

IMPACT STATEMENT

Legislation title: Amend fee schedule for Land Use Services (Ordinance)
Contact name: Elshad Hajiyeve, Bureau of Development Services (BDS)
Contact phone: (503) 823-7338
Presenter name: Elshad Hajiyeve, Bureau of Development Services (BDS)

Purpose of proposed legislation and background information:

The Bureau of Development Services (BDS) collects fees under various fee schedules to fund inspections, plan review, permit issuance, land use review, customer assistance, and other functions. Most bureau programs have the goal to be self-supporting, while one program receives General Fund support.

The Land Use Services Division of BDS serves as a bellwether for upcoming upturns and downturns in construction activity due to the division's early involvement in development proposals. 2018 saw a substantial decrease in land use review and permit activity compared to 2017. Furthermore, Land Use Services fees have not been raised since FY 2013-14 while program costs have increased due to Cost of Living Adjustments, merit and step pay increases, PERS contribution increases, and a substantial pay increase associated with the new PTE 17 contract. The combination of declining land use review and permit activity in 2018 and the increased cost of Land Use Services service delivery has resulted in drastic reductions in the division's financial reserves and the need for staff reductions and reassignments.

BDS maintains a strong commitment to provide excellent programs and services while operating in a fiscally responsible manner. The bureau's greatest expenditure by far each year is personnel (approximately 70 percent of the total operating budget). Therefore, when staffing reductions and reassignments are necessary to taper reductions in a division's financial reserves, identifying ways to increase revenue are necessary so that service delivery does not suffer. **BDS is proposing the first increase in Land Use Services fees in nearly five years.** The overall effect of the proposed fee changes is approximately 5%, however, some fees are increasing more substantially while others are remaining unchanged. BDS is also proposing a 5% increase to most site development fees on land use reviews and three reviews are proposed to be removed from the Life Safety Review Fees on Land Use Cases schedule. While the fee increases, staff reductions, and reassignments will not stabilize the division's decline in financial reserves they will allow the division to deliver on its commitment to efficient and timely service for our customers.

Financial and budgetary impacts:

It is anticipated that the proposed fee changes will generate approximately \$700,000 per year in additional revenues. However, the exact amount of revenue generation is unknown as it will depend on demand for services.

The legislation does not create, eliminate or re-classify positions now or in the future. Additional staff time required is limited to performing outreach, preparing the revised fee schedules, and this subsequent legislation. Existing BDS staff will implement and administer the

revised fee schedule as part of the existing workload. There is no change to demographic impacts or changes in staffing. The legislation does not result in a new or modified financial obligation or benefit, including IAs, IGAs, MOUs, grants, contracts or contract amendments.

Community impacts and community involvement:

This ordinance will allow the Land Use Services to strive for a continued level of service delivery rather than increase land use and permit review timelines as can result due to reduced staffing levels and eliminated positions. As means to further maintain service delivery goals, BDS is preparing a request for General Fund revenue to cover Land Use Services work that is necessary but for which fees are not collected. This includes review of legislative projects, process improvements, customer training and preparing public information materials. That request is expected to be ready for City Council review in the coming month.

Community involvement pertaining to the proposed Land Use Services fee increases has occurred through the Development Review Advisory Committee (DRAC) as well as through the BDS website and Plans Examiner newsletter. BDS staff met with DRAC to explain the Land Use Services financial situation and proposed fee increases. DRAC has endorsed the proposal. BDS is also being proactive in informing bureau customers and stakeholders regarding the need and rationale for the proposed fee changes. The bureau will utilize our primary means of communicating with the stakeholders and the public – the BDS website and the Plans Examiner newsletter.

Budgetary Impact Worksheet

Does this action change appropriations?

- ☐ YES: Please complete the information below.
☒ NO: Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount



**City of
Portland, Oregon**
Bureau of Development Services
FROM CONCEPT TO CONSTRUCTION

Ted Wheeler, Mayor
Rebecca Esau, Director
Phone: (503) 823-7300
Fax: (503) 823-6983
TTY: (503) 823-6868
www.portlandoregon.gov/bds

February 20, 2019

To: Mayor Ted Wheeler
Commissioner Chloe Eudaly
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Jo Ann Hardesty

From: Rebecca Esau, Director RE
Bureau of Development Services

Regarding: Land Use Services Division April 2019 Fee Change Ordinance

The Bureau of Development Services (BDS) has prepared an ordinance proposing changes to the Land Use Services fee schedule. The ordinance is scheduled to be heard by the City Council on Wednesday, February 20, 2019 at 10:20 time certain.

Background

In 1988-89, the Development Services Operating Fund was established with a policy that construction-related programs would be fully self-supporting. About 98 percent of BDS revenues come from permit and other fees, with the City's General Fund making up the remaining 2 percent of the bureau's budget. Our greatest expenditure by far each year is personnel (approximately 70 percent of the total operating budget). At the same time, the construction activity that provides most of our revenues is cyclical and fluctuates dramatically due to a number of factors. Our heavy reliance on fee revenue results in a variable funding source, making it critical to set aside reserves for inevitable downturns in order to retain our workforce and meet service delivery demand when permitting activity increases.

Due to the nature of the work of the Land Use Services Division of BDS, the division serves as a bellwether for upcoming upturns and downturns in construction activity as demonstrated through a substantial decrease in land use review and permit activity in 2018 compared to 2017. Furthermore, Land Use Services fees have not been raised since FY 2013-14 while program costs have increased significantly due to Cost of Living Adjustments, merit and step pay increases, PERS contribution increases, and a substantial pay increase associated with the new PTE 17 contract. The combination of declining land use review and permit activity in 2018 and the increased cost of Land Use Services service delivery has recently resulted in the drastic reductions in the division's reserves and the need for staff reductions and reassignments.

Proposal

To taper the rapid decline in Land Use Services division reserves, BDS is proposing the first increase in Land Use Services fees in nearly five years. The overall effect of the proposed fee changes is approximately 5%; however, some fees are increasing more substantially while others

are remaining unchanged. BDS is also proposing a 5% increase to most site development fees on land use reviews and three reviews are proposed to be removed from the Life Safety Review Fees on Land Use Cases schedule. The proposed fee schedule changes are shown in Exhibits A through C. While the fee increases, staff reductions and reassignments will not stabilize the division, they will result in less rapid declines in the division's financial reserves during the upcoming downturn in construction activity while maintaining the division's commitment to efficient and timely service delivery. Fee increases are proposed to take effect on April 1, 2019.

BDS staff met with the Development Review Advisory Committee (DRAC) regarding the Land Use Services financial situation and proposal to increase the fees the divisions charges for the services it provides resulting in DRAC's endorsement of the proposal. BDS is also being proactive in information bureau customers and stakeholders regarding the need and rationale for the proposed fee changes. The bureau will publish information about the proposed changes on its website and in the Plans Examiner newsletter.

As means to further maintain service delivery goals of the Land Use Services Division, BDS is preparing a request for General Fund revenue to cover work that is done and for which fees are not collected. This includes review of legislative projects, process improvements, customer training and public information. A draft request was presented to the BDS Labor Management Committee meeting in late January and is expected to be ready for City Council review in the coming month

These changes would take effect of April 1, 2019.