



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

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BDS Budget Advisory Committee
Meeting Notes
Thursday, November 18, 2020

BAC Members Present:

Adriel Person, Community Member
Barbara Alexander, Hacienda CDC
Cari Ebbert, BDS / DCTU
Charles Funches, Portland Community Reinvestment Initiatives
Cleo Davis, Community Member
Elliot Akwai-Scott, BDS Equity Committee
Jason Richling, BDS / PROTEC
Kevin Foster, Community Member
Linda Woodley, Prisma Point
Priscilla Partch, BDS Labor Management Committee
Sean Green, DRAC
Tonino Pacifico, Habitat for Humanity Portland/Metro East

City Staff Present:

Angela Butel, City Budget Office
Beth Benton, BDS Property Compliance Inspections Manager
Chariti Montez, Commissioner Dan Ryan's Office
Darryl Godsby, BDS Commercial Inspections Manager
David Kuhnhausen, BDS Permitting Services Manager
Dave Tebeau, BDS Residential Inspections Manager
Doug Morgan, BDS Plan Review Manager
Elshad Hajiyev, BDS Deputy Director
Kathy Lyndon, BDS Budget & Finance
Kellie Torres, Commissioner Dan Ryan's Office
Ken Ray, BDS Public Information Officer
Kimberly Tallant, BDS Land Use Services Manager
Kyle O'Brien, BDS Budget & Finance Manager
Leesha Posey, BDS Equity & Policy Development Manager
Omar Elnaser, BDS Equity Committee
Ray Galinat, BDS Budget & Finance
Rebecca Esau, BDS Director
Tammy Croll, BDS Training & Workforce Development (Meeting Host)

Handouts

- BDS Organizational Chart
- FY 2021-22 Budget Preparation Process
- Line Item Budget
- Explanation of Line Items
- BudgetSpeak Dictionary
- Major Workload Parameters
- Non-Cumulative Cost Recovery Report
- Business Continuity Plan Summary
- Economic Outlook
- FY 2020-21 BAC Report

Optional Materials (available online)

- [FY 2020-21 Requested Budget](#)
- [5-Year Financial Plan](#)

1. Welcome/Convene Meeting

BDS Director Rebecca Esau convened the meeting, welcoming Budget Advisory Committee (BAC) members and City staff. BAC members made self-introductions.

2. Commissioner Dan Ryan's Office

Kellie Torres is Commissioner Ryan's Chief of Staff. She has worked with City of Portland for many years and is familiar with the budget process. Every City bureau is assigned to a City Commissioner and each Commissioner has a portfolio of bureaus they oversee. Kellie Torres and Chariti Montez are representing Commissioner Dan Ryan's Office on the BAC. Commissioner Ryan is supportive of the BDS BAC and is committed to receiving input from the community and BDS staff throughout the budgeting process. While unable to attend this meeting due to a City Council session, Commissioner Ryan has scheduled an additional meeting for November 30, 2020 to meet with the BAC to share his budget thoughts directly.

Commissioner Dan Ryan's priorities for the upcoming fiscal year include; 1. Improvements to the houselessness system, 2. Establishing safety on Portland streets, 3. Economic building forward with a strong focus on small businesses, and 4. Improve community safety and public health.

3. City Budget Office

Similar to the Commissioner's Office, budget analysts in the City Budget Office (CBO) have a portfolio of Bureaus they support. Angela Butel is the budget analyst assigned to BDS and provided a Citywide budget update. The Mayor's Budget Guidance, which is the launching point for much of the budget creation process, will be released soon. The City's General Fund forecast will be released in December and is expected to be comparable to the Multnomah County and State of Oregon forecasts. Angela stated that the economy is recovering a quicker than economists originally thought; however, many of the City's cost saving measures were one-time in nature which may lead to costs rebounding quicker than revenues.

4. Bureau Overview

Mission / Vision

Director Rebecca Esau stated the bureau's mission is to promote safety, livability and economic vitality through the efficient and collaborative application of building and development codes.

