



BDS Budget Advisory Committee

Meeting Notes

Tuesday, November 8, 2023

BAC Members Present:

Avaly Scarpelli, Building Owners and Managers' Association (BOMA)
Elysabeth Salazar, BDS Equity Committee
Evelyn Liu, Community Member
Kari Koch, BDS / Represented Staff (CPPW)
Kim McCarty, Community Alliance of Tenants (CAT)
Koloni Fusitua, Community Member
Mary Butenschoen, BDS / Represented Staff (PROTEC)
Megan Walker, BDS Equity Committee
Romeo Sosa, Community Member
Sahand Kianfar, Department of Human Services Oregon Health Authority
Sam Miller, Development Review Advisory Committee (DRAC)
Sean Green, Aforma LLC
Wes Bird, BDS / Represented Staff (DCTU)

City Staff Present:

Beth Benton, BDS Property Compliance Inspections Manager
Brenda Fahey, BDS Technology, Training, & Continuous Improvement Manager
Carmen Rubio, Commissioner
Dave Tebeau, BDS Residential & Commercial Inspections Manager
David Kuhnhausen, BDS Permitting Services Manager
Doug Morgan, BDS Plan Review Manager
Elshad Hajiyev, BDS Deputy Director
Jillian Schoene, Commissioner Carmen Rubio's Office
Kathy Lyndon, BDS Budget & Finance
Kimberly Tallant, BDS Land Use Services Manager
Kyle O'Brien, BDS Budget & Finance Manager
Leesha Posey, Equity & Policy Development Manager
Marco Mejia Yopez, Equity & Policy Development
Rebecca Esau, BDS Director
Sangeen Khan, City Budget Office

Reference Materials

- FY 2024-25 Budget Preparation Process
- Budget Speak Dictionary
- Non-Cumulative Cost Recovery Report
- Business Continuity Plan Summary
- Economic Outlook
- FY 2023-24 BAC Report
- BAC Role & Service Priorities

Optional Materials (available online)

- [FY 2023-24 Requested Budget \(pg 1-57\)](#)
- [5-Year Financial Plan \(pg 58-142\)](#)

1. Welcome/Convene Meeting

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

2. Commissioner Carmen Rubio's Office

Commissioner Rubio acknowledged the recent news about the financial situation the bureau finds itself in and the reduction in permit applications. Many have predicted this possible outcome due to the external environment and factors that are out of the City's direct control.

Regardless, this is hard news, and it requires action. Commissioner Rubio expressed appreciation of Director Esau and Deputy Director Hajiyev for their leadership during this difficult time. Due to lessons learned during the last downturn, Commissioner Rubio encouraged the bureau to take proactive steps to avoid making similar mistakes that could result in deeper cuts.

The City is working hard and fast to be responsive to Portlanders during the current transition to a new form of government. The City's fundamentals are very strong and additional updates will be provided as things progress.

3. Budget Process

Budget 101

Deputy Director Elshad Hajiyev provided an overview of the Bureau of Development Service's (BDS) 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.

Elshad recommended BAC members focus on service delivery instead of specific budget numbers because the vast majority of the BDS budget is non-discretionary.

BAC Role / Tasks

Elshad explained 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, ask questions, and communicate their ideas during BAC meetings. At the end of the session the Committee will be asked to provide a letter of support to be included in the Requested Budget submission.

Timeline of Events

Elshad explained that the City operates on a July through June fiscal year basis. Currently, the City is in fiscal year 2023-2024 (July 1, 2023, through June 30, 2024). The BAC will be working on the Requested Budget for 2024-2025 that will be submitted on February 16, 2024. The bureau also prepares a Five-Year Financial Plan that is submitted at the same time.

Elshad stated that the overall budget is a year-long process. After the Requested Budget is submitted the City Budget Office (CBO) reviews all Requested Budgets and provides recommendations to the Mayor. The Mayor then releases a Proposed Budget in April. City Council schedules work sessions where public input can be given. After work sessions, and associated adjustments are complete, the process moves to the Approved Budget phase, and is finally adopted in June before going into effect on July 1st.

