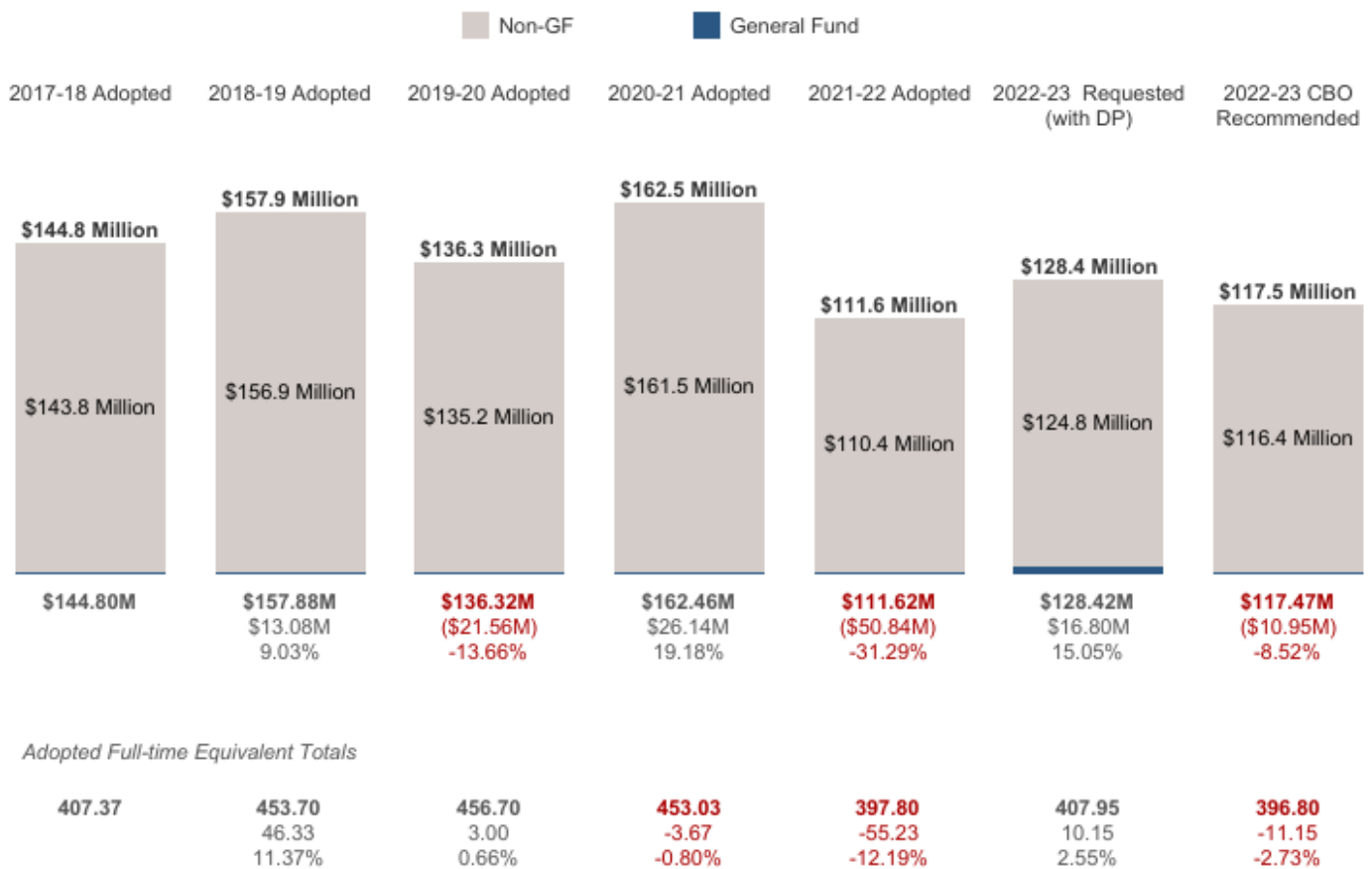




Development Services

Analysis by Douglas Imaralu

Adopted Budget Revenues | 5-Year Lookback



EXECUTIVE SUMMARY

The Bureau of Development Services (BDS) administers and enforces State building codes and local development codes to promote safety, livability, and economic vitality. In FY 2022-23, the bureau’s current service level Requested Budget does not include any additional positions, with 396.8 FTE and an operating budget of \$83.8 million. However, the bureau’s budget relies on fee and permit revenues, which are sensitive to the ebbs and flows of the development cycle. The ability for BDS to provide timely, predictable services is essential in attracting investment in Portland.

Although BDS is presently experiencing a resurgence with its permit revenues, it is important to note that overall cost recovery is still the most significant financial issue facing the bureau. While there is evidence of revenue growth and more favorable revenue forecast, the impact of the pandemic on BDS revenues is expected to last over several years. The bureau is focused on balancing competing goals: (1) Pursue cost recovery for services wherever appropriate, (2) Maintain prudent financial reserves, and (3) Provide excellent customer service and be responsive to customer and community needs. BDS's requested budget proposes to continue these three cost-containment strategies as predicted by its Five-Year Financial Plan (FY 2022-23 – FY 2026-27).¹

BDS' Requested FY 2022-23 Budget also reflects a focus on addressing the learnings and recommendations from the impact of pandemic and a response to systemic inequities in the administration of its Compliance framework. In keeping with these goals within the framework of Mayoral guidance, the bureau's submission includes several new requests for one-time General Fund resources with intention of absorbing costs on an ongoing basis. Given competing priority requests and constrained available new General Fund resources, the CBO is not recommending General Fund support for some of these requests but recommends that the City consider allocating anticipated additional federal relief dollars toward these requests. A summary of CBO recommendations is below, and full details on the recommendation follow later in this review.

- CBO recommends \$436,614 in one-time General Fund resources to support 3.0 FTE and a consultant to kickstart Citywide development review continuous improvement efforts, customer support, and customer service training.
- While additional external resources would certainly help with maintaining service delivery and continuity of operations with the Neighborhood Inspections program, CBO does not recommend \$1.2 million in one-time resources requested by BDS due to the limited availability of General Fund resources. CBO recommends considering federal resources through the American Rescue Plan Act (ARPA) to mitigate projected FY 2022-23 reserve draw, bring the program to cost recovery, and allow the bureau to maintain staffing levels to serve vulnerable community members.
- CBO does not recommend General Fund resources to support 1.0 FTE within the Neighborhood Inspections program and a consultant to identify community priorities and promote equitable changes. CBO recommends that BDS prioritizes this strategic function with current vacancies. Alternatively, CBO recommends considering allocation of American Rescue Plan Act (ARPA) funds for this request.
- CBO does not recommend General Fund one-time resources to support a technology project impacting the Citywide development review process. CBO notes that requests submitted for permitting process improvement across bureaus totaled \$2.2 million and 10.0 FTE. CBO recommends that the relevant bureaus work together to provide Council with scalable options prioritizing the most important improvements for next year.
- CBO does not recommend new General Fund resources to support a new position focused on expediting solar permits in FY 2022-23 due to the lack of available new resources and potential for other resources, such as Portland Clean Energy Fund (PCEF) to fund this important task in the absence of available fees.
- CBO does not recommend General Fund one-time resources to support a new position to assist shelter and Pre-School for All projects through the permitting process. CBO recommends that BDS considers the \$1 million in General Fund resources City Council allocated towards a Shelter Permit Fee Waiver Reimbursement Fund during the FY 2021-22 Fall BMP to fund this position.

