



April 8, 2025 Arts and Economy Committee Agenda

City Hall, Council Chambers, 2nd Floor – 1221 SW Fourth Avenue, Portland, OR 97204

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Tuesday, April 8, 2025 9:30 am

Session Status: Adjourned

Committee in Attendance:

Councilor Olivia Clark
Councilor Mitch Green, Co-Chair
Councilor Jamie Dunphy
Councilor Loretta Smith
Councilor Dan Ryan, Co-Chair

Councilor Ryan presided.
Officers in attendance: Rebecca Dobert, Deputy Council Clerk

Committee adjourned at 11:24 a.m.

Regular Agenda

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[Portland Permitting & Development, consolidation, reforms, and forecasting](#) (Presentation)

Document number: 2025-141

Introduced by: Councilor Dan Ryan; Councilor Mitch Green

Time requested: 70 minutes

Council action: Placed on File

2

[Public comment on Portland Permitting & Development, consolidation, reforms, and forecasting](#) (Public Hearing)

Document number: 2025-142

Introduced by: Councilor Dan Ryan; Councilor Mitch Green

Time requested: 30 minutes

Council action: Placed on File

Portland City Council, Arts and Economy Committee

April 8, 2025 - 9:30 a.m.

Speaker List

Name	Title	Document Number
Dan Ryan	Councilor	
Rebecca Dobert	Acting Council Clerk	
Olivia Clark	Councilor	
Mitch Green	Councilor, Committee Co-Chair	
Jamie Dunphy	Councilor	
Loretta Smith	Councilor	
Christopher Herr	Council Policy Analyst	
Donnie Oliveira	DCA, Community & Economic Development	2025-141
Terri Theisen	Strategy Manger, Permit Improvement Project	2025-141
David Kuhnhausen	Interim Director, Permitting & Development	2025-141
Peter Hulseman	City Economist	2025-141
Mike Wilkerson	Director of Economic Research - ECONorthwest	2025-141
Iain MacKenzie	(Testimony)	2025-142
Farshad Allahdadi	Business Services Group Director, Bureau of Environmental	2025-141

Portland City Council Committee Meeting Closed Caption File

April 8, 2025 – 9:30 a.m.

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Speaker: Good morning everyone. I call the meeting of the arts and economy committee meeting to order. It's Tuesday, April 8th, 930. Rebecca, will you please call the roll clerk?

Speaker: Here?

Speaker: Green. Here.

Speaker: Dunphy here.

Speaker: Smith. Ryan, here. Thank you. Councilor. Smith. Ryan.

Speaker: That was great. Here. So counselor smith is virtual.

Speaker: For the first ten minutes or so. For the first ten minutes.

Speaker: Okay. Got it. Everyone heard that. Great. Okay, christopher, will you please read the statement of conduct?

Speaker: Welcome to the meeting of the arts and economy committee to testify before this committee in person or virtually. You must sign up in advance in the committee agenda at. Ed.gov. Council agenda slash arts and economy committee, or by calling 311. Information on engaging with the committee can be found at this link. Registration for virtual testimony closes one hour prior to the meeting. In person, testifiers must sign up before the agenda item is heard. For today's meeting, individuals may testify for two minutes. Your microphone will be muted when your time is over. The chair preserves order. Disruptive conduct such as

shouting, refusing to conclude your testimony when your time is up or interrupting others testimony or committee deliberations will not be allowed. If you cause a disruption, a warning will be given. Further disruption will result in ejection from the meeting. Anyone who fails to leave once ejected is subject to arrest for trespass. Additionally, the committee may take a short recess and reconvene virtually. Your testimony should address the matter being considered. When testifying, state your name for the record. If you are a lobbyist, identify the organization you represent. Virtual testifier should unmute themselves when the clerk calls your name. Thank you.

Speaker: I'm just going to go over. Today's the runner show. The meeting today is very focused. It's focused on something that. You know, when you look at what you can do to help the economy in Portland, you have to look at your side of the street. And for decades and decades, our permitting system is a big deal. It's how we work with all of those who want to do basically business and building in Portland. And about every ten years there'd be an audit that said it's not going very well. And I guess those kept happening. And giving some context here before we go into our deep dive, it was in 2021. I had the assignment as a commissioner that oversaw the bureau of development services. Wasn't so long ago, and the audit said, once again, our system isn't is really failing our customers. And the complaints were everywhere. Anyone that's run for office, for City Council in the last 30 years is probably heard those complaints. And so I heard them when I ran. And next thing I know, I'm it. So I have to do something about this. I'll never forget the meeting because I asked a couple questions about how many permitting bureaus, and it was multiple, I think it was seven was told to me by the auditor and I said, well, why aren't why am I only seeing bds? And why is this just directed to them? And, you know, auditors are pretty good at playing poker. So they didn't say much. But there

was one that said, you're on to something. And so I said, oh, that's good. And then that makes sense since it's a system. And all you could see were fumbles, meaning that the handoffs weren't going very well and the people that were experiencing those handoffs were the customers. I'd also say in a backdrop of that, I think that before 2020, even though people were complaining about it for decades, our economy was going really well. People wanted to invest in Portland. And so I think it just kept persevering and we kept allowing this clunky, siloed system to persist. We also kept adding more codes and regulation without deleting the ones that were no longer relevant. And so code clutter is my phrase for that. And so I knew we had a lot of work to do, and the work began in earnest in 2021. In the winter, after I got that report, to make sure that we had a collective effort, that it was no longer just one commissioner doing some horse trading, trying to get ready to pass a magic policy that you hope would somehow land. Instead, we decided it was the right thing to do, was to bring all of those bureaus together and all of the five at that time, council offices together, including the mayor. So that began the recruitment. And when I asked every commissioner to be involved, I said, you must have one of your staffers higher up or you're in the committee, because we only have two in the actual task force. The task force was being built, and it wasn't easy. Then we had to have each commissioner to recruit their bureau lead of the permitting bureau to attend the task force meeting. Yes, it was expensive meeting. So we had all the directors of those bureaus and a couple other people from their bureaus. Every elected office was involved, and this was the first time we'd ever taken this collective approach to permitting. Then when we got all in, we hired an outside facilitator, and we noticed that there was no data except for every ten years, there would be data that would say, this isn't working very well, but we didn't have any real time data, and we're doing continuous improvement work. It begins and ends

with real time data like data driven work. Is very necessary, especially when you're trying to improve the variables that are not working out so well, so gratefully, the team at bts and I really will always thank former director rebecca esau for leaning in and making sure that even though they had a lot on their plate, it was covid you were putting amanda. Amanda is that the right name? That's the it system that was. I should never talk about technology like this. Anyway, it was a system that allowed us to do virtual work, which was just being implemented, but it became necessary during covid, so there were a lot of balls in the air. So they all came together. Then we did a really big thing that doesn't get a lot of attention. We put something into the budget. This was part of the arpa funds. We used some one time investments wisely. One time investments are there to do something that actually shakes up and improves the system because it's one time. So we thought in 3 to 4 years, if we use that money to get some professionals that did some cat herding internally, then we would start to actually see this move along, because all of the current employees were pretty overwhelmed with what they were currently doing. So we had to bring in those those folks to do continuous improvement work. The first hire is sitting up with us today. Hello terry tyson, and you came in to the team and then you hired a team. You can tell more about that. And I just want to give you that groundwork because too often in politics we think some policy magically is passed and then everything's just fine. But if you throw seeds on concrete, it doesn't. They don't grow. So we had to do this soil work to turn it up and actually get us to admit a we were failing. Just to collectively admit sometimes you're failing is not a bad thing, because the only way to move forward is to come to that honest perspective. And then and, and it was built over time. So no one should have taken it personally. And so then it was time to just figure out how to move forward. And I want to really thank the team and the presenters in front of me. It also survived. I have to say, we

