave a presentation on the Government Accountability, Transparency, Results (GATR) sessions from 2017 regarding the potential impact that reducing permit fees and/or Systems Development Charges (SDCs) would have on the development of affordable housing (see <https://www.portlandoregon.gov/cbo/72474>).

Kincaid asked whether regional and state costs were included in the analysis. Carney replied that only local City costs were considered, though they recognized that regional and state costs exist. They looked at the impact of fee reductions on the cost of development, on the supply of housing, and on the development bureaus themselves. They found that fee reductions would minimally impact development costs – not enough to make an impact on the housing supply. Fee reductions would have a greater impact on the development bureaus by reducing their revenues, potentially causing service level impacts. Marshall Runkel (Comm. Eudaly's Office) said they have heard that the development community places greater value on improved service levels and more certainty in the development review process.

Carney said they also looked at the impacts of reducing SDCs; they found that a 25% reduction in SDCs for 2 years would lead to cost savings of only 3%. Developers told them that the cost savings would be welcome, but would not be passed on to customers; instead, it would be used to get better interest rates. In addition, the mechanisms for making changes to SDC methodologies and rules presented a significant barrier. The City Budget Office (CBO) therefore did not recommend reducing SDCs; instead, they recommended process improvements as a way to increase the development of affordable housing.

Carney said the GATR report includes other recommendations, including some regarding fees and charges; for example, they recommended that SDC changes be presented to City Council along with other fees, rather than separately. Carney noted that the GATR analysis has resulted in the creation of the Development Bureau Directors' group and other steps to create process improvements.

DRAC Members noted that the GATR report doesn't reflect indirect costs and ad hoc fees. They recommended looking at unspent SDC balances and barriers the development bureaus face in spending SDC revenues.

DRAC Member Christopher Kopca said that even a 3% reduction in costs (from reducing SDCs) would have some impact on affordability, and indirect costs are as impactful as direct costs in some cases. Runkel asserted that there is no relationship between fees and affordability; other forces are driving costs. Waivers should be focused on the segments of the market that can't build profitably. Kopca replied that middle-income people are being forced out of Portland by the cost of housing.

Humphrey said that Portland has a reputation problem regarding the predictability of the development review process and fees. Humphrey suggested a moratorium on fees or fee increases for 5 years, so costs are predictable over a longer term and Portland is viewed as attractive to build in.

Runkel said that in 2017, the valuation of projects in Portland was \$3.1 billion, an increase of \$909 million from 2016. Economists are saying that Portland and other cities along the west coast have reached peak development, and this won't happen again. Runkel referred to the **BDS Program Growth Rates** handout. Elshad Hajiyev (BDS) said that BDS expects multifamily development to decrease in valuation in 2018 and beyond.

Fee & SDC Collaboration

BDS Finance Manager Kyle O'Brien has had an initial meeting with staff from the other development bureaus to coordinate presentations of fee and SDC changes to City Council.

Kincaid asked if the timelines for fee and SDC changes will be aligned. O'Brien replied that they will be looking at SDC cycles, and will at least include SDC information in the fee presentations.

Esau will report at the next DRAC meeting on several follow-up items that have taken place since the GATR session.

SDC Waiver for Accessory Dwelling Units (ADUs)

Runkel distributed and reviewed the handout **ADU SDC Waiver Extension Memo**.

Commissioner Eudaly is recommending that the ADU SDC waiver be extended indefinitely, with a requirement that applicants sign a covenant stating that the ADU will be used for long-term housing, rather than a short-term rental, for a defined period of time. The intent of the proposal is to increase the affordable housing stock.

DRAC Member Michael Harrison asked whether BDS or another bureau will track compliance with the covenant requirement. Runkel said that is to be determined. They are thinking that breaking the covenant would trigger the imposition of the waived SDCs, plus a penalty.

Kopca asked whether a new buyer of an ADU that was under a covenant would still be bound to use it as an ADU. Runkel replied that the ADU could be removed, but it couldn't be used as a short-term rental without violating the covenant.

DRAC Member Sarah Radelet noted that the development of affordable housing often comes with long-term agreements to remain affordable, and suggested a similar arrangement for ADUs.

Carder asked if there has been any analysis of infrastructure capacity to support the projected new development from extending the SDC waiver. Runkel said that water and sewer capacities should be there for areas already developed. Elisabeth Reese-Cadigan (BES) said the system can generally absorb the occasional ADU development. The greater impact will be on water and sewer bills, which will increase to cover the costs of waived SDCs.