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 the Bureau of Development Services (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 18 Noise Control, 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. Additionally, the bureau administers the Liquor Licensing and Cannabis Licensing programs. Furthermore, Rebecca emphasized that BDS does not write codes but is tasked with enforcing codes.

The Bureau of Development Services (BDS) is majority funded by fees, with high valuation projects supplying much of the bureau's revenues. Additionally, BDS receives very little General Fund support, which connects the bureau strongly to construction industry activities and results in cyclical and unpredictable revenue streams. As such, BDS relies heavily on its Five-Year Financial Plan. During creation of the Five-Year Financial Plan, the bureau works with local economists to review current and expected future construction industry activity and overall economic conditions. Additionally, BDS maintains reserves with the goal of maintaining a stable workforce through periods of low revenue.

There are nine main issues for the Bureau of Development Services (BDS): 1. Commitment to Equity, Inclusion and Anti-Racism 2. Charter Reform; 3. City-wide Restructuring; 4. Permitting Unification; 5. Director Transition; 6. Supporting Online Service Delivery; 7. Investments in technology 8. Economy; and 9. Development Outlook

Organizational Structure / Key Issues

There are eight divisions that make up the Bureau of Development Services (BDS). BDS Division Managers briefly described their divisions' work and identified key issues / priorities:

- Equity & Policy Development (Leesha Posey)

The Equity & Policy Development Division leads internal and external equity and inclusion efforts and oversees the bureau's hiring processes. The Hiring Team infuses the City's core values throughout the hiring process for both internal and external applicants and candidates.

Housed within the division are the Empowered Communities Program, the Empowering Neighborhoods Program, the Small Business Empowerment Program, and the Arts Empowerment Program. The programs are set up to support Black, Indigenous, people of color and persons with disabilities, throughout the building permit process with culturally responsive approaches.

Key issues for Equity & Policy Development include equity integration, resources, government structures, diverse hiring pools/applicants, information and service accessibility, and community trust.

- 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 (Title 11), and Original Art Murals (Title 4). The Records Management group intakes all applications that are managed by LUS, process all required public notices, and support/clerk hearings.

Key issues for LUS include preparing for annual zoning code updates which sometimes occur up to twice a year, and zoning code amendments not keeping up with state legislative bills. Additionally, the Division struggles to keep up with demand for free services (zoning hotline questions and 15-minute appointments, which range from 8,000 to 11,000 questions/appointments annually). Finally, zoning code amendments and state bills are allowing more development by right (not requiring a land use review).

- Plan Review Division (Doug Morgan)

The Plan Review Division primarily provides plan review services for State building code permits. Secondarily, 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 Plan Review Services include code changes and training, maintaining adequate staffing and span of control for supervisors, and maintaining improvement in plan review timelines and customer service.

- Permitting Services Division (David Kuhnhausen)

The Permitting Services Division is comprised of 4 main sections: 1. Records Conversion digitizes historical records, all physical plans, and responds to property records requests; 2. Permitting Services ensures minimum submittal requirements are met and performs final quality assurance checks on permits before issuance; 3. Process Management Team facilitates the permitting process for large projects; and 4. Solar, trades, addressing & residential specialty (STARS) assists customers with specific scopes of work.

The key issue for the Permitting Services Division revolves around hiring & retention, training, and working on technology & process improvements.

- Residential and Commercial Inspections Division (Dave Tebeau)

Residential Inspections 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. In addition to administering the Facilities Permit Program (FPP) and Electrical Master Permit

Program (EMPP), Commercial Inspections provides structural, plumbing, electrical, and mechanical inspection services for commercial permits.

The key issues for Residential and Commercial Inspections Division are responding to citywide requests for 300-400 requests for inspections daily, providing the fastest turn around possible to customers requesting inspections, and recruitment shortages for inspectors coming from within the trade industries. There is difficulty in finding and hiring qualified personnel, and a substantial portion of the current workforce nearing retirement eligibility.

- Property Compliance Inspections Division (Beth Benton)

The Property Compliance Inspections Division 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. Cannabis Licensing & Inspections, Liquor Licensing and Noise enforcement are three new programs that have been added to the division.

