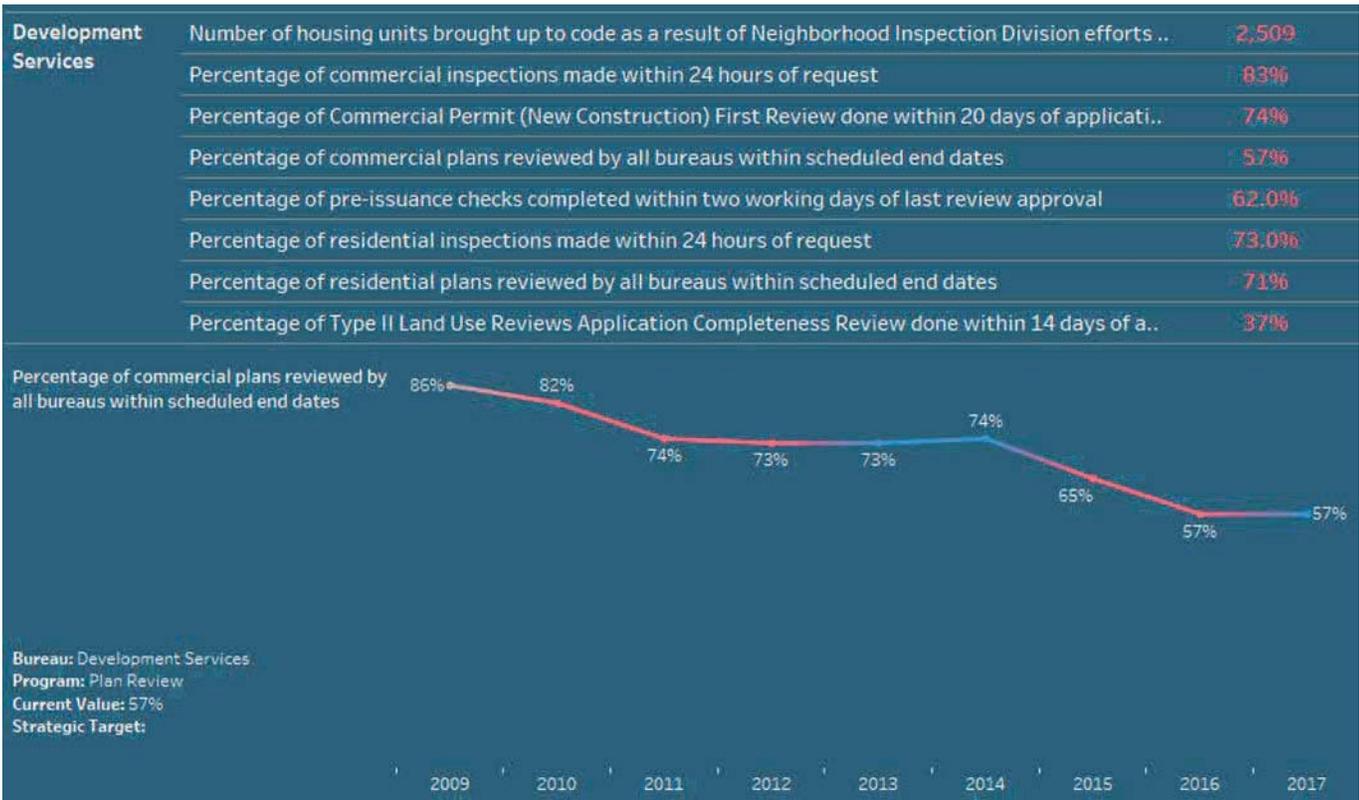


Bureau of Development Services

The Bureau of Development Services (BDS) aims to provide timely and consistent application of the City development code in an equitable and fiscally prudent manner. The bureau issued permits totaling \$2.7 billion in valuation in FY 2016-17, but was also challenged to meet its targets for responsiveness in land use review, permitting, and inspections due to continued increases in workload and reliance on legacy technologies for project tracking and plan review. The General Fund subsidy of the Land Use program has been discontinued, though the bureau will continue to receive General Fund to support the Neighborhood Inspections and Enforcement program. Strong fee revenues continued to build the bureau’s financial reserves, which are intended to support continuity of operations during a future recession, and to be a source of funding for the upcoming Portland Online Permitting System (POPS) software implementation.

