



City of  
**PORTLAND, OREGON**

Development Review Advisory Committee

**Development Review Advisory Committee**  
**Meeting Minutes**  
**Thursday, January 17, 2019**

**DRAC Members Present:**

Jeff Bachrach  
Paul Delsman  
Christopher Kopca  
Justin Wood

Alexander Boetzel  
Shea Flaherty Betin  
Sarah Radelet

Claire Carder  
Lauren Jones  
Martha Williamson

**City Staff Present:**

Dan Cote (BDS)  
Mark Feters (BDS)  
Sarah Huggins (Parks)  
Doug Morgan (BDS)  
Yung Ouyang (Budget Office)  
David Tebeau (BDS)

Rebecca Esau (BDS)  
Darryl Godsby (BDS)  
Kurt Krueger (PBOT)  
Phil Nameny (BPS)  
Elisabeth Reese Cadigan (BES)

Julie Facuda (Forestry)  
Elshad Hajiyev (BDS)  
Erin Mick (Water)  
Kyle O'Brien (BDS)  
Kim Tallant (BDS)

**Guests Present:**

Ashley Fleschner, National Association of the Remodeling Industry Pacific NW  
Sean Green, NE Coalition of Neighborhoods  
Allison Reynolds, Stoel Rives LLP

**DRAC Members Absent:**

Michael Harrison  
Mitch Powell

Holly Huntley

Jennifer Marsicek

**Handouts**

- Draft DRAC Meeting Minutes 12/13/18
- Inter-Bureau Code Change List
- Non-Cumulative Cost Recovery Report
- BDS Major Workload Parameters
- BDS Business Continuity Plan Summary
- BDS Reserve Summary
- BDS Financial Advisory Committee Draft Meeting Notes 01-09-19
- Preliminary Revenue Growth Rates
- Directives to Develop
- Title 17.28.110 Driveways – Permits & Conditions
- Upcoming City Council Agenda Items

## **Convene Meeting**

DRAC Chair Justin Wood convened the meeting and welcomed DRAC members, City staff, and other attendees. DRAC Members reviewed and approved minutes from the December 13, 2018 DRAC meeting; DRAC Members Christopher Kopca and Jeff Bachrach abstained.

## **Announcements**

### Recognize Christopher Kopca & Maxine Fitzpatrick

BDS Director Rebecca Esau recognized Kopca, whose final term as a DRAC member (representing Historic Preservation) ends on January 29, 2019. Director Esau expressed appreciation for Kopca's faithful service to the DRAC and the City.

Director Esau also announced that DRAC Member Maxine Fitzpatrick (representing Low-Income Housing Developers) recently resigned from the DRAC due to ongoing schedule conflicts with DRAC meetings.

### Additional Stakeholder Group

Director Esau said that a group of representatives from NAIOP (Commercial Real Estate Development Association) and BOMA (Building Owners & Managers Association) has recently been meeting with staff from BDS and other development bureaus. The meetings are focused on working collaboratively with staff to solve issues, primarily with large commercial projects but also general development review issues. Director Esau initiated a discussion about whether the NAIOP/BOMA group should be integrated with the DRAC in some way, perhaps as a DRAC subcommittee focused on commercial development issues.

DRAC Member Lauren Jones is a NAIOP member and has been attending the meetings. The group is interested in a more streamlined, transparent development review process. Jones said the NAIOP/BOMA group is open to some sort of relationship with the DRAC.

DRAC Member Paul Delsman is also a NAIOP member and has been attending the meetings. Delsman said they are more conversational than DRAC meetings, and address issues that would be of interest to the DRAC.

J. Wood said that it might make sense to have DRAC subcommittees for residential and commercial development issues that report back to the full DRAC, and they could include non-DRAC members.

Attendees discussed current DRAC membership vacancies and the possibility of adding members to represent additional stakeholder categories, particularly regarding larger commercial projects. DRAC Vice Chair Claire Carder suggested establishing a subcommittee to look at this more closely and report back to the full DRAC. Jones suggested the first step would be to talk with the NAIOP/BOMA group to see how they might want to relate to the DRAC.

Delsman suggested that smaller-facility landowners (possibly represented by BOMA) and major utility players may be missing from the table at DRAC meetings.

DRAC Member Jeff Bachrach does not want to see good applicants not be able to join the DRAC because they don't "fit" any of the member categories.

Attendees also discussed DRAC meeting agendas and the role of the DRAC. Bachrach said the DRAC should be more proactive and hands-on with the regulatory process, rather than just reacting to what comes out of the Bureau of Planning & Sustainability (BPS). DRAC Member Alex Boetzel said that the DRAC's connection with the community will be stronger if the DRAC has more of a role in regulations.

Director Esau encouraged DRAC members to feel free to suggest agenda items and have more input in agenda planning; sometimes the DRAC agenda is driven by bureaus providing updates, rather than by DRAC members. J. Wood expressed openness to restructuring DRAC agendas to set aside time to raise and discuss issues of interest to members.

After discussion, DRAC members agreed on these follow-up actions:

1. Jones and Delsman will follow-up with the NAIOP/BOMA group to see how they want to relate to the DRAC.
2. The February 21, 2019 DRAC meeting will include a discussion regarding DRAC member positions and the DRAC's role.