The key issues for the Property Compliance Inspections Division are finding the balance between increasing community concerns, addressing chronic conditions, and having the necessary resources to provide the services residents expect. Another concern is how to resolve the need for collecting code enforcement fees for operational costs when it is counterproductive to the bureau's mission and in many cases causes harm to those most in need.

- Technology, Training & Continuous Improvement Division (Brenda Fahey)

The Technology, Training & Continuous Improvement Division provides services to other BDS divisions: Technology Success meets hardware and general software needs; the AMANDA Support Team provides production and support for the City's main permitting software; Digital Business Services maintains electric plan review software applications, an online portal known as DevHub, and inspections solutions; the training group trains external customers and internal staff on the bureau's technology applications; and Performance Analytics & Continuous Improvement intakes change requests and creates a project plan to implement requests.

The key issues for the Technology, Training & Continuous Improvement Division include staffing challenges across the Division (volume of technology, training, and process improvement requests are high, and all high priority); the volume of mandatory improvements related to code and policy changes is high and consumes significant capacity, HB2415 requires significant technology improvements to be compliant; the AMANDA folder architecture needs to be addressed to build a sustainable structure and position for future enhancements; there is an increasing appetite for data visualizations resulting in the need to resource database expansion, maintenance, and support as well as dashboards; and the Permit Improvement Transition Team (PITT) projects and other continuous improvement projects all require TCI resources to deliver.

The onboarding time for staff is another key challenge. Many of the technology positions require 12-18 months of learning lead time due to the complexity of business processes and systems. This is not unique to BDS, and other bureaus experience similar learning lead times for complex software applications. There are also impacts from staffing transitions for critical support services.

- 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 creation of the Five-Year Financial Plan, accounting, budgeting, payroll, human resources, facilities, fleet, emergency management & safety. Also housed in this division is the Bureau wide Projects Section which works on projects such as code development efforts, strategic plan, and other projects that effect bureau wide staff.

The key issues for the Business Operations & Finance Services Division are the Bureau's long and short-term financial health and stability, supporting the unification of citywide permitting functions, and citywide charter reform support.

5. BDS Finances & Financial Planning

Operating Fund

Bureau of Development Services (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 97% 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. Historically Land Use Services received General Fund support; however, ongoing General Fund support for that program ended in the 2017-2018 fiscal year. The Neighborhood Inspections, Liquor Licensing and Noise enforcement programs receive a small amount of General Fund support.

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 the bureau has drawn down reserves from approximately \$86.2 million in June of 2019 to \$37 million in September of 2023 and is drawing down reserves at a year-to-date rate of approximately \$3 million per month.

State Law

Broadly speaking there are two main program categories; State mandated, and Local code enforcement. 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. The bureau's financial structure is organized by program as funds cannot be used between programs.

Financial Plan

Aside from the Budget Advisory Committee, the other main budget committee is the Finance Advisory Committee (FAC). The FAC is convened to provide insight into economic and development conditions, and then provide feedback on BDS revenue models and growth rates as well as expenditures. Expenditure projections are based primarily on current expenses, inflationary factors, and assumptions regarding future personnel needs. 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.

The Budget Equity Assessment Tool helps decision makers look at the Requested Budget from an equity perspective. The tool is submitted with the Requested Budget and the Financial Plan. Kyle explained that the process is collaborative with the Bureau Equity Committee (BEC) and is reviewed by the Equity Manager, the BEC, the Director and Deputy Director, and the City's Office of Equity & Human Rights.

Economic Outlook

BDS Budget & Finance Manager Kyle O'Brien provided an overview of the current economic outlook. Portland construction activity, large project activity, and bureau revenues have declined. There is also little demand for new hotel or office spaces, and multifamily apartment development has been impacted by interest rates and decreasing values. BDS is expecting an 18-month period of low permitting activity. As such, the bureau is taking steps to reduce the monthly draw on reserves as reserves must last through the duration of this development downturn. In FY 2022-23 BDS drew \$12M in reserves the entire fiscal year. As of September 30, 2023 there was \$37M remaining in reserves and is being drawn down at an unsustainable rate of \$3M per month.