Bureau Performance



<https://www.portlandoregon.gov/cbo/article/655039>

Customer Responsiveness. Timeliness is important to the provision of development services. Development customers are extremely time-sensitive, with delays often causing significant cost increases to a project. In addition, the City faces a housing affordability crisis that could be improved by the rapid construction of new residential units. Prominent commercial development projects are also in the pipeline. As such, the bureau closely monitors the timeliness of its land use, permitting, and inspections divisions.

Land Use

The performance of the land use services division comes the closest to targets for service. For land use review, this is 120 days from when a submitted application is deemed 'complete' to a first decision. In calendar year 2016, the City typically met the 120-day state-mandated review deadline for common Type II and Type III land use reviews, such as adjustments, conditional use reviews, and design review, though often missed the City's more stringent 90-day standard.³ Type III reviews, which involve a public hearing, take longer than a Type II staff-level decision.

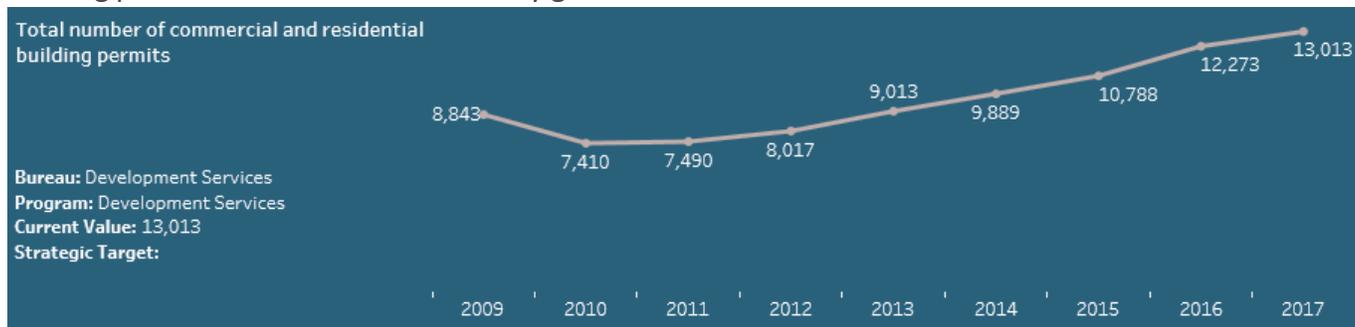
Though more comprehensive than the bureau's standard performance reporting for the land use program, these timelines still do not take into account the time required for firms to prepare for complex land use review hearings. In 2016, BDS contributed funds toward a project by the Bureau of Planning and Sustainability to assess the City's design overlay zone. One goal of the project was to identify changes to the design review system that will increase its effectiveness, efficiency, and impact. The resulting [Design Overlay Zone Assessment](#) recommendations, accepted by Council on April 26, 2017, offered solutions to reduce the burdens posed by design review on development while maintaining its benefits. BPS and BDS will present next steps for implementation with public review of the [Design Overlay Zone Amendments \(DOZA\) Package](#), due out this month. BDS should work with BPS to determine what measures the City will use to evaluate whether the changes caused improvement in the form of reduced timelines, better applications, or increased consistency of decision-making.

Permitting

Permitting is an important focus for timeliness, as all construction projects of significance are required to go through some type of building permit review. In FY 2016-17, workload for both commercial and residential permits grew, with a total of 13,013 building permits issued by year-end.

³ For more details, see GATR session "Housing Development: Accelerate development process & reduce costs to meet City goals for increased housing supply", January 19, 2017, p. 10. <https://www.portlandoregon.gov/cbo/article/625321>