¹ See BDS FY 2022-23 Requested Budget – Financial Plan starts from page 79.

- CBO does not recommend new General Fund resources to support a new position focused on permitting support for Black, Indigenous, and other people of color and people with disabilities in FY 2022-23 due to the lack of available new resources and potential for other resources, such as resources collected through the City’s tax on Recreational Cannabis in the absence of available fees.

BASE BUDGET & KEY ISSUES

Financial Outlook and Preparations for Economic Recovery

After two years of operating through the COVID-19 pandemic, BDS is beginning to see positive trends in revenue streams as compared to the months immediately following the emergency declarations in March 2020.² BDS financial plans state that the COVID-19 pandemic initially caused a substantial decline in new permitting activity in Portland, thus the bureau is experiencing lower revenues across most programs when compared to pre-pandemic levels. While the pandemic had immediate and significant impact of BDS revenues, it is important to highlight from prior CBO reviews that the bureau was using reserves and in a contractionary environment before March 2020.³

The bar graph compares the first 6 months of FY 2020-21 to the first six months of FY 2021-22 and shows revenue improvement between the two years. Although cost recovery is still an issue, the bureau has a cost recovery rate of 89% halfway through the current fiscal year compared to 74% in FY 2020-21 (3% less the 77% projected).

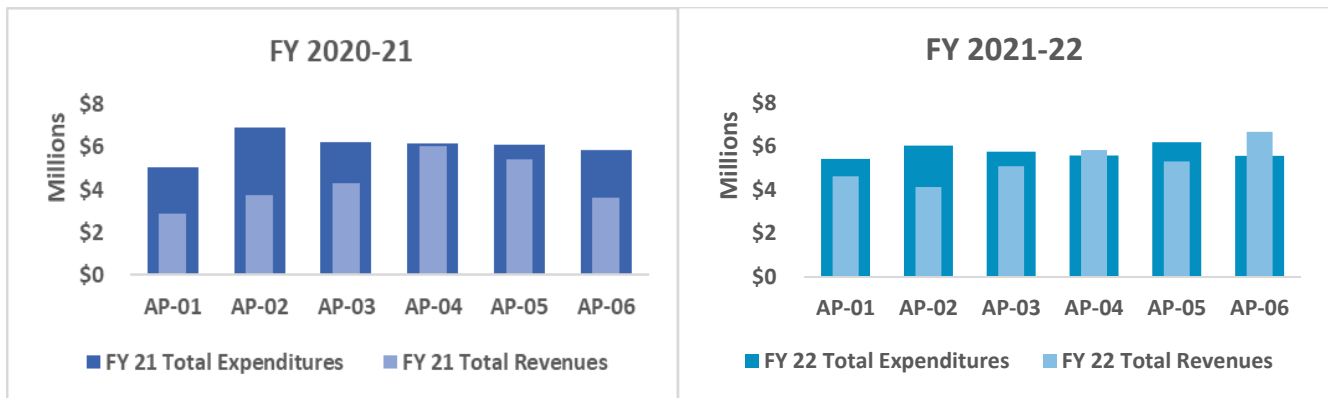


Table 1: BDS revenues and expenditures from fiscal year-to-date 2020-21 and 2021-22.

Bureau revenues and demand for services have shown indications of stabilization and may be poised for moderate increases in FY 2022-23 as compared to the two most recent years. So as the local development and construction industries recover, the bureau’s base plan anticipates high growth rates. However, it is important to note that BDS has submitted two versions of its Financial Plan: a Base Version that projects high growth rates and an Alternative Case scenario, which accounts for a less optimistic outlook with growth

² Owing to the bureau’s reliance on fee revenues to fund programs, it tracks workload, revenue, and expenditure data closely.

³ CBO reviews from FY 2020-21 and FY 2021-22 provides more details.

rates based on long term average growth rates for bureau programs during periods of expansion and contraction.⁴

For BDS, high growth rate implies high demand for labor, which is directly related to increased revenues. The bureau is projecting the continuation of this initial rebound in fee revenues starting in FY 2022-23. Consequently, this has shifted the bureau’s strategic focus from “preventing layoffs” to “expanding its workforce” to meet projected demands. While there are indications of economic recovery and projections of revenue growth, BDS still highlights potential risk to their financial recovery model as new large, high valuation commercial projects, such as hotels and office towers are not expected for Portland in the coming years.

Revenues are expected to increase over the duration of BDS’ Financial Plan. The first two years of this forecast show the more dramatic planned increases in this five-year forecast period, and it is important to highlight that these increases in programmatic revenues begin from and are being applied to historically low levels of revenue collections. In addition, BDS will be reviewing its fee schedules in Spring 2022. It is anticipated that the bureau will propose fee increases to cover the increasing cost of providing services and ensure continuity of key service provisions. Until FY 2019-20, BDS had not raised most of its fees since FY 2012-13 and reduced some fees in FY 2013-14 and FY 2016-17. Fees were held constant in part because the bureau had adequate reserves, and workload indicators did not point towards compelling reasons to increase fees. During FY 2021-22 budget development, City Council approved fee changes with an effective date of July 1, 2021. Also, other sources of revenues, such as Interagency Agreements (IAs) have doubled in the same period, driven by the increased rent from the blended downtown office rental rate as well as increased technology maintenance costs.