BAC member Sean Green asked for more information regarding layoffs and the bureau's current financial status.

Workload & Revenue Statistics

Development and workload have significantly decreased compared to prior fiscal years. The number of land use cases received was at a 10-year low of 382 cases in FY 2023. Building permit application valuation has decreased 36% from the 10-year high witnessed in FY 2020.

6. Discussion

BAC member Sahand Kianfar inquired about the bureau's data collection methods and the types of demographic information that are being systematically collected and analyzed. Equity & Policy Development Manager Leesha Posey explained there is data collection, reporting, and analysis happening throughout the bureau. The Equity and Policy and Development team hired a data analyst last year to support equity focused demographic data collection and research. This past year, the analyst has been working to develop data governance and standardization guidelines for the bureau, in collaboration with citywide resources. A new external data collection project will go live by the end of the year that will add a survey to collect anonymous demographic information from Devhub and 15-minute appointment customers. The analyst is also working to help implement our performance and progress tracking and analysis for the new Racial Equity Plan. There will be dedicated time in the December 2023 BAC meeting to specifically discuss the racial equity plan.

Considering the housing crisis in Portland, Sahand felt BDS services related to housing development and construction permitting should be prioritized. Streamlining the permit process, ensuring timely inspections, and facilitating affordable housing projects could be of high importance for BDS. David Kuhnhausen explained that BDS assigns a Process Manager to assist with projects subject to Inclusionary Housing requirements, which are generally commercial projects. For residential projects, a single point of contact acts as a liaison. In both cases technical review staff are asked to prioritize reviews associated with those projects as best they can. Mary Butenschoen added that Land Use Services currently prioritizes and expedites all affordable housing projects.

Wes Bird inquired about the funding sources of the new Cannabis Licensing & Inspections, Liquor Licensing and Noise enforcement programs. Elshad explained that all three programs came to BDS with dedicated revenue resources. Kari Koch noted the Liquor Program is a very small part of the BDS budget, and receives General Fund because fees were set in the 1970's by State Legislature. The fees currently max out at \$100 and are generally only \$35. There will need to be a legislative effort to increase those fees for the program.

BAC member Samuel Miller, who works with minority businesses in the community and is advocating for opportunities for BIPOC, women and LGBTQ business owners, shared the racial equity frustration around leadership governance making promises that do not always match-up with reality. Mary Butenschoen stated that customers don't always know what's available to them and it is important to communicate to customers the option to apply for low-income fee waivers. There are also fee waivers for non-profits organizations.

Sahand inquired about the efforts for community engagement at BDS. Community Engagement Manager Marco Mejia is currently working with all advisory bodies in the bureau to design the Community Engagement Program strategies in the next few years. BDS understands a Community Engagement Program is needed, and the bureau is working to change its culture of engagement.

Avaly Scarpelli inquired if the general idea of the proposed Housing Regulatory Relief Project to Stimulate Construction and Permit Fees is to provide additional revenue to supplement the BDS budget. If so, Avaly asked if there is a financial forecast available for a successful implementation of the project? Director Esau clarified that project is intended to stimulate housing production and to make projects more financially feasible. There is not a financial forecast at this time for that project, but BDS is tracking it closely and interested to see what the Planning Commission recommends to City Council.

BAC members expressed a desire for BDS to not be so reliant on permit and other fee revenue and to receive support from the City's General Fund. Other cities have diverse funding sources to smooth out the volatility and extreme nature of industry fluctuations. The General Fund is stretched very thin, with many demands on it, therefore, BDS cannot expect additional sources of funding to become available in time to avoid impacts and hard decisions. Director Esau stated layoffs in 2009 were disruptive, and leadership will advocate for a diverse funding model for the future to achieve greater stability for the workforce, and ultimately to ensure the bureau is well-positioned to deliver services when the economy recovers.

7. Next Meeting

The next BAC meeting is scheduled for Tuesday, December 5, 2023. The agenda and handouts will be provided in advance of this meeting.

Meeting notes prepared by Kathy Lyndon & Ray Galinat, BDS