went through this work and we keep going through this work and there are so many stories one could tell, but you don't need to hear them. But we got to a place where we then passed a policy to unify all of the bureaus, and that policy passed because of all of that soil work that was done. Otherwise it would have been fake. And so doesn't mean it's easy, because there's this thing called practice and culture, which eats policy for lunch, dinner and every meal in between. And so we have to continue to make certain that this integration is actually courageously being implemented. And I thank all of you for being a part of that. I thank the bureaus that have leaned in, and I want to say to the bureaus, who continue to be a little reluctant and stubborn, i'll just use that word about this change. It's time to lean in. Portland is hurting. We need to have not the worst permitting system in the country, but the best as we improve our reputation as a place that you can invest in. This is real. This is something that we have 100% control and influence of. We can't control all the micro conditions that are coming from afar, but we can do something about this, and it's time for us to continue to be willing to improve this system, because I don't want people running in four years to have this be one of the number one topics that they think they need to understand, and that they're going to come in and fix. We're on the right track, but we're at a crucial moment of implementation. And in this budget cycle, we must see this crystallized further. And I think you'll have a support from a council if we continue to do this real work that moves Portland forward. So with that, I will turn this presentation over to the people in front of me today, and I will give it, first of all, do I give it to you, donnie, to start the presentation? Donnie oliveira, the dean of our. I'm. I'm calling you the arts and economy area. But that's not what you are. You're economic development.

Speaker: That's correct.

Speaker: All right. I'm so happy to see you and you and your team take it away.

Speaker: Great. Thank you. Chair Ryan donnie oliveira, for the record. Thank you. Councilors. First and foremost, councilor Ryan, I want to thank you for the opportunity both to build on your vision from many years ago and the chance to really provide an update to this council, this committee, but also the public about the creation of the permitting and development group that david and terry will talk about in a second. This is really still a new bureau. If you recall, we started implementation July 1st. So we were in year one essentially of a manifesting a vision of a single authority. Over the course of the presentation, you'll hear about the emerging opportunities with this change, but also the frankly, the challenges that we're still confronted with to implementation. This is a big vision that requires a lot of, you know, leaning in from staff, both in the bureau but also around the city. But it's much needed, frankly, overdue. As councilor Ryan so eloquently outlined. Because as part of this new form of government, this is the time for change. This is the time for us to evaluate our systems, our processes, and make sure we're putting the resources in the right place to deliver what our community is asking for, what our policy makers are directing us to do. So through the course of this last ten months, essentially there's been a lot of evaluation and learning. So as much as we think we know where we're going, we continue to evolve. And that's a good thing actually. It's iterative. It's a learning mindset. But frankly, it creates more things for contemplation of.

Speaker: Can we do a natural pause here? I forgot to have the clerk read the item. The item.

Speaker: For the record agenda item one Portland permitting and development. Consolidation, reforms and forecasting.

Speaker: Thank you. Thank you tony. Pretend that didn't happen.

Speaker: So I'd like to start this. So over the course of this next slide please. So over the course of this presentation today we're going to cover a few different elements. We're going to provide a brief overview of where we've been including the permit improvement project. The council Ryan mentioned. We're going to dive into some of the metrics and trends that are driving our current decision making and thoughts about where we're going, and kind of dive into the, frankly, the challenges that you alluded to, councilor Ryan, about what it takes to consolidate permitting functions. Not only is pnd responsible for the, the, the processing, but many of our bureaus participate in the review of permits, and we have a lot of work to do still to continually improve those processes. Pnd is the front door to the city of Portland's activation for building and development. That is, that is the fact. And the more we can make that welcoming and have people interested in walking in that front door, we can once again change the zeitgeist about what it means to do business in Portland. I don't I don't disagree with councilor Ryan that this is a challenge, both practically and optically. So we need to solve for both. So how do we tell the story of the improvements? Because there have been improvements. You'll hear about that shortly. That's showing that we are on the right path. And having said that, the future is very much in this council's hands about how fast we can accelerate that change. I think you all are aware that we are forecasting a significant shortfall in revenue. So what does that mean for current operations, for our ability to continue to improve and also prepare for when that uptick and development does occur and it will occur. And the last piece that we're going to touch on is it's been spoken at very many space, a few spaces here at City Council. We need to evaluate the future of the funding model for pnd. And so, along with the work that david and terry are leading for improvement and for that culture change within the bureau, I'm working with the city administrator's office to think

about the future of pd resources. So we'll touch base on that in a minute. And so with that, I'm going to hand it over to terry to dive into the presentation. Thank you terry.

Speaker: Thank you dca. And thank you chair Ryan for having us here today. I'm excited to talk to you all about what we've been up to past, present and future. As the slide indicates. For the record, my name is terry tyson and I'm the strategy manager for the permanent improvement team. I lead a team of four who work across bureaus and service areas to provide capabilities and capacity for system change and service delivery improvements. As we go through the next several slides, I will be walking you through a bit of history of permitting reform efforts in Portland, as well as our current work and results. Next slide please. Next slide please. Thanks. So background. How did we get here? As you probably know and maybe even have experienced firsthand permitting can be a very complicated process. As you can see from this summary timeline, recommendations have been made repeatedly over decades. As chair Ryan indicated, to consolidate permitting bureaus, streamline processes, track and improve performance metrics, and improve coordination. Most of these recommendations listed were not or have not been fully implemented or developed through completion. Over the years, our system has not supported consistent and aligned leadership around these problems, which has resulted in ever shifting policy priorities and practices. However, our new form of government, both administrative and legislative, is very well positioned to address and remove these barriers for long lasting change. Next slide please. This is a list. This is an example of everybody, all the people who and organizations that are involved in this process. The strength of this project has been the alignment of these partners, including eight bureaus and permitting customers, very importantly, permitting customers. The permanent improvement team has

been the glue to get these partners working together. We operate outside of bureau assignment, which has been a great asset in building trust and inter bureau collaboration in the absence of a shared mission and vision around this essential city service. Since each bureau has a distinct mission and regulatory responsibility. In the spring of 2021, the permanent improvement task force was charged with finding shared values and goals for how development should be managed and delivered, with a laser focus on the customer's experience and needs. Next slide please. The task force identified these three overarching goals around which improvement efforts could be organized and measured against reducing timelines, improving our customers experience, and improving our performance management. Next slide please. The project is focused its efforts and outcomes squarely on the customer. Our customers are diverse and come to us with varied experience, backgrounds and capabilities. Our codes, our rules, our processes are all part of a system that is intended to foster a safe and thriving urban community. However, the reality is that it can be confusing, highly technical, and often conflicting. Looking at the path a customer must take to obtain a permit from their point of view, is a key part of deconstructing the process and building a process that is accessible as simple as possible and provides an adaptable level of support depending on the customer and the project. Bottom line is our goal is changing the cultural mindset away from processes that reflect governmental structural silos toward designing services around our customers. Next slide. These are our areas of focus. We've come to these areas from customer and staff surveys, conversations and engagement with staff and customers, permitting data and recommendations from the task force. You'll see that our buckets the buckets include customer support, digital services, regulatory coordination and cleanup, business process analysis, and our funding model. I'm going to take you through the first four of

