

Housing Development

Accelerate development process & reduce costs to meet City goals for increased housing supply



Ted Wheeler, Mayor

Chloe Eudaly, Commissioner

Kurt Creager, Portland Housing Bureau

Paul Scarlett, Bureau of Development Services

January 19, 2017
(Next session TBD)

Today's session purpose

Assess current environment for housing development

- Are we meeting city goals for housing production?
- How is the development process working?
- How have changes made since the last GATR session affected affordable housing project timelines?
- How long does the process take & how much does it cost?

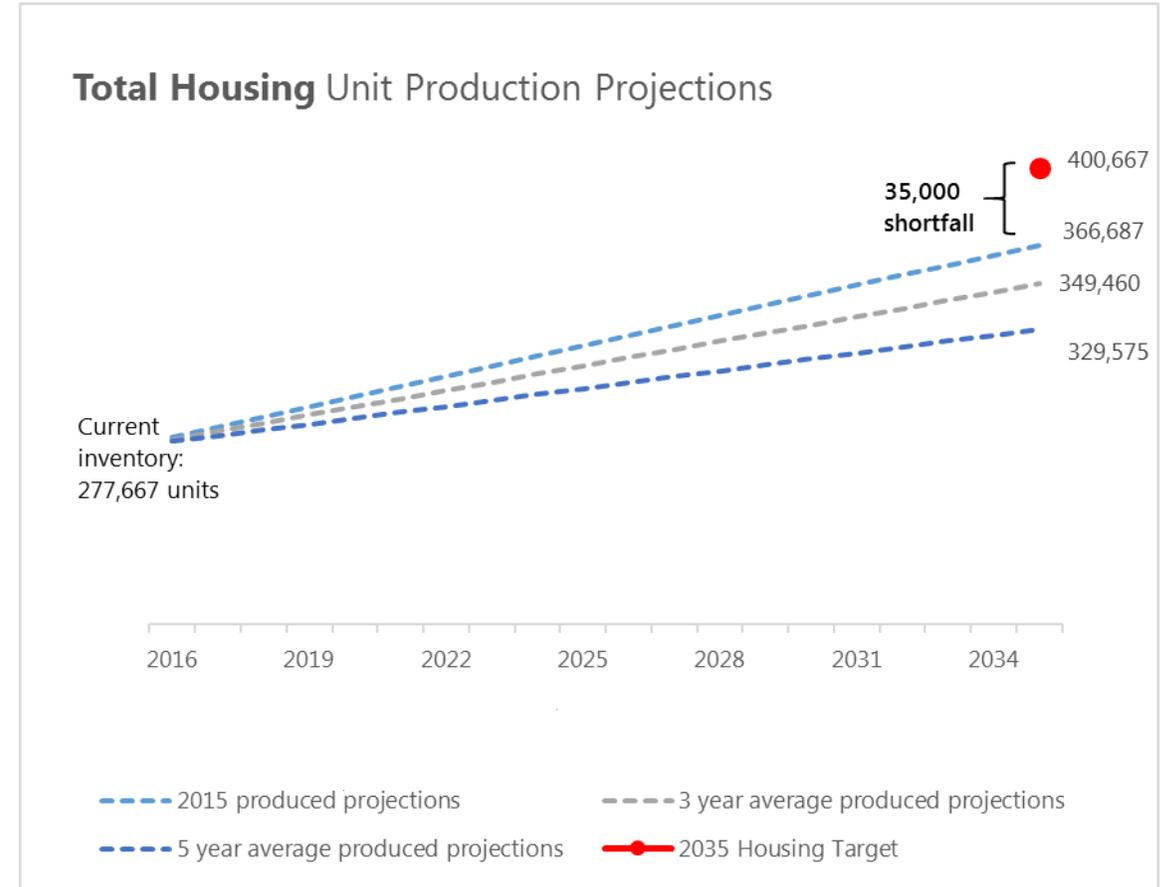
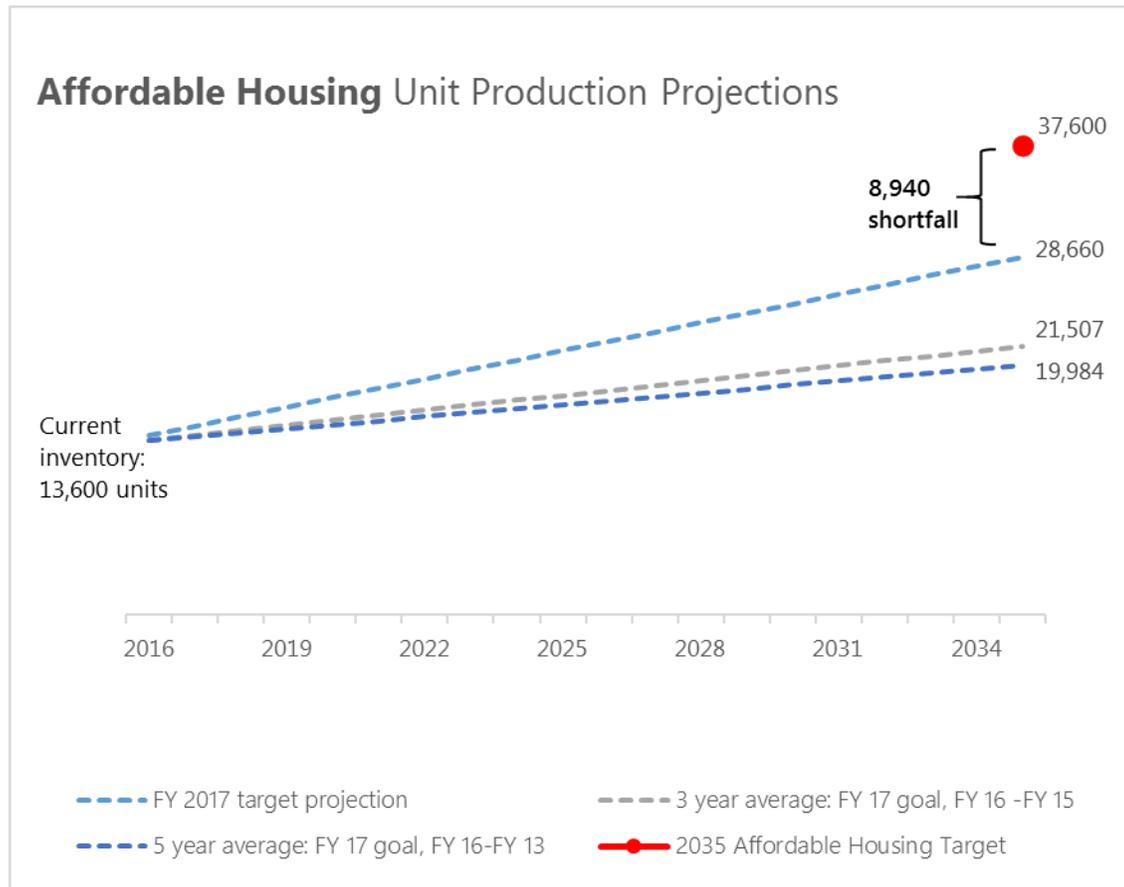
Define targets & discuss potential solutions to

- Increase the speed of the development process without sacrificing quality or consistency
- Reduce costs imposed on market-rate development
- Reduce the cost of constructing new affordable housing