Program	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Building/Mechanical (Combined)	14.8%	12.0%	1.6%	2%	1.9%
Building	15.3%	12.4%	1.6%	2.1%	2.0%
Mechanical	13.3%	10.8%	1.4%	1.8%	1.7%
Electrical	13.3%	10.8%	1.4%	1.8%	1.7%
Plumbing	13.3%	10.8%	1.4%	1.8%	1.7%
Facilities Permits	14.5%	11.8%	1.6%	2.0%	1.9%
Field Issuance Remodel	14.1%	11.4%	1.5%	1.9%	1.8%
Site Development	15.3%	12.4%	1.6%	2.1%	2.0%
Environmental Soils	1.9%	1.3%	1.2%	1.2%	1.2%
Signs	2.2%	1.4%	1.0%	0.9%	0.9%
Zoning Enforcement	15.3%	12.4%	1.6%	2.1%	2.0%
Neighborhood Inspections	2.0%	1.3%	1.0%	0.9%	0.9%
Land Use Services Case Review	12.1%	9.9%	7.6%	5.4%	3.2%
Land Use Service Planning and Zoning	15.3%	12.4%	1.6%	2.1%	2.0%

Table 2: Programmatic Revenue Growth Rates (base version)

BDS notes that all planned hires are input into the bureau’s financial planning models to ensure sufficient resources to support the positions. In its FY 2022-23 Requested Budget, the bureau indicated both its need for one-time General Fund resources to begin pertinent work or staff up with the intention to use

⁴ For the ninth consecutive year, BDS has submitted two versions of its Financial Plan: the base version of the Plan is found in Appendices B and C while the Alternative Case scenario found in Appendices D and E of BDS’ [FY 2022-23 Requested Budget](#) document (The Financial Plan starts on page 79).

revenue generated from fees and charges to support the 11.0 FTE requested on an ongoing basis, assuming revenues do recover to support the positions. This is based on its financial planning model which projects high growth rates and increased demand for labor in the forecast period. Despite forecasted revenue growth, the model shows BDS will need to continue drawing from reserves to support programs.

Program	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Building/Mechanical (Combined)	3.3%	3.3%	3.3%	3%	3.3%
Building	3.4%	3.4%	3.4%	3.4%	3.4%
Mechanical	3.0%	3.0%	3.0%	3.0%	3.0%
Electrical	3.0%	3.0%	3.0%	3.0%	3.0%
Plumbing	3.0%	3.0%	3.0%	3.0%	3.0%
Facilities Permits	3.3%	3.3%	3.3%	3.3%	3.3%
Field Issuance Remodel	3.2%	3.2%	3.2%	3.2%	3.2%
Site Development	3.4%	3.4%	3.4%	3.4%	3.4%
Environmental Soils	0.4%	0.4%	0.4%	0.4%	0.4%
Signs	0.6%	0.6%	0.6%	0.6%	0.6%
Zoning Enforcement	3.4%	3.4%	3.4%	3.4%	3.4%
Neighborhood Inspections	0.5%	0.5%	0.5%	0.5%	0.5%
Land Use Services Case Review	3.2%	3.2%	3.2%	3.2%	3.2%
Land Use Service Planning and Zoning	3.4%	3.4%	3.4%	3.4%	3.4%

Table 3: Programmatic Revenue Growth Rates (alternative case scenario)

In March 2020, reserves stood at \$88.5 million but by July 2020 it was \$77.9 million (a decline of 12% in three months). The draw on reserves in the current fiscal year, through the first six accounting periods, is about \$650,000. The bureau began the current year with \$56 million in reserves and is projected to end the year with approximately \$49.5 million. Thus, as a safeguard, the bureau’s Financial Plan includes an Alternative Case scenario which models lower growth rates than projected in the Base Version.⁵ So if actuals come in lower than current projections, BDS will draw more significantly on reserves. This highlights how maintaining healthy reserves is critical to the bureau’s operations to weather market fluctuation in the development sector.

⁵ BDS has submitted two versions of its Financial Plan: the base version of the Plan is found in Appendices B and C while the Alternative Case scenario found in Appendices D and E of BDS’ FY 2022-23 Requested Budget document (The Financial Plan starts on page 79).

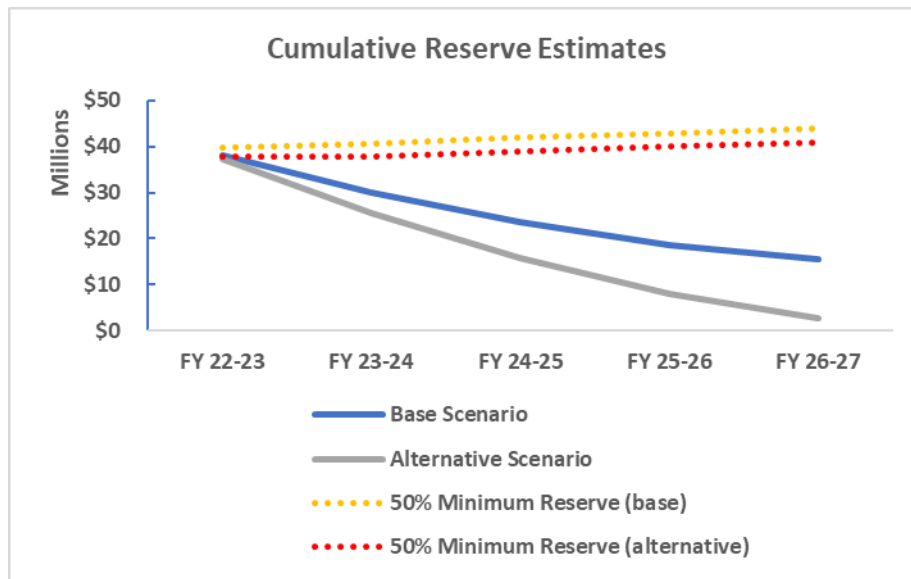


Table 4: BDS Reserve Estimates showing Base Scenario and Alternative Scenario, and 50% Minimum Reserve goal during the 5-year forecast period.

As shown in the graph above, the bureau’s cumulative reserve is projected to decrease significantly below the 50% minimum reserve goal during the five-year forecast period in either scenario.⁶ It is important to note that the reserve determines how much time BDS will have to adjust to change and still provide necessary services.⁷ BDS only plans to add or decrease staffing as workload and revenues are realized, and this is somewhat dependent on the ability to receive bridge resources from the City’s General Fund. The uncertainty around future revenues and the need to preemptively staff up in anticipation of demand presents a conundrum to good financial practice: from a financial sustainability standpoint the Budget Office would typically recommend against planning to expand services and increased costs while projecting significant required drawdowns on reserves. However, if those investments are necessary to respond to demand and bring in increased revenue, then they represent a positive financial practice. Even so, CBO notes that the projected draw on reserves in the alternative 5-year forecast is unadvisable and would expect the bureau to adjust staffing plans should that alternative forecast look likely to unfold.