these buckets to share some high level results and work in progress, and the funding model will be covered in detail by director kuhnhausen later in the presentation. Project roadmap. So this roadmap reflects the work plan since the creation of the new permitting and development bureau was developed or was initiated by the council in August of 2023. The work streams are overlapping and intertwined, but all these pieces are in motion. Before I lead you through some of the successes and highlights of the work to date, I want to acknowledge with much emphasis that all this work has been done by staff who continue to provide expertise and help us rethink how we can better serve the public. Additionally, customers have been a consistent touchpoint to guide and test what the staff implement. Next slide please. First, customer support and customer experience. As I've mentioned, these are all this is the center of our work in. Everything we are working on could technically fall into this bucket. One of the first issues the task force wanted to address was setting a clear and consistent customer service policy across the seven bureaus that chair Ryan mentioned prior to 2022. This did not exist. And then and then to. The next step was to provide space for training and support to get staff working towards improving customer relationships. As a result, our last customer survey in 2023, there's been a 13% increase in satisfaction with staff interaction. We've also been working on providing an expanded single point of contact for customers, which is a best practice in the industry. This is a high touch and high return improvement, requiring skilled and experienced staff, and this has resulted. This effort has resulted in a decrease in the need to escalate customer complaints and also a decrease in delays. Last but not least, one of the highlights I want to point out is improvements to our website. Our customer surveys told us and our staff told us our website was absolutely terrible and they were right. So we've been working really hard on rewriting content to improve readability from

from 11th grade to sixth grade level, increasing language and translation options, adding a tooltip feature which supports defining technical terms and concepts and staff are also beginning to test a wizard function that will provide and assist them in determining if there's a need for a permit and drive customers to the right information. I want to emphasize that with our website. This isn't a big like reveal project. It's an iterative process where we're implementing changes slowly and testing them to make sure they're effective. Next slide please. Digital services transition. So what is digital services mean. Good question. When we started transitioning well the bureau had to move very quickly in three months to go from completely in-person to completely online. Not an ideal way to unroll or unveil a new online system. So it wasn't done. It was done quickly, but it wasn't done for the long term. And so when we decided we were going to be reorganizing the bureau, it was an opportunity to completely rethink and retool how we were delivering digital services to modernize, to standardize and to, frankly, meet expectations, understandable and legitimate expectations that the public have on how we should deliver this service. One of the big successes then was that this was an opportunity for this reset. I'm happy to say that we've retrained staff. We've brought in an experienced digital service manager, and this allows for clear prioritization, which is very, very important. Increased flexibility. And it's decreased our technology backlogs, backlogs, which frankly were huge when we started this work back in 2021. Next slide please. Regulatory coordination and cleanup consistently. We've heard from staff and customers they're very well aligned on this that our codes and policies are a significant part of the reason that our process is slow. Our codes are well intended, there's no doubt about that. But they're often created by each bureau independently without fully understanding how they will interact or the cumulative impact they have on customers. This bucket of work is focused on

proactively addressing these concerns in two ways. Two ways that we've done or tackled thus far. One is the city has launched a new regulatory program that takes a holistic approach to regulatory improvements. Policy writers from across the bureaus who write code and policy to regulate development come together to share what they're working on proactively. This group has piloted a new process for reviewing policy, and has started to fully implement this new way of working together. The second is a cross-functional team of code and policy analysts, who are teaming up with staff who review and issue permits. So implementers and policy writers getting together. This is new. This is something different. They're working on a small package of code amendments, which we call the code alignment project. It's focused on small businesses and small development projects initially, and we will be bringing something before the City Council for a vote in the summer of 2025. So very soon, last and not least is process and system improvement. Process efficiencies has been a really big focus. We've put a lot of energy and time into business process analysis. The structural change that has happened with the development of p and d was the first of those big, big changes. We continue to do business process analysis work to identify barriers in a timely and high in to address timeliness and quality in how we do things. And these are staff driven and ongoing efforts that have resulted in the implementation of wide ranging and targeted changes. We've also focused on improving the quality of our data, which was a huge issue back in 2021. Data transparency and using data to determine where to focus our efforts and to make adaptations has been really big and significant. Next slide please. Next slide please. Sorry. So I want to move to metrics and trends. Next slide please. This is a high level look at the data the city is collecting and reporting to be better to better understand our trends. This snapshot includes all commercial and residential permits from the time an application is

submitted online. Through the time a permit review is complete and an issue on a permit is issued. The data set includes all permits, all permit types, alterations, additions, and new construction from January 1st, 2020 to December 31st, 2024. Starting at the top left, we can see the cumulative permit application counts, number of permits issued, median number of business days by year, and finally the cumulative valuation total. The bar chart provides the same metrics. The bar charts below provide the same metrics, but are broken out by year. Annually. You'll note that the number of permit applications and permits issued have increased or remained steady, while the median number of days, the timeline and the project valuations have decreased. Director Kuhnhausen will talk more about this later, but for the purposes of improvement work, these system wide metrics point to a positive trend in the right direction and a decrease in our review times. Next slide please. These next two slides are disaggregating the data just a little bit further to show the city time. And the applicant time. We need to further disaggregate to get at why the applicants are taking so long with their permits. And we are doing that. We're doing some analysis of that. But the reason I'm showing you this slide, again, for purposes of improvement, is to show that there's been a decrease in the days that the city is taking to review permits. This particular slide is for residential permits. The next slide please is for commercial permits. And that is also trending in a direction that we want to see. I'm not going to say that things are perfect. They're not. We still struggle. Things are still way slower than we want them to be. But the good news is, is that we are moving in the right direction. Next, next slide.

Speaker: Before we move on, can we go back to that slide real quick? I'm sorry councilors, this just for your situational awareness. We are currently working in Salem right now because there are two bills that are contemplating their called shot clock bills that would put hard stops on the duration of a permit. Being in our

process, we support those with the caveat that we want to be clear that we're we're talking about the time that the permits in our shop versus the time that it's in the hands of the applicant. As you can see, just for the commercial, while we can still improve a lot of the, the lag time is when the application sits in the applicant's hands. So just for situational awareness, we're working on that.

Speaker: Could you clarify for that? I'm sorry chair, but is that is that I mean the equivalent of a permit issuer saying here is your checklist, come back to us. Yes. Okay.

Speaker: And then they how long they take to get back to us is as you can see on the graph here, you know, it can be, you know, several hundred days in some cases. But the point being is we're we're absolutely supportive of improving with the acknowledgment that the applicant has a significant role in that timeline.

Speaker: Councilor green, you have your hand up.

Speaker: Thank you. Chair. Ryan.

Speaker: You know, I just want to acknowledge that what I see as a significant improvement on the city's side, which I think speaks to the effort that you started here and that you guys have been working towards the I would imagine maybe you can add some color to this, that, that especially with respect to new construction, that most of that's a financing uncertainty lag. But there's probably also like, you know, when it sits in their hands, the developer's hands, there's still some parsing and like do I understand this time. And that's that's work that we can also contribute toward.

Speaker: Thank you for that question, counselor, because I think your daylighting, some of the work that terry was alluding to, we have to clean up our code. Still, there's confusion, there's inconsistencies, there's redundancies. So the more that we can improve our code. So it's clear out of the gate. We can definitely decrease

that time that the applicant's developers are scratching their heads about what we're asking them to do. So that's a way for us to improve. But yes, the financing piece continues to be a, you know, a drag as well. Great question.