Building permit workload continues steady growth in FY 2016-17



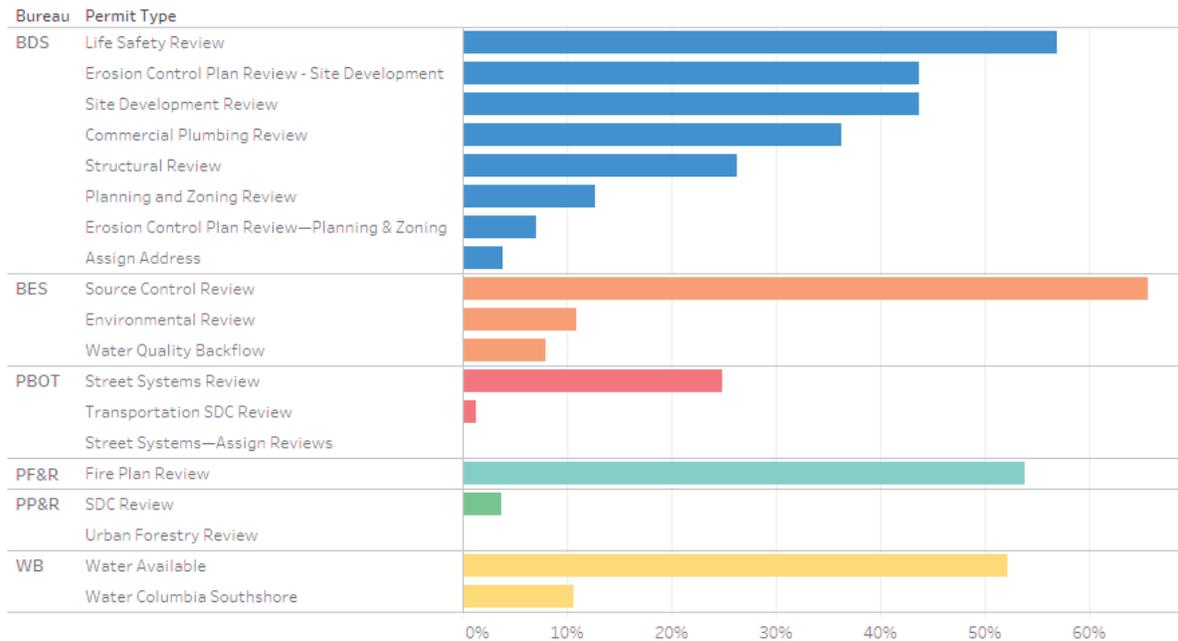
BDS aims to meet timeliness targets for its time to complete all first reviews based off performance standards set by state statute: 20 days for commercial projects and 15 days for residential. For both types of projects, bureau performance remained stubbornly below target again for the year, with 57% of commercial plans reviewed by all bureaus within the 20-day goal and 71% of residential plans within the 15-day target. Turnaround times slowed significantly from FY 2013-14 to FY 2015-16, mirroring the spike in permit requests – but promisingly, the bureau has been able to maintain last year’s performance on this measure.

It is worth noting that the “commercial and residential plans reviewed within end dates” measure is only an indicator for the length of the building permitting process, as it represents just one part of one portion of the total time to issuance. In reality, development customers still need to navigate any necessary corrections and further reviews, and may also be dependent on the issuance of public works permits. The measure is further bifurcated between simple and more complex projects, as over half of all permit requests receive same-day service at the Development Services Center. Actual expected timelines for complex projects are much higher than the 20-day state target. In January 2017, bureau estimates for complex commercial new construction were 8-10 weeks to first review and 16-18 weeks for the total process. These timelines demonstrate that the reality of administering Portland’s increasingly complex building code for commercial new construction is incongruent with a 20-day state standard.

Additionally, it is important to note that BDS is one of six bureaus that contribute to the timeliness of permit reviews. A disaggregated view of review types that did *not* meet the turn-around targets for first review is below. Clearly, some review types are slower than others, but the reasons why are not well documented. Slow reviews could be due to inadequate staffing or vacancies in that work group; or because of a sequential relationship, in which one review type is dependent on another.

Percentage of Permit Reviews NOT Meeting 20-Day Goal By Review Type

FY 2016–17 Commercial New Construction Projects



This closer look at permitting timelines brings up several questions. What is an appropriate expectation for how long the building permitting process should take? How might contributing bureaus address chronic pain points in their shared processes? In response to a GATR series on Accelerating Housing Development convened by Mayor Wheeler in 2017, BDS has recently begun convening a monthly meeting of the directors of the six bureaus most heavily involved in providing development services: BDS, PBOT, BES, the Water Bureau, Fire & Rescue, and Parks & Recreation. This “Development Directors Group” will conduct specific projects to promote improved customer service, predictability, collaboration, equity, and increased use of technology in the development services process.

Inspections

Timeliness is also central to inspections services for commercial and residential construction. In FY 2016-17, the bureau completed 83% of commercial and 73% of residential inspections within 24 hours of the request. Though this performance fell short of the annual targets of 90% and 95%, respectively, for commercial inspections this was a substantial improvement over FY 2015-16. The bureau reports that a sustained high volume of customer requests often exceeded sufficient staffing levels, however, this calculus appears more relevant for combination inspections – commercial inspections per inspector actually decreased slightly from the prior year. The bureau also reports that delays were caused by City closures due to the hazardous road conditions caused by severe winter weather.

