



**City of  
Portland, Oregon**  
**Bureau of Development Services**  
FROM CONCEPT TO CONSTRUCTION

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**February 20, 2019**

**To:** Mayor Ted Wheeler  
Commissioner Chloe Eudaly  
Commissioner Nick Fish  
Commissioner Amanda Fritz  
Commissioner Jo Ann Hardesty

**From:** Rebecca Esau, Director  
Bureau of Development Services

**Regarding: Land Use Services Division April 2019 Fee Change Ordinance**

The Bureau of Development Services (BDS) has prepared an ordinance proposing changes to the Land Use Services fee schedule. The ordinance is scheduled to be heard by the City Council on Wednesday, February 20, 2019 at 10:20 time certain.

**Background**

In 1988-89, the Development Services Operating Fund was established with a policy that construction-related programs would be fully self-supporting. About 98 percent of BDS revenues come from permit and other fees, with the City's General Fund making up the remaining 2 percent of the bureau's budget. Our greatest expenditure by far each year is personnel (approximately 70 percent of the total operating budget). At the same time, the construction activity that provides most of our revenues is cyclical and fluctuates dramatically due to a number of factors. Our heavy reliance on fee revenue results in a variable funding source, making it critical to set aside reserves for inevitable downturns in order to retain our workforce and meet service delivery demand when permitting activity increases.

Due to the nature of the work of the Land Use Services Division of BDS, the division serves as a bellwether for upcoming upturns and downturns in construction activity as demonstrated through a substantial decrease in land use review and permit activity in 2018 compared to 2017. Furthermore, Land Use Services fees have not been raised since FY 2013-14 while program costs have increased significantly due to Cost of Living Adjustments, merit and step pay increases, PERS contribution increases, and a substantial pay increase associated with the new PTE 17 contract. The combination of declining land use review and permit activity in 2018 and the increased cost of Land Use Services service delivery has recently resulted in the drastic reductions in the division's reserves and the need for staff reductions and reassignments.

**Proposal**

To taper the rapid decline in Land Use Services division reserves, BDS is proposing the first increase in Land Use Services fees in nearly five years. The overall effect of the proposed fee changes is approximately 5%; however, some fees are increasing more substantially while others

are remaining unchanged. BDS is also proposing a 5% increase to most site development fees on land use reviews and three reviews are proposed to be removed from the Life Safety Review Fees on Land Use Cases schedule. The proposed fee schedule changes are shown in Exhibits A through C. While the fee increases, staff reductions and reassignments will not stabilize the division, they will result in less rapid declines in the division's financial reserves during the upcoming downturn in construction activity while maintaining the division's commitment to efficient and timely service delivery. Fee increases are proposed to take effect on April 1, 2019.

BDS staff met with the Development Review Advisory Committee (DRAC) regarding the Land Use Services financial situation and proposal to increase the fees the divisions charges for the services it provides resulting in DRAC's endorsement of the proposal. BDS is also being proactive in information bureau customers and stakeholders regarding the need and rationale for the proposed fee changes. The bureau will publish information about the proposed changes on its website and in the Plans Examiner newsletter.

As means to further maintain service delivery goals of the Land Use Services Division, BDS is preparing a request for General Fund revenue to cover work that is done and for which fees are not collected. This includes review of legislative projects, process improvements, customer training and public information. A draft request was presented to the BDS Labor Management Committee meeting in late January and is expected to be ready for City Council review in the coming month

These changes would take effect of April 1, 2019.