Speaker: So even though it's we're looking at data that shows how long it's with the customer, doesn't mean that the staff isn't working with the customer during that time.

Speaker: That's correct. And something that terry's team has been working on is to provide consultations after that first check sheet so that we can in the free consultations there, there, initiated by the applicant to meet with the technical review staff in the life, safety, structural and geotechnical teams and the land use teams. So those are some of the more complex codes that we implement or that we review against. And so for that reason, we offer the opportunity to collaborate with the city and to explain some of the details, to make sure that the customer is on the right track, to provide a thorough and accurate response to that check sheet.

Speaker: Okay. So there's a shared responsibility within that. Okay. Thank you for making that clear. When you first look at the data, you could think otherwise. Appreciate it.

Speaker: Yeah sorry.

Speaker: Thank you. No problem. We can move to the next slide. And I'm going to hand it over to director kuhnhausen to walk you through an update on the consolidation to the new bureau. Portland permitting and development.

Speaker: Thanks, terry. Thank you, commissioners. For the record, david kuhnhausen, interim director of Portland permitting and development. The challenge. Yeah, okay. The challenging environment surrounding development in Portland has been well publicized. I've talked about this. You've all heard about this. I don't need to go into specific detail, but the conditions that we're dealing with

have started before or started during the pandemic. Unfortunately, right thereafter, we started to see other issues that impacted development in the city of Portland. Next slide please. I think actually, Terry, I think these are still yours, but we can go through them.

Speaker: These these are just this is an outline of the single permitting authority goals. So when we set out to do the restructure the first iteration if you will, these were the things that were guiding us.

Speaker: Let's go ahead and move forward. Talks about some of the benefits of these combined teams. Really accountability and a uniform level of service. We want to provide some consistency related to the priorities, the customer service impacts. We want to resolve conflicts much, much faster. And then the cross training and coverage, that's something that's been talked about numerous times, is making sure that when there's a decrease in staffing capacity in any particular group, that we have someone from another group able to answer those questions and continue to move those projects forward. Next slide. So just at a high level, and Terry touched on this really building a collaborative culture. We need to not only collaborate with each other, but collaborate with our customers as well. As we've explained, the development review process is complicated. Permitting is complicated. We need to do a better job of making sure that our customers understand those requirements, preferably before they come in for permits, so they understand the timelines, the financial obligations and the complexity of the projects that they're trying to do. Next slide please. So just at a high level, some of the successes and Terry touched on some of these, creating a new and aligned culture centralizing customer service. Quite frankly, we probably moved away from customer service during the pandemic, and that was something that is an easy fix. It's just a cultural change. It's picking up the phone. It's answering those

emails. It's making sure that customers have the opportunity to have a conversation with staff outside of the check sheet response process. Additionally, enhancement of metrics and Terry showed a high level external dashboard that's going to be going public soon. I'm not exactly sure when, but it allows customers to understand what the current trends are related to permitting and those timelines associated with the permitting. Improved communication across permitting functions. As Councilor Ryan said, there were seven different bureaus who participated in the development review process, all of which had different priorities, all of which had different ways of interacting with customers. And then it required us as a city to interact with each other, sometimes not as effectively as we probably could have. And finally, increased transparency for customers. Part of the work that our bureau is doing is providing a consistent review tool that allows customers to see where their project is in the review pipeline. As Terry mentioned, we made a quick transition at the beginning of 2020 to move away from in-person permitting. Everything we did up to March, April 1st, basically of 2020 was in person in the dsc with rolls and rolls of paper. We no longer could do that as of mid-March 2020, and we had to make a quick transition. It wasn't the most effective transition long term, though, so we are still in the process of improving this process and improving the transparency for customers when they're in the permitting process and then challenges. There's just immense change that this bureau has gone through. I'll get into the financial ramifications and where we've had to make some difficult decisions regarding staffing over the last year and unfortunately, are probably going to be doing the same. As we look forward. There's obviously the change with our bureau and implementing those. The p.i. Bureau, the public infrastructure bureaus and incorporating the work that they do into the larger bureau. The change to city government has obviously been a change that we were all still

navigating. Our current funding model. De oliveira mentioned this. It's not sustainable. We are now in this. We are we are dealing with this for the third, fourth time in the last 15 years. Every time we see a peak or a decline in construction activity, we have the same situation where we're dealing with potential layoffs, funding shortfalls, and then when things improve, we are unfortunately behind the behind the trends. We aren't able to staff up as quickly as the permits start rolling in. And then lastly, the need to maintain and strengthen connections to our original infrastructure bureaus, the inner the inner workings of permitting are not specific to pnd. We still need to communicate and work with those public infrastructure bureaus related to code cleanup. And terry mentioned some of that related to how the work is passed off in those bureaus and how we assist customers through that complicated process. Next slide please. All right. I think we can probably move beyond this. All right.

Speaker: We'll do we'll make sure we have an answer if there are any. Are there any questions about that segment of the presentation before we. Yeah.

Speaker: Thank you for the is that the end of the presentation.

Speaker: Just that first part. Yeah.

Speaker: At this time it's it gives us all a chance up here. If we have any questions, we have 15 minutes allotted for that before you bring up the rest of the group.

Speaker: Yeah.

Speaker: But if there's no questions. Do you have a question, councilor clark?

Speaker: Thank you, mr. Chair. This is terrific. I'm really happy. I think this is the third time I've heard this, but this is the deepest dive I've heard. So I really appreciate the level of detail here in looking and looking back. And I thank you, mr. Chairman, for giving us the context for this. Those of us who are new, we really appreciate that because I know that we've worked on this past planning directors

have worked on this, I think, over the last 30, 40 years. So it looks like we're finally really making some progress. I just had a question, a couple of questions, actually. I recently had the opportunity to go to the session on detroit, what detroit learned from Portland and what Portland learns from detroit. And I just wondered, and it was amazing what they've been able to do. And I know that they raised 80,000 houses and had a lot of vacant property, which is a very different situation that we're in. But I'm just wondering if you're also looking at how other cities do permitting. That's my first question.

Speaker: Yeah, absolutely. I was actually going to cover that in the future, but I'm happy to elaborate now. So we have reached out to other cities, to your point, to see what the best practices are. Some of those cities include eugene, hillsboro gresham, salem, tigard. In california, we reached out to a number of different cities. Not all of them respond and are, you know, able to share, you know, how they do their work. San francisco and san diego did respond and provided some input. And then Vancouver and Seattle, by and large, we are in line with how other cities operate. Their funding models are different. Their codes are a little bit different. We have obviously city, you know, titles that we administer as well as the state codes. Not every other city and state have the same situation, but by and large we are doing we do have the same process set up and the same funding models. Quite frankly.

Speaker: They probably have the same problems we have too. I would imagine.

Speaker: I will say though, if I could just say that before the consolidation to pa, we were not the same. We were we were very different in how we were structured and that and that was important to get that changed.

Speaker: So yes.

Speaker: Thank you. The last component of that is speaking specifically to the funding model, just the distinction, I think, between Portland right now is that the permitting bureau is so dependent on development cycles that strategically, whether it's new reserve policies that we're contemplating or just the structure itself, we're just not resilient enough to withstand the downturn when the downturn lasts longer than the boom. And so what we're experiencing right now is this we've been lower longer. And so we're really feeling the pinch of that. So we are as I alluded to earlier, we are looking at different models that do exist around the country. That would give us a little bit more resiliency in these in these tougher times.

