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**City of Portland, Oregon - Bureau of Development Services**

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## **Bureau of Development Services Budget Advisory Committee**

### **Meeting Notes**

**Wednesday, December 5, 2023**

#### **Budget Advisory Committee Members Present:**

Avaly Scarpelli, Building Owners and Managers' Association (BOMA)  
Elysa Salazar, BDS Equity Committee  
Evelyn Liu, Community Member  
Kim McCarty, Community Alliance of Tenants (CAT)  
Kolini Fusitua, Community Member  
Mary Butenschoen, BDS / Represented Staff (PROTEC)  
Megan Walker, BDS Equity Committee  
Sean Green, Aforma LLC

#### **City Staff Present:**

Abbot Flatt, BDS Process Management  
Beth Benton, BDS Property Compliance Inspections Manager  
Brenda Fahey, BDS Technology, Training, & Continuous Improvement Manager  
Dave Tebeau, BDS Residential & Commercial Inspections Manager  
David Kuhnhausen, BDS Permitting Services Manager  
Doug Morgan, BDS Plan Review Manager  
Elshad Hajiyev, BDS Deputy Director  
Kimberly Tallant, BDS Land Use Services Manager  
Kyle O'Brien, BDS Budget & Finance Manager  
Leesha Posey, Equity & Policy Development Manager  
Peter Maris, BDS Equity & Policy Development  
Ray Galinat, BDS Budget & Finance  
Rebecca Esau, BDS Director  
Sangeen Khan, City Budget Office  
Yoshi Onda, BDS Equity & Policy Development

## Reference Materials

- Draft 11-08-23 BAC Meeting Notes
- Major Workload Parameters
- Non-Cumulative Cost Recovery Report
- FY2023-24 Budget & Reserves Charts
- Business Continuity Plan Summary
- BDS Finance Advisory Committee Draft Meeting Notes 11-13-23
- Economic Outlook
- Budget Equity Assessment Tool
- BDS Director's Priorities Memo
- Mayor's Budget Guidance Memo 1

### 1. Welcome/Convene Meeting

Bureau of Development Services (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 8, 2023, BAC meeting.

Megan Sita Walker noticed Sean Green's question from the November 8<sup>th</sup> BAC meeting, regarding the current financial situation and the layoffs, was not in the meeting notes. Language will be added to the notes and sent to the committee.

### 2. BDS Equity Goals

#### BDS Budget Equity Assessment Tool

Bureau of Development Services (BDS) Budget & Finance Manager Kyle O'Brien provided an overview of the Budget Equity Assessment Tool. The tool from last year has been provided for the committee to reference as there is nothing to share yet on the current year's tool. The equity tool is required in the Requested Budget submittal, and functions to analyze how the bureau's budget might support or hinder equity within Portland.

#### BDS Racial Equity Plan

BDS Equity & Policy Development Manager Leesha Posey provided an overview of the 2023-25 BDS Racial Equity Plan. As of this meeting the plan has not been approved but will be presented to Council on December 6, 2023. Council requires all bureaus to submit a racial equity plan. The plans need to be completed in collaboration with the Office of Equity and Human Rights to provide consistency across the City's bureaus.

Lessons learned from the previous plan have been incorporated into this plan: 1. Shorter time span – The new plan utilizes a 1-year transitional period instead of a 5-year period. This allows for more flexibility and responsiveness. However, to align with other bureaus this shifted to an 18-month period; 2. The plan needs to be specific to each division as this instills manager ownership, and each division is unique. As such, the plan is an amalgamation of each division's racial equity plan.

Peter Maris provided information on the Results Based Accountability (RBA) framework the proposed BDS Racial Equity Plan uses. RBA is an approach to measurement that uses plain language and puts the focus on the ends, working backward to the means.

### **3. Budget Preparation Update**

#### BDS Budget Drop-in Sessions

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. Drop-in sessions will begin the week of December 11th and will run for approximately two weeks. Suggestions will be compiled to be reviewed for feasibility of implementation.

#### BDS Finance Advisory Committee / Economic Outlook

The Bureau of Development Services (BDS) met with the Finance Advisory Committee (FAC) on November 13<sup>th</sup> to discuss current economic trends and projections. Overall, the committee advised that development is currently in a downturn and should remain that way for about 18 months, possibly longer. The main drivers of this outlook are: 1. High interest rates impacting developer investment and financing, and 2. The national perception of Portland, which seems to be decreasing the City's attractiveness for institutional investment.

#### BDS Revenue Forecasting Process

FAC meetings occur in November and January, with the bureau's proposed projection models presented for committee review in January. The outcome of these meetings are the bureau's base growth rate projections. The BDS Process Management group is consulted to get information on potential large projects coming in for submittal and issuance. The fee revenue projections are adjusted based on information obtained from the Large Projects group.

Budget Advisory Committee member Mary Butenschoen asked if it is possible for staff to attend the FAC meetings as observers. Kyle explained that FAC meetings are not open to staff as the focus of the meetings is to get information from the economists to include in the bureau's financial projections. Additionally, feedback was given that a large attendance creates a "fishbowl" perception for the economists participating on the committee and the goal is to create an environment to get the best information from members.