Though the 24-hour turnaround goal drastically exceeds the state requirement of response within 5 days, next-day inspection services help speed the development of new housing stock to address the

city’s housing shortage and reduces delays for other types of construction in a costly market. Concerns about inspection services delays have been substantiated by members of the DRAC.⁴ To address performance concerns, BDS plans to increase staffing and has requested a total of 14.0 FTE for its Inspections Services Division in the FY 2017-18 Fall BMP.

In addition to action focused on improving the performance of each individual division, BDS has also implemented bureau-wide strategies to meet its goals for service. These include a focused effort to speed hiring and recruitment, including the use of video interviewing, funding a dedicated position in BHR, and conducting open and continuous recruitments for some positions. The bureau has also turned its focus to a new software implementation for project tracking and electronic plan review. Director Rebecca Esau, who had assumed the leadership role on an interim basis in April 2017, is implementing a bureau reorganization in FY 2017-18 that includes a new bureau-wide process improvement function, better span of control, and an expanded communications team.

Performance Measures

BDS has a number of useful performance measures that provide an indication of the effectiveness of City development services. However, the bureau’s existing set of measures, especially for plan review, is far from complete. Reporting on a standard industry measure, average timelines to issue different types of permits, is unavailable with the current system. The City’s current project tracking functionality also does not easily enable data gathering for activities conducted across the other development services participating bureaus. The public works process in particular currently relies on offline and manual data gathering.

The POPS project is a turning point for development services performance measures, as the new software should enable the City to transition to a more complete sense of measurement of the development services function. BDS is currently working with the other development services bureaus to determine the reporting functionality that will be included in the POPS implementation. Ideally, the new permitting software system will allow each bureau to more easily track performance and determine where to focus their efforts for operational improvement.

As the software implementation moves forward, the City should begin tracking the following measures for its plan review functions:

Review Category	Measure	Considerations
Building Permit	Average calendar days from development permit application to issuance	Must be tracked manually.
Building Permit	Number of checksheets issued	Indicator of clarity of standards and quality of applications.

⁴ Development Review Advisory Committee meeting, September 19, 2017. Meeting materials available at <https://www.portlandoregon.gov/bds/73276>

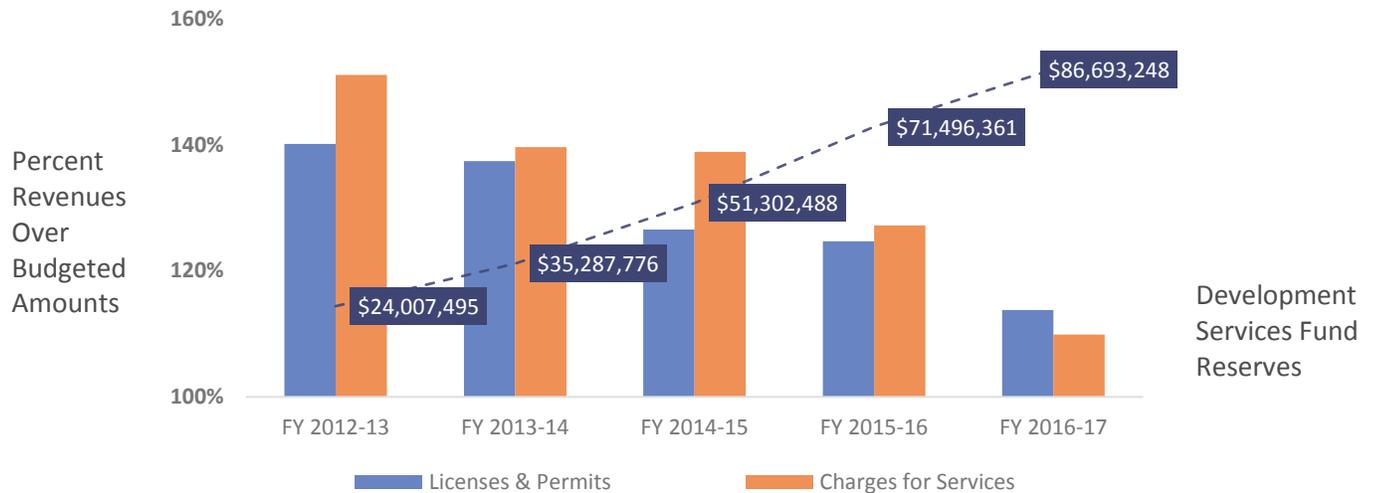
Land Use	Average number of days from application to issuance	Must be tracked manually.
Land Use	Percentage of land use responses by goal date	Reflects cases that are voluntarily extended by the applicant.
Public Works	Percentage of concept, design, and final reviews by goal date	Must be tracked manually, complex projects may have dependencies at each stage of the process
Public Works	Percentage of permits ready to issue by goal date	Must be tracked manually.
All	Personnel inputs across six permitting bureaus (authorized positions, vacancies, OT).	Indicator of staffing appropriateness for workload.