Speaker: Great. Anything we can do to combat the boom and bust, the harm that the boom and bust does is great. I want to ask you a question, too, about the culture. I really appreciate the information about the processes that you've been going with, with the employees. And I know that the seven, 7500 employees in the city of Portland are going through a lot of culture change right now, just as we're going through a culture, creating a culture up here. But I just wondered if you could talk a little bit about the areas of greatest resistance and where where that comes from. Is that the you mentioned staying connected to the bureaus, where where's the greatest tension or impediment to changing the culture?

Speaker: I still think that we're in a process of making sure that those employees that came over from the public infrastructure bureaus are valued, that their the cultures that they had within their individual bureaus are recognized, their work is recognized and prioritized. And we're doing that right now. We have prioritized a lot of the technology enhancements that previously went unmet. I also think that we're dealing with the bringing people back to the city, however that works, making sure that that staff understand that they play a vital role in this and that it is a

partnership. They need to be willing partners. They need to help customers. They need to pick up the phone they need to be able to get. If the answer is no, they need to elaborate on why that is. And then they need to say, and this is what you would need to do to get to. Yes. That, I think, is the extra step that that quite frankly, probably wasn't being taken over the last couple of years. And that's where we'd like to see that change be made.

Speaker: Thank you.

Speaker: David councilor I also just offer this. Sorry, I just want to this is given the nature we just spoke about, the tension around funding and people's job security. We want people to feel welcomed and make sure they know they're supported, to do their job and not feel like every decision they make is going to be, you know, analyzed, over analyzed. And that's a tension we face with things like permitting, because we are oftentimes contemplating and deciding on permitting. Staff are for difficult choices about types of housing in certain neighborhoods, type of buildings people might not want and around their neighborhoods and staff, you know, get a lot feel a lot of pressure about that. So the more we can support them in those decisions. And to david's point, we really got to get people to feeling excited about getting to yes and being more solutions oriented and customer service oriented versus weaponizing the code or the process. And, I don't know, begrudging staff. There's amazing talent at rp and doing great work. We just want everybody to be on board with how do we get to. Yes, in a way that's within our code, within our policy, you know, intent in a way that helps spur development and prosperity.

Speaker: Thank you danny. Getting to yes, I love that. Thank you, thank you.

Speaker: Thank you. Co-chair green.

Speaker: Thank you. So I know we're going to talk about funding models later and some challenges that we have. But just as I see it, it seems like you're making hay

while the sun shines because we are in a sort of down period. And so there's a low volume of activity. It's not for it's not for our barriers. It's frankly, it's the macroeconomic conditions that have made it very challenging to develop in this city. And so, terry, you had mentioned sort of instituting a kind of agile. I think I read in that sort of an agile change management process. I'd like to know a little bit more about that, because I'm a bit of a nerd on that stuff. But also I wonder what stage gate, what phase of that we're in and where we're going to go next, and how long, how long until you think change is complete? Which I know is a difficult answer, because what i, what I see in my mind is hopefully we do see a change in the macro conditions and we will see a dramatic uptick in permit applications, and then staff will be overwhelmed with that. And so right now we have this opportunity to do sort of strategy work. So I wonder if you could elaborate a little bit more on that.

Speaker: Yeah. Thank you for using the word agile. Yes. That is something that's part of our vocabulary and something that we're trying to make just a part of culture, you know, that that we're always thinking about how we can change, how we can improve making tweaks. And there's no shortage of ideas. And with that, we've done 14 business process analysis workshops. Right. And in those workshops we look at a specific process and we design the perfect process. And then we figure out what it would take to implement those things and those recommendations. Right. And obviously, the volume is way more than the ability to implement. So there is a long list of those. However, the ones that we have implemented, we always set metrics for right. And we check depending on the type of improvement. We've been trying to implement a process of checking in every 3 to 6 months to see. Is that working? Is it not working? If it's not, let's stop it and let's try something

different. So that's sort of the cycle that we've been but we're working under. Does that answer your question?

Speaker: It does. And do you find that folks are having fun with that or embracing it, or what are some of those challenges?

Speaker: I think that, yes, overall, there's an enthusiasm for this and an appetite for this and a desire to have it. I think the, you know, dca oliveira referred mentioned that there's also a fear, right? Fear of trying things new. The roles that these folks are in are, you know, there there are gatekeepers and rule, you know, folks by by training. And so sometimes it's a little bit challenging to take this on and be iterative and feel safe in doing so. So it's that tension.

Speaker: The other the other feedback I want to just offer councilor is as we're making changes, the delay in people experiencing those changes can sometimes be long. So anecdotally, we'll hear from our developer colleagues saying that they're still complaining about permitting. And then i'll ask, well, when was the last time you actually came in for a permit? And it's been like five years ago. I was like, well, things have changed since then, so come back in and bring your projects and see, like what's what's actually evolved. So there's a little bit of that lag time too, where staff are feeling frustrated because they're hearing, oh, permitting still is, you know, struggling and there's improvements to be made and improvements that have been implemented are impacting, you know, in a good way.

Speaker: So no, and thanks for raising that because I think that's a endemic problem in the city right now. Like there's still some folks who are not coming back downtown because they haven't come in years and they've convinced they can never come back. And so we need to lead on all of those. So that's it for me.

Speaker: Thank you. Co-chairs. Green I have a couple questions. We have about four minutes left in this segment. And I think you started to get at it with your

interaction with co-chair green. And that is how are the people on the ground being engaged in this work. And maybe it's in these specific projects that you're talking about.

Speaker: Yeah, I mean, everything that we're doing improvement wise, I think it's fair to say is staff driven, right? We're facilitating and we're providing skills and data and assistance with that. But whether it is a business project or business process analysis workshop, that then leads to what are the staff recommendations? We take that to leadership and then we implement and staff help implement. Or if it's even technology, you know, technology, digital services work. It's all informed by and driven by staff. The software for example, that now the four infrastructure teams are using a shared software. That's with transparency. I know this is wonky, but it's been it's revolutionary for a public works permit to use one software. Well that was all staff, right. Staff come in, they design the process, they get the workflow, and they do the training so that that's that's the kind of things that are happening.

Speaker: Right. So there's that continuous improvement flow that actually engages all levels of the organization.

Speaker: And then testing with customers. Frankly, that's also a really important piece.

Speaker: Yes. Okay. Good.

Speaker: We if I may, we rely heavily on our staff. They actually want to see change. And there's a narrative out there that we want that we're resistant to that. And in some cases there might be some some that might be true. But by and large, staff want to see improvements to this permitting process. They're frustrated, just like our customers are frustrated. And they're the subject matter experts that we rely on to move these projects forward. They know what's going to be impactful and they know what's not. And so terry's team has provided the opportunity for

them to share those proposals and move them forward. So as she mentioned, we obviously want to make sure that our customers are confident with the work, the direction that we're going. But staff are really leading this.

Speaker: And there's communication with our labor partners that this is the way this is being done. Great, I appreciate that. Hey, this is probably a operational micro alert. I don't want to, but I am going to make a statement that says, when you listen to the fact that when it's slow, some of the permitting bureau folks are not twiddling their thumbs waiting for these people to come back into the permitting office, but they it sounds like it's obviously flows with the amount of activity that comes at us. And yet I keep hearing about the code challenges we've had for years, and they're probably the same folks with the intelligence to work on that. So is there some adaptable pivoting that goes on? So because I used to hear the excuse in 2021 that the reason why all the codes got so cluttered, if you will, is because we were so busy reacting to all who wanted to invest in Portland and build, that they didn't have time to go back and do that. Of course, that was the vicious cycle there. So tell me if you want to say anything about what. Yeah. Comments I'm just making about how to move this forward.