### **BDS Financial / Budget Update**

#### BDS Business Continuity Plan

BDS Sr. Business Operations Manager Elshad Hajiyev reviewed the handout **BDS Business Continuity Plan Summary** and reviewed BDS's current financial standing. The Business Continuity Plan (BCP) tracks a variety of workload and financial measures and identifies "triggers" that indicate when corrective action is needed. Four of the BCP triggers have been activated for several months, which has led to a bureau response; five triggers are currently activated. While overall BDS financial reserves are still healthy, the bureau has been drawing on them since July 2018.

BDS has put several cost-saving measures in place:

- A 3-month hiring pause was put in place in October 2018; it has now been extended through December 2019. Some positions will be filled (if they become vacant), particularly in workgroups where workload remains high and a high percentage of employees is eligible to retire.
- Four probationary employees were laid off in December 2018.
- Travel and conference expenditures have been eliminated.
- Overtime has been limited.
- Permit Night has been reduced from weekly to twice monthly.
- Reductions have been made in the materials and services budget.
- Several facility projects have been postponed.
- Employees have been offered voluntary 72-hour schedules or non-paid time off.
- Contract employees have been released.

The bureau is currently reviewing its temporary and seasonal positions.

BDS Land Use Services (LUS) was impacted first by the financial changes; a hiring freeze was put in place for LUS in January 2018. LUS was drawing \$300,000 monthly from its reserves in 2018, and that has increased to \$600,000 monthly in 2019. Director Esau has notified BDS staff that approximately 15 employees will be laid off from LUS in the near future. Managers will be talking with the affected employees next week, and official layoff notices will be given in late January or early February. Most of the positions are represented, so they can displace other employees with less seniority; this will impact the Bureau of Planning & Sustainability (BPS), since they also have a lot of planners.

The layoff decision is based not only on finances, but also workload data. In the last recession, workload data wasn't taken into account when layoff decisions were made, and as a result BDS didn't have enough staff left to address the remaining workload. This time workload data is part of the equation, to ensure that enough employees are retained. LUS will go through its reserves and go into deficit if need be.

Delsman asked about the possibility of moving money between bureau programs, since other BDS programs are doing better than LUS financially. Hajiyev reiterated that State law prohibits using building program revenues for local code programs (like LUS), so it is not possible to move funds over from the building code programs.

Delsman asked if BDS has performed root cause analysis on the slowdown in land use applications. Hajiyev replied that the bureau has identified several root causes:

- Inclusionary Housing (IH) Regulations – multifamily construction fueled the recovery in development in Portland; when it was starting to slow, Inclusionary Housing (IH) was put in place and it put the brakes on development. Multifamily developers have been pushed to the suburbs.
- Overbuilding of high-end multifamily housing that a lot of people can't afford.
- Affordable Housing Excise Tax.
- Hotel construction.
- High construction material and labor costs.

BDS Finance Manager Kyle O'Brien said that the BDS Financial Advisory Committee (FAC) agreed with these root causes. They've added a lot of costs for developers in a very short time, along with rising finance costs. Rents haven't been rising as fast, so projects don't pencil out. Kopca said the consistent increases to Systems Development Charges (SDCs) also add to costs.

#### Revenue Projections / 5-Year Financial Plan

O'Brien reminded DRAC members that 97% of BDS's budget comes from fee revenues. BDS receives very little from the City's General Fund. The bureau spends extensive time forecasting expenditures and revenues, and is the only bureau to do econometric forecasting. The FAC reviewed and approved BDS's financial models.

BDS meets with the FAC twice during budget process, in December and January. The FAC agreed that the development environment has changed. It will continue to be busy for inspections for the next 12-18 months, but permit applications are down and will continue to decrease for some time.

After the December FAC meeting, financial models and projected growth rates were developed, as summarized in the handout **Preliminary Revenue Growth Rates**. This information was presented to the FAC at their meeting on January 9, 2019. The FAC thought that the projections for negative growth rates in future years might be too aggressive, so the projections were adjusted. The Alternative (Worst) Case scenario helps plan for the possibility that conditions will be worse than projected.

This information is used to project revenues, then matched with expenditure projections to determine cost recovery for BDS's 5-Year Financial Plan.

J. Wood asked if the projections account for policy or regulatory changes. Hajiyev said that those adjustments are done manually after the projections are developed from the models, along with adjustments for upcoming large development projects.

Allison Reynolds (Stoel Rives) said that the Housing Bureau gives a report to City Council on IH every 6 months, and the information that was just shared wasn't reflected in the Housing Bureau's last report. Hajiyev said that it's uncertain how much of the impact on development is due to IH, though BDS does believe it did contribute. O'Brien added that the FAC felt that if rents had continued to increase, the market would have continued to support multifamily development, even with IH.

#### Directives to Develop

Hajiyev reviewed the handout **Directives to Develop** and described the two budget directives given to BDS by Mayor Wheeler.