Session Agenda

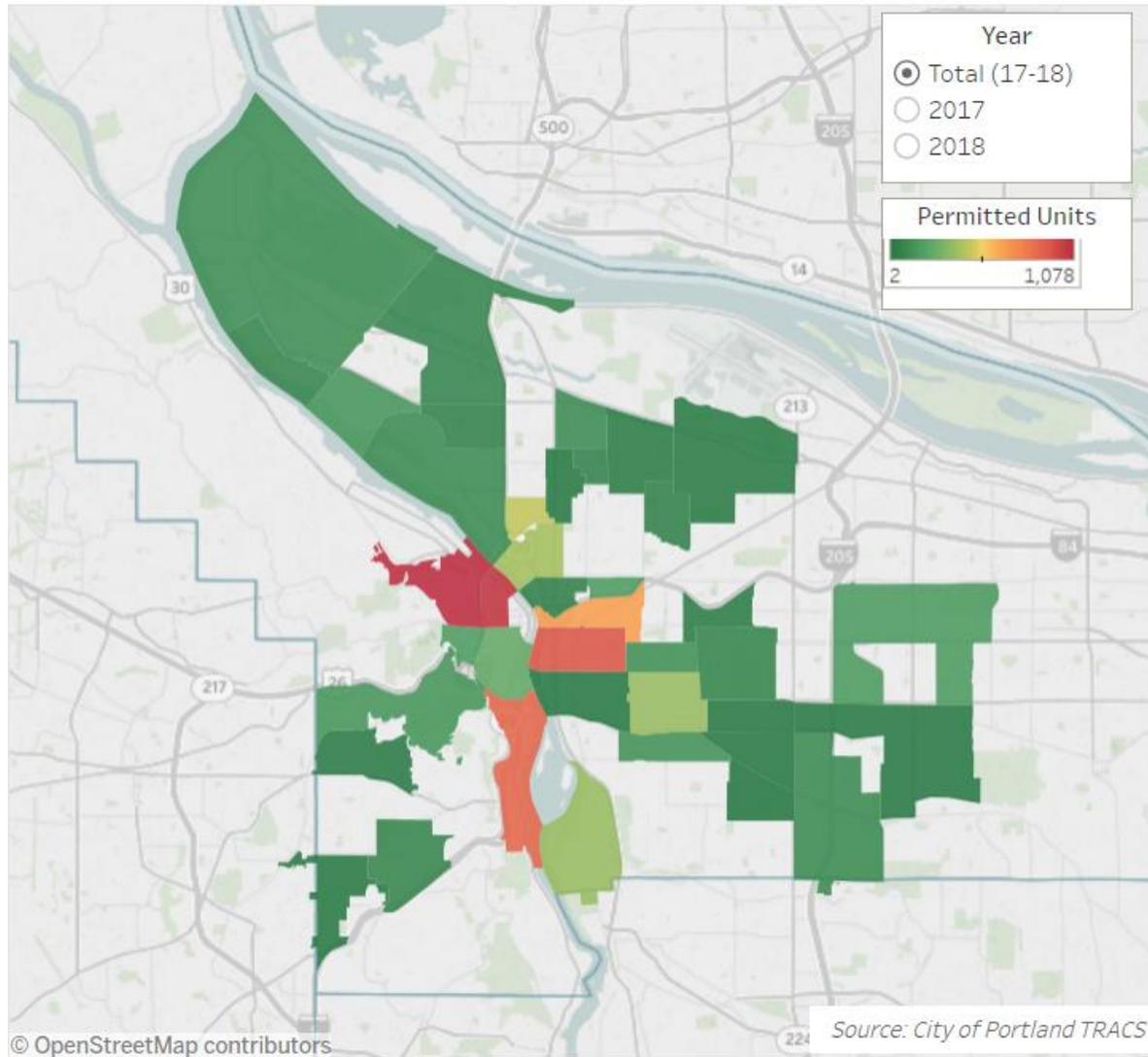
Topic	Time	Lead Presenter
I. Introduction	10 AM	Director Scott, Shannon Carney (CBO)
II. Issue Context a. Projected housing production b. Location of recent development	10:05 – 10:15 AM	Director Creager & Director Scarlett
III. Follow up (from Dec 2015 GATR session) a. Results from recent projects b. Lessons learned	10:15 – 10:30 AM	Director Creager, Director Scarlett, Christine Leon (PBOT)
IV. Development process timelines a. Land Use Review b. Permitting	10:30 – 10:50 AM	Director Scarlett
V. City-imposed development costs a. SDCs vs. other fees <i>Discuss proposed solutions for timelines & costs</i>	10:50 – 11 AM	All
Break	11 – 11:10 AM	
V. City-financed affordable housing a. Cost comparisons b. Affordable unit production <i>Discuss proposed solutions</i>	11:10 – 11:30 AM	Director Creager
VI. Conclusion a. Prioritize and assign action items	11:30 – 12 noon	Mayor Wheeler, Commissioner Eudaly

Issue context: Projected housing need versus production



Assuming current record production rates continue, Portland will still experience significant unit shortfall compared to projected need for affordable and market-rate housing.

Issue context: Where is multi-family development projected to occur?



Vested New Multi-family Unit permits, projected to be constructed in 2017 & 2018



Issue Context: Development process

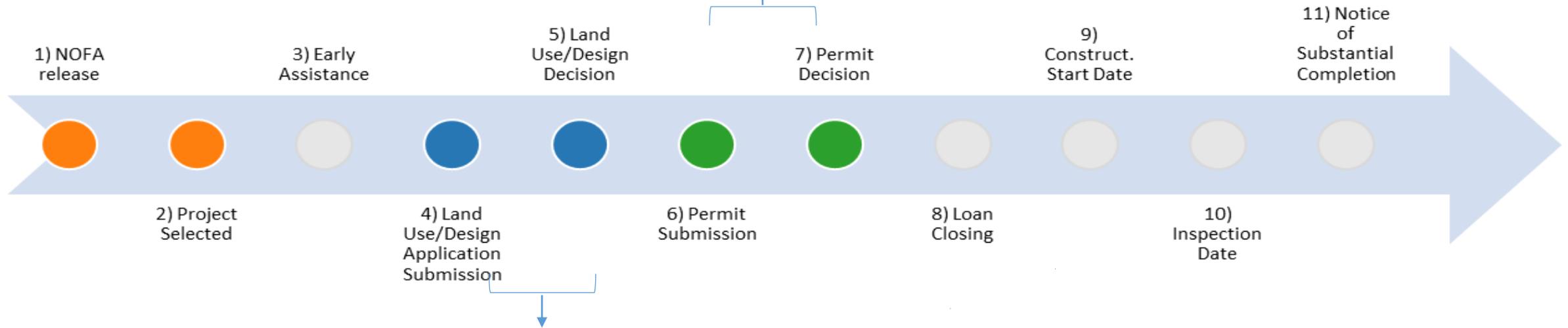
The City processed ~\$2 billion of new private development in 2016



Follow up: Streamlining affordable housing GATR session, 12/2015

13 recent City projects formed a baseline for time spent in the financing, land use, and permitting stages of the process.

Permit Plan Review:
8 weeks to first review
GATR Action: commitment to 4 weeks to first review; 10 days to respond to check sheets.



City Land Use review standard:

- Type II = 56 days
- Type IIX = 83 days
- Type III = 103 days

GATR Action: decrease timelines by looking at design requirements; utilizing type IIX rather than type III; and through early assistance efforts.

p7

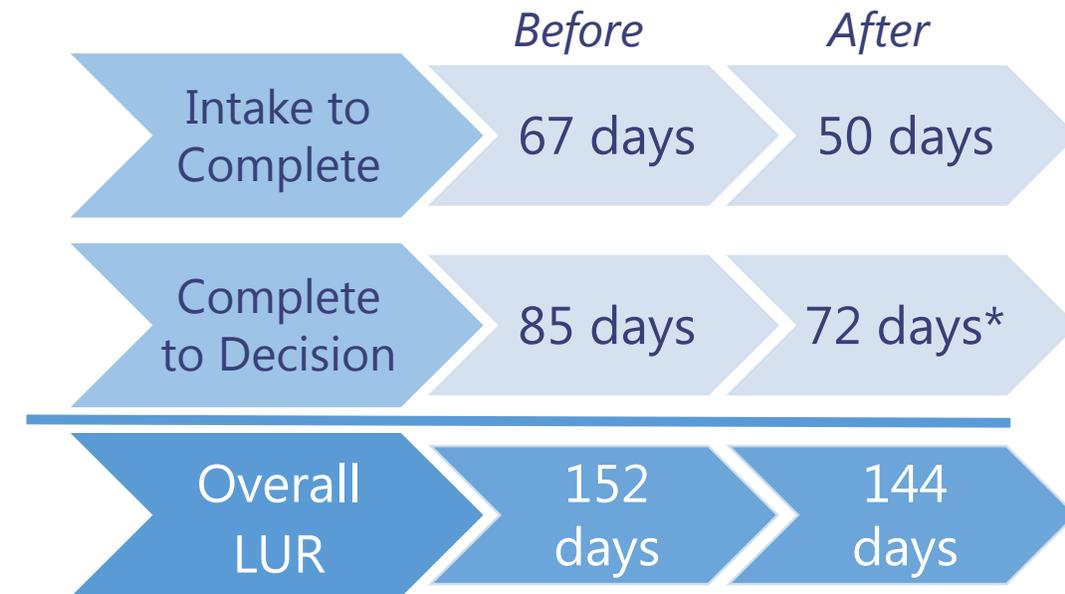
GATR Follow up: Accelerating land use process for City-funded affordable housing projects

Actions taken:

- ❑ Mandated early assistance; bureau coordination and feedback
- ❑ “Check box” prioritizing PHB-sponsored projects
- ❑ Increased lines of communication between BDS, PHB, & project teams

Benefits include:

- ✓ Improved coordination & feedback
- ✓ Increased consistency for customers
- ✓ Better, more complete applications
- ✓ **Faster approval timelines**



BDS and PHB have made changes to 1) provide project teams with more & better information earlier in the process, so that 2) applications are more complete upon submission

Development process: What are average timelines for new commercial projects?

Land Use

Typically meets 120-day requirement

Permits

Current estimate is 8-10 weeks to first review, 16-18 weeks for total process.