Expenditures Driven by Fixed Cost Pressures

Expenditures remain relatively consistent for the bureau as these are largely driven by personnel services. In the current fiscal year, personnel costs account for 70% of the bureau’s budget.⁸ The bureau’s requested decision packages cite the potential impact of supplementing permit and program-based fees

⁶ The bureau’s 50% minimum reserve level can be calculated by looking at Appendix C of its Financial Plan. Annual expenditure projections are depicted there – 50% of annual expenditures = 50% minimum reserve.

⁷ Generally, BDS’ minimum reserve goal of 50% or 6 months of total expenditures provides the baseline in which total bureau reserves should not drop. Although there is no maximum reserve goal, some programs have reserve goals that are higher than others. This is because they are usually the last stage (mechanical/building inspections) in the bureau’s work on development projects. Thus, a higher reserve is needed to ensure that the bureau has enough resources to provide inspections services that were prepaid by developers and homeowners.

⁸ BDS Financial Advisory Committee supports the bureau’s expenditure projection process and methodology and recognizes the importance of responding quickly to changes in economic and development conditions as they occur.

with additional General Fund resources to sustain a base level of operations and ensure services are adequate to spur economic recovery. In the short term, the most urgent action anticipated by the bureau is the need to fill existing vacant positions to fill pertinent gaps. Currently, all hires are inputted into the bureau's financial planning models to ensure sufficient resources to support the positions.

BDS' Financial Plan projects an increase in development activity and assumes that the bureau hires out of its existing vacancy pool to help meet the increased demand for services. However, additional funding will be needed to jump start the workforce expansion as well as expand and move forward critical process improvement projects. If revenues do not materialize, this would indicate lower workload, which in turn means BDS' draws on reserves would be unsustainable. In this event, the bureau notes that it would have sufficient time to make the appropriate staffing changes.

The bureau is also subject to cost pressures outside of personnel costs. In 2019 the City changed the way it allocates facilities rental rates to bureaus in the downtown area while incorporating debt service costs on several large recent facilities projects into the allocation model, the net of which has resulted in over \$3 million in additional ongoing annual rental expenditures for BDS since FY 2020-21 which BDS has absorbed through its permit fee cost recovery model. BDS is planning to reduce its office footprint by allowing lease agreements for the 6th and 10th floors of the Jacobs Center to expire in FY 2022-23 in effort to further contain costs.

ARPA Resource Allocation Budget Note

As noted in a FY 2021-22 Council budget note, the Office of Management and Finance, Bureau of Revenue and Financial Services (BRFS) was directed to earmark \$8.3 million in second tranche federal stimulus American Rescue Plan Act (ARPA) resources to prevent immediate layoffs, delay potential layoffs, and sustain current service levels within BDS. According to the directive, BRFS shall review BDS' updated Five-Year Financial Plan upon receipt of second tranche resources. If the forecast remains the same or worse than the five-year forecast presented during FY 2021-22 budget development, \$8.3 million in ARPA resources shall be allocated to BDS.

BDS has recorded slightly better than originally forecasted revenues to date, and as described in earlier sections of this review, the bureau's focus has shifted from preserving its workforce to expanding its workforce to effectively meet anticipated demand for service. The bureau has noted the importance of receiving the ARPA funds as it will help facilitate the continuous improvement of services and Citywide development by increasing staffing levels and investing in crucial technology and process enhancements while prioritizing equitable practices. This is critical to fulfilling the bureau's mission and economic recovery in Portland, as it balances maintenance of its reserves with the transformation of operations, programs, and services to better meet the needs of the community. However, this current proposal offers a different value proposition than the preservation of current staffing levels, which is what Council committed to with the FY 2021-22 budget note. BDS has the option to fill out an ARPA 2nd round request form and submit for consideration for resources by the Council.

Balancing Investments in Technology and Equity

As detailed in BDS' financial forecast, development activity is projected to increase in the coming year. Thus, the bureau is strategically investing resources to meet demands in the construction industry, provide critical services to BIPOC and disability communities, and additional permitting support for shelter, pre-school, and solar projects, and improve the City's multi-bureau permitting system,

technologies, and processes.

Towards More Equitable Outcomes

The BDS Equity and Policy Development Section is tasked with implementing the bureau’s Five-Year Racial Equity Plan. From promoting equity in recruitment and contracting processes to training of BDS staff, and community outreach the Equity and Policy Development team works with staff from across programs to apply an equity lens to the bureau’s work. This section also includes the Empowered Communities Program, which provides focused support for Black people, Indigenous people, people of color, and people with disabilities in navigating zoning, development, and permitting requirements.

The Equity and Policy Development Section’s revised budget has grown in each of the last five years, increasing by \$0.8 million, or 42%, from FY 2017-18 to FY 2021-22. A commitment to continuing to invest in this area is reflected in the bureau’s strategic direction and supported by the Budget Advisory Committee Report and priorities of other bureau advisory bodies.

However, despite sustained investments in equity work, quantitative measurement of the impacts of these investments has proven challenging. This growth has been supported predominately by fees paid to BDS. Historically, BDS has not collected demographic information about its customers - there are compelling privacy, security, and trust-building reasons not to do so. This means that despite tracking a suite of performance measures, it -has yet to disaggregate outcomes by demography to understand how its policies and practices impact segments of the populations differently.

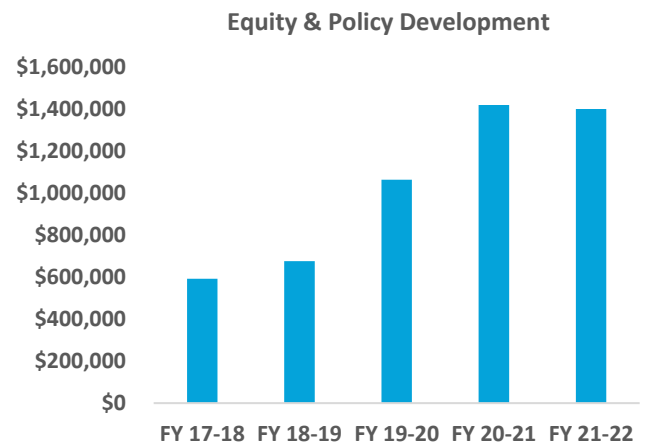


Table 5: BDS' Equity and Policy Development Section Budget

CBO encourages the bureau to continue pushing forward a dual focus: tailoring support to historically underserved communities in navigating City systems and making new online systems more responsive and easier to navigate for everyone. For FY 2022-23, the bureau notes that it will focus on expanding its capacity to serve and assist BIPOC and disabled communities through the Empowered Communities Program, specifically the Small Business Empowerment Program, the Empowering Neighborhoods Program, and the Arts Empowerment Program. BDS’ Requested Budget includes decision packages to invest further in the work of the Empowered Communities Program through additional resources to fund two new positions to expand capacity in the Empowered Neighborhoods Program and Small Business Empowerment Program, and to expand services to provide proactive early information and assistance to BIPOC homeowners with permitting their projects.