Bachrach asked if the funds for "Review of Code Amendment Projects" is to help implement the code changes. BDS Land Use Services (LUS) Manager Kim Tallant said that there are still pieces of code that will need BDS review, plus there will be amendments from the City Council. Once a code change is adopted, LUS has work in training staff, reviewing documents, and updating the website.

J. Wood said that BDS should get General Fund support for LUS staff who answer general questions for free in the Development Services Center.

#### DRAC Budget Letter

Mark Feters (BDS) noted that the DRAC usually sends a letter to accompany BDS's Requested Budget submission. DRAC members asked Feters to draft a letter based on today's discussion, and to email it to DRAC members for review and editing.

#### **Land Use Fee Update**

Tallant noted that land use fees have not increased for the last 5 years, but that given the financial standing of the Land Use Services (LUS) program, BDS will be asking for an increase in land use fees for 2019. The bureau would like to take a fee increase proposal to City Council by the end of February, with an effective date of April 1, 2019.

Since July 2018, LUS has been collecting data on time spent by staff on land use applications and using that to see where changes need to be made to ensure cost recovery for services.

Where data isn't available, they are considering a 5% across-the-board increase. A draft fee schedule isn't ready to share yet, because they are still analyzing staff time data. They may need to share the fee proposal by email with DRAC members. Tallant said they know that Early Assistance and Type I Historic Review cost recovery is low.

Bachrach suggested the need for analysis of the public benefit of some land use reviews, to determine if there is a point where the cost of the reviews outweighs the benefits.

Hajiyev then reviewed the handout **BDS Reserve Summary** and discussed the status of LUS and other program reserves.

Hajiyev emphasized that land use fees haven't changed in 5 years, but program costs have continued to increase, primarily from personnel costs – Cost of Living (COLA) increases, PERS costs, and union contracts. Large projects are decreasing in number and having a significant impact on revenues.

Jones asked if the bureau has considered allowing customers to pay more for expedited land use reviews. Tallant said expediting reviews is challenging because there are required comment periods for the public and the other development bureaus. Jones asked if this included the completeness review. Tallant said that expediting the completeness review might work, though for some applications the review deadline is only 14 days, which doesn't leave a lot of room for expediting it.

Radelet noted the benefit of Early Assistance (EA) appointments for customers and staff, and expressed concern that increased EA fees may keep some applicants from using them. Tallant said that EA fees may not be increased to full cost recovery; BDS doesn't want to create a disincentive for applicants. Radelet suggested creating an option to pay for a meeting with the land use planner and all the other development bureau staff, to identify and address problems with land use applications.

Director Esau said that BDS is working to get BDS Process Managers involved with large projects earlier, meeting with the project design team before the land use application comes in. Bachrach said that would be good to provide for all projects, but Director Esau said the challenge is how to fund the services – land use doesn't receive General Fund support anymore, and BDS doesn't want the fees to go too high. Radelet suggested making it a line item on the fee sheet – the applicant pays a fee to have the meeting. Esau suggested an hourly fee, since not all development bureaus may need to be represented at a given meeting.

Esau asked for a response from DRAC members about land use fee increases with the early effective date of April 1, 2019. After discussion, members concurred with the fee increase and the early effective date.

#### **Proposed Code Change – Driveway Permits & Conditions**

Kurt Krueger (PBOT) reviewed the handout **Title 17.28.110 Driveways – Permits & Conditions** and summarized the proposed change.

Bachrach said that the Planning & Sustainability Commission (PSC) gets into pretty detailed design discussions dealing with driveways setbacks, and expressed concern that the Bureau of Planning & Sustainability isn't "on the ground" like DRAC members who understand how the code works in real life. Bachrach hopes this is addressed in the Residential Infill Project (RIP).

J. Wood said that the DRAC should definitely weigh in before the RIP goes to City Council, and is concerned that things will be included that don't reflect reality.

Tallant thought that the RIP restricted the ability to have attached garages on a front facade, so it wouldn't be an issue. Phil Nameny (BPS) said there has been discussion about limiting the options for garages and facades. RIP staff has been having conversations with BDS.

Bachrach asked for a letter on RIP from the DRAC to the PSC. J. Wood replied that the issue is that no one knows what RIP will contain. It was determined that more discussion was needed.

Nameny said that there will be a RIP briefing at the PSC on February 12, 2019, and it will go back to the PSC for a recommendation on March 12, 2019. The public comment period has closed. Bachrach expressed hope that the PSC could still receive technical comment from the DRAC, perhaps at the February 12 meeting. Nameny said that any PSC member could ask for more information before they vote.

Discussion followed about whether to give DRAC input to the PSC or City Council. Radelet said the input should include the impacts of the regulations on development.

Tallant noted that BDS has already completed a technical review of the RIP draft and submitted a lengthy memo to BPS. Director Esau said the BDS review will be sent out to DRAC members.

### **2019 DRAC Officers**

Fettters noted that City Code requires DRAC members to elect a Chair and Vice Chair at the first meeting of each year. After discussion, members agreed in recommending that J. Wood and Carder remain as Chair and Vice Chair for 2019. Members voted unanimously in favor.

**The next DRAC meeting is scheduled for February 21, 2019.**

Minutes prepared by Mark Fettters (BDS).