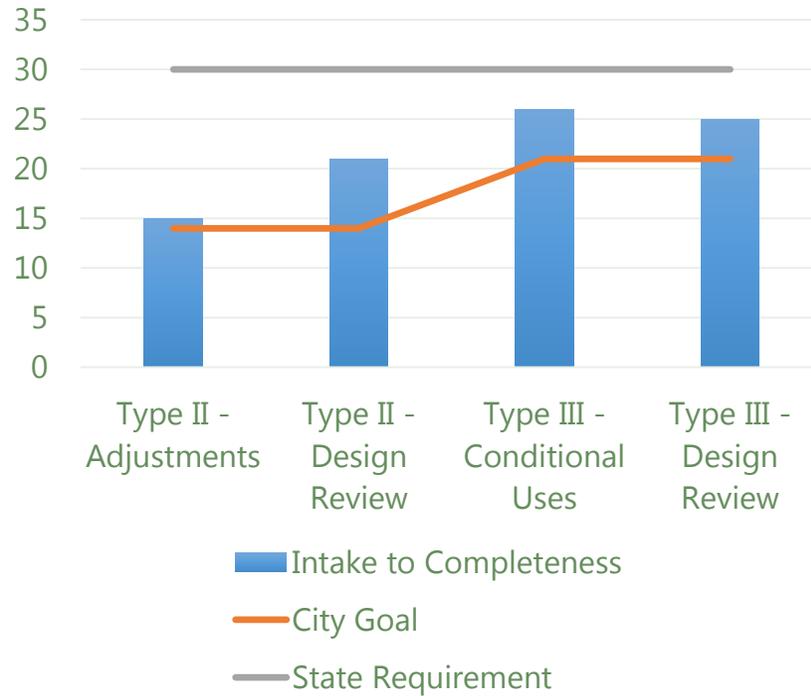
Inspections

Responsive to the field, typically meet one day goal for service.

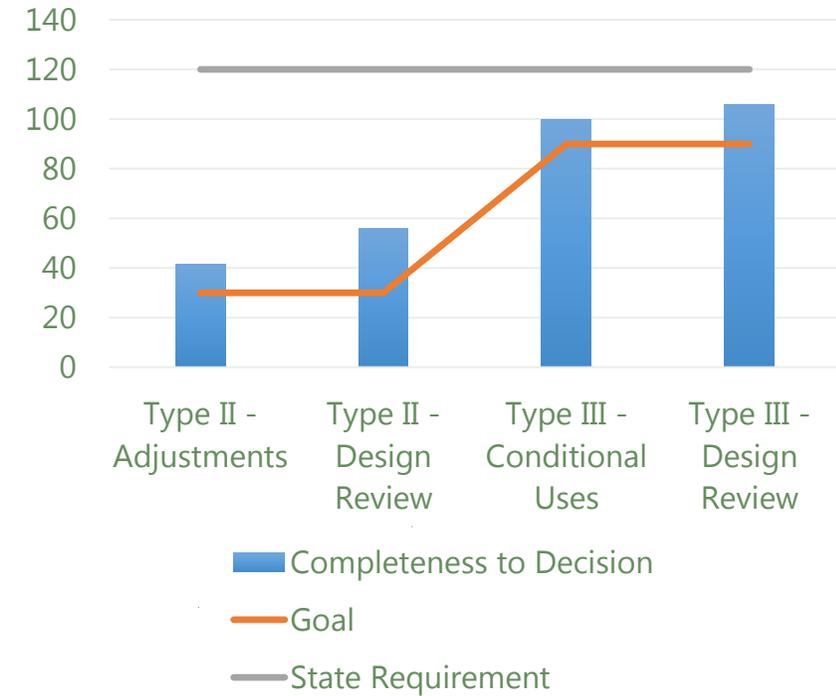
- *1st reviews*
- *Applicant response*
- *Checksheets returned*
- *Subsequent reviews as necessary*

Development process (land use): What are average land use review timelines?

Intake to Completeness Decision (Days)

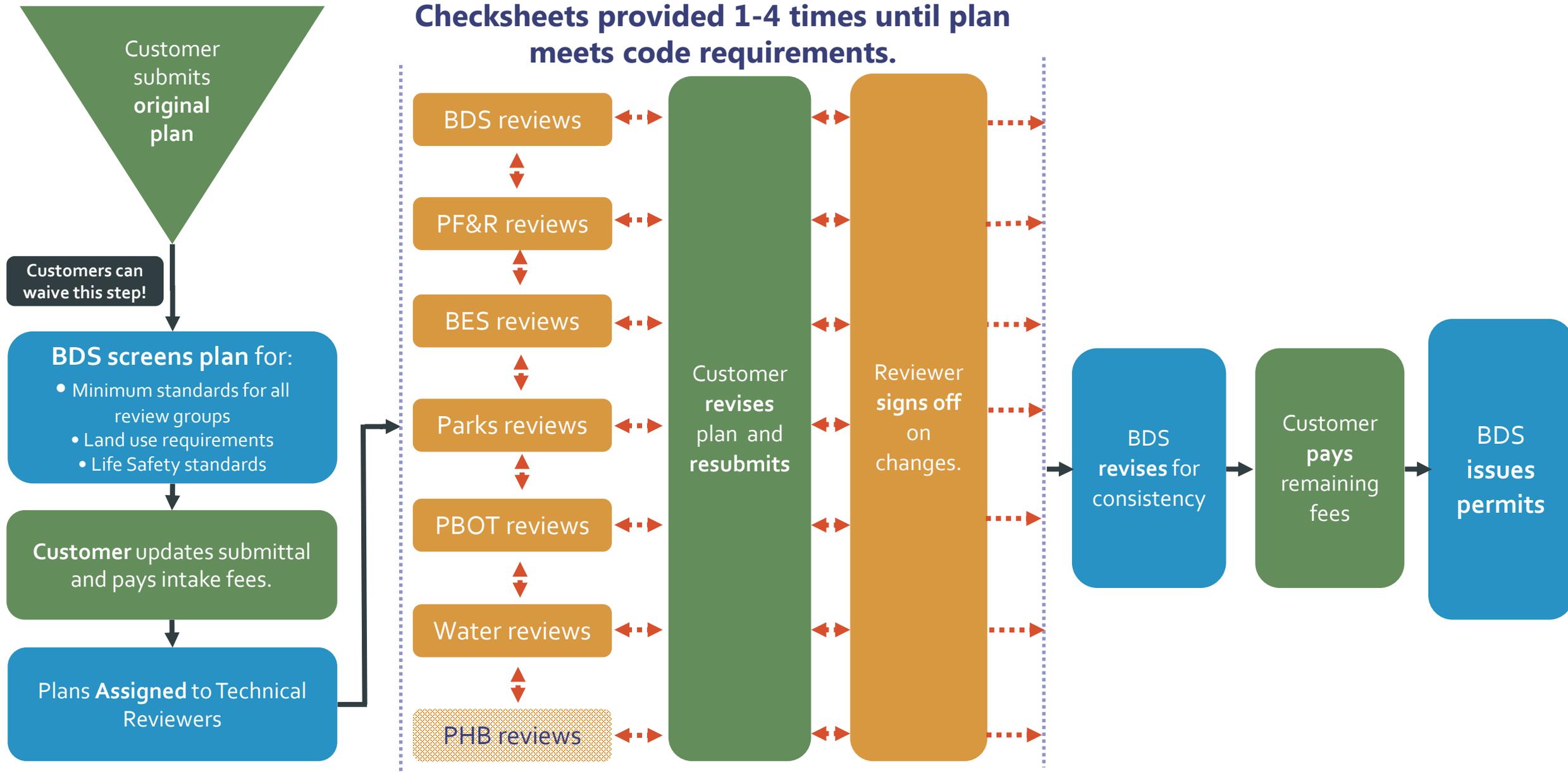


Completeness to First Decision (Days)



City land use review decisions consistently meet state required timelines, though performance often falls short of City goals. Design review projects take substantial time to review.