Speaker: Yeah. Great. Great flag. And so a couple of things as you're aware of like you know through the recap process that we used to run annually, this was a code cleanup program that bureau planning sustainability ran. And for reasons of funding, mostly for several years, it stopped. And so we re-initiated that a couple of years ago. So that's a like a housekeeping administrative level of cleanup. But the deeper dive stuff that you're speaking to, where we have conflicting code, whether it be our tree code versus our right of way code that needs a deeper dive and larger efforts. And terry is actually leading the this project right now that you'll that council will get a bite at in the summer, which is the first, we hope, of many different

packages that is going to get at this very issue that truly just cleans up this this challenge that we have where our code can be conflicting, redundant and just confusing, you know, and that's largely a product of our old form of government. Let's just be frank. Like when you had bureaus that were in silos, that they could develop their own code independent of everybody else. We have a very dense code that may not have been not all the time, but at times not consistent. Well, we're working on that.

Speaker: And, you know, continues to promote work often gets down into the weeds of some changes to job descriptions. And so it's always good to hear those examples. We're now councilor smith is here with us in person. You were listening in earlier and the floor is yours.

Speaker: Yes. Thank you, vice chair Ryan. And thank you for all the work that you did on the lead up on the last council to tackle this very huge issue. Dca oliveros, could you tell me, if you believe that the permitting that's happening or the lack of permitting for multifamily permits is a cause of our our infrastructure in terms of how we process?

Speaker: Just for clarification, councilor infrastructure and permitting or our physical infrastructure.

Speaker: Our physical infrastructure and how we permit.

Speaker: Yeah. Great question, councilor. I think there are a lot of challenges that are impacting the housing development community, in fact, anecdotally. But there's data behind this right now. We still see publicly funded projects that are making up a high a high percentage of the permits that will probably be, you know, processing this year. Frankly, the capital is just not, you know, there to make these multifamily projects pencil out anywhere in the city right now. There's like a sweet spot of like wood frame homes that are still being built. Thankfully we have residential infill

that is sort of activating more development than we probably would have seen without it. But to answer your question, we it's more than just permitting it's financing and.

Speaker: Lack of finances. Question. Do you think our inclusionary housing codes are also, you know, paired up with our permitting is causing some of this too? Because that's what we need. I mean, the governor's been very clear about needing to produce more housing in the lion's share of that. Housing is going to come out of the Portland metro area. And if our current codes around inclusionary housing, our own infrastructure, those are things that we can we can change. And so in order to do a better job, to be able to have more affordable housing, more middle housing on the market that we produce, and to have our economy flow from a from a good place.

Speaker: Thanks for the question, councilor. This past year, the prior City Council did a inclusionary housing update that we recalibrated the product so that it was it was really distinct how it's applied in central city, in other parts of the city, to make sure it was actually providing value to the developers to ensure they were getting that, that that tax break, if you will. So I would say that I don't while there are definitely some housing products that may be hindered by I h the truth is, is that it does prevent present incentives to be utilized to, to help close that capital gap that we're experiencing. But we have broader financing challenges that if they didn't exist, I probably wouldn't be as as detrimental optically as it is. And having said that, to your point, we want to make sure we're unlocking housing production because across the whole housing continuum, whether it be entry level housing, supportive, you know, supportive services, housing all the way to new homes that people can buy, we have a deficit that we're trying to solve for. So at this point, any housing needs to be built. Obviously want to, you know, ensure that we're producing as

much affordable housing as possible, but with lack of public financing right now, targeting, ensuring that the market, the private market is developing, is what we're working with the governor's office on with the mayor right now. So I would just offer that there's more information to come on that. But but I always, always, you know, in our mind about is it helping or hindering development.

Speaker: And I'd like to talk to you offline about the multi program that we can use to update existing housing stock to make sure that those landlords or owners, that they stay in the affordable housing category instead of market rate. Thank you.

Speaker: Yeah.

Speaker: Thank you. Okay. Let's continue to move forward with the future of.

Speaker: All right.

Speaker: Well rolling off my tongue.

Speaker: Yes it does take some time. Once again for the record, david kuhnhausen, interim director of Portland permitting and development. So much of what we will talk about in these future slides we've already talked about through the question and answer, but i'll just try to move through these briefly pretty pretty quickly. Next slide please. So the challenging environment surrounding development in Portland has been well publicized. We've been talking about it during this presentation. We've talked about it offline during briefings. All of you are aware I'm not going to go through all of the factors that are impacting development right now, but these factors impact all projects regardless of scope, regardless of size. The problem is that large projects make up a disproportionate share of pad revenue because these are valuation based. So the higher the valuation, the higher the permit fees that this bureau receives. Because of this, we or with with these factors in mind, we've seen demand for these large projects drop off substantially over the last couple of years, projects that are still in the permitting

process, even those projects that are completely approved are not being issued. So people are just sitting on them waiting until the market conditions improve. And we are seeing some projects that are being canceled out. Right. I'm going to share more about our workload on a future slide. And we've talked about that a little bit. There is a narrative that permitting is down in large scale. Permitting is down. However, from the overall volume of permits issued from 2020 to 2024 is up 107%. So the workload has actually shifted to smaller projects with lower valuations that don't provide the opportunity for this bureau to build on our reserves. Next slide please. So we talked about this, but pad's ongoing funding comes from fees and charges. Charges for services that we provide with only 2% of funding coming from the general fund. The construction industry is extremely volatile. We've seen this play out over the last 15 years, numerous times, and our bureau's fee revenue is directly tied to those fluctuations. In the 2008 and 2009 downturn. Pad drew its reserves near \$0. We almost had nothing in the bank. I believe at one point it was under \$10,000 in reserves for the for the bureau. At that point, we had to implement massive layoffs of about 50% of the bureau. Those impacts were devastating to the bureau and to the development industry, not only at that time, but perhaps even more so when the economy improved several years later and we did not have adequate staffing to support the demands for our services. Because of this, the permitting timelines suffered. For years, pad has put into place policies and measures to help the bureau recognize and respond to fluctuations in the construction activity. As a business continuity plan was developed that identifies leading indicators for development activity and also includes five plan triggers which have, if any, four of those are activated. It requires the bureau to take action. That continuity plan has been effective and useful in implementing layoffs in the bureau in 2018. I'm sorry 2019, 2020, and most recently at the beginning of 2024.

However, this current downturn has been different than what the bureau previously experienced as I mentioned, construction activity during decline during the pandemic, but both economic and social issues have led to a prolonged lull in permitting activity that lasting much longer than we expected during the pandemic. As we all know, the public perception of Portland shifted dramatically, and the desirability of Portland as a place to build impact was impacted as well. In addition, there's the macroeconomic factors that we've discussed that are outside of our control, but they also they also impact the demand for construction. As development activity has bottomed out, pad revenue has also been impacted. And while the cost to providing those services have continued to increase year over year, these dynamics, coupled with the desire to retain adequate staffing levels to make sure that we're meeting the permitting timelines, has led to a large decline in bureau reserves, because, again, we're pulling against those reserves to make sure that staffing is accounted for. So eventually we had to make we had to slow the action on those on the draw on those reserves. And with that, we laid off 74 fte at the beginning of 2024, or approximately 19% of the workforce. And despite those layoffs, the bureau continues to draw on our reserves, albeit at a little bit slower pace at this point. Next slide please. So pad is very fortunate to have the financial advisory committee as a committee that we work with to help in our projections. This committee is made up of local economists and development industry experts, two of whom were gracious enough to join us today. And they provide us with our expert opinion on the future of construction activity in Portland over the next 1 to 5 years. As noted, it's extremely volatile, and that makes our planning process extremely difficult as well. We go through a very rigorous process to develop the best possible projections, and this year, the focus of the conversations with the financial advisory committee focused on how long this downturn would last. With

that, they suggested a at least another 18 to 24 months before construction activity picks up in a meaningful way. So after the initial discussion on the economic outlook, pad develops its models. Once those models and growth rates have been developed, we present that forecast to the financial advisory committee. This leads to another round of feedback. And then finally, the financial advisory committee signs off on our models and growth rates for the entire process. Next slide please.