Harrison read last year that Multnomah County is reassessing property taxes when ADUs are put in. Runkel understood that initially, whole properties were being reassessed when ADUs were put in, but after guidance from the State, they are now reassessing based on the value of the ADU. Runkel said they will want to talk with the County about offering limited tax abatement if a property owner is willing to rent their ADU at 60% or 80% of AMI (Area Median Income).

Sarah Huggins (Parks) has seen ADUs go through the State process to become condos, and said the City needs to think through who will be held responsible for SDCs in those kinds of situations.

Runkel said they are working on a draft ordinance, and will bring it to the DRAC when it's ready.

Construction Workforce Training Draft Letter

Carder reviewed the handout ***Draft Letter re: Construction Workforce Training***. The letter is proposed as a guest opinion piece in the *Oregonian* or another newspaper. Carder will be working with Paul Grove at the Home Builders Association (HBA) on publishing and promotion.

Carder asked for input on the letter, and asked if the letter could be submitted from the DRAC as a whole, or if it would be better for individual members to sign it.

- Kopca said the letter doesn't clearly lay out the mandate for the recommended action; it needs to make the case better and suggest what steps need to take place.
- Radelet said the last sentence is a summary statement; it would be better to identify who should take the lead. Kincaid agreed; someone needs to take the lead and drive the process.
- Kopca said the letter should include data on the construction labor shortage in Oregon.

After discussion, a motion was made to support the submission of the letter (with the discussed revisions) on behalf of the DRAC, in partnership with the HBA. The motion was seconded and approved.

Historic Resources Code Project

Brandon Spencer-Hartle (BPS) reviewed the handout ***Historic Resources Code Project Overview*** and gave a project summary. The project is early in the process, and a proposal has not been released for public comment yet. The Planning & Sustainability Commission and Historic Landmarks Commission will recommend final code changes to the City Council.

Radelet said there is a lot of opportunity to explore incentives to allow more options under the code.

Humphrey asked how word is getting out about the project, and whether property owners or private land use planners have been notified and given opportunity for input. Spencer-Hartle said notices have not been sent out yet. Humphrey and Harrison encouraged early

notification, particularly to property owners. Spencer-Hartle said the project will affect about 20,000 properties in total, but not all will be impacted significantly. Notice and engagement will be focused on properties that will be impacted more significantly.

Spencer-Hartle said they are hoping to create an alternative path for historic designation. The current method removes local government from the discussion on whether historic designation is appropriate in each situation.

BDS Budget Update

Hajiyev reviewed the handouts **BDS Program Growth Rates** and **BDS Requested Positions (Preliminary)** and gave a summary of BDS's Requested Budget for FY 2018-19. BDS is planning to add fee-supported positions in the 2018 Spring Budget Monitoring Process (BMP), so the positions can be filled in FY 2017-18, rather than waiting until FY 2018-19. Hajiyev noted that DRAC members participated on the BDS Financial Advisory Committee (FAC) and Budget Advisory Committee (BAC). The FAC approved the Base Case Scenario (on the **BDS Program Growth Rates** handout) as the basis of BDS's 5-Year Financial Plan and FY 2018-19 Requested Budget. Hajiyev clarified that year-to-year changes in the Base Case Scenario are based on the prior year.

Hajiyev noted that BDS does not anticipate increasing building permit fees in FY 2018-19, but will be reviewing services that charge hourly rates to ensure that the rates are sufficient to cover costs.

Kopca asked why BDS is considering raising hourly rates, when revenues and reserves are high. Hajiyev replied that each bureau program has its own reserve fund and needs to maintain cost recovery. Also, BDS strives to be proactive in making fee changes gradually, rather than abruptly. At this point, BDS is not saying that the hourly rates will definitely be increased, just that they'll be reviewed. BDS wants to avoid having to make larger increases down the road. Esau said that if BDS does want to raise hourly rates, it will be brought back to the DRAC for further discussion.

Hajiyev noted that the two Site Development Inspector positions mentioned in the handout are being added to enforce new regulations related to Oregon Senate Bill 871. BDS is raising the demolition fee by \$180 to cover those costs.

DRAC Budget Letter

After discussion, DRAC members agreed to submit a letter supporting BDS's budget request. A draft letter will be distributed in time for members to review and edit prior to BDS's budget submission on January 29, 2018.

Other

Esau and DRAC members recognized Kincaid and Humphrey for their service as DRAC Chair and Vice-Chair for 2015-2017.

The next DRAC meeting is scheduled for Thursday, February 15, 2018.

Minutes prepared by Mark Feters (BDS).