#### Current BDS Financial Status

Kyle shared the handout **Non-Cumulative Cost Recovery Report**. Last year Bureau of Development Services (BDS) reserves fell from \$57.2 million to \$44.8 million. BDS has continued to draw on reserves in the current fiscal year, operating at a 58% cost recovery rate from July 1, 2023, through October 31, 2023. BDS began financially administering the Cannabis Licensing Program in July 2023 along with the program's existing reserves, making starting reserves for the current fiscal year \$46.1 million. As of October 31, 2023, reserves have fallen \$12.3 million to \$33.8 million since.

#### Workforce Reduction/Layoff Update

The bureau is currently drawing approximately \$3 per month from reserves. With an expected development downturn lasting 18 months decisions must be made to optimize the chances of reserves lasting through the downturn. Rebecca provided an overview of measures being taken to address this issue. In the Fall of 2023 the bureau placed a hold on hiring for open positions. In October 2023 additional measures were implemented: 1. No net gain in staff, 2. Reduction of discretionary expenditures, 3. Tier 1 layoffs: In late October the bureau ended employment of select contractors and temporary staff, 4. Tier 2 layoffs: some staff, still in a probationary period, were notified of being laid off, and 5. Tier 3 layoffs: 57 employees were laid off.

Budget Advisory Committee member Megan Sita Walker inquired as to what percentage of the BDS workforce had been laid off. Kyle stated approximately 19% of the BDS workforce had been laid off. Megan further asked if analyses regarding the impact of cyclical lay-offs on retention and racial equity had been performed. Rebecca explained that there is no data currently on this topic; however, having gone through the latest round of layoffs, the diverse workforce the bureau accumulated over the last few years is starting to be lost.

Budget Advisory Committee member Kim McCarty observed that in these types of layoffs people of color are the first to be laid off. Kim expressed hope that the committee will be able to actively engage in mitigating this issue. Kim also asked if there would be another round of layoffs. Rebecca answered that there will most likely be another round of layoffs, especially since economists have advised the bureau that expecting an 18-month downturn is more optimistic than realistic. If the downturn will extend beyond the 18-month timeline additional expenditure cuts will need to occur.

When it comes to additional funding sources, Rebecca expressed frustration at the lack of funding diversification for BDS and hopes the BAC will continue to advocate for additional funding sources.

#### **4. BDS Budget Focus / Goals Discussion**

Rebecca Esau provided a recap of the handout **BDS Director's Priorities Memo** which contains five upcoming changes and focus areas.

##### Upcoming Changes

Upcoming changes include: 1. Transition to a new BDS Director, 2. Charter Reform Implementation, 3. Consolidation of Development and Permitting Functions, 4. Portland's Transition and Recovery, and 5. Financial Situation

##### Five Focus Areas

The five focus areas are: 1. Achieving fiscal sustainability and workforce stability to the extent possible through severe and extended economic downturns, 2. Engaging with communities and individuals to collaborate on achieving improved outcomes for people with disabilities and for Black, indigenous, and other people of color, 3. Supporting our employees in navigating this economic downturn and a variety of changes, while continuing to move multiple improvements forward, 4. Continuing to build a foundation of data to use in tracking performance metrics and service delivery outcomes, and 5. Acting on climate change.

Megan Sita Walker advocated for the BAC to ask bureau leadership and City Council to ensure the Racial Equity Plan is prioritized and funded through the next fiscal year, and asked if there are known or anticipated effects of layoffs on this work. Rebecca explained that until layoffs work through the logistics processes contained in the various union labor agreements the bureau will not know for sure. However, Rebecca expressed optimism that this work will continue. Megan advised leadership to use the Racial Equity Plan to help improve the City's image.

Mary Butenschoen warned of potential issues if fee increases are pursued, stating there are customer rumblings that BDS already charges high fees for permits. Rebecca explained many other jurisdictions receive General Fund support allowing them to keep development fees lower in comparison to

Portland. Mary asked about additional funding sources apart from General Fund and Fees for Charges and Services, for example federal funding sources. BDS Deputy Director Elshad Hajiyeve explained there are federal sources; however, these sources are generally grant-based and only a few are related to permitting. As far as other sources of revenue, the options are very limited.

Budget Advisory Committee member Sean Green asked how other jurisdictions support permitting and inspection functions. Elshad explained that there are multiple methods; some receive General Fund, some are fee supported, others are a combination. The precursor to the Bureau of Development Services used to receive General Fund support; however, in the 1980s that support was removed in favor of fees and charges for services. Elshad further explained there are downsides to General Fund support; for example, bureaus must ask for additional support every year to expand services, whereas the bureau has more autonomy, and flexibility, in business decisions when primarily self-supported.

Sean advocated for the BAC to focus on ways the bureau can help address City Council budget priorities found in the Mayor's Budget Guidance memo, and that this could be a strategy to present a business case for General Fund support. Directly within BDS's purview, one of the priorities articulated in the Mayor's Budget Guidance Memo is reducing development permitting timelines.

Megan requested that the BAC advocate for a community led inspections program, and to look for additional revenue sources potentially available after permitting unification that may not be available currently. Rebecca added that as the Community Development Service Area is created there may be opportunity to share resources with other bureaus housed in the service area, for example timekeeping and human resources functions.

#### **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 10, 2024, meeting.

#### **6. Next Meeting**

The next BAC meeting is scheduled for Wednesday, January 10, 2024.

**Commented [OK1]:** Note that we need to send out an email to BAC members offering to consolidate recommendations received from various members into one document prior to the January 10th meeting. Deadline to send us recs for that handout would be January 5th. If nobody sends recs, we will still be able to discuss recs at the next meeting.