BDS Overview

Director Rebecca Esau provided an overview of the codes BDS is responsible for administering and enforcing. BDS administers the following City Codes: Chapter 3.30 Bureau of Development Services, Title 4 Original Art Murals, Title 10 Erosion and Sediment Control Regulations, Title 11 Trees, Title 24 Building Regulations, Title 25 Plumbing Regulations, Title 26 Electrical Regulations, Title 27 Heating and Ventilating Regulations, Title 28 Floating Structures, Title 29 Property Maintenance Regulations, Title 31

Fire Regulations, Title 32 Signs and Related Regulations, Title 33 Zoning Code, and Chapter 16.60 Motor Vehicle Fuels.

Approximately 70% of BDS' costs are personnel, with the majority of BDS staff represented by labor unions. Additionally, BDS receives very little General Fund support, which "ties us at the hip" to the construction industry. Additionally, Director Esau noted that the current economic downturn is expected to continue for approximately 2-3 years with the construction industry recovering toward the tail end. The pandemic is a new downturn for everyone, being tied to a public health crisis. BDS has been implementing cost saving measures and navigating the uncertainties presented by the current health crises.

Equity & Policy Development (Leesha Posey)

BDS is currently in the 5th year of the BDS 5-Year Racial Equity Plan. In the last two years the bureau has implemented three new related programs centering the needs of BIPOC and other marginalized communities; 1. Empowering Neighborhoods Program, 2. Small Business Empowerment Program, and 3. Arts Empowerment Program. These three programs are in the Empowered Communities Program within the Equity, Communications, & Policy Development Section. This section is integral in implementing these programs, providing staff training around racial equity and accessibility, and supporting the Bureau Equity Committee (BEC).

Organizational Structure / Key Issues

There are eight divisions that make up our bureau. BDS Division Managers briefly described their divisions' work and identified key issues / priorities:

- Land Use Services Division (Kimberly Tallant)

The Land Use Services (LUS) Division is responsible for plan review and issuing decisions regarding Title 33 as well as parts of the Tree code. Land Use Services did not see the application delays other BDS divisions because the LUS email application process was more readily transferrable to operating in a teleworking environment. Two key issues for LUS going forward are: 1. Preparing for training, in collaboration with Bureau of Planning and Sustainability (BPS), on upcoming large code updates to Title 33, and 2. Decreased revenues associated with reduced land use review and early assistance appointments.

- Plan Review Division (Doug Morgan)

The Plan Review Division primarily provides plan review services for State building code permits. Secondly, the division provides plan review services for Environmental Soils relating to on-site wastewater/septic systems for all of Multnomah County, and portions of Site Development. Key issues for the Plan Review Division revolve around maintaining efficiency in meeting timelines while retaining review quality in the transition to a teleworking environment.

Additionally, with COVID restrictions it has not been possible to provide in-person customer service at the Development Services Center (DSC). However, attempts are being made to provide remote access capabilities for this type of service.

- Permitting Services Division (David Kuhnhausen)

The Permitting Services Division is comprised of 5 sections: 1. Records Conversion digitizes historical records, all physical plans, and responds to property records requests, 2. Front Deck & Administrative Support monitors the general phone lines and is responsible for scheduling intake appointments, 3 & 4. Permitting Services, comprised of a Commercial Permitting Services

Section and a Residential Permitting Services Section, ensures minimum submittal requirements are met and performs final quality assurance checks on permits before issuance, 5. Process Management Team facilitates the permitting process for large projects.

Key issues for the Permitting Services Division involve transitioning to telework when many projects are still in a paper/hardcopy format and providing equitable services with limited in-person customer service due to COVID-19 restrictions.

- Residential Inspections Division (Dave Tebeau)

The Residential Inspections Division is tasked with ensuring state and local codes are met during the construction process. The Field Issuance Remodel (FIR) Program, which follows projects through the entire plan review/inspections process, falls within Residential Inspections as well. The Division receives approximately 200-250 regular inspections requests daily, and each FIR inspector carries 80-100 open permits.

