



City of Portland, Oregon
Bureau of Development Services
Office of the Director
FROM CONCEPT TO CONSTRUCTION

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MEMORANDUM

Date: November 17, 2023

To: BDS Budget Advisory Committee (BAC)
BDS Employees
BDS Labor Management Committee (LMC)
Development Review Advisory Committee (DRAC)

From: Rebecca Esau, Bureau of Development Services Director *R Esau*

Subject: **Bureau of Development Services Director's Priorities for Fiscal Year 2024-25**

The broader context for this year's priority memo is that the City of Portland, including the Bureau of Development Services, is undergoing a great deal of change and many decisions will be made between the writing of this memorandum and the beginning of the new fiscal year, July 1, 2024. Changes include:

#1 – Transition to a new BDS Director – In October, I announced I am retiring after a nearly 30-year career. My last day with the City of Portland is December 18, 2023. I am working to create a smooth hand-off to the Interim Director, David Kuhnhausen, as he steps into this role and continues to navigate the changes and challenges ahead. I ask for your support of David and Deputy Director Elshad Hajiyev as they lead the bureau with the Management Team.

#2 – Charter Reform Implementation - The City is implementing the voter-approved reforms to Portland's City Charter and transitioning to a new form of government with a City Administrator and a 12-person City Council. Some of those changes will go into effect January 1, 2025, the mid-point of the fiscal year, and some of the changes will be implemented prior to that date, so the City budget needs to account for multiple changes during the fiscal year. Some of the critical decisions regarding the City's [new organizational structure](#) were made by City Council on November 1, 2023.

#3 – Consolidation of Development and Permitting Functions - An additional component of this City re-organization is the consolidation of the City's development services and permitting functions into a new entity, as directed by [Resolution 37628](#) which City Council approved August 30, 2023. The transition planning for this is underway and led by project manager Terri Theisen.

#4 – Portland's Transition and Recovery – Portland is facing multiple simultaneous challenges:

- a housing crisis, particularly a shortage of affordable housing;
- many people experiencing homelessness and living in their vehicles or unsheltered;
- untreated addiction and mental health issues, including increased use of fentanyl; and
- increased crime.

Portland's downtown core has been experiencing the above impacts combined with the loss of many office workers and the business ecosystem they supported. I expect office workers will continue to work at least partially remotely, and office vacancy rates will persist. The downtown core will need to

transition some of the office towers to residential, retail, and entertainment uses. This is only realistic for some of these buildings, and also takes time and financing. This transition is not expected to happen until these conversion projects financially pencil out for the owners.

#5 – Financial Situation - In addition to the pending organizational changes, there is also the reality of the City's and the Bureau's financial situation. The Bureau of Development Services is primarily funded by fee revenue, as the bureau charges fees for services provided and receives very little General Fund support. A number of factors, such as high interest rates, high office vacancy rates, plummeting property values for large buildings downtown, as well as Portland's image among investors, have collectively contributed to a severe drop in new, large commercial development projects, which provide the majority of our fee revenue. Consequently, the Bureau's expenditures now greatly exceed the revenue coming in, resulting in monthly draws on our financial reserves that are not sustainable. It is anticipated that this downturn will last approximately 18 months. We must reduce the Bureau's expenditures so the monthly draw on the reserves is at a level that will get us through the expected duration of the downturn. This reduction in Bureau expenditures first included a hiring freeze and other cost-saving measures, but now also includes layoffs.

Five Focus Areas and Priorities

The following are my five focus areas for the Bureau, along with specific priorities associated with each focus area.

1. Achieving fiscal sustainability and workforce stability to the extent possible through severe and extended economic downturns.
 - a. Our workforce is both our largest annual expenditure as well as our greatest resource. It is imperative that we take early measures to manage our financial reserves to avoid severe workforce reductions so we are well-positioned to deliver services as the economy recovers.
 - b. Guidelines for expenditure and workforce reductions are as follows: minimize impacts to housing production, minimize impacts to progress on critical technology projects and process improvements such as the Addressing Project, and preserve our ability to respond to life safety issues such as dangerous buildings, landslides, unsafe housing, etc.
 - c. Pursue fee increases to better recover costs.
 - d. Explore and advocate for additional funding sources, such as the General Fund, to soften the volatility resulting from near total reliance on fee revenue.

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.
 - a. Implementing each Division's new Racial Equity Plan is our primary strategy in this area.
 - b. Shifting thinking of equity work as something separate from our day-to-day work, and integrating, adopting, and owning this work across the Bureau's organizational structure.
 - c. Shifting the balance of the Bureau's investment in equity work from internal training toward a more external focus to improve longstanding disparate outcomes along racial lines. BDS programs, services, and individual assistance by employees can impact outcomes such as avoiding displacement, supporting BIPOC small business owners as they start and grow their businesses and begin generating wealth, supporting development of needed services such as childcare businesses, supporting property owners in resolving compliance cases, addressing the need for safe and healthy homes for the most vulnerable Portlanders, providing assistance in navigating City processes, making information and assistance available and accessible, etc.

- d. Succession planning and planting the seeds to get young people interested in careers in the construction trades, architecture, urban planning, engineering, and permitting, with a focus of reaching BIPOC students.
3. Supporting our employees in navigating this economic downturn and a variety of changes, while continuing to move multiple improvements forward.
 - a. Some parts of the bureau are experiencing a reduction in workload, and this is a good time to make progress with technology projects and process improvements, as well as to work with employees on their professional development through things like cross-training.
 - b. The bureau will continue to work toward consolidation of the City's development services into one entity, with an organizational structure and decision-making authority that provides a clear path of escalation, clear decision-making authority, and well-integrated and coordinated services, and a collaborative, solution-oriented, customer service culture. The decision to consolidate the City's development services into one entity brought out and exacerbated problem areas in the relationship between BDS and the other bureaus involved in providing development services, such as distrust, resentment, and differences in bureau mission, values and culture. These issues need to be aired and addressed before there can be healing, team cohesion and trust restored. Developing the new organizational structure, team building and development of the culture of the new entity with a focus on the customer experience will be a priority for the foreseeable future.
4. Continuing to build a foundation of data to use in tracking performance metrics and service delivery outcomes.
 - a. Our ability to deliver efficient, timely, and quality services impacts where investors choose to build their projects and impacts the production of affordable housing, as well as the recovery of the local economy. The first step is to have baseline data by which to measure our progress, particularly in meeting the needs of individual Black, Indigenous, and people of color and people with disabilities to achieve better outcomes.
 - b. The Bureau also needs ongoing external communication regarding current timeframes for service delivery, so there is transparency and accountability, and to counter urban legend, and attempt to change perception of the City of Portland from what it currently is, back to a place in which to invest and seek development permits.
5. Acting on climate change. This includes steps such as transitioning the Bureau's vehicles to electric vehicles, reducing vehicle trips, supporting re-use of building materials, preservation and re-use of buildings, and supporting permitting of solar and other clean energy projects.