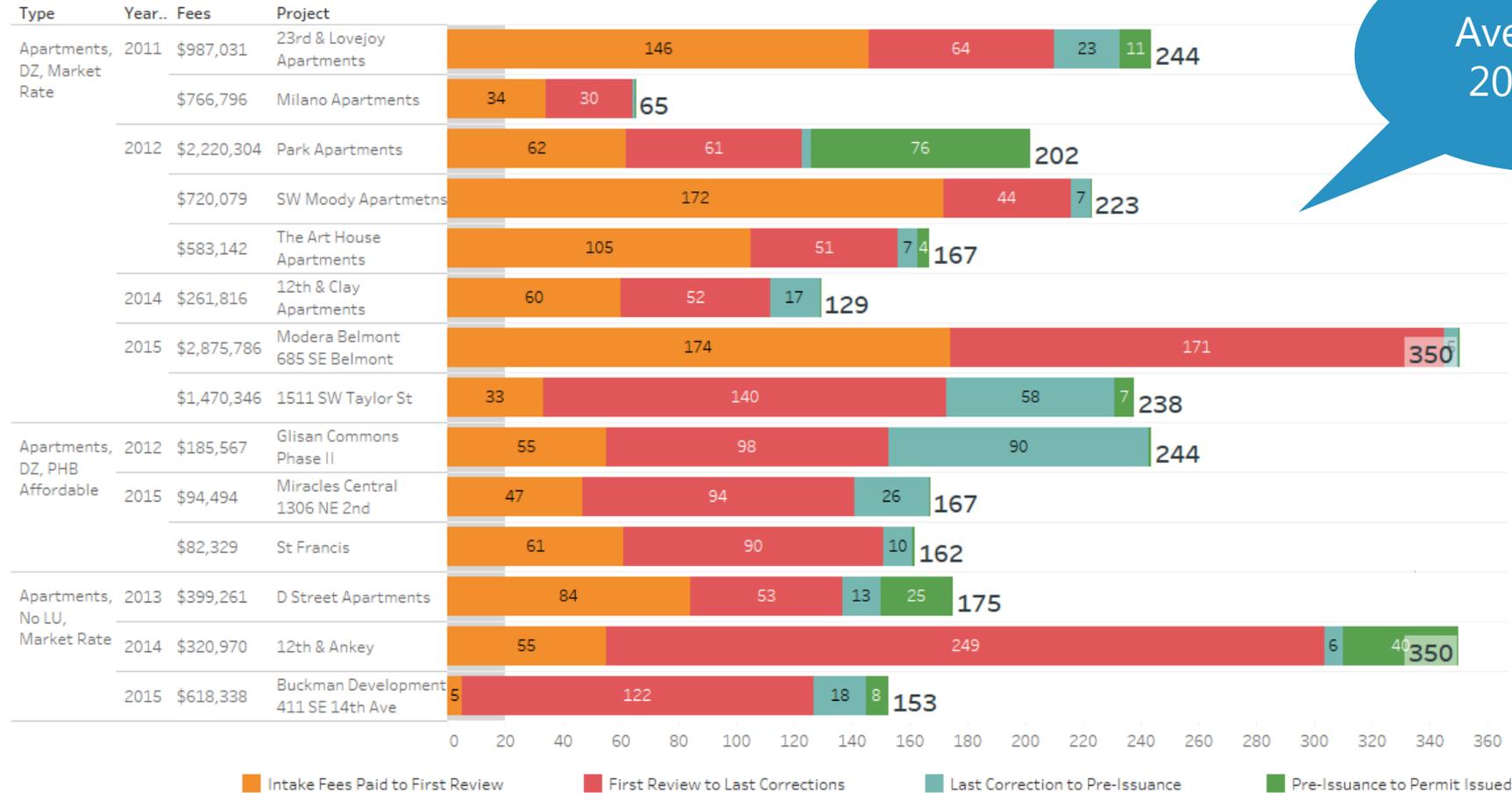
Development process (permitting): How does the process work?



Development process (permitting): What are average timelines for multi-family projects?

Days from Intake to Permit

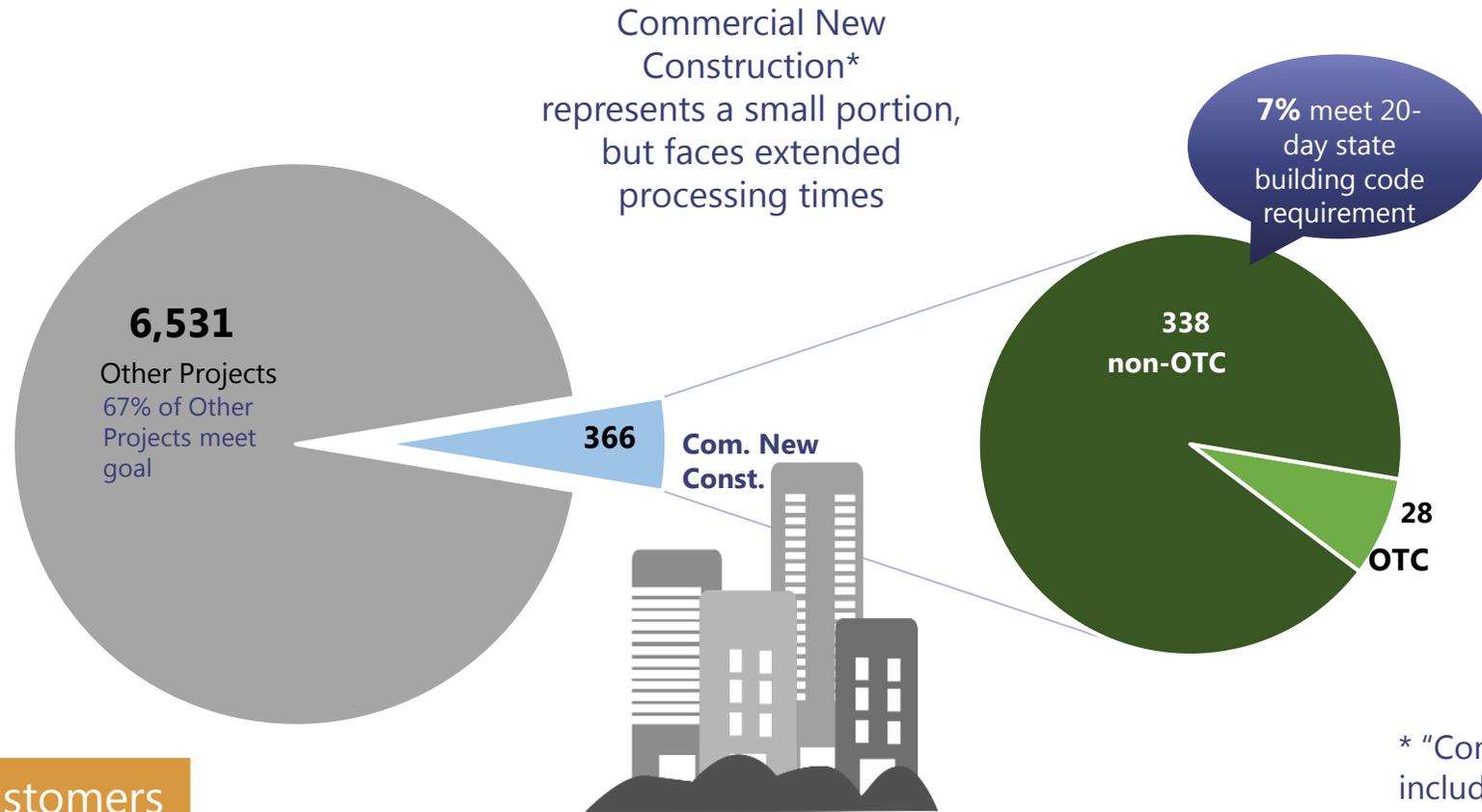
Source: BDS



Average = 205 days

- Timelines are highly variable on a per-project basis.
- Most projects do not meet the 20-day goal for first review.
- Timelines show first as well as subsequent rounds of reviews.

Development process (permitting): What is the pace of larger, more complex projects?

