



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

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BDS Budget Advisory Committee
Meeting Notes
Wednesday, December 8, 2021

BAC Members Present:

Barbara Alexander, Hacienda CDC
Chris Woo, BDS Equity Committee
Hannah Bryant, BDS / PROTEC
Kevin Foster, Community Member
Lauren Jones, Development Review Advisory Committee
Oretha Storey, BDS / Non-Represented Staff
Sean Green, Development Review Advisory Committee
Steve Lee, Development Review Advisory Committee
Susan Steward, Building Owners & Managers' Association
Tara Carlson, BDS / DCTU
Timothy Novak, BDS Equity Committee

City Staff Present:

Beth Benton, BDS Property Compliance Inspections Manager
Brenda Fahey, BDS Technology & Continuous Improvement Manager
David Kuhnhausen, BDS Permitting Services Manager
Dave Tebeau, BDS Residential & Commercial Inspections Manager
Doug Morgan, BDS Plan Review Manager
Douglas Imaralu, City Budget Office
Hakim Callier, Equity, Communications & Policy Development
Kathy Lyndon, BDS Budget & Finance
Karen Guillen-Chapman, Commissioner Dan Ryan's Office
Kimberly Tallant, BDS Land Use Services Manager
Kyle O'Brien, BDS Budget & Finance Manager
Leesha Posey, BDS Equity & Policy Development Manager
Ray Galinat, BDS Budget & Finance
Rebecca Esau, BDS Director
Terri Theisen, Commissioner Dan Ryan's Office

Handouts

- Draft 11-04-21 BAC Meeting Notes
- Major Workload Parameters
- Non-Cumulative Cost Recovery Report
- BDS Reserve Summary
- Business Continuity Plan Summary
- BDS Financial Advisory Committee Draft Meeting Minutes 11-16-21
- Economic Outlook
- Budget Equity Assessment Tool
- BDS Budget Goals Memo

1. Welcome/Convene Meeting

BDS Director Rebecca Esau welcomed Budget Advisory Committee (BAC) members and City staff and thanked BAC members for their participation. BAC members reviewed notes from the November 4, 2021 BAC meeting.

2. Budget Preparation Update

BDS Budget Drop-in Sessions

BDS Budget & Finance Manager Kyle O'Brien described the BDS Budget Drop-in Sessions during which employees submit budget suggestions. The drop-in sessions are being held remotely via Microsoft Teams channels. Suggestions will be compiled to be reviewed for feasibility of implementation.

Current BDS Financial Status

Kyle shared the handout **Non-Cumulative Cost Recovery Report**. Last year BDS reserves fell from \$77.9 million to \$59.2 million. BDS has continued to draw on reserves in the current fiscal year reaching \$55.8 million in September before a slight increase to \$56 million in October. Overall performance is better than projected; however, BDS is entering generally low performing winter months. Year-over-year comparison of the first four accounting periods shows that BDS has higher revenue and lower expenditures than last fiscal year. The pandemic and associated effects on construction activity are still concerning.

BDS Finance Advisory Committee / Economic Outlook

BDS met with the Finance Advisory Committee (FAC) on November 18th to discuss current economic trends and projections. Overall, the FAC indicated the economic outlook is consistent with previous projections. Last year the FAC indicated the downturn would last 2-3 years. Now, 18 months in, the FAC believes an uptick may occur next fiscal year. Hotel and office development is expected to remain scarce due to low demand for tourism and an overbuilt office space environment coupled with high levels of remote work. On a positive note, the committee indicated multi-family development is where the bureau could see gains. There are still significant headwinds to the overall economy and construction activity, such as: 1. Inflation, originally thought to be transitory, now is probable to be persistent over the next year or two, partly due to labor and materials supply issues; 2. Uncertainty regarding interest rates. The Federal Reserve has difficult interest rate decisions to make regarding raising the federal funds rate as any decision could have serious consequences on the economy.

Generally, to break an inflationary environment the Federal Reserve will raise interest rates which could lower economic growth. Additionally, interest rates effect the cost of borrowing and could affect the feasibility of financing development projects; 3. Uncertainty around in-migration and institutional investment in Portland. It is unknown whether the slow-down of in-migration is persistent or a short-term trend. Additionally, Portland's favorability for institutional investment has not fully recovered with other western cities, such as Boise and Seattle, ranking higher. Furthermore, regional investment may be shifting outside of Portland into surrounding counties such as Clark County.

The Omicron COVID variant is a recent development that was not discussed at the November 18th FAC meeting. The variant introduces more uncertainty into the economy and BDS forecasting.

BAC member Tara Carlson asked if the upcoming budget ask includes the \$8.3 million American Rescue Plan Act funding in the Spring of 2022. Kyle explained the funding was included as a budget note to the current BDS budget and is contingent on BDS' financial situation and projections staying the same as last year or worsening. While the decision to provide this funding to BDS lies with the City Treasury, BDS' improved financial state increases uncertainty in receiving the funds.

