



City of  
**PORTLAND, OREGON**

Development Review Advisory Committee

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**Development Review Advisory Committee**

Meeting Notes

Thursday, April 20, 2023

**DRAC Members Present:**

Jill Cropp

Steffeni Gray

Lauren Jones

Jennifer Santhouse

Bobby Daniels

Sean Green

Sam Miller

Martha Williamson

Paul Delsman

Holloway Huntley

Eric Paine

**City Staff Present:**

Beth Benton, BDS

Kris Calvert, Water

Rebecca Esau, BDS

Elshad Hajiyeve, BDS

Stephen Himes, BES

Mieke Keenan, Permit Improvement Team

Kurt Krueger, PBOT

Erika Lopez, Comm. Ryan's Office

Phil Nameny, BPS

Colleen Poole, BDS

Sadie Silkie, Water

Bret Winkler, BES

Matt Berkow, PBOT

Ross Caron, BDS

Brenda Fahey, BDS

Deonte' Hawthorne, BES

Casey Jogerst, Urban Forestry

Brian Landoe, Urban Forestry

Anthony Martin, BES

Kyle O'Brien, BDS

Daniel Ramirez-Cornejo, Parks

Kim Tallant, BDS

Kevin Bumatay, PBOT

Rich Eisenhauer, PBOT

Mark Fetters, BDS

Dory Hellyer, Housing Bureau

Terry Kimmons, Fire

Zsolt Lehoczky, Parks

Teresa Montalvo, BDS

David O'Longaigh, Water

Ken Ray, BDS

Tinh Tu, Water

**Guests Present:**

Krista Bailey, Urban Renaissance Group

Ashley Fleschner, Fleschner Construction

Suzannah Stanley, Mackenzie

Alex Blosser

Michelle Schulz, GBD Architects

**DRAC Members Absent:**

Libby Deal

Maurice Rahming

Elizabeth Gomez

Eli Spevak

Peggy Moretti

**Handouts (all handouts are available at [Development Review Advisory Committee \(DRAC\) | Portland.gov](#))**

- Draft DRAC Meeting Notes – March 16, 2023
- Inter-Bureau Code Change List
- Non-Cumulative Cost Recovery Report
- BDS Major Workload Parameters
- BDS Business Continuity Plan Summary
- Parks SDC Fee Index FY 2023-24
- Title 11 Trees Fee Schedule FY 2023-24
- PHB Development Incentive Proposed Fees FY 2023-24
- Draft BES Fees FY 2023-24
- PBOT Development Fee Update FY 2023-24
- Transportation Draft Exhibit B FY 2023-24
- Portland Water Bureau Fees FY 2023-24
- Water Bureau Summary Rates FY 2023-24
- BDS Proposed Fee Schedules – Fee Comparisons FY 2023-24
- Streets PDX

**DRAC Business**

March 16, 2023 DRAC Meeting Notes

A quorum was not present, so notes from the March 16, 2023 DRAC meeting were not reviewed.

DRAC Membership Update

Mark Fetters (BDS) noted that the current recruitment for the vacant *Land Use Planning Professionals* position on the DRAC remains open until April 30, 2023. More information about the vacancy is available at <https://bit.ly/DRAC23>.

**City Bureau Updates**

Portland Maps Resources / FAQs

Brenda Fahey (BDS) reminded DRAC members of a discussion that took place at the March 2023 DRAC meeting regarding online resources and FAQs for Portland Maps. Information regarding existing online resources at <https://www.portland.gov/bds/portland-maps-help-guides> was sent to DRAC members after the March meeting. Fahey asked if that information is sufficient, and if members found any information gaps or had questions.

DRAC Chair Paul Delsman suggested coordinating with the DRAC Process Improvement & Technology Subcommittee and working on getting the page up higher in a Google search.

**Development Bureau Fee Updates**

Parks Systems Development Charge (SDC) Fees

Daniel Ramirez-Cornejo (Parks) shared the handout ***Parks SDC Fee Index FY 2023-24*** and gave an overview of proposed SDC fee changes. Lauren Jones (DRAC) asked if Parks SDC fees have to be raised; Ramirez-Cornejo said City Code requires that SDC fees increase in line with construction costs.