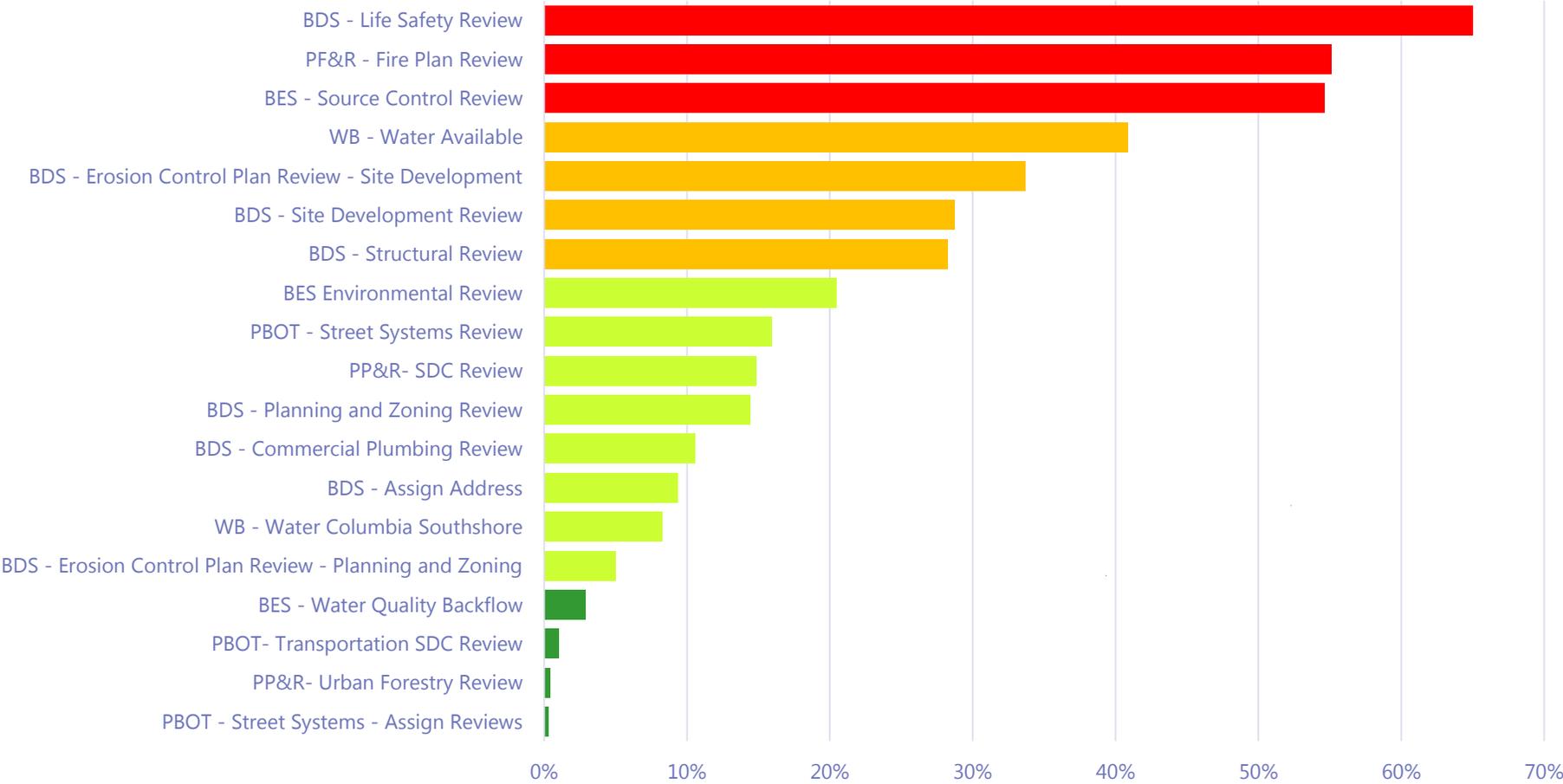


* "Commercial New Construction" includes multifamily development. Data does not include process managed projects.

BDS notifies these customers to expect comments by 10-11 weeks

Development process (permitting): Which review types slow permit issuance?

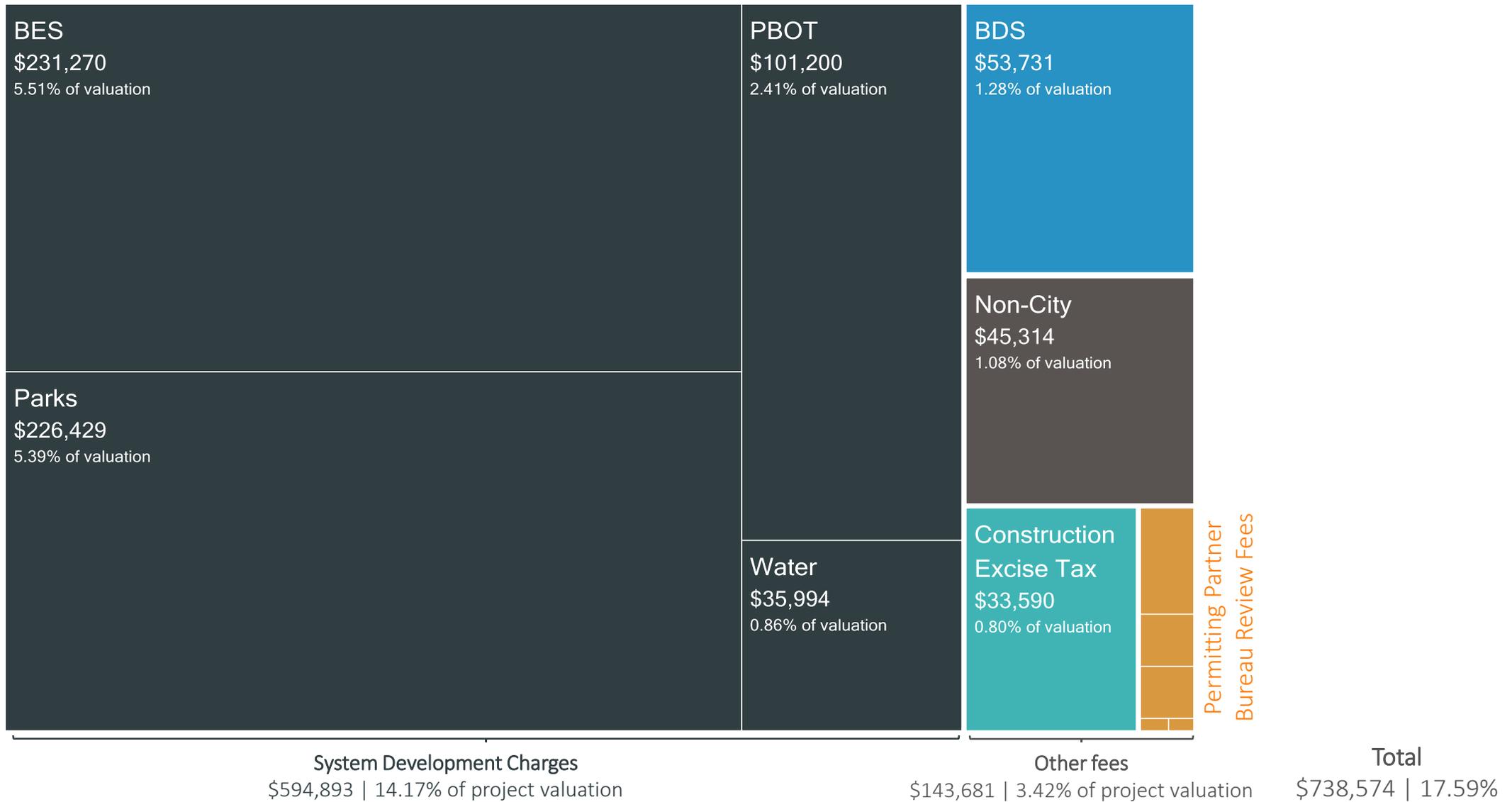
**% Permit Reviews Not Meeting 20-Day Goal, by Review Type
2016 Commercial New Construction Projects**



% Permit reviews not meeting 20-day goal, calendar year 2016

City-imposed development costs: SDCs vs. other fees

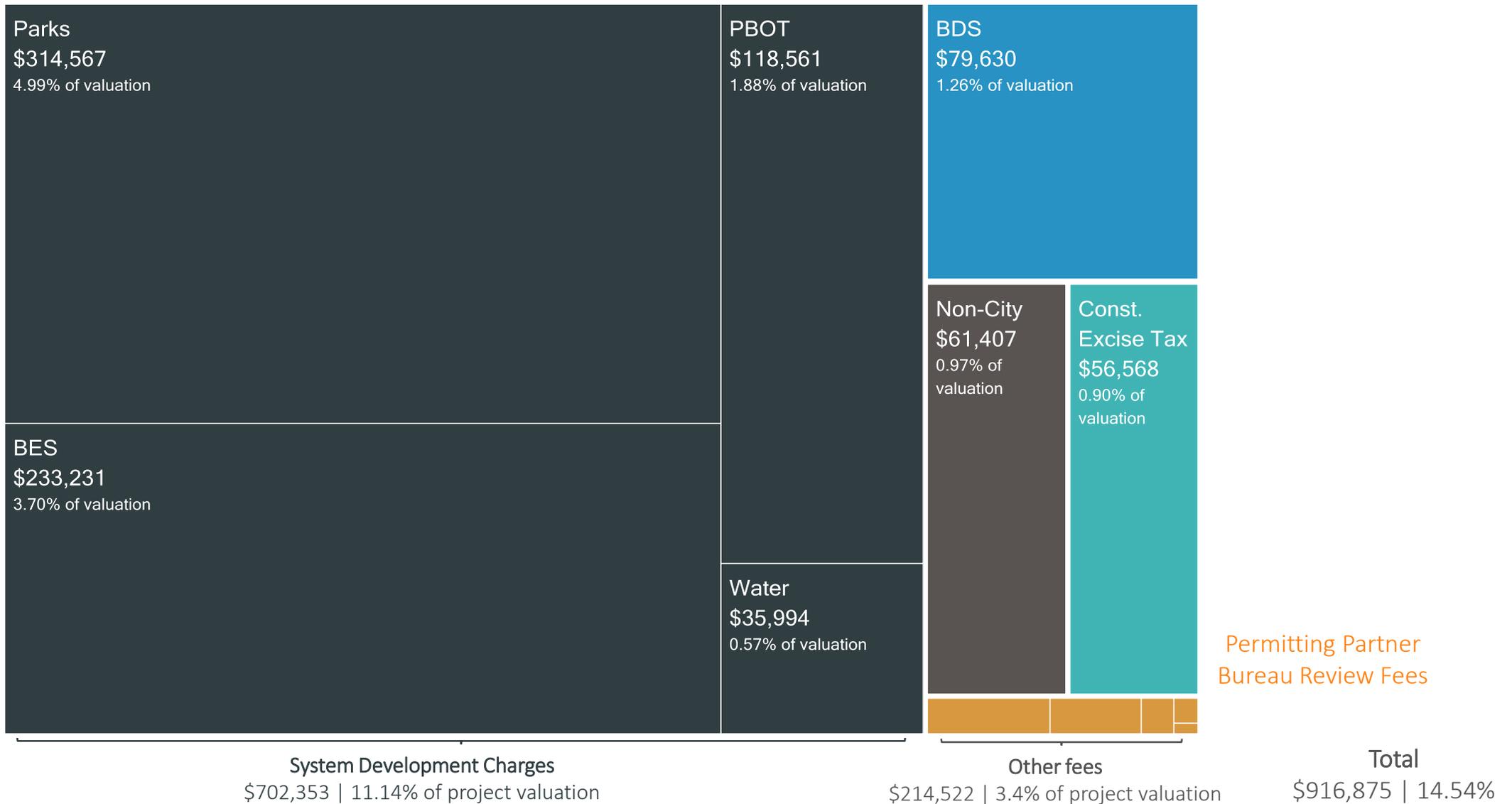
Current fees for a 4-story apartment building: 20th & Couch
Valuation: \$4,200,000