Investments in Technology

BDS has continued to undergo a digital transformation as it repositions itself to better serve customers and adapt to an increasingly digital economic landscape. A critical component of the bureau’s strategic direction is the maintenance and refinement of the bureau’s technology infrastructure. Since March 2020, when the City’s Permit Center was closed to the public, BDS’ Technology Team has been developing the City’s online permitting services, so that customers can continue to get their permitting needs met via 24/7 online access to submit permit applications and corrections to plans, and fee payment among others. In the past 18

months, BDS has transitioned its services from in-person to remote, online services, remote video inspections. It is also transitioning from paper plan reviews to digital plan reviews.

BDS' transformation over this relatively short period of time is heavily reliant on technology support and employee expertise. The bureau has continued to build its digital plan review capabilities, refining its online permitting portal (DevHub PDX) and streamlining application submittal, intake, and permit set-up. Investing in the bureau's digital infrastructure and the continuous improvement of systems and processes are amongst the top priorities for the bureau as economic activities increase. It notes the pertinence of adding staff as required to automate systems, produce performance metrics and dashboards, and identify root causes of delays and address them in the coming years. However, CBO recommends that the bureau collaborates with other permitting bureaus to develop a continuous improvement strategy for its technology systems and hiring needs, even as it prioritizes user-friendly, response systems to cater to all customers.

Responding to Auditor's Compliance Review

The recent Ombudsman's Report focusing on the BDS code compliance efforts brought forward issues related to the equity and service impacts of the current complaint driven system. According to the City's Ombudsman Office, data backup Portlanders' objections to unfair treatment by the City's property maintenance enforcement system. The City should act with urgency to break with the system's racist past and engage community members it disproportionately burdens for their ideas to fix it.⁹ The Ombudsman recommended that BDS commits to eliminating the disparate outcomes of the complaint-driven property maintenance system, engage with the communities that have been adversely affected by the property maintenance enforcement system, and assign a project manager to facilitate engagement and propose reforms to City Council and Bureau managers.¹⁰

In response, the Bureau of Development Services notes that it plans to build upon the Review and deliver detailed recommendations for changes with substantial community support. One of the bureau's strategies include hiring a consultant to work with bureau staff and management to assess existing initiatives and models adopted in other jurisdictions. CBO recommends that it prioritizes collaboration with other bureaus to identify avenues for outreach and community engagement to better understand the needs of Black people, Indigenous people, people of color, and people with disabilities in navigating zoning, development, and permitting requirements.

DECISION PACKAGES

Improve Multi-Bureau Permitting System

DP_13006, \$436,614, 3.0 FTE

Request Summary

BDS requests \$436,614 in one-time General Fund resources to support 3.0 FTE and a training consultant to kickstart Citywide development review continuous improvement efforts, customer support, and customer service training, which are critical to improving service delivery quality, timeliness, and efficiency.

⁹ Portland's reliance on complaints for property maintenance enforcement disproportionately affects diverse and gentrifying neighborhoods. See Ombudsman Office November 2021 report and responses [here](#).

¹⁰ See page 10 of Ombudsman report.

CBO Analysis

As submitted, this package aims to expand BDS' Customer Success Team (CST) for better service delivery and give support to all permitting bureau staff, build upon the bureau's efforts at continuous improvement of its systems, and address issues identified in the City Auditor's Building Permit Review, which identified multiple aspects of the Building Permit Review process that needs improvement and system change. The Review identified multiple areas needing improvement, including the need to effectively address inefficiencies in the development review process as well as poor and inequitable customer service Citywide in the development review process. Customers provided feedback that process inefficiency created barriers to success and the Auditor identified risks associated with inefficient process, including the potential for developers choosing to build elsewhere resulting in economic loss for the City, and the possibility of residents proceeding with unpermitted construction, posing a risk to health and safety for occupants. The Auditor's review also indicated that better performance management was necessary to address long-standing inability to meet customer needs in the Citywide development review process.

BDS is seeking bridge funds to kickstart this process in FY 2022-23, as it plans to absorb the cost of the critical task on an ongoing basis. The bureau notes that to continue the development of the CST, effectively serve customers, and improve the permitting process, the additional position will help with identifying the root causes of recurring issues impacting all development review bureaus and facilitating customer service solutions.¹¹ Also, this position would allow the CST to continue their critical function on the Citywide Permit Task Force, which was set up to identify solutions to resolve delays and other concerns with the City's building permit processes. The Task Force is chaired by Commissioner Dan Ryan and Commissioner Mingus Mapps and consists of leaders from most City permitting bureaus and representatives from the development community.

In addition, the proposal includes hiring a consultant to help with training all bureaus and staff involved with development review and improve performance of the permitting process as it relates to timelines, quality of service, and process efficiency. With seven bureaus involved in the development review and permitting process, there is a need to develop training to implement a consistent methodology and continuous improvement. The consultant will work with BDS and interagency partners to develop appropriate training.¹² CBO notes that this component of the proposal addresses two priorities identified by the Task Force in 2021: (1) For the City's permitting bureaus to take measures to improve the quality of permit application submittals, and (2) For the City's permitting bureaus to improve performance management.

CBO recommends this request. The bureau has made progress in this effort in FY 2021-22 and providing bridge funding is anticipated to move the bureau into position to provide better service delivery and more efficiently service customers.

CBO Recommendation: \$436,614 one-time | 3.00 FTE

¹¹ A primary focus of the CST is to coordinate with management, Council Offices, and interagency partners to achieve balanced outcomes for all development customers.

¹² The bureau notes that the consultant request was recommendation by its Budget Advisory Committee.

Citywide Permitting Technology Support

DP_13007, \$396,466, 3.0 FTE

Request Summary

BDS requests \$396,466 in one-time General Fund resources to support a critical technology project impacting the Citywide development review process. As BDS transitions from paper-based systems to an online/digital system, this request specifically focuses on enhancing permitting software projects and improving efficiencies to meet the demands of construction permits in a timely and predictable manner.

CBO Analysis

This proposal seeks one-time General Fund resources to expand the capacity of BDS' Technology, Training, and Continuous Improvement Division to address increasing demand for technology project development, implementation, support, and maintenance. This support is critical for technology projects impacting the Citywide development review process. The bureau notes that an increasing number of permitting software enhancement projects are necessary to improve efficiencies and service delivery, therefore it intends to add an increasing number of software application to its main permitting software AMANDA. All these are being implemented and customized to meeting City development review needs.

