



City of
PORTLAND, OREGON

Development Review Advisory Committee

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Meeting Notes

Thursday, August 20, 2020

DRAC Members Present:

Jeff Bachrach
Paul Delsman
Jennifer Marsicek

Alexander Boetzel
Sean Green
Justin Wood

Claire Carder
Lauren Jones

City Staff Present:

Beth Benton, BDS
Rick Faber, Forestry
Elshad Hajiyev, BDS
Casey Jogerst, Forestry
Erin Mick, Water
David O'Longaigh, Water
Ken Ray, BDS
Nancy Thorington, BDS
Sandra Wood, BPS

Angela Butel, Budget Office
Mark Fetters, BDS
Tim Heron, BDS
Kurt Krueger, PBOT
Doug Morgan, BDS
Kareen Perkins, BDS
Elisabeth Reese Cadigan, BES
Terry Whitehill, BDS

Rebecca Esau, BDS
Darryl Godsby, BDS
Sarah Huggins, Parks
David Kuhnhausen, BDS
Kyle O'Brien, BDS
Andy Peterson, BDS
Dave Tebeau, BDS
Duane Whitehurst, BDS

Guests Present:

Krista Bailey, Urban Renaissance Group
Ashley Fleschner, National Association of the Remodeling Industry PNW
Michelle Schulz, GBD Architects

DRAC Members Absent:

Shea Flaherty Betin
Martha Williamson

Michael Harrison

Holloway Huntley

Handouts (all handouts are available at <https://www.portlandoregon.gov/bds/46406>)

- Draft DRAC Meeting Notes 6/18/2020
- Draft DRAC Meeting Notes 7/16/2020
- Inter-Bureau Code Change List
- Non-Cumulative Cost Recovery Report
- BDS Major Workload Parameters
- BDS Business Continuity Plan Summary
- Draft DRAC Letter to PSC & DC re: Loading Standard
- Draft DRAC Annual Report
- Upcoming City Council Agenda Items

Convene Meeting

DRAC Chair Paul Delsman convened the online meeting and welcomed DRAC members, City staff, and guests.

DRAC Meeting Notes

DRAC members reviewed and approved notes from the June 18, 2020 and July 16, 2020 DRAC meetings.

BDS Services Update

Permit Intake Backlog / New Process

BDS Director Rebecca Esau referenced the ongoing backlog in permit intakes and BDS's response. BDS intends to replace the current appointment system with an online capability for customers to upload plans, hopefully within the next month.

BDS Permitting Services Manager David Kuhnhausen said the bureau realizes the current appointment system is not sustainable. Staff is receiving 75 calls per day for appointments, and the process requires a lot of back and forth with customers. Staff is creating a form for customers to fill out that will avoid the back and forth; it will be available soon on the website. Kuhnhausen said that staff is still prioritizing the processing of deferred submittals and revisions.

Duane Whitehurst (BDS) said BDS wants DevHub (<https://www.portlandoregon.gov/bds/42781>) to be the starting point for almost any customer transaction, but it will require increased functionality. They're looking to start doing generalized permit intake via DevHub in one month – taking basic information about the project and applicant, which is then fed directly into AMANDA. After permit intake, the next functions to go online will be corrections and deferred submittals.

DRAC Member Justin Wood said that in the current system it takes a while to get revisions through the process, and asked whether this will improve. DRAC Member Sean Green noted that this concern was raised at the July DRAC meeting as well. Director Esau (BDS) said BDS is working on a pilot project for approving simple residential revisions in the field.

BDS Financial Forecast & Fees

BDS Deputy Director Elshad Hajiyev gave an update on BDS finances and referenced the handouts ***Non-Cumulative Cost Recovery Report, BDS Major Workload Parameters, and BDS Business Continuity Plan Summary***. BDS financial reserves stand at \$77.5 million, but the bureau has been drawing \$2.2 - \$2.5 million of reserves per month recently. Staff met with the BDS Financial Advisory Committee (including two DRAC members) on August 4, 2020. FAC members agreed that economic recovery will take at least 3 years. In light of this, BDS has been re-working its 5-Year Financial Plan, including revenue and expenditure projections. The bureau is also reducing expenditures. In addition to the staff hiring freeze, non-essential expenditures have been cut and BDS is restructuring its vehicle fleet.

BDS Finance Manager Kyle O'Brien added that the FAC provided good input that is helping in revising the BDS Financial Plan. Significant reductions in revenue projections are being made for all bureau programs.