City-imposed development costs: SDCs vs. other fees

Current fees for a 6-story apartment building: 33 NW Park Avenue

Valuation: \$6,300,000



Strategies to accelerate development process timelines

Strategy	Responsible Party	Level of Control	Estimated Impact	Notes & Considerations
Create a "review gate" – require all check sheets to be returned before customers respond with corrections/changes to their plans.	BDS	Medium	High – would reduce added processing and cycle time for intermediary plan changes, reduce workload for plan review and permit processing staff.	Bureau staff note that this strategy is unlikely to be popular with customers, but note the change should result in improved processing times.
Adjust permitting fees to incentivize complete, correct construction plans. Reduce fee for initial permit intake but add a fee if 2 nd checksheet is needed.	BDS & development partner bureaus	High	Medium – additional fees seem likely to incentivize more correct and complete plans, difficult to know impact.	Fee changes would need to be more than nominal to have an impact. Eugene assesses fees in this manner, could be reviewed as a potential model.
Prioritize hiring at BDS and partner bureaus in order to meet plan review turnaround times. Remove barriers around hiring and recruitment.	BDS, development partner bureaus, BHR	Shared	Medium - ensuring all components of coordinated review are appropriately resourced should increase capacity & speed of the process.	Bureaus estimate that staff require 1-3 years training to be fully independent. Unintended consequence of increased staffing in partner bureaus may be poaching of trained BDS staff.
Require mandatory early assistance meetings to improve quality and completeness of submitted plans.	BDS, development partner bureaus	High	High	Employs a strategy used to improve affordable housing project submissions in first GATR session.
Increase review fees in partner permitting bureaus in order to provide adequate staffing for development plan review.	Development review partner bureaus	Medium	Medium	Increasing staff numbers is a medium-long term strategy.

Strategies to accelerate development process timelines

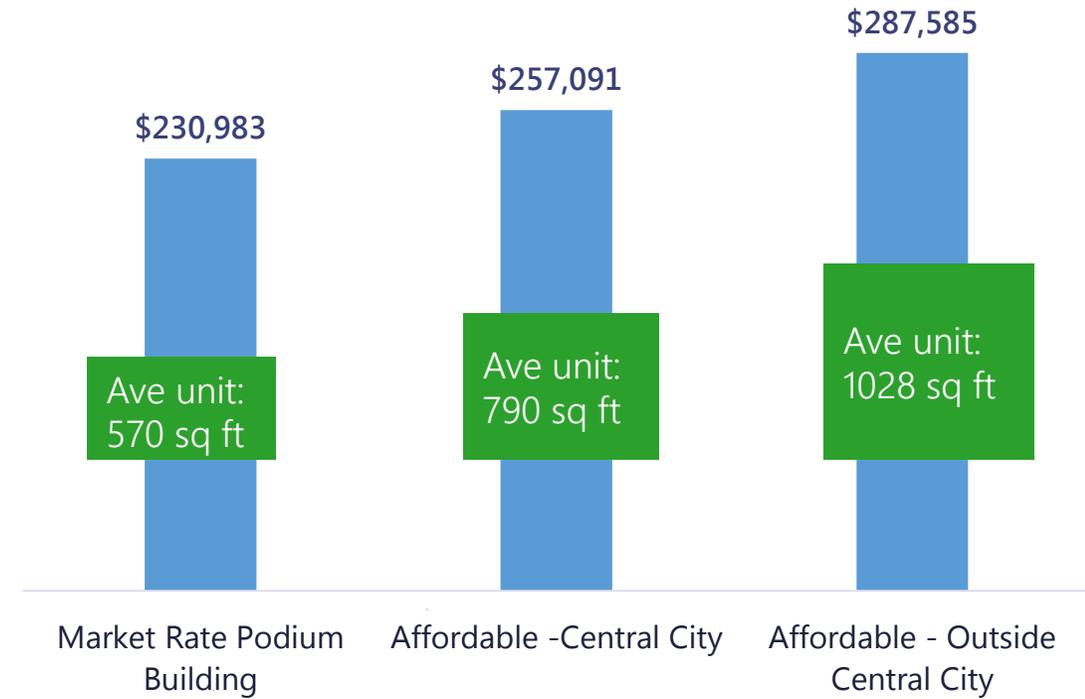
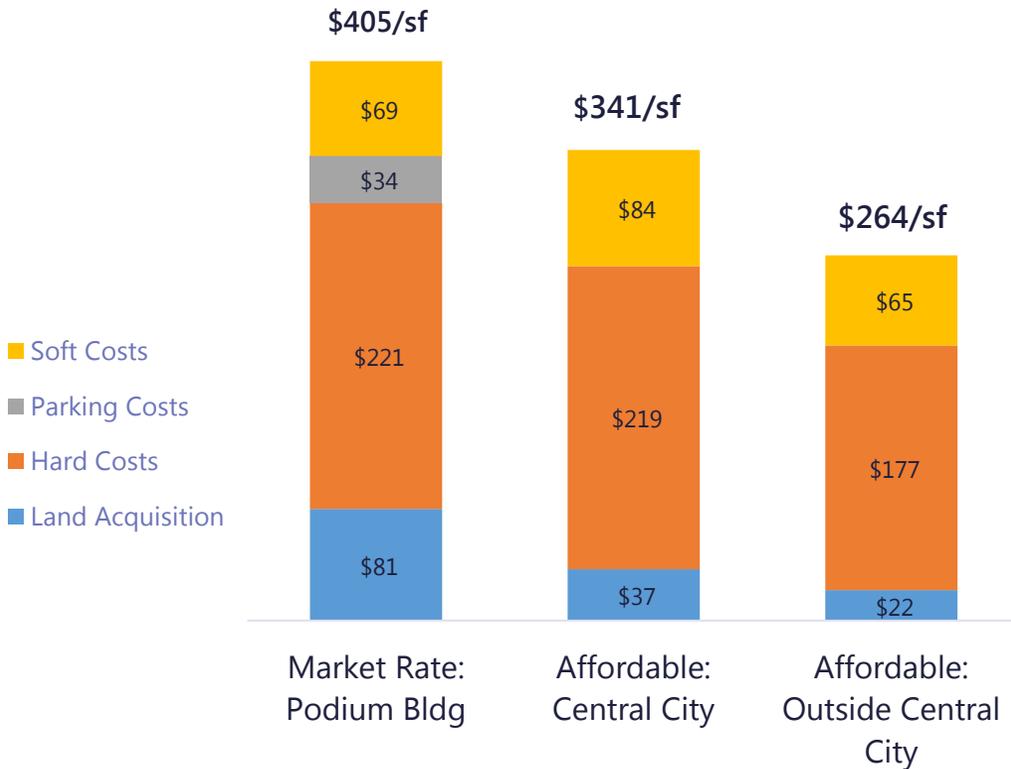
Strategy	Responsible Party	Level of Control	Estimated Impact	Notes & Considerations
Cross-train staff from the rest of the bureau by working in permitting center	Applicable to PBOT, Water bureau, potentially others?	Medium	High for some bureaus	BES is employing this strategy. May work best in bureaus with CIP project pipelines to smooth workload.
Consistent with recommendations from the Design Overlay Zone Assessment, reduce the number of projects subject to design review, and shift more projects from Design Commission to staff.	BPS	High	Medium	BPS staff recently worked with a consultant on an in-depth review of design review requirements. Existing research should make this project move quickly.
Set up online payment processing for certain types of permits to reduce demand on Development Service Center.	PBOT, BDS, BTS	Medium	High	Online payment is available for some other transactions, some technical challenges would need to be overcome.
Invest in a new electronic tracking system to replace TRACS in advance of electronic plan review implementation.	BDS, BTS, partner bureaus.			Discussion of this strategy is ongoing.
Establish key performance indicators to track progress of operational or process changes	Commissioner-in-Charge and BDS, City Council, CBO	High	High	Could utilize current bureau Key Performance Measures or possible KPIs noted in this session.