BDS' Technology Team has been developing the City's online permitting services since March 2020, when the City's Permit Center was closed to the public. In the past 18 months, the bureau has transitioned its services from in-person to remote/online services and remote video inspections. It is also transitioning from paper plan reviews to digital plan reviews. BDS' transformation over this period is heavily reliant on technology support and employee expertise. The bureau has continued to build its digital plan review capabilities, refining its online permitting portal (DevHub PDX) and streamlining application submittal, intake, and permit set-up.

Investing in the bureau's digital infrastructure and the continuous improvement of systems and processes are amongst the top priorities for the bureau as economic activities increase. It notes the pertinence of adding staff as required to automate systems, produce performance metrics and dashboards, and identify root causes of delays and address them in the coming years. Therefore, BDS is requesting General Fund support as bridge funding for 3.0 FTE to get these programs up and running. The bureau notes that this proactive move comes in the wake of a significant drop in investor confidence in Portland, which is linked to the complexity of City regulations and the City's ability to deliver timely, predictable permitting services.

Further, the bureau notes that the City must invest in maintaining an experienced, knowledgeable workforce and in technology projects to streamline the City's development review processes. Additional support will also increase efficiency and timeliness of the development review process, thereby reducing costs and financial burdens on both the City and customers, reducing hinderances to development, and supporting the economic recovery. CBO acknowledges these benefits and how they can potentially accelerate the City's development review process and catalyze economic recovery. Indeed, this proposal seeks to provide citywide value, rather than benefitting only one bureau.

CBO also notes BDS' concern that not moving forward with this request may hinder the bureau's ability to maintain and streamline the City's development review processes, which may increase the probability of development activity continuing to shift away from the City, thereby dampening economic recovery. However, in the FY 2022-23 budget development process, the requests submitted for permitting process improvement total \$2.2 million and 10.0 FTE across all bureaus. Due to limited General Fund resources,

CBO is recommending the GF resources for the package above and an estimated \$115,000 in carryover from the current year Special Appropriation allocation to help support total permit system improvement work. CBO recommends that bureaus work together to provide Council with scalable options prioritizing the most important improvements for next year. To the extent that partner bureaus can provide resources or in-kind support, or if additional one-time General Fund resources are identified in the April forecast, CBO recommends considering additional resources for this project in alignment with Council's priority for economic recovery.

CBO does not recommend resources for this request due to constrained available one-time funds and potential timing to have this project follow the process improvement work in DP 13006.

CBO Recommendation: \$0

Neighborhood Inspections Program Support

DP_13044, \$1.2m

Request Summary

BDS requests \$1.2m of General Fund one-time resources to maintain service delivery and operations of the Neighborhood Inspections Program. The package will help with mitigating projected FY 2022-23 draw on reserves, bringing the program to cost recovery and ensuring continued service delivery to vulnerable communities.

CBO Analysis

Financial and Operational Outlook

The Neighborhood Inspections Program has experienced multiple years of decreasing revenues and resource uncertainty, owing to its model of operation. The Program has been drawing on program reserves for years and currently reserves are forecasted to be entirely depleted in mid-FY 2022-23 without additional one-time General Fund support.¹³ This proposal aims to help maintain current service levels and fiscal stability of the Neighborhood Inspections program.¹⁴ As outlined in a previous CBO review, the Program faces challenges to achieving cost recovery through fees and penalties alone because it seeks to achieve compliance with code requirements before charging a fee or penalty.

Consequently, the program has been supplemented with crucial support from the City's General Fund.¹⁵ BDS' Budget Advisory Committee and the Development Review Advisory Committee have consistently supported the ongoing use of General Fund monies to support the Program, in recognition of the benefits it delivers to our community.¹⁶ Also, the bureau has repeatedly requested General Fund resources for the Neighborhood Inspections Program in other to maintain financial stability, citing the need for ongoing

¹³ The Neighborhood Inspections Program is projected to exhaust its reserves in FY 2022-23, entering a reserve deficit that is projected to grow through each remaining year of the forecast. See previous [CBO review](#) for details.

¹⁴ BDS notes that this package will help mitigate the projected FY 2022-23 draw on reserves, bring the program to cost recovery, and maintain service levels that benefit our most vulnerable communities.

¹⁵ See CBO's [BDS FY 2021-22](#) review

¹⁶ Services provided by the Neighborhood Inspections Program are vital to communities of color, immigrant, and refugee communities and/or people living with a disability.

resources to maintain fiscal stability and eliminate unsustainable draws on reserve.

Since BDS reserves are in place to help recognize and react to changes in the economic outlook and maintain staffing levels during a downturn, drawing on reserves is only appropriate when it helps the bureau avoid staffing reductions and react to external factors. In FY 2022-23, the bureau has reiterated the need to request one-time or ongoing resources in future budget cycles. CBO recommends that Council considers a Budget Note directing assessment of the level of General Fund subsidy needed to sustainably support the level of service Council desires for this program.

Equity Concerns

The Neighborhood Inspections Program is essential in addressing Council's priorities of community safety and livability. The Program serves some of the most vulnerable members of our community through enhanced rental enforcement and housing inspections, along with fire safety inspections for pre-1970 apartment buildings. It also responds to nuisance conditions, sanitation violations, and dangerous building conditions which pose direct threats to public health and safety. However, in November 2021, the Ombudsman Office published a report highlighted how Portlanders objected to City's property maintenance enforcement system. The Ombudsman's Review brought forward the disproportionate equity and service impacts of BDS' current complaint-driven code compliance system and recommended solutions for the bureau.

In response, the bureau plans seek community input to build upon the recommendations shared in the Review and deliver changes that address health and safety hazards for residential tenants and overall neighborhood livability concerns throughout the City. Some of strategies being considered include moving away from the current complaint system and hiring a consultant to work with bureau staff and management to assess existing initiatives and models adopted in other jurisdictions. However, due to constrained General Fund resources and competing proposals for said resource, CBO has not prioritized this request for recommended funding but acknowledges that as COVID-19 protocols are loosened, and communities resume normal activity, demand for service is expected to move closer to pre-pandemic levels.

The consequence of securing none or part of this decision package could potentially exacerbate the identified in the Ombudsman report. CBO notes that the services provided by the Neighborhood Inspections Program are vital to communities of color, immigrant, and refugee communities and/or people living with a disability. However, whether the current structure of the Program is contributing to the desired outcomes for these communities is still in question. Due to the proposed benefits of this proposal, CBO recommends that Council consider funding this package with ARPA resources, as eligible and available.

