

# Audit Update: Momentous move by Council to consolidate permitting as City reforms continue

This is a two-year follow-up to our 2021 report, [Building Permit Audit: Long-standing inability to meet customers’ needs won’t improve without better management, sustained governance.](#)

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In our [2021 report](#), we called for Council-level leadership because no one bureau was authorized to solve long-standing problems with Portland’s building permits system.

In November 2022, Portlanders voted for a new government structure that will shift daily operations to a City Administrator supervised by the Mayor. The City began organizing bureaus around service areas during this transition period. Council passed a resolution in February 2023 that assigned the Community and Economic Development service area to Commissioner Rubio. This service area includes improving permitting services as well as increasing housing production. The related workplans reaffirmed the importance of improvements underway since our audit.

As part of Commissioner Rubio’s new responsibilities, she co-chairs the Permitting Improvement Task Force with founders Commissioners Ryan and Mapps. The Task Force includes representation from Council offices, permitting bureaus, and the development community. As we reported [last year](#), the Task Force adopted three overarching goals: 1) reduce permitting timelines; 2) improve the customer experience; and 3) improve performance management.

Council expanded the Permit Improvement Transition Team in June 2022 which is guided by and accountable to the Task Force and its recommendations, as well as the 2021 audit recommendations.

At the two-year anniversary of our audit, the status of our five audit recommendations remains in process. The City continued to push needed reforms to address long-standing challenges. While permitting timelines are similar to last year, Development Services now provides more transparent reporting with data that differentiates between City and [applicant responsiveness](#). The City is piloting a new [holistic model](#) for regulatory governance. And, in a major move, Council decided to [consolidate permitting](#) within the City by 2024 citing this structural change as a critical foundation for future improvements.

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## RECOMMENDATIONS IN PROCESS

In our 2021 report, we found the City did not meet its timeliness goals and had yet to quantify goals for other service areas – such as quality and customer service – identified in industry standards. We recommended the adoption of a performance management system capable of achieving consistent fulfillment of the City's comprehensive performance goals. Since our audit, the City has improved its reporting on timeliness while performance measures for customer service and quality remain under review.



### **City continues to advance its use of performance management to improve timeliness**

In October 2022, Development Services – in consultation with other City permitting bureaus – began providing more current and transparent reporting to the public and decision-makers. The City launched an interactive public dashboard that provides more information than the static reports first published in April 2022. And, the dashboard functionality continues to improve. As of June 2023, the dashboard now differentiates between the average amount of time taken by customers as well as each City review group. This new information helps to visually reinforce that permitting remains a partnership between the applicant and the City.

As we reported last year, the Task Force adopted an overarching goal to reduce permit time by one-third. By differentiating between City and applicant time, the City now has more relevant information to monitor its performance against this shared goal with applicants. Reports from September 2023 show that the City reduced its portion of permitting timeframes for most building permits compared to April 2021. The City still struggles to provide timely reviews for new commercial construction which includes apartments, condominiums, and affordable housing complexes. As we highlighted in our original audit, this is noteworthy in light of the City's goal to increase housing supply.

Since April 2021, the Task Force reports a consistent practice of regular review and discussion of performance metrics at its meetings. Performance reports have been tailored to meet the needs of decision makers to help identify patterns, spot issues, and address backlogs. Development Services created a new Performance Analytics and Continuous Improvement workgroup to support the management of its performance data.

### **City still plans to quantify goals for customer service or the quality of its reviews**

The City has yet to adopt measurable goals for customer service or quality of reviews. As we reported last year, the City still intends to address these important areas once there is more capacity. The new workgroup has been established, however, Development Services has been unsuccessful in hiring for the supervisor position, which remains vacant.

Until Development Services establishes a customer service goal, the City continues to collect qualitative information from customers to inform its work. In August 2022, the City conducted its second annual customer service survey since our 2021 report. Since February 2023, the City has also made more proactive contact to identify the root causes for lengthy permitting times. For example, Development Services reached out to applicants of delayed multi-dwelling and mixed-use projects and learned the stalls were due to financing challenges, increases in interest rates, market concerns, and supply chain problems.

The City has also been focused on projects that will expand on the ways it measures performance. For example, in December 2022, the City started an initiative focused on improving the quality of applications that impact most new residential construction projects. This project aims to improve resources, education, and access to permitting instructions, and support the customer in preparing a successful application. The project will be evaluated using customer survey results, and by reducing the number of application rejections and review cycles.