Key issues for the Residential Inspections Division involve functioning within COVID restrictions. In order to keep customers, construction workers, and staff safe, video inspections are being utilized to avoid entering occupied homes, and construction sites are cleared before performing on-site inspections. COVID-19 has also spurred out-of-the-box thinking resulting in solutions such as preconstruction meetings via video.

- Commercial Inspections Division (Darryl Godsby)

In addition to administering the Facilities Permit Program (FPP) and Electrical Master Permit Program (EMPP), the Commercial Inspections Division provides structural, plumbing, electrical, and mechanical inspection services for commercial permits. The division also houses the Cannabis Program to help BDS serve that industry's specific needs.

The Commercial Inspections Division is facing similar key issues to those faced by the Residential Inspections Division, specifically shifting to more remote work.

- Property Compliance Inspections Division (Beth Benton)

The Property Compliance Inspections is the only BDS division with funding from the General Fund, and performs enforcement services for Title 10, Title 24, Title 29, work without permit complaints, Zoning, Signs, adult care home inspections, Accessory Short-Term Rentals (ASTR), and Urban Forestry Tree Code enforcement.

Like other divisions, the key issues for the Property Compliance Inspections Division tie back to COVID-19, namely working remotely and performing interior inspections.

- Business Operations & Finance Services Division (Elshad Hajiyev)

The Business Operations & Finance Services (BOFS) Division provides services to other BDS divisions. Services provided under this division include accounting, budget, payroll, human resources, safety, emergency management, facilities, fleet, code & policy development, and finance.

Providing facilities services while working remotely during COVID-19 is one key issue faced by the Business Operation & Finance Service Division, as well as the current economic uncertainty, decreased construction activity, and reduced revenues.

- Technology & Continuous Improvement Services Section (Brenda Fahey)

The Technology & Continuous Improvement Services Division provides services to other BDS divisions as well. Services under this division include: Technology Support, Portland Online Permitting System (POPS), and creating a continuous improvement program.

One key issue for the Technology & Continuous Improvement Services Section is shifting focus to training customers on technology during a period where BDS is expanding functionality offered through its various platforms.

5. Budget Process

Budget 101

Deputy Director Elshad Hajiyev gave an overview of BDS's budgeting process, noting that it is an inclusive process with various advisory committees and stakeholders involved in the budget development process, including: Development Review Advisory Committee (DRAC), BDS Bureau Equity Committee (BEC), BDS Budget Advisory Committee (BAC), BDS Finance Advisory Committee (FAC), BDS Labor Management Committee (LMC), and BDS employees.

Timeline of Events

Elshad explained that the budgeting process progresses through multiple steps. Currently work is being done to arrive at the BDS requested budget which is generally submitted to the City Budget Office (CBO) in the last week of January or first week of February. The requested budget phase is followed by the Mayor's Proposed Budget phase, the Approved Budget phase, and is finally adopted in May or June before going into effect on July 1st.

Elshad stated that the role of the BAC is to help put together the BDS Requested Budget, noting that BDS needs to hear from as many different voices as possible during the budget preparation process and encouraged BAC members to actively participate and share their views during BAC meetings.

Budget & Finance Manager Kyle O'Brien added that one of the roles of the Budget Advisory Committee is to provide a report that is submitted with the requested budget.

Questions:

Linda Woodley inquired into potential ideas submitted by the BAC and if parameters are already set or if there is space for innovation and creativity. Elshad Hajiyev conveyed a desire for creative ideas, small or big. Depending on feasibility, implementation of approved ideas may occur in future years.