CBO Recommendation: \$0

Tenant Health & Rental Housing Safety

DP_13003, \$134,748, 1.0 FTE

Request Summary

Request for one-time General Fund resources for additional support for BDS' Neighborhoods Inspection Program to clear backlog of applications, identify community priorities, and support changes that would

lead to equitable outcomes for our most vulnerable communities. The proposal is partly in response to the Auditor's Office review of BDS' complaint-driven system and the inequitable outcomes of its code compliance system.

CBO Analysis

The proposal aligns Council's priorities of community safety and livability and are critical for the abatement of unsavory conditions to ensure the public safety and neighborhood stability. It seeks to support 1.0 FTE within BDS' Neighborhood Inspections Program and engage a consultant to identify community priorities and develop strategies to promote equity within program operations and relevant regulatory code. Currently the Program is drawing on reserves. However, the financial and service-level trade-offs are clear in the sense that the proposal is proactive and anticipates an increase in workload as the bureau gears up for a period of high growth rates. Additionally, the quantity of short-term rental applications, as well as online and over the phone code violation complaints have increased over the years. This has resulted in a backlog in processing short term rental applications, which is expected to increase once COVID-19 restrictions are lifted.

Further, the proposal seeks to address the inequitable outcomes of BDS' complaint-driven system. The recent Ombudsman's Review focusing on BDS' code compliance efforts brought forward issues related to the equity and service impacts of the current complaint-driven system. The proposal includes funding for a consultant who would be tasked with building upon the Ombudsman's Review and deliver detailed options/recommendations for changes with substantial community support. The bureau notes that the consultant would work closely with bureau staff and management to assess initiatives and efforts already completed, in progress, proposed, and look at models and approaches from other communities to determine program best practices.

Even though program goals and desired outcomes have not yet been finalized, the proposal seeks to support vulnerable communities and reduce the current workload backlog. Also, the bureau is only requesting one-time General Fund resources to kickstart a response to community calls for a rethink of its complaint-driven code compliance system, and it intend to absorb cost on an ongoing basis. However, due to constrained General Fund resources and competing proposals for said resource, CBO has not prioritized this request for recommended funding. Although BDS notes that existing vacant positions are currently earmarked for duties assigned to those classifications and are presently being filled accordingly, CBO recommends the bureau to continue to resource this proposal internally.

CBO Recommendation: \$0

Expand BIPOC Small Business Support

DP_13000, \$124,378, 1.0 FTE

Request Summary

The Bureau of Development Services has requested one-time Recreational Cannabis Tax Fund (RCT) resources to support and expand the BDS Small Business Empowerment Program, which was designed to

provide support for BIPOC Portlanders and people with disabilities who own or want to start a business and need help understanding how to select a tenant space with zoning and development requirements and/or need help with permitting.

CBO Analysis

The goal of BDS Small Business Empowerment Program is to provide support for Black, Indigenous, and other People of Color, people with disabilities, who own or want to start a business and need help understanding how to select a tenant space with zoning and development requirements and/or need help with permitting. This package aligns with Council's key priority area of shared economic recovery and City equity goals as it is directly focused on small business support, support for BIPOC customers, and customers with disabilities, including those who are homeowners or nonprofit organizations.

The proposed position would be for 1.0 FTE for a Coordinator II to join other program coordinators in providing specialized ongoing and direct assistance, education, research, and solutions for clients within an equity framework. Overtime, BDS anticipates that the program will reduce the number of code violations and work without permit by building relationships in culturally specific communities, making BDS more trusted and accessible and equipping BIPOC property owners and business owners with information to help them make informed choices. The bureau also notes that it intends to absorb costs in the following years.

The decision package is likely eligible to be funded by resources collected through the City's tax on Recreational Cannabis. CBO forecasts approximately \$1 million in one-time and \$865,000 in ongoing recreational cannabis tax resources to be available for appropriation this budget cycle. The Council may choose to fund this proposal with Recreational Cannabis Tax (RCT) resources if it is deemed a high priority amongst RCT requests. Recreational Cannabis Funds are managed separately from the General Fund and allocations must adhere to eligible expense guidelines as approved by voters.

CBO Recommendation: \$0

Permitting Support for BIPOC Portlanders

DP_13001, \$124,378, 1.0 FTE

Request Summary

The Bureau of Development services is requesting one-time General Fund resources to support and expand the Empowered Communities Program, which was created to improve outcomes for BIPOC Portlanders and peoples with disabilities who are homeowners. This request seeks to expand and support efforts to help this historically underserved populations to get their property into compliance, navigate the permitting system, and combat the negative impacts of the housing crisis, displacement, and houselessness.

CBO Analysis

Provide the resources necessary to expand support for Black, Indigenous, and other people of color and people with disabilities who require language support services and other resources to navigate the City's permitting system. The bureau notes that the addition of 1.0 FTE Coordinator II position will provide these important resources for BIPOC homeowners who are working with the bureau to get their property into compliance with current requirements. In addition, the proposal aims to advance City equity goals

and improve permitting and compliance outcomes for these communities, which aligns with Council's shared economic recovery priority area.

As submitted, the proposal requires one-time General Fund resources in FY 2022-23 to serve as bridge funds needed to hire and train staff for this critical work. This attests to the ongoing nature of the request. However, the bureau notes that it intends to absorb the ongoing cost using revenue generated from fees and charges for services after the one-time funds expire. In addition, securing one-time funds in the coming fiscal year gives the bureau a jump-start to getting prepared for the increase in workload forecasted in the coming years, so service levels remain intact to underserved communities through programs like the Empowered Communities Program.

CBO notes that supporting this position through General Fund resources for one year would have a positive effect on BDS's overall financial situation by reducing the bureau's draw on reserves in FY 2022-23 and potentially addressing barriers faced by BIPOC homeowners. CBO does not recommend General Fund resources for FY 2022-23 due to lack of available new resources and potential for this proposal to be funded through an alternative source, such as resources collected through the City's tax on Recreational Cannabis (RCT) or ARPA funds. Alternatively, since this work is of utmost importance to the bureau and City equity goals, reprioritizing existing vacancies to fill this strategic function might be an option to consider.

CBO Recommendation: \$0

Shelter & Pre-School Permitting Support

DP_13002, \$124,210, 1.00 FTE

Request Summary

BDS requests one-time General Fund resources to assist shelter and Pre-School for All projects through the permitting process. In response to the housing crisis, BDS is well-positioned to speed up processes to get critical shelters up and running quickly and is thus requesting 1.0 FTE Development Services Project Coordinator to support this function and specifically assist customers seeking permits for new pre-schools as part of the Pre-School for All Multnomah County initiative.