BAC member Chris Woo inquired into potential impacts of the Federal *Build Back Better Plan*. Kyle stated that it is currently unknown how those funds might flow to the City of Portland. Additionally, with the information at hand, it seems most of the funding is not related to building projects.

BDS Revenue Forecasting Process

City Budget Office analyst Douglas Imaralu requested Kyle talk about BDS program forecasting. Kyle explained the modeling process. Over 80% of BDS revenues are forecasted by econometric modeling, using data from Moody's and State of Oregon Office of Economic Analysis (OEA) in addition to bureau data for land use case reviews, permit numbers, valuations, and revenues. Specifically, the Building, Mechanical, Plumbing, Electrical, and Land Use Services fee revenues are econometrically forecasted. The Facility Permit Program (FPP) rates are a weighted average of the Building, Mechanical, Plumbing, and Electrical growth rates. Site Development and Zoning Enforcement growth rates are based on the Building Program rates. Environmental Soils, Signs, and Enforcement are projected using averages of forecasted economic data such as population, housing price index and employment.

Econometric models will be presented to the FAC in January for review in January 2022. Programmatic growth rates resulting from these models will be presented to the BAC at the next meeting, and BDS will finalize its models in mid-January 2022.

Douglas asked if last year's revenue projections were lower than actuals. Kyle explained that last fiscal year actual revenues were lower than projected; however, current fiscal year revenue is higher than projected so far. Overall, the models cover a five-year period and there can be high volatility from year to year.

BAC member Barbara Alexander inquired into potential impacts from local affordable housing bond measures, and if most of the resulting projects have already been through the permitting process. Kim Tallant stated that numbers are not on hand for this meeting. Kyle added that there is a group at BDS looking out for potential large project applications, with expected large projects added into BDS

financial projections. Affordable housing projects are included on the large project lists used in the bureau's projections.

3. BDS Equity Goals / Equity Assessment Tool

Hakim Callier, with BDS Equity & Policy Development and Communications, provided an overview of current Racial Equity activity at BDS. BDS wrapped up its Five-Year Racial Equity Plan at the end of last year. BDS is using Results Based Accountability Methodology to create new bureau equity workplans with direction and leadership coming from the Office of Equity and Human Rights.

The vision for equity training at BDS is to implement equity best practices and analyze results. Additionally, there is a focus on open recruitments in March 2022 to add to the Equity Program, including a data analyst and community engagement position.

BAC member Timothy Novak asked for clarification on the funding for the data analyst position. Rebecca Esau verified that the funding is approved and available. Leesha added that the BEC is looking for support from the BAC regarding information on developing workplans and implementing recruitments for these positions. Additionally, Leesha requested support from the BAC for adding FTE to the Empowered Communities Program.

Kyle provided an overview of the Budget Equity Assessment Tool. He explained the tool is a set of critical thinking questions that focus on the burdens, benefits, and outcomes on marginalized communities resulting from budget decisions. Work on this tool began in September 2021 and feedback has been received from managers. A draft has been compiled and is currently being reviewed by the Bureau Equity Committee (BEC) liaisons to the BAC. Once completed, the draft will be provided to Rebecca Esau for review and will be included in the bureau's requested budget submittal on January 26, 2022.

4. BDS Budget Focus / Goals Discussion

Rebecca provided a recap of the handout **BDS Director's Priorities Memo**. The 5 focus areas are: 1. Commitment to Equity, Inclusion and Anti-Racism, 2. Fiscal Sustainability, 3. Performance & Service Delivery, 4. Bureau Workforce, and 5. Climate Action. Since last year's Director's Memo, several items have arisen that need to be added/adjusted, such as: permitting task force, the bureau's new racial equity plan, the building permit review audit released in March, a customer service survey conducted in July, the Ombudsman report released in November related to property maintenance enforcement and the current complaint-based system, and continued input from customers and employees.

Commitment to Equity, Inclusion and Anti-Racism

Rebecca thanked Hakim for covering much of this section, adding that BDS will be hiring staff, and expanding the Empowered Communities Program.

Fiscal Sustainability

Rebecca explained that BDS desires to increase the fiscal sustainability of the Field Issuance Remodel (FIR) Program. This program has been very popular and gives contractors a direct point of contact during the plan review & inspection cycle. BDS is also looking to shift funding of the Compliance

Program from fines/fees to more General Fund support. Additionally, BDS will need to look at adjusting fees in the next fiscal year.