As we've discussed, pad revenues are tied directly to the overall economy and construction and construction activity. The macroeconomic environment can have large impacts on the viability of construction, and a number of factors that are listed on this slide. I'm not going to go into them in detail, but it's not an exhaustive list. It just gives you an idea of the type of data we use to inform our decision or our modeling. It can take months or years for some of these trends or statistics to reverse. And there's not consensus among economists on where the overall economy will be headed in the next 1 to 5 years. This uncertainty leads to the complexity of our projections and the need for us to be nimble with our forecast. We update our forecast as we learn more about the economic environment and our own revenue sources, but this changes often. Next slide please.

As previously mentioned, large scale construction is down, but there has been a steady increase in permit submittals since the pandemic began in 2020. However, again, recent permitting continues to trend. Trend towards commercial alterations and residential projects, none of which come with a large permit fees that are able to sustain the bureau. We have seen a decrease in both commercial new construction, so multifamily mixed use projects office obviously is not being developed anymore. And additions of those commercial properties over the last five years, but we've seen an increase in commercial alterations. So tenant improvement permits and in all scopes of single family residential permitting, as I mentioned in some of the

district briefings after the 2008 recession, the bureau saw a shift away from new construction and into remodels. And over the last five years, we're seeing that same trend play out again. From 2020 to 24, there was a 321% increase in residential alterations and a 98% increase in interior only alterations. Not to get into the details, but the difference between these two is only that alterations include exterior work, but then don't move into the addition phase. But they do include some sort of window alterations or other exterior alterations, whereas interior alterations are just that, just interior remodels. The similarity between these two types of permits is that, generally speaking, the valuation is relatively low, and therefore, regardless of how many permits we issue of this scope, they do not offer the same cost recovery that large scale construction permits offer. Next slide please. The unpredictable and volatile nature of both the economic and macroeconomic environment and more specifically, the development activity, makes our current financial process extremely challenging. We're subject to the cyclical ups and downs of the industry, with no alternative revenue source to add stability during a prolonged downturn. And because our permit fees are based on the project valuation, this makes the bureau dependent on that large scale project activity, which is even more boom than boom and bust than the overall industry. Smaller valuation and low cost projects continue to come in the door, but those large scale projects with the high valuations have dried up. So really our workload has not declined as much as our revenue has declined. Maintaining a maintaining a stable and experienced workforce is essential to the future success of our enterprise. But sometimes layoffs are unavoidable and pnd takes decisive action when that's necessary, as we did last year when we laid off 19% of the workforce. While pad funding has always been predominantly fee based, there was a time that this bureau did receive some general fund dollars for the neighborhood inspection

program and for the land use program. Funding was subsequently whittled down over the years from what it previously was of about \$2 million per year in 2000 to 2003, and in fiscal year 1718, that funding for the land use services division completely evaporated. Not surprisingly, the next fiscal year, we were forced to make cuts in that group because the fees no longer provided the funding for staff in that group. Last year, as I mentioned, pbem did reach out to several other cities to talk about how their models are set up. I already discussed this, but like I said, much of their funding models and the structure of the organizations match what we're currently doing, not what we previously set up as. So as pnd has integrated the public infrastructure teams into the overall bureau, that is more in line with how other cities operate. Next slide please. So despite the layoffs from last year, the bureau continues to draw on our reserves and stagnant revenue growth and increasing costs contribute to projected \$14 million funding gap for fiscal year 2526. This is the equivalent of another 74 employees. Without intervention, pad reserves will be depleted sometime in 2026, and the bureau will need to implement extreme measures to reduce expenditures. Services and probably entire programs will be cut. The permitting timelines and inspection timelines would be impacted heavily. And again, perhaps most importantly, pad would once again be unable to support the demands of the construction industry when development picks back up. This is a scenario that we want to avoid at all costs, because it impacts the overall recovery, and the impact to this bureau would be devastating. Maintaining our workforce is vital in creating an environment favorable to development, and to attracting outside investment to the city of Portland, and the work that this bureau does is and will be essential to the revitalization of Portland. Next slide please. Also essential to the current and future success of this bureau and to the customers that we assist, is the work that terry presented on at the beginning of this presentation

and the permit improvement team. I want to give kudos to councilor Ryan for recognizing the need to bring on dedicated staff in the form of the pit team several years ago, to address the complicated web of permitting issues that we're all aware of. But as mentioned, no one really had the capacity to work on. Terry and her team of three employees have researched, proposed, and implemented changes that have been crucial to improving timelines, implementing new processes and policies. The technology improvements that she she elaborated on, and just generally helping navigate the massive changes that employees in this bureau have gone through over the last year and a half. While one position will be funded via federal grant, the other three positions are not funded beyond June 30th, 2025. I would be remiss if I didn't advocate for additional one time funds to keep this team intact and allow them to continue the deeply meaningful and greatly needed work of improving the permitting process. We've made great strides, but we are by no means done, so we would like to see that team retained be retained in the future. And with that, happy to answer any questions. On the future of ppd.

Speaker: I think it might be good. The way it's laid out here is you're going to bring up the other guests. Why don't we do that? So they've been waiting patiently and then we can do questions at the end of that. Is that okay? Yeah. Committee. Thanks. Thank you. And why there's a little break here. I just want to acknowledge how the handoff from my office to commissioner Rubio's office was seamless. And you don't you didn't always see that in the former government. And so that's the reason this kept building the momentum. So maybe my goal here is to carry the water to make sure that we don't backpedal, but we continue to make this momentum as we have a new electeds up here. But there's so much motion in place right now, so you don't need us disturbing it. Welcome. The floor is yours.

Speaker: For the record, peter holtzman, city economist. I wanted to use just briefly go over a review of the forecasting process and make some comments on it. I don't think it's widely known outside of economists, how hard forecasting permits is. It's very volatile data. It's. But beyond that, it's difficult because when you're building models to forecast things, you really want stable relationships between variables and you want timely data. Permitting has neither of those. For timely data, it is often a leading indicator used for other models that you build. It's the first sign of things, and for stable relationships. Even prior to covid, what was binding in terms of limiting development changes? Often it can be lending patterns. It can be construction costs, it can be policy, it can be a number of things. And so it's very dynamic. And then post covid everything's changed and we're still figuring that out. And so what pnd has done is they've basically they build the models. And then the more important piece is to invite actual people who do construction, actual people who do lending, and economists who work very closely, like doctor wilkerson here with the development industry. And i, I've been participating in this since 2017. And I will say I've gotten way more than I give to this committee. It is very useful, and we're kind of seeing it in real time right now in the benefits, because with, you know, we have a meeting in two weeks and I guarantee you we'll be reviewing recent upending of global trade and the impacts on the construction industry. Thanks.