Hajiyev (BDS) said that BDS is also now looking at fee changes. The bureau had intended to increase fees on July 1, 2020, but waited due to the pandemic. BDS now intends to make 5% fee increases for most bureau programs effective December 1, 2020. The fees will help to offset increased expenditures for rent costs, PERS contributions, and deferred employee cost of living increases that may eventually be restored. Increases may be higher than 5% for certain fees where cost recovery is less. Director Esau (BDS) noted that BDS is working with other bureaus on an ordinance to reduce Citywide expenditures.

Delsman (DRAC) asked about the significant cost recovery drop in March. O'Brien (BDS) said that part of the decrease was due to BDS transitioning to remote work. Director Esau (BDS) said that BDS still has a lot of work, but not as many large projects, which provide more revenue. As in the last recession, a larger percentage of the work is made up of small projects that don't pay for themselves.

DRAC Member Lauren Jones noted that there hasn't been a meaningful increase in building permit fees in a couple years, but that if fees increase, BDS needs to find a way to continue to add value. Jones (DRAC) asked whether only building permit fees will be increased, or land use as well. O'Brien (BDS) said that all BDS fee schedules will have increases. Fees charged by other bureaus (including SDCs) are not included in BDS's fee increases.

Green (DRAC) said that at the recent BDS Financial Advisory Committee (FAC) meeting, members of the committee picked up on the point that furloughs do not really make sense for BDS given the fee-based revenue model and the restricted nature of funds. Green (DRAC) suggested that a letter from the DRAC to the City Council might be helpful to document frustrations with the current furlough and hopefully prevent future furloughs that negatively impact review times, delay the collection of fees, and delay the completions of projects that support higher tax revenue. Director Esau (BDS) noted that BDS asked for an exception to required furloughs, knowing the impact they would have on service delivery, but the City wanted to treat all employees equally. Director Esau (BDS) suggested that a DRAC letter to the Mayor and the Bureau of Human Resources could be helpful.

J. Wood (DRAC) asked whether furloughs help reduce the dip in BDS reserves. Director Esau (BDS) said furloughs do help financially, but have been bad for service delivery.

DRAC Member Jennifer Marsicek asked whether additional furloughs may be required. Hajiyev (BDS) said it isn't certain if there will be more furloughs required beyond October 2020, but that should be known by late September or early October. Director Esau (BDS) said that most employees have already taken all of the furlough days that have been mandated so far, but some have days remaining.

Green (DRAC) volunteered to draft a letter on furloughs for consideration at the September 17, 2020 DRAC meeting. DRAC members expressed support and asked Green to prepare a draft letter.

City Announcements / Updates

Residential Infill Project

Sandra Wood (BPS) said that the City Council had a second reading on the Residential Infill Project (RIP) last week and heard testimony in support of the recommendation from the Planning & Sustainability Commission (<https://www.portland.gov/bps/rip/news/2020/8/12/portland-city-council-adopts-residential-infill-project>). S. Wood (BPS) noted several key points to the RIP legislation:

1. RIP is a re-write of single family zones.
2. RIP goes into effect August 1, 2021.
3. RIP allows for up to four units on most residential lots.
4. City Council added an amendment allowing up to 6 units on lots, if half of the units meet affordability goals (60% Median Family Income for 99 years).
5. RIP introduces Floor Area Ratio (FAR) at a sliding scale, to regulate size.

Kuhnhausen (BDS) asked if BPS would provide a brochure summarizing all the changes associated with RIP, as a reference for BDS Permitting Services staff; S. Wood (BPS) said they will put out a brochure. DRAC Member Jeff Bachrach said there will almost certainly be an appeal of RIP, and hoped that it will be resolved before the effective date.

Draft Letter re: Title 33 Loading Requirements / RICAP

Jones (DRAC) and Michelle Schulz (GBD Architects) reviewed the handout ***Draft DRAC Letter to PSC & DC re: Loading Standard***. The letter asks BPS and BDS to form a working group to go through technical issues with the loading standard, and includes possible recommended changes to the code. Jones asked for a motion to approve the letter.

S. Wood (BPS) said that the letter might be better directed to the BDS and BPS Bureau Directors, since they direct the work of staff, rather than to the Planning & Sustainability Commission (PSC) and the Design Commission (DC). Director Esau (BDS) agreed, and suggested the two commissions be copied on the letter.