Bureau Finances: Budget-to-Actuals and Key Issues

Development Services Fund

Fund Name		Revised Budget	Year-End Actuals	Variance	% of Budget
Resources	Budgeted Beginning Fund Balance	\$ 62,159,090	\$ 71,166,201	\$ (9,007,111)	114%
	Licenses & Permits	40,705,027	46,313,836	(5,608,809)	114%
	Charges for Services	17,079,963	18,769,455	(1,689,492)	110%
	Intergovernmental Revenues	-	-	-	N/A
	Interagency Revenue	1,143,386	1,092,472	50,914	96%
	Fund Transfers - Revenue	2,117,744	2,117,744	-	100%
	Bond and Note	37,000,000	37,000,000	-	100%
	Miscellaneous	4,602,414	5,284,700	(682,286)	115%
Revenue		\$ 164,807,624	\$ 181,744,408	\$ (16,936,784)	110%
Requirements	Personnel Services	\$ 40,515,848	\$ 37,560,419	\$ 2,955,429	93%
	External Materials and Services	5,587,657	5,513,312	74,345	99%
	Internal Materials and Services	12,837,972	11,942,233	895,739	93%
	Capital Outlay	1,611,117	-	1,611,117	0%
	Bond Expenses	48,385,751	48,361,418	24,333	100%
	Fund Transfers - Expense	1,734,257	1,734,257	-	100%
	Contingency	14,135,022	14,135,022	-	100%
	Unappropriated Fund Balance	40,000,000	62,497,747	(22,497,747)	156%
Expenses		\$ 164,807,624	\$ 181,744,408	\$ (16,936,784)	110%

The bureau spent 64% of its operating budget in FY 2016-17. BDS ended the year 10% above budget due to permit fee and service receipts continuing to be higher than projected. BDS revenues certainly reflect continued robust construction activity in the Portland area. However, the bureau’s under budgeting of fee revenues by at or above 10% continues a five-year trend, though variances have decreased over that time. The bureau’s consistent under-budgeting of revenues has led to a significant growth of fund reserves: Development Services Fund reserves had a balance of \$86,693,248 at the end of FY 2016-17. Reserve targets vary by program, but the bureau’s goal as stated in its five-year financial plan is to maintain a minimum reserve above 50% of total bureau



expenditures, which in FY 2016-17 was just under \$35.5 million. While recognizing that the bureau’s revenue stream is front loaded, with expenses for inspections and other services incurred after the initial permit revenue is received, a reserve fund \$51 million in excess of the target calls into question the time horizon for the bureau’s cost recovery.

On the expenditure side, the bureau underspent its programmatic allocations by \$3.9 million, most notably in the areas of personnel expenditures and internal materials and services expenditures. The bureau added 45 positions over the course of the year, primarily in the FY 2015-16 Fall and Spring Supplemental budget processes. These positions were spread across all bureau divisions, with 13 FTE added to Inspections, 12 to Plan Review, eight to Business Operations & Finance, six to Public Information & Enforcement, five to Land Use, and one to Administration. Vacancies in these and other positions, as well as longer than expected timelines for recruitment, resulted in underspending in personnel services.

Capital

BDS had a capital budget of \$1,611,117 in FY 2016-17 to support implementation of the Information Technology Advancement Project (ITAP). After a series of technical delays, project work was halted in

November 2016 after spending \$3.9 million of the projected \$11.8 million total budget. BDS has used the balance of the budgeted project funds to begin a new implementation effort called the Portland Online Permitting System (POPS) to upgrade its permitting software and implement electronic records management. POPS is jointly sponsored by BDS and BTS, and will be implemented in phases, with the City's migration to TRACS Amanda 7 estimated to be completed in October 2018. Budget estimates for the project have not been released.