Strategies to reduce City-imposed development costs

Strategy	Responsible Party	Level of Control	Estimated Impact	Notes & Considerations
Conduct a comprehensive review of fees assessment, compare to other jurisdictions.	CBO & OMF	High	Depends on implementation	Can provide comparative study & recommendations in advance of next GATR session.
Delay SDC fees to incur upon project completion, when new development impacts the system.	Council	High	Medium	With SDCs comprising the majority of City-imposed costs, this strategy could help with cash flow for customers.
Reduce SDCs during Housing emergency (or other sunset provision).	Council	High	Medium	
Change SDC assessment methodology	Council	High	Depends on implementation	
Investigate costs of recent regulations (green building, bird-safe, etc)	BPS, CBO, PDC	High	Depends on implementation	

Affordable housing costs: Inputs and outputs

Market rate development costs more per square foot, primarily due to higher land acquisition & parking requirements



Affordable projects have larger average units than market-rate, increasing cost per unit

Affordable housing costs: What are cost drivers?

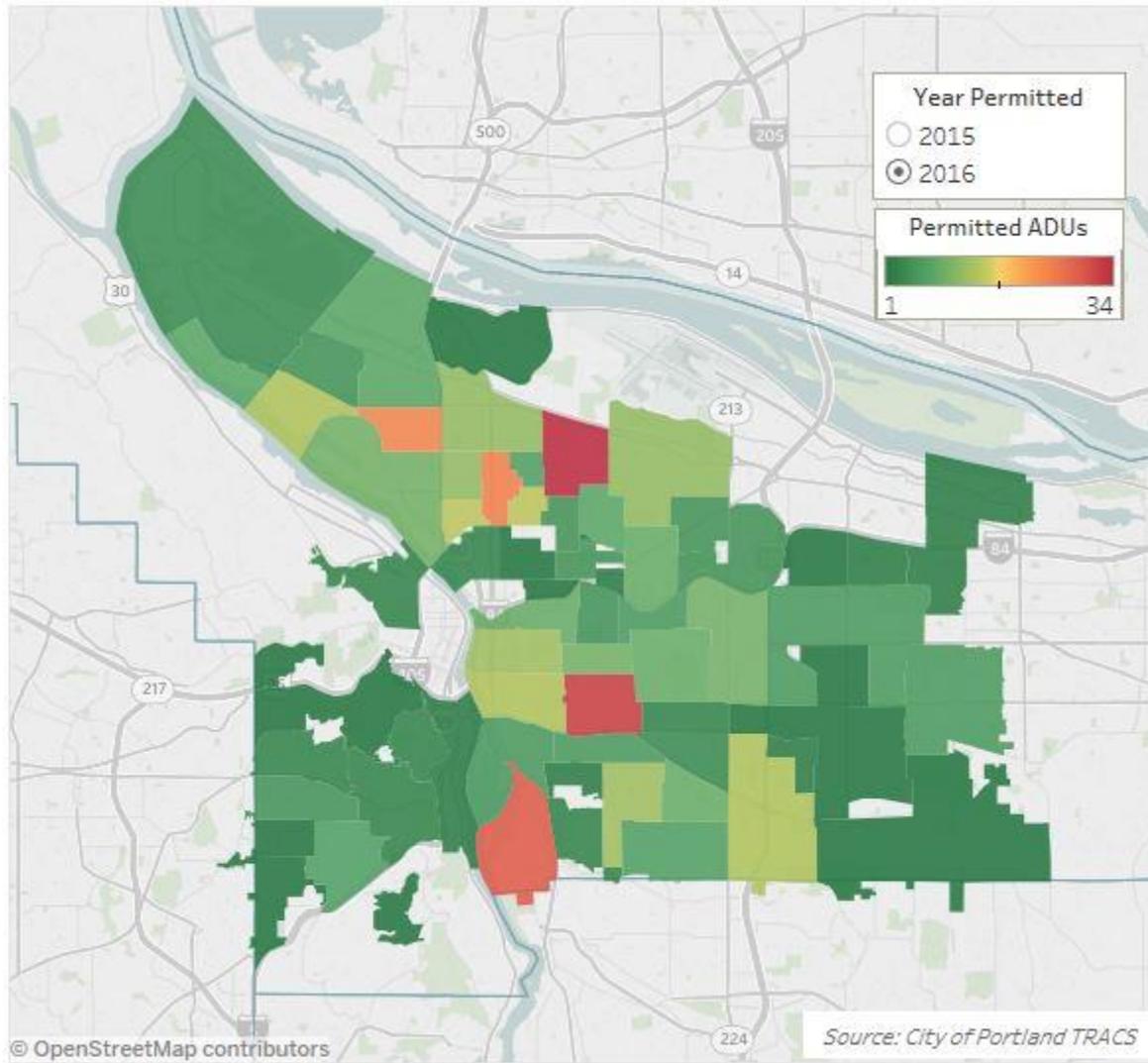
	% of Total Dev. Cost	Cost/Unit	Cost Compared to Mkt Rate	Issues
Construction Hard Costs	64%	\$ 169,014	↑	BOLI, M/W/ESB, 60 yr durability, other social values (i.e. green bldg, art, developer values)
Developer fee	8%	\$ 21,680	↑	Developer efficiency, mission, values
Architecture & Engineering	5%	\$ 12,083	▬	60-year durability, high-quality development, design regulations and policies.
Financing Costs	4%	\$ 11,737	↑	Fees, interest costs associated with outside funding
Operating Reserve & Contingency	2%	\$ 6,956	↑	Reserve requirements associated with outside funding
<i>Social Costs</i>	9% (est.)	\$ 23,891 (est.)	↑	<i>Larger units & common space, M/W/ESB, fair wage, green building, trip reduction strategies, location, childcare and other services</i>

Strategies to reduce the cost of building affordable housing

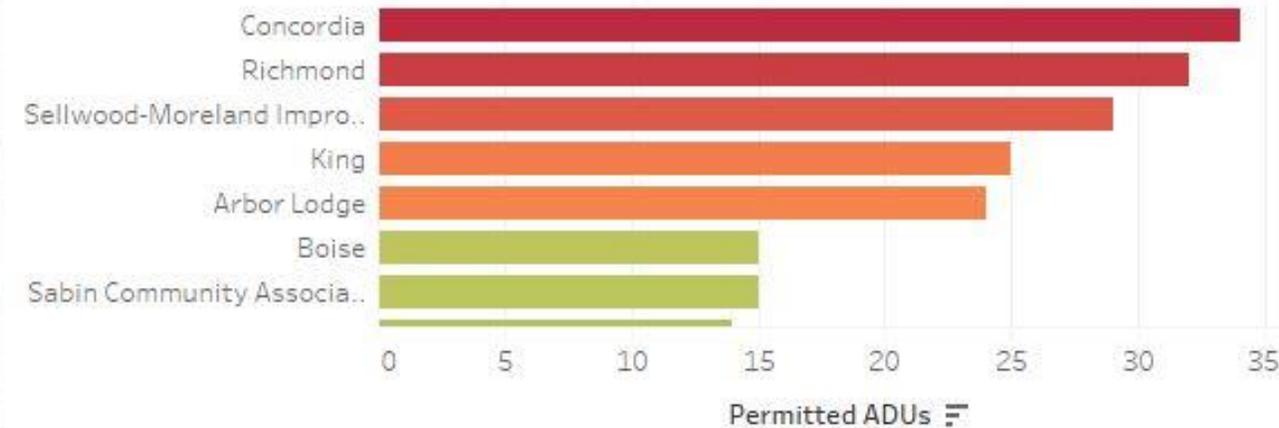
Strategy/ Issues to Investigate Further	Responsible Party	Level of Control	Estimated Impact	Notes & Considerations
Investigate cost/benefits of social values/regulations: M/W/ESB, sustainability goals, location, amenities, durability, other missions/services	PHB, CBO, BPS	High	Moderate to High – could significantly reduce the cost of development depending on the trade-off selected and analyzed.	Some social costs are more easily quantifiable than others. Once we assess which regulations it may be cost-beneficial to waive, could begin with a “demonstration” project.
Establish a BOLI split wage determination for Mixed Use construction Projects in Portland	PHB, OGR, Attorney’s Office	Low	High.	The Labor Commissioner, under the auspices of the State of Emergency and for the duration, may be asked to consider a waiver enabling split wage determinations.
Alternative Contract Methods: risk sharing, turnkey acquisition of completed projects, max. cost contract	PHB	High	Moderate – could contain hard costs.	Different methods have different limitations, for example: turnkey acquisition would require sufficient working capital.
Replicable and scalable material innovations & product development	PHB, Developers, Private Industry	Medium	Moderate – could contain hard costs.	Limitations on what types of manufactured construction are applicable to housing and affordable housing.
Contingent Loan Agreements	PHB, Developers	High	Moderate – would reduce interest rate costs, which can be substantial for some projects.	Cost-benefit is dependent on the financing structure of the project.