### **Customer Success Team created, replacement policy and reporting remains under development**

In our 2021 report, we found the City did not follow its own policy allowing customers to object to a plan review delay and Development Services had not fulfilled related complaint-reporting responsibilities. We recommended the City follow its policy for resolving and reporting customer complaints about plan review delays or propose an alternative that provides the same level of accountability to the customer, the Development Review Advisory Committee, and Council.

Development Services secured funding to create a new Customer Success Team dedicated to customer complaint accountability for the City. The two-person team supports the public portal used to centralize customer-related complaints. In an effort to conserve financial resources, Development Services reports it is holding off on filling the remaining vacant staff position because the existing Customer Success Team can manage the current workload.

The City still intends to address the existing policy with an alternative and develop reporting functionality. The City is assessing next steps for addressing the policy given the recent Council decision to consolidate City permitting as well as broader structural reforms as the City transitions to its new form of government. In the interim, the Customer Success Team has been compiling data on complaint volumes and identified root causes based on interactions with customers. Development Services anticipates sharing an annual report to the Development Review Advisory Committee and Council by the end of the calendar year.

Development Services reports that another method for resolving customer complaints and responding to requests for assistance is its new Single Point of Contact service. Development Services now assigns a permit technician not just to large complex projects but to smaller housing projects as well as permits for small businesses. Having this Single Point of Contact may facilitate early communication and timely resolution of any issues, thereby preempting complaints and the need to use the Customer Success Team.

### **City completed one of the three improvement initiatives, no clear timelines for remaining work**

The City has tried multiple times to pinpoint problems and find solutions for its slow permitting process. At the time of our audit, there were three improvement initiatives underway to address substantive coordination and process recommendations from studies in 2017 and 2018. We recommended Council dedicate resources and hold permitting bureaus collectively accountable to the full and timely implementation of City improvement initiatives related to bureau agreements, business process improvement, and governance.

Since our audit, the City has completed one of the initiatives. Staff report the remaining two initiatives are on hold because the City has been focused on other initiatives coming out of the Permit Improvement Transition Team and the related technology projects.

- 1) **COMPLETED:** Development Services signed **bureau agreements** with each of the City bureaus engaged in the building permit process. Last year, we reported that Development Services had updated agreements in place with Environmental Services, Fire and Rescue, and Housing. Since then, Development Services has signed agreements with Parks, Planning and Sustainability, Transportation, and Water. These comprehensive updates refine expectations of deeper collaboration, such as regulatory obligations, performance goals, and roles and responsibilities over plan reviews.
- 2) **IN PROCESS:** As we reported last year, the City's permitting directors adopted recommendations from the **Governance Structure Initiative**. As a result, the City established a Development Review Governance Committee focused on how to improve decision-making among bureaus. The committee met to provide guidance and support to related projects, such as technology change request priorities. However, the committee has yet to pilot the new structure for reviewing, approving, and prioritizing proposed changes to development reviews and for resolving conflicts.

- 3) IN PROCESS: The **Business Process Initiative** resulted in a 2021 report that included action plans to address four problem areas when reviewing new commercial construction projects, the most complicated type of building permit. Those action plans remain relevant. The City plans to implement these action plans after other higher priority initiatives and has not yet identified a timeframe for completion.

### **City tackling regulatory reform challenges, pilot of new holistic process underway with next report to Council planned in early 2024**

In our 2021 report, we found that – in contrast to the coordination and process-related improvement initiatives – the City had no work underway to address the regulatory recommendations identified during a 2018 study. Council's inaction on these regulatory recommendations was consequential because there are existing City policies that mandate some of this work. For example, the comprehensive plan requires the City to assess the cumulative regulatory costs to promote Portland's competitiveness with other cities. As a result, we recommended Council follow policies and implement those recommendations – or adopt alternatives – to address Citywide regulatory improvements that also involve other bureaus, such as the Bureau of Planning and Sustainability and the Office of Management and Finance.

As we reported last year, the Task Force discussed three regulatory reform areas with Council in January 2022. Council adopted the first legislative reform area in May 2022 that aligned effective dates of Code and fee changes across the City to minimize disruption and delays experienced by customers.

The City reports that remaining reform areas demand a new holistic model for sustained regulatory governance and shared accountability. The Task Force reframed the problem areas from the 2018 study that, based on customer surveys and interactions, remain relevant today. For example, at a Council work session in July 2023, presenters reported that recent interviews with developers describe how specific local requirements contribute to the cost of construction, increasing the cost to build housing by as much as 15 percent or roughly \$60,000 per unit.