Performance & Service Delivery

Technology solutions take time to build and implement, as well as requiring ongoing maintenance and support. BDS is working to streamline the plan review process and expand the BDS Online Portal (DevHub). There are multiple technology projects that should make the review process more streamlined for both customers and BDS staff. BDS is in the process of developing performance management reports and dashboards that will help determine “pinch-points” of the plan review process. Additionally, BDS needs to be forward thinking and not reactive to better meet customer needs.

Bureau Workforce – Culture, Performance, Accountability, Morale

BDS has been working on developing consistency in customer service excellence. Partner bureaus involved in the review process will be included in this customer service focus. Additionally, a BIPOC employee mentorship program will be rolled out in the coming fiscal year. Also, programs are being developed to help increase the number of qualified candidates entering the plan review and inspection fields.

Climate Action

BDS continues to improve the solar permitting process. Additionally, BDS provides support to the Portland Clean Energy Fund.

Open Discussion

Chris Woo mentioned that the BEC is having conversations around combining and achieving synergy between the five focus areas. The BEC is still trying to determine how this can be achieved, but in theory these recommendations do not need to be specific to only one focus area. Timothy Novak added that being proactive in the community provides increased customer service, improved community engagement, and can also improve Code Enforcement outcomes.

BAC member Lauren Jones asked for a status update on the bureau’s conversations with the City on obtaining more funding from the General Fund. Kyle explained that the main way to achieve this funding is through budget requests. The bureau is developing potential packages asking for General Fund that will be included in the FY 2022-23 Requested Budget. The bureau is considering requests for more funding to the Code Enforcement and Empowered Communities Programs. Additionally, Kyle explained that the BAC can help guide where the bureau asks for General Fund and can voice their support for more General Fund monies in the BAC committee report. Lauren inquired if BDS has a list of items the BAC can give feedback on. Kyle explained that the BAC generally informs the list; however, Kyle mentioned that items most likely to be approved by Council are for areas where BDS does not collect fees.

Chris Woo asked if there has been an analysis into how the funding model would look if BDS received General Fund for the Enforcement Program. Rebecca explained that initial conversations are going on with the Housing Bureau Director of a nascent concept to move revenues currently received through fines/liens to the Housing Bureau. The Housing Bureau would then use those funds to help low-income property owners maintain compliance. Chris Woo mentioned that the Coast Guard has a different fee

schedule for business owners and individual property owners. Beth Benton responded that the BDS Enforcement Program has a graduated funding model for property owners of different property types, and there is also a fee reduction program.

Tara Carlson inquired into projections and demographics for the FIR program. Rebecca explained that the plan is not to create a separate program but to recruit more contractors of color into the existing program. Dave Tebeau explained that the program is currently servicing more than 500 contractors. It can be an efficient way to conduct the permitting process. The goal is to achieve equitable outcomes of program usage by “widening the net” to attract more contractors into the program. Traditionally, the program has not been advertised; however, it continues to be very popular during the pandemic with a waiting list of over 100 contractors. FIR fees are based on an hourly rate instead of set valuation-based permit fees. The main current issues for the FIR Program are related to increasing staff to allow more contractors into the program.

BAC member Steve Lee asked what partnerships the FIR program is relying on to reach potential participants. Dave Tebeau explained there are a couple organization BDS is working with; however, BDS is seeking advice from the BAC on additional ways to reach contractors.

Karen Guillen-Chapman, representing Commissioner Dan Ryan’s office, asked if BDS knows how many BIPOC contractors are currently in the FIR Program. Dave explained that this is a complex issue as there are business owners, contractors, and workers involved in the permitting process, and parsing related data out can be complicated. Karen recommended that demographic data collection should focus on business owners rather than workers. Dave further explained that gathering demographic information can be difficult as the bureau cannot force customers to provide this data.

Tara Carlson suggested BDS can implement short customer surveys asking about services and different points during the permitting process. Rebecca explained that the bureau is currently working on similar ideas which may also be able to pull in demographics of who BDS is serving and what their needs are. These techniques could be implanted at various stages of the permitting process, for example: after applications are submitted, or issued permits are received. Brenda Fahey added that the bureau is at the very beginning of developing of these processes. Additionally, Rebecca voiced a desire to move away from periodic large surveys in favor of smaller, targeted surveys.

Sean Green provided some suggestions for General Fund asks: 1. Create a continuous improvement education resource library, 2. Hold events to highlight and connect BDS and its team to continuous improvement efforts by other organizations, 3. Develop a continuous improvement mentoring and coaching program.

5. Budget Advisory Committee Report

Kyle O’Brien informed the BAC that BDS will send out a request for Committee budget recommendations soon. BDS will provide a summary of recommendations for review and discussion at the January 12, 2022 meeting.

6. Next Meeting

The next BAC meeting is scheduled for Wednesday, January 12, 2022.

Meeting notes prepared by Kathy Lyndon & Ray Galinat, BDS