Urban Forestry

Brian Landoe (Urban Forestry) shared the handout ***Title 11 Trees Fee Schedule FY 2023-24*** and gave an overview of proposed fee changes.

### Portland Housing Bureau

Dory Hellyer (Portland Housing Bureau) shared the handout **PHB Development Incentive Proposed Fees FY 2023-24** and gave an overview of proposed fee changes. Hellyer noted that PHB hasn't increased fees for several years and is trying to reach cost recovery.

### Environmental Services

Deonte' Hawthorne (BES) shared the handout **Draft BES Fees FY 2023-24** and gave an overview of proposed fee changes. Hawthorne said that individual development review fees are increasing or decreasing to reflect cost recovery for those services. There will be increases in sanitary and stormwater SDCs.

Guest Suzannah Stanley (Mackenzie) asked if there is still discussion of reconsidering the methodology for the three components of the stormwater SDC. Hawthorne (BES) said there have been several discussions with groups in charge of those fees along with public outreach.

### Transportation

Kevin Bumatay and Rich Eisenhauer (PBOT) shared the handout **PBOT Development Fee Update FY 2023-24** and gave an overview of proposed development review and SDC fee changes. PBOT is in the process of getting to full cost recovery for its development review fees over a 5-year period. For FY 2023-24, fees will increase by an average of 15%.

Delsman (DRAC) asked about modifications to the methodology for fee analysis. Bumatay (PBOT) said they recognized last year that the model wasn't capturing all costs, so they adjusted the model to make it more accurate.

### Water Bureau

David O'Longaigh (Water) shared the handout **Portland Water Bureau Fees FY 2023-24** and gave an overview of proposed fee changes. O'Longaigh noted that some changes reflect inflationary increases while others are getting closer to cost recovery for services.

Jones (DRAC) asked for more information on the proposed 20% increase to water meter SDCs. O'Longaigh (Water) said the valuation of the entire water system has increased significantly this year, and the SDCs are based on the system's replacement value. Jones said there haven't been similar increases on the private side. O'Longaigh said that part of the increase is due to the Water Bureau going through a significant building phase involving large capital projects.

Delsman (DRAC) asked if the SDCs reflect the deferment of the Willamette River Crossing project. O'Longaigh (Water) said that is a small component of the increase, but the replacement value of the entire system is the bigger driver. Kris Calvert (Water) said that the large capital projects are further increasing the value of the entire water system, which therefore increases replacement costs.

Kurt Krueger (PBOT) will be working with Commissioner Mapps this summer on moving the major infrastructure bureaus to a common fee schedule.

## BDS

BDS Budget & Finance Manager Kyle O'Brien provided background information on how BDS's fees are calculated. BDS is 98% funded by permit fees and charges, which means BDS needs to collect enough in fees to cover its costs. O'Brien noted that over the last year, BDS's online services have expanded while revenues have decreased, and that decrease is projected to continue over the next year. Other bureau costs have been increasing, including PERS, COLAs, and salaries.

O'Brien (BDS) said that BDS is proposing 5% increase for most fees, though this will vary by fee. O'Brien noted that BDS has been below cost recovery for several years and will remain so through FY 2025-26, even with the proposed fee increases. The proposed fees will go to City Council on May 10, 2023, with a Council vote scheduled for May 17, 2023. The proposed fees will then go to the Multnomah County board (BDS provides building permit services for areas of unincorporated Multnomah County) on June 15, 2023. If approved, the fee changes will become effective July 1, 2023. More information about the proposed changes is available at [Bureau of Development Services proposes fee changes, effective July 1, 2023 | Portland.gov](#).

O'Brien (BDS) then referenced the handout ***BDS Proposed Fee Schedules – Fee Comparisons FY 2023-24*** which provides an estimate of the overall impact of proposed changes from all bureaus on the costs of various permit types.

Jones (DRAC) asked if there has been discussion around the mandate to create more housing and how the fee increases impact market-rate housing development. Director Esau (BDS) said the City is moving toward a fee-for-service model across the bureaus. There are fewer subsidies for these services; BDS in particular receives no subsidies and thus has to recover its costs through fees. Director Esau said this is the right time to talk about another funding source, even if just for the next few years, to reduce costs and help incentivize housing development.