Bachrach (DRAC) asked whether there is a more streamlined way to move the issue forward, and expressed concern that work sessions will take a lot of time. S. Wood (BPS) said the letter is requesting work sessions with the DRAC, BDS, and BPS to work on the project definition and scope. A lot of people are questioning what is on BPS's work plan right now, and noting that it isn't what the black community has been asking for. Larger questions are being asked about who benefits, who is burdened, and who is choosing what projects BPS will work on. There is no guarantee that this project would be at the top of BPS's list. S. Wood (BPS) said the letter is great and work sessions are a good approach, and did not recommend taking the issue directly to the PSC without public engagement.

Director Esau (BDS) discussed the possibility of folding this issue into the next Regulatory Improvement Code Amendment Package (RICAP). S. Wood (BPS) said BPS doesn't have a timeline for the next RICAP, that previous RICAPs were funded by BDS, and that racial justice will be BPS's first criteria for choosing projects. S. Wood (BPS) noted that Matt Wickstrom (BDS) is tracking items that could be included in the next RICAP, and suggested sharing the current database of items with the DRAC.

S. Wood (BPS) described the RICAP process. In the past, City staff would sift through hundreds of suggestions to separate things requiring code changes and determine impacts, then take that list to the PSC for a public hearing and input. That locked the RICAP in, preventing further additions. For the first 6 RICAPs, BPS used an advisory group that included representatives from BDS, BPS, DRAC, and others to work through the nitty gritty issues, but there wasn't an advisory group for RICAP 7.

DRAC Member Claire Carder asked how the square foot changes in the letter were determined, and if it was tied to a project size threshold. Jones (DRAC) said that it was based on observations rather than a scientific basis.

Bachrach (DRAC) agreed that racial justice is the overwhelming concern for the City right now, but other work still goes on. There has to be a way to manage priorities and do both – working for racial justice and managing the code.

Carder (DRAC) moved to send the letter to the BPS and BDS Directors, with copies to the PSC, Design Commission, Historic Landmarks Commission, and the PBOT Director. The motion was seconded and approved. City staff asked that the letter be copied to the Historic Landmarks Commission and the PBOT Director.

DRAC Annual Report

Carder (DRAC) reviewed the handout ***Draft DRAC Annual Report***. The report was not available before the meeting, and will be sent to DRAC members. It will also be available on the DRAC website.

Industry Updates

Delsman (DRAC) asked DRAC members for updates on their work and what they're seeing in the development industry. Delsman (DRAC) said that things haven't changed much on the commercial side, and they still have lots of work. They are starting to see material shortages and increases in lumber prices.

J. Wood (DRAC) said the residential development process is taking an extra 6-8 weeks to complete. Cost increases are astronomical – lumber has quickly gone to an all-time high. Lumber quotes are typically good for 60-90 days, but now are good for only for a week. The residential development market is strong.

Green (DRAC) is seeing supply issues, delays with windows, and higher lumber prices. There is a lot of residential activity, and a lot of potential new projects with more people spending time at home.

Carder (DRAC) said the upcoming changes in City Council membership could affect the neighborhood coalitions, but it's not certain. Things are stable with the neighborhoods.

Marsicek (DRAC) said they are still very busy, and asked why the lumber market is being affected. J. Wood (DRAC) said it's the result of the tariff war with Canada over soft wood lumber and lumber mills being shut down for 6-8 weeks during the pandemic. When the mills restarted, they didn't think construction would pick up as quickly as it has. Mills are still trying to ramp up, but still can't get enough raw wood to meet demand. Delsman added that the supply chain is much leaner than it used to be, reducing the capacity to deal with rapid change.

Jones (DRAC) said the industrial market is really active, but there isn't enough industrial land in Portland, making it tough to meet demand. Prices for development aren't going down. They are seeing a softening in the rental market; it doesn't make sense to build new rental housing at this point. No one knows what office space will look like. Jones has heard that actual occupancy in Portland's Central Business District is about 10%, and retailers are still hurting.

Green (DRAC) continues to work with the Interfaith Alliance on Poverty on houselessness issues. Their main strategy is promoting alternative shelters and villages. Other strategies revolve around buying hotel/motel buildings to use for shelter, which come with higher costs and don't do enough to reduce houselessness. Green expects to see a substantial increase in houselessness in the near future with the end of the moratorium on evictions.

Delsman (DRAC) ended with the good news that Kaiser is starting a Phase 3 coronavirus vaccine trial.

The next DRAC meeting is scheduled for Thursday, September 17, 2020.
Meeting notes prepared by Mark Feters (BDS).