Sean Green requested elaboration on Commissioner Ryan's involvement in the creation of the upcoming BDS requested budget. Elshad Hajiyev mentioned that Chariti Montez and Kellie Torres from the Commissioner's Office were in attendance and noted that an additional BAC meeting has been scheduled for November 30 to allow for the commissioner to interact with the BAC. Elshad also stated that Commissioner Ryan has already provided some feedback on the Director's Budget Goals. Kellie Torres added that Commissioner Ryan has been very involved and thoughtful about the future state of the BDS budget and is waiting for the Mayor's guidance before more specifics are provided.

Sean Green asked if the Mayor's Guidance is mainly limited to the General Fund, or if the guidance extends to restricted funds as well. Elshad Hajiyev explained that most BDS revenues are dedicated, protected by state and/or local code, with very little leeway to reallocate funds. The Mayor's Guidance applies mainly to the General Fund.

6. BDS Finances & Financial Planning

Operating Fund

BDS Budget & Finance Manager Kyle O'Brien provided an overview of the bureau's financial structure, financial planning process, and current market conditions. BDS is established as an operating fund. Approximately 98% of all bureau revenue comes from permit fees and charges for service, and revenue may only be used to support the specific program which generate the revenue. BDS programs must be self-supporting and generally do not receive General Fund monies. The Neighborhood Inspections Program receives a small amount of General Fund support. Historically Land Use Receives received General Fund support; however, ongoing General Fund support for that program ended in the 2017-2018 fiscal year.

During periods when BDS is not covering costs the bureau must ensure continuity of services. As such reserve goals were created based on a percentage of annual expenditures. Overall, BDS has a reserve goal of 50% of annual expenditures to provide stability during economic fluctuations. The Building/Mechanical, Signs, Environmental Soils, and Land Use Services reserve goals are 75% of annual expenditures. Currently has drawn down reserves from a high of approximately \$92 million in June of 2018 to nearly \$70.5 million in our reserve fund in October of 2020.

State Mandated and Local Code Enforcement Programs.

State mandated programs include Building/Mechanical, Electrical, Plumbing, Field Issuance Remodel (FIR), and Facilities Permits (FPP). Local programs include Site Development, Environmental Soils, Signs, Zoning Enforcement, Neighborhood Inspections, and Land Use Services.

Financial Plan

Expenditure projections are based primarily on current expenses, inflationary factors, and assumptions regarding the future personnel needs of the bureau. Expected project expenses are also considered when known.

Revenues for Building, Mechanical, Plumbing, Electrical, and Land Use Services are all econometrically forecasted. Facility Permit Program (FPP) and Field Issuance Remodel (FIR) Program revenues are projected using a weighted average of the Building Mechanical, Plumbing, and Electrical growth rates. Site Development and Zoning Enforcement revenue estimates are based on Building Program rates. Environmental Soils, Signs, and Neighborhood Inspections revenue projections are based on forecasted economic data.

Economic Outlook

The pandemic has had a huge impact on the overall economic outlook, as well as BDS revenues. Unemployment spiked around 14% nationwide and it will likely be several years before jobs return to full employment levels. The Fed is keeping interest rates low, most likely for the next 3-4 years. The current surge in COVID-19 cases will make it difficult the next few months however recent developments with vaccines provide hope.

Aside from COVID-19, overall uncertainty remains which may discourage development investment. Additionally, overall demographics are changing, with Baby Boomers retiring and Millennials entering prime waging years. The residential market is a bright spot as people are still buying homes; however, there is more activity in the suburbs and exurbs than the City Core like Portland which can have downward effects on BDS revenue.

One difference between the current economic conditions and the last recession is there isn't over building of homes. As employees are teleworking—there's less incentive to live close to work (paying more money for the same space in the City Core rather than moving to the suburbs). Developers are not moving forward with commercial housing projects in the City. Over the next five years, BDS does not anticipate new development in the hotels and commercial office space. Remote work has shifted the way we think about office space demand in Portland. Also, there's been a drop in demand for tourism and hotel occupancy due to the pandemic.