O'Brien (BDS) added that BDS has been using its financial reserves for the last few years to make up for revenue shortfalls, and they're dwindling. BDS will need to draw heavily on its reserves for the next two years, even with the fee increases.

Jones (DRAC) suggested pausing SDCs for housing projects for a couple years to incentivize development.

## **Streets PDX (Streets 2035) Update**

Matt Berkow (PBOT) shared the handout ***Streets PDX*** and gave an update on PBOT's [Streets 2035](#) project. PBOT intends to have online tools for the project available around the beginning of June 2023.

Delsman (DRAC) asked if project staff has engaged with the private utilities. Berkow (PBOT) said they're encouraging applicants to work with the utilities on the locations of vaults, and have engaged with utilities on this.

Jennifer Santhouse (DRAC) said there are a couple of issues related to the right-of-way (ROW). First, there is conflict around Portland's rules regarding zero lot line development and the placement of vaults. In some situations, electric utilities prefer that vaults be placed on private property, but applicants are encouraged to fully develop the property and to put electrical infrastructure (transformers, poles) in the ROW. The second issue is the lack of prioritization between the competing regulations involving the ROW.

Berkow (PBOT) said they recognize that each site is unique with its own challenges, and that there is a lot happening in the ROW. Staff heard from Portland General Electric (PGE) that placing electrical infrastructure on private property is preferable. The prioritization is dependent on the specifics of each project.

Martha Williamson (DRAC) asked if the plan is for all the bureaus to use this resource/process. Berkow (PBOT) replied that there are other ways to access the information, but this site is meant to be a resource that collects all the relevant information in one place.

BDS Land Use Services Manager Kim Tallant said that land use staff provides recommendations to applicants in the Early Assistance notes to plan to locate power on-site as the default. Other locations are allowed only as a special circumstance if an agreement is made with the provider and PBOT.

Delsman (DRAC) said that conflicts amongst the bureaus' requirements are prevalent on development projects, and a larger conversation involving the infrastructure bureaus and the private utilities would help.

Bret Winkler (BES) added that the timing of infrastructure siting is also important.

Santhouse (DRAC) said that as projects move out of the city center, there are also issues with poles and other infrastructure. Stormwater requirements that necessitate moving an existing pole or transformer can slow a project down.

### **Pulse of the Industry**

Director Esau (BDS) noted that just yesterday (April 19, 2023) the City Council approved an emergency ordinance which provides an interest-free, two-year SDC deferral option for projects with one or more new housing units. This option will be in place until August 15, 2025. The goal is to incentivize housing production by making projects more financially feasible through reducing the time an applicant needs to carry these costs prior to completing construction. The ordinance passed unanimously and is now in effect, so customers can use this option. More information is available at <https://www.portland.gov/bds/news/2023/4/19/city-council-allows-deferral-system-development-charge-payments-new-housing>.

Director Esau (BDS) asked if DRAC members are seeing changes in labor or construction material costs. Jones (DRAC) replied that pricing has been pretty steady over the last 6-7 months. Commercial costs are going down a little, mostly based on the increased availability of some materials.

Delsman (DRAC) said that some material costs have softened, but not labor costs. Supply chain timelines are improving but are still worse than the historical average. Some of the big construction projects in Oregon have slowed, and activity is transitioning from the central city to outer markets.

Eric Paine (DRAC) agreed with Delsman's observations. The supply chain is improving but still isn't good, labor shortages are affecting project timelines, and construction costs aren't coming down.

Jones (DRAC) said that multi-family assets are being sold for less than replacement cost; it now costs more to build a unit than it can be sold for. Jones is heavily impacted by the effect of rising interest rates on value, as well as by the lack of available credit (the big banks aren't lending). It seems like market-rate development will be tough over the next 12-18 months. Jones is also starting to hear a lot from companies not wanting to locate in Portland due to the city's issues.

Holloway Huntley (DRAC) said that in the last two weeks, 5 subcontractors have reached out looking for work. Huntley has also seen a couple projects where the developers didn't move forward due to uncertainty over the economy.

**The next DRAC meeting is scheduled for Thursday, May 18, 2023.**

Meeting notes prepared by Mark Feters (BDS).