SUPPLEMENTAL SLIDES

Issue context: Where is ADU development projected to occur?



New ADUs permitted in 2016

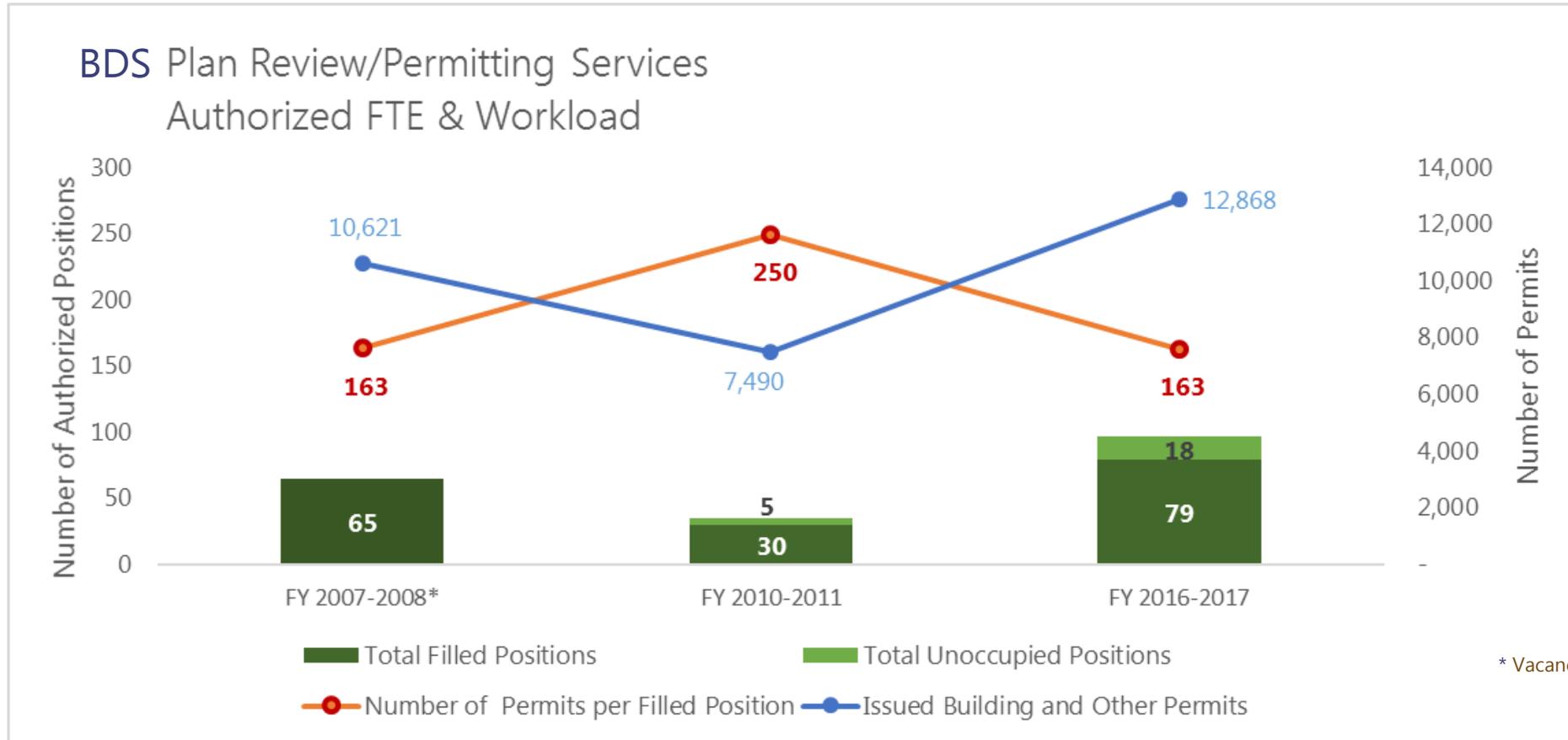


Development process: Who's involved?



The development process is a truly collaborative City service. Eight bureaus contribute directly to the advancement of new capital construction in Portland.

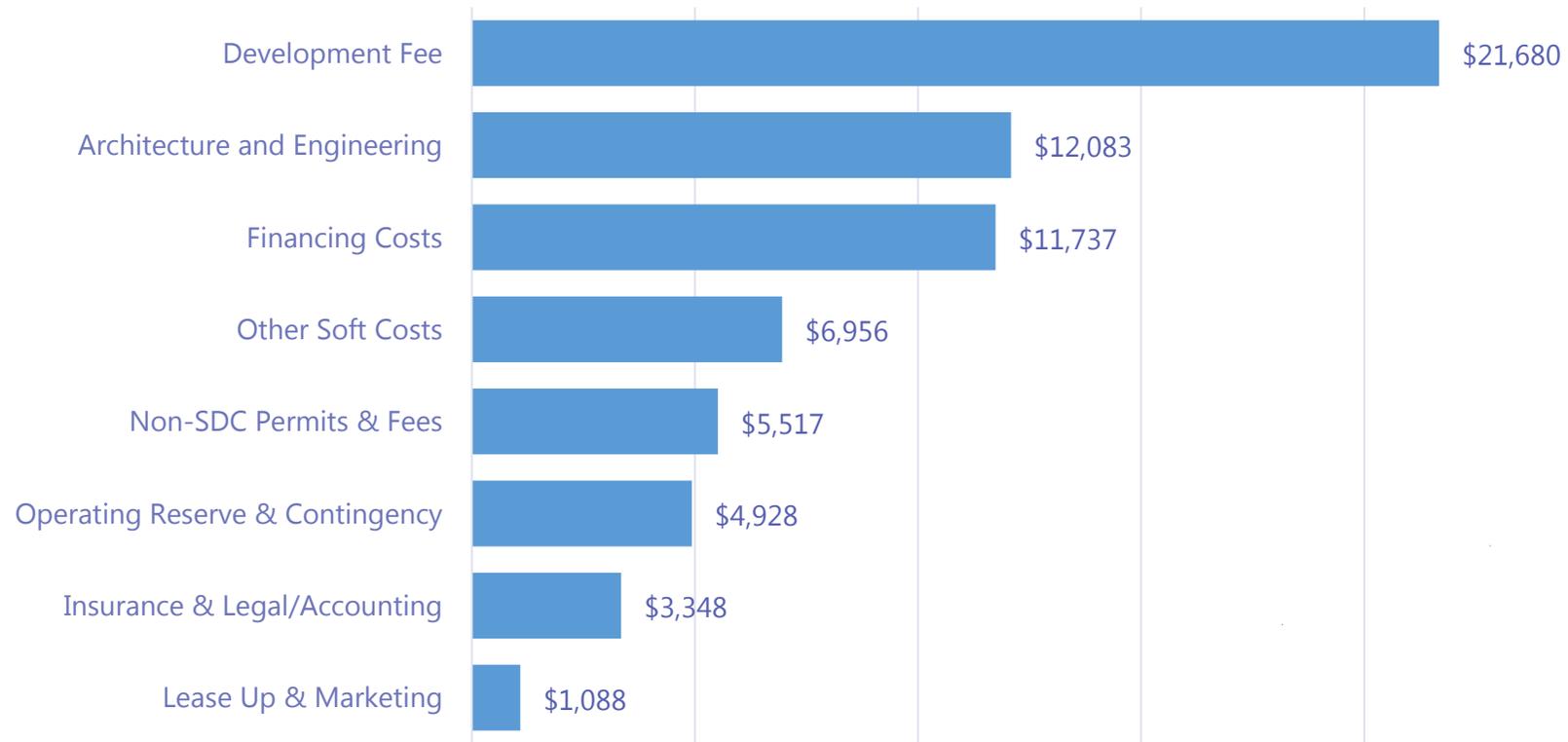
Development process (permitting): how does workload change with the economy?



Current workload is back to pre-recessionary levels. Other factors, including permit type and applicant readiness, also impact efficiency.

Affordable housing costs: inputs and outputs

Affordable Housing Soft Costs
Average Per Unit Costs, per 8 Project Sample



The majority of affordable housing soft costs are due to development fees, architecture and engineering costs, and financing costs. Non-SDC permits comprise roughly 2% of Total Development Cost.

Affordable housing costs: Production of new affordable units



FY 2016-17
Target =
753