Given the importance of regulatory reform, these tasks have been incorporated into broader Citywide action plans to prepare for the new form of government. The cross-bureau Regulatory Work Group, convened in January 2023 at the direction of the Task Force and supported by the Permit Improvement Transition Team, is charged with recommending a more cohesive approach to City regulations. The goal for the City is to develop a multi-bureau process of regulatory creation, implementation, compliance and evaluation with earlier education of Council about impacts. Recommendations and next steps were shared with Commissioner Rubio's Office in May 2023 as well as the Development Review Advisory Committee in June 2023.

As a result, the City launched a pilot in August 2023 to establish a new code and policy process anticipated to be completed by December 2023. The process will engage the permitting bureaus to ensure cross-regulatory alignment, include frequent touchpoints with Council, identify

impacts to development, and create a feedback mechanism post-implementation for customers and City staff. A new public right-of-way administrative rule will be used to test this new process, in partnership with the Permit Improvement Transition Team and the bureaus of Transportation and Environmental Services. The City selected this rule to address an area that would benefit from more transparency and predictability for customers. The next update to Council is planned for early 2024.

The City is addressing these reform areas concurrently with a regulatory improvement review managed by Planning and Sustainability. As we noted in our original audit, the City is mandated to conduct this annual cleanup of the City's zoning code but has not done so since 2017. As a result of the Task Force discussions, Council approved the budget to reinstate the regulatory improvement review starting in fiscal year 2022-23. The focus is on amendments that support the Task Force's goals for housing production, economic development and regulatory reduction. Planning and Sustainability anticipates a two-year process for the regulatory improvement review given the volume of requests being considered, with changes ultimately effective in October 2024.

### **Council made consequential decision to consolidate City development review and permitting staff by July 2024**

In our 2021 report, we found that Portland's fragmented form of governance – with seven bureaus and City Council responsible for building permit reviews – results in no one entity managing systemwide performance. We recommended Council hold the directors of their individually assigned bureaus accountable to the implementation of this set of audit recommendations, which were intended to improve Citywide performance.

Council allocated additional resources by expanding the Permit Improvement Transition Team in June 2022 as part of the next phase of the Task Force's work. Originally a special project manager housed in Commissioner Ryan's Office in 2021, the now four-person Team is positioned within the Office of Management and Finance to allow for increased Citywide opportunities for accountability, collaboration, efficiencies and improved performance. The Team works closely with and is accountable to the Task Force.

Council made a momentous decision in August 2023 by directing the Chief Administrative Officer to prepare for consolidating development review and permitting staff into one entity by July 2024. As we reported in 2021, our audit from 1997 and a stakeholder report to reform City development reviews in 2000 both recommended the City consolidate plan review staff into a single bureau but the then-Council decided not to make these changes. The future reorganization will be complex with an extensive list of implementation items and timeframes. The Permit Improvement Transition Team is tasked with project management and will be required to provide an implementation plan to Council by November 2023.

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Important preparatory steps for this broader Citywide consolidation have already started. As we reported last year, the Task Force adopted in April 2022 the permitting structure design change recommendations from its work group. This earlier commitment to cross-bureau collaboration and accountability included a new Infrastructure Development Services team that includes reviewers from Environmental Services, Parks, Transportation, and Water. An Executive Manager for Development and Planning was appointed with the approval and support of the bureau directors in January 2023.

Similarly, the regulatory reform recommendations described [earlier](#) in this report also include the creation of an interdisciplinary Code and Policy Coordination Group. The City plans to hire a new position housed in the Office of the Chief Administrative Officer to coordinate across existing bureaus.

In addition to these organizational changes, the City reported greater cross-bureau collaboration to build a culture of shared purpose and more unified service delivery for permitting. Examples include active initiatives to improve website content, better support small businesses, and enhance intake for most new residential construction projects.

To its credit, the City has been implementing our audit recommendations within the broader structural changes necessitated by the transition to the new form of government. In September 2023, the City's Chief Administrative Officer developed a draft organizational chart for the new form of government where permitting is part of the Community and Economic Development service area. This structural alignment is promising, however as we noted in our original audit, the City still needs sustained, focused leadership for these long-term reforms to result in a noticeable change for Portland's customers.

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View the [2021 audit report and recommendations](#) and our [1-year follow-up report](#)

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