CBO Analysis

BDS is expecting increased number of permit applications as the City's focuses on addressing the housing and houselessness emergency, including development of new shelters. Also, following the launch of the Multnomah County Pre-School for All initiative, whose goal is to enroll up to 1000 kids (3- and 4-year-olds), thus increasing demand for pre-school projects in FY 2022-23.¹⁷ The bureau is requesting one-time General Fund support as bridge funding to get the program up and running, to get a head start on the forecasted increase in workload.

As submitted, the package aims to add a Project Coordinator to provide a single point of contact to speed up the permit process to get critical shelters up and running and work with customers seeking permits for new pre-schools as part of the Pre-School for All Initiative. The position will provide support for applicants early

¹⁷ Voters in Multnomah County overwhelmingly supported "Preschool for All" on November 3, 2021, with 64% of voters approving the measure to extend early education to children across the County.

and throughout the process to get a complete submittal prepared, help in navigating and coordinating the requirements of the seven bureaus involved in permitting, and identifying and resolving issues quickly, thereby speeding up the permitting process. Currently, these applications go through the regular permitting process, which can take substantial time to be reviewed and approved.

Although this proposal aims to address critical issues in the community, especially with our most vulnerable populations, CBO notes that since the program goals and desired outcomes have not yet been finalized, it may not be possible for Council to assess if the investment would be effective. BDS has indicated that it can share data on the success of a similar program, which assigns a process manager to all large commercial permits. According to the bureau, customers regularly attest to the value of that program, thus, similar benefits are expected through the additional single point of contact and internal project coordination and customer assistance for the shelters and pre-schools priority area project types. However, due to constrained General Fund resources and competing proposals for said resource, CBO has not prioritized this request for recommended funding. Additionally, CBO notes that BDS may consider funding this service from the Shelter Permit Reimbursement Fund as there are no legal mandates precluding it.¹⁸ The Fund was established November 2021 with \$1 million of one-time General Fund resources to support fee waivers/reimbursements for fees on shelter projects; this request could be deemed urgent enough to reallocate a portion of those funds to support the permitting needs/workload associated with shelter and pre-school projects.

CBO Recommendation: \$0

Climate Action - Expedited Solar Permit

DP_13004, \$105,301, 1.00 FTE

Request Summary

BDS requests one-time General Fund resources to develop and implement program that supports and assists customer seeking Solar permits and expedite solar permitting. BDS notes that it will work in collaboration with PCEF and that a dedicated FTE will ensure permit intake and pre-issuance turnaround time to same or one day turnaround is met.

CBO Analysis

The City of Portland is committed to investments in proactive climate action. The City understands the crisis associated with climate change, and the critical need to add capacity to support Portlanders as they seek to install solar panels. This proposal, which aligns with Council Climate Emergency Declaration and the livability priority area, aims to add 1.0 FTE Development Services Technician II to enable the bureau to develop and implement a program that assists customers seeking solar permits with technical support and training, and to expedite solar permitting. In addition, the bureau notes that increased solar permit

¹⁸ The Shelter Permit Reimbursement Fund is in place for reimbursement to customers for shelter permit fees. BDS is the custodian of these resources, but the fund is held separate from the rest of the bureau's finances. BDS has received the GF transfer for this fund but, so far, no reimbursements have been made, as the fund was only recently fully operational. The bureau notes that it expects reimbursements to begin soon.

activity resulting from PCEF grants and outreach will advance the City's adopted climate policy goals.

As submitted, the proposal aims to speed up the solar permit application process. The bureau notes that it currently takes an average of 10 days to complete a solar permit application with no required corrections. However, on average, 33% to 66% of submitted applications are incomplete and/or need to submit corrections during the review process. Applications that are incomplete and/or need to submit corrections can take, at least, three to eight weeks for the solar permit to reach issuance. BDS understands the crisis associated with climate change, and the critical need to add capacity to support Portlanders as they seek to install solar panels, particularly with PCEF allocations. However, it is important that the permitting of these projects run smoothly so generate interest from Portlanders. If customers are satisfied with the speed of the permitting piece of these projects, word spreads quickly and will be increased adoption, thereby advancing the City's livability and climate policy goals. However, one of the critical paths to advance this proposal lies in the interplay between BDS' permitting process and the use of PCEF resources.

Although this proposal advance Council priorities and Climate goals, CBO does not recommend one-time General Fund resources to kickstart the program, owing to constraints on resources. Alternatively, there is the possibility of securing resources from another source. BDS notes that an open question to PCEF management to determine level of interest in using PCEF funds as an alternative source of funding is being explored. Alternatively, the Bureau of Planning and Sustainability manages a small Community Solar Fund that may offer a partial funding source for this request.

CBO does not recommend new General Fund resources for FY 2022-23 due to the lack of available new resources and potential for other resources, such as PCEF, could be utilized as a funding mechanism in the absence of available fees.

CBO Recommendation: \$0

SUMMARY OF REQUESTS & RECOMMENDATIONS (ALL FUNDS)

Bureau of Development Services

		2021-22 Adopted Budget	2021-22 Requested Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Budget (A+B+C)
Revenue	Miscellaneous	\$2,956,727	\$2,276,311	\$0	\$0	\$2,276,311
	Licenses & Permits	\$29,598,301	\$44,213,296	\$0	\$0	\$44,213,296
	Intergovernmental	\$1,000,000	\$0	\$8,300,000	(\$8,300,000)	\$0
	Interagency Revenue	\$1,955,257	\$2,069,604	\$0	\$0	\$2,069,604
	Fund Transfers - Revenue	\$1,671,433	\$1,070,622	\$2,646,096	(\$2,646,096)	\$1,070,622
	Charges for Services	\$13,437,191	\$18,316,363	\$0	\$0	\$18,316,363
	Beginning Fund Balance	\$61,005,190	\$49,527,808	\$0	\$0	\$49,527,808
Revenue	Sum:	\$111,624,099	\$117,474,004	\$10,946,096	(\$10,946,096)	\$117,474,004
Expense	Personnel	\$55,752,191	\$60,132,865	\$1,346,096	(\$1,367,082)	\$60,111,879
	Internal Materials and Services	\$16,672,813	\$16,198,002	\$0	\$0	\$16,198,002
	Fund Transfers - Expense	\$2,815,816	\$2,962,760	\$0	\$0	\$2,962,760
	External Materials and Services	\$6,648,872	\$7,424,260	\$100,000	(\$100,040)	\$7,424,220
	Debt Service	\$1,561,006	\$1,623,446	\$0	\$0	\$1,623,446
	Contingency	\$28,173,401	\$29,132,671	\$9,500,000	(\$9,500,000)	\$29,132,671
Expense	Sum:	\$111,624,099	\$117,474,004	\$10,946,096	(\$10,967,122)	\$117,452,978