Questions

Linda Woodley asked if there is COVID-19 funding for the City. Kyle O'Brien responded that federal compensation, like the CARES Act, could be a benefit for BDS as it would provide support for BDS customers, potentially effecting demand for BDS services. An example is if people can't afford their rent in an apartment building, there's less incentive for developers to build an apartment complex (demand for services from BDS) and same with the home mortgages. Nationwide, additional federal stimulus support would help the overall economy.

Cari Ebbert requested clarification on which BDS programs receive General Fund support. Kyle O'Brien explained that only one program, Neighborhood Inspections, receives ongoing General Fund support. Beth Benton added that the bulk of General Fund mainly supports inspections on housing code and nuisance abatement work. The goal of this work is compliance and if done well this results in lower application of enforcement penalties and fees, making the General Fund an appropriate revenue source for the program.

Line Item Budget

BDS Financial Analyst Ray Galinat provided an overview of the BDS Line Item Budget, explaining that the document compares the current year budget to the previous 4 years of actual expenses. Expenses are broken down into 4 high level categories: 1. Personal Services, 2. External Materials & Services, 3. Internal Materials & Services, and 4. Capital Outlay. Most costs fall within the personal services category, accounting for approximately 70% of all bureau operating expenditures.

Cari Ebbert asked about bank card fees and what kind of fees are we incurring? Also, are the fees avoidable? Ray explained these are fees BDS incurs to process customer payments by credit card. The cost of allowing payment by credit card is unavoidable and depending on the type of credit card, it's between two to three percent of the overall cost of the card swipe.

Sean Green requested an explanation of the variances between the actual expenditures seen in the previous fiscal year and the current year budget. Ray Galinat provided detail into the major variances:

- **Professional Services:** The increase in the current year budget is mainly due to POPS expenses being budgeted in external materials & services, whereas some of the actual costs post to capital outlay. Additionally, funds were budget related to a consulting contract for the Development Review Governance Structure Initiative, as well as an increase to the Equity & Policy Development Section budget in this category.
- **Miscellaneous Services:** The increase in the current year budget is primarily due to POPS expenses being budgeted in external materials & services, whereas some of the actual costs post to capital outlay.
- **Operating Supplies + Computer SW & HW:** The increase in current year budget is related to expected technology costs for POPS implementation (i.e. monitors for Electronic Plan Review, tablets for field work, etc.).

- **Education, Subscriptions, Dues:** The increase in the current year budget is for AMANDA implementation trainings, equity related trainings, and new code books.
- **Facilities Operating Lease:** This line is \$0 in the current year budget as the expense moved to internal materials & services due to the Office of Management & Finance (OMF) – Facilities absorbing the Jacob’s Center operating lease. This change is a result of the blended rental rates on City occupied office space in the downtown core.

Sean Green inquired about the current leases and when the leases expire. Elshad explained that BDS is planning to reduce their footprint. There is no way to break our current lease. The Jacobs Building first floor lease does not expire until October 2024 and the 6th and 10th floor lease expires October 2022. BDS is projecting we will not need the 6th and 10th floors of the Jacobs building by the time the leases expire. Sean inquired if other City bureaus are interested in sub-leasing BDS office space before the lease expires. Elshad stated all City buildings are closed and all bureaus are in the same situation. Whenever possible, employees are working from home. The sub-lease office space market does not exist, especially in downtown Portland.

Workload & Revenue Statistics

BDS Financial Analyst Kathy Lyndon provided an overview of BDS workload and revenue statistics. There was a large revenue spike in the monthly workload handout, however this was mainly due to a few large projects in October 2020:

- Alamo Manhattan Block 41(\$80M project valuation)
- Block 42(\$37M project valuation)
- Benson High School (\$212M project valuation)

The overall cumulative workload trend is a decline in construction activity and associated revenues.

7. Next Meeting

The next BAC meeting is scheduled for Monday, November 30, 2020 with Commissioner’s Ryan and staff for thirty minutes.

Meeting notes prepared by Kathy Lyndon & Ray Galinat, BDS