Speaker: Good morning. Co-chair Ryan, co-chair, green, members of the committee. For the record, my name is mike wilkerson. I'm the director of economic research at econorthwest. Like peter, I've had the benefit of serving on this committee for more than ten years. What I would say is, you know, appreciate the thoughtfulness and intentionality of the committee, engaging industry experts. I think we understand this is a serious role in that it oftentimes, these forecasts

directly impact staffing levels. I think what we had seen over the period of expansion was, again, many of these lags and director kuhnhausen had talked about were always at play. I think what we've seen over the last several years in this downturn is really a challenge around not so much when the timing would happen, but how quickly we would see a bounce back. And that's been the challenge. And that timeline, unfortunately, has just been getting pushed back because of the global macro macro conditions, changing uncertainty around when the fed would cut rates. We saw that. Then they paused the rate cuts. Now we have additional uncertainty. And so the timelines unfortunately have been getting pushed back. I think for us what we've tried to look at is what are those leading indicators. What are the first moves that we would expect to see. And typically what you would expect to see are developers who are permitting projects with the light towards when macro market conditions are ready, they are ready. And until you start to see that activity that tells you you are still more than two years away. We have now seen, I think, the first example of an institutional scale project going through that process and design review, which I think tells us that we are getting much closer to that period of time when developers are priming, expending resources to get ready when the macro market conditions are there. So I think, again, as peter mentioned, we're going to continue to revisit this. But one of those things we're always trying to understand is, you know, what is that timing and how quickly can it recover. So that's been a part of that process. What I would say again, I think counselor smith asked this question. When you're looking at the impediments to development today, the permitting process is not number one, two, 3 or 4 on that list. Right? It's not to say that improvements can't help when market conditions change, but today it's the macro market conditions. It's the uncertainty. It's the fact that you can acquire a performing asset for well below the cost of new construction. And so

from a risk perspective, developers typically aren't engaging in that process at that period of time. So with that happy to take questions if there are any.

Speaker: Yeah, that is this. Does this conclude the presentation from staff? Okay. I think what we should do is have a lot of discussion after it's all finished. I think we have do we have one person who signed up for public testimony? Why don't we hear from them? And then if you could stick around with the panel to come back up, and then we'll do q&a for most of the rest of the meeting. Is that is that okay? And thank you for your patience. Yeah.

Speaker: Thank you.

Speaker: Do you want to call them up? Oh, rebecca.

Speaker: We have for testimony. Ian mckenzie and ian is joining online. If. Ian one moment to. Unmute.

Speaker: Welcome.

Speaker: Hi. Good morning. My name is.

Speaker: And you have two minutes. Is that the standard.

Speaker: Yes. Okay. We have ian. You're you're good to go. We can hear you and we have two minutes. Go ahead okay.

Speaker: Good morning. My name is ian mckenzie. I'm a senior associate at Portland based architecture firm where I specialize in the design of multifamily housing. In my decade working there, I primarily worked in Portland projects in the city of Portland. I personally worked on design of many hundreds of units of housing and my colleagues thousands. But that's not the case at the moment. My next project is in idaho, and I count myself lucky because unlike a lot of my peers at architecture firms across the city, I still have a job. The permitting activity numbers you're presented today are sobering, and not just for the bureau. As the last of the housing bond dollars get spent as the last of the private market projects from 2021

and 2022 get completed. And as large projects like the airport and ohsu use new hospital wrap up, it's worth asking what are those carpenters, drywallers, plumbers and electricians going to work on next? Right now, Portland has thousands of units of housing that are ready to break ground, with permits at or near approved issue status. As mentioned, developers are not pulling those permits because they can't attract financing, and there are lots of reasons for that. But you as a council, can't do anything about interest rates, tariffs or construction costs. What you can do is consider a temporary break in the system development charges or sdcs that the city levies on new development. Those add tens of thousands of dollars per unit or millions of dollars to a project. In the good times, those generate a lot of money for the city that are used for very worthwhile projects. We're not in good times. I don't have the exact numbers, but right now, revenue coming into the city from sdcs must be approaching zero. I don't believe there's a single large project in the last two years that has paid sdcs those large projects, and there are no signs that's about to change soon. If you were to provide an sdc waiver for projects that receive a building permit by, say, December 31st of this year, you may be able to spur some investment that would not otherwise happen. That investment would create jobs, future property tax revenue and affordable units via inclusionary zoning. If this idea works, we as a city would be forgoing revenue. That is highly unlikely to be realized anyway. And if it doesn't work, giving up nothing. I'll just finish. Say, I'd encourage you to look into how this has worked in cities that have taken similar actions, such as san jose, california. Thank you.

Speaker: Thank you, mr. Mckenzie. Appreciate your testimony. That the panel could come back up. We have a lot of everyone has their hands up. So why don't we go ahead and begin with you, councilor smith, and thank you all for coming back up to answer the questions.

Speaker: Is that okay?

Speaker: Co-chair green.

Speaker: Thank you. Co-chair Ryan. I'm really pleased that it ended with economic modeling stuff because I care about that a lot. I just want to reaffirm how difficult it is to forecast this. Even when you've got good data. It's a very complicated problem. With some endogeneity to it, you have to make some choices. And so just with that frame of mind, I almost wonder if the precautionary principle is a better rule of thumb. I mean, you guys have talked about needing to keep the capability going when you're ready to scale. And if I understand correctly, the purpose of the forecasting advisory committee is to help inform staffing level decisions and sort of a fine tuned manner, which is well and good, and we should pursue that. But if we've got a low volume, as far as I'm concerned, if we've got a low volume of permitting, we've got some wildly unstable variables that are macro related. Be really hard with any confidence to forecast what an appropriate level of staffing it would be in the next few years. And so I would sort of almost advocate that as a committee or as a council, we just give you guys what you need to execute when these projects are ready to go. And then when we get back to a normal level of permitting, we can, you know, we could defer more, I think, to the forecasting based methodology. I know that sounds irresponsible, but I think it would be irresponsible for us to shortcut the resources that we need when these developers are ready to sort of say, okay, we see an incentive on the margin, we're ready to move, we want to be ready with them. That's my view at least. I think about the investments we've made that you started, co-chair Ryan, and that your team has put a lot of effort into as, as like a garden that we've cultivated, that we've started to cultivate. And I'm just going to I'm going to be cringe here, but it's like it's the garden that will enable the bloom loop if we continue to, to stay the course with it. And so. So I just think that,

you know, we should use precaution in this, but I am curious about the methodology. So peter, you mentioned that permitting data is squirrely. Maybe that's not the word you use, but that's what I thought about in my mind. Do you guys use like a proxy that that helps it be less squirrely? Like I wonder, mike, if you can comment on that.

Speaker: Let me clarify that we don't run the models as their eyes, but as advisory. We've tried a lot of things, and we know that they've tried a lot of things in terms of combining data in certain ways, aggregating up to kind of smooth some of the volatility. The reality is the underlying data are themselves inherently because there's the timing issue. And I let. Elshad speak.

Speaker: Yeah. You've got some lag structure stuff to work through and all that. So I'm curious if you can elaborate.

Speaker: Good morning. For the record, elshad hajiyev, deputy director for pnd. We have we use multiple regression and also we use different averaging methods. And looking at the data, the permitting data itself, we have data going back to the late 90s. So approximately 20 to 25 observations depending on the program. Prior to that, the data was not collected on maintained by the city. So as you can see, the sample size is not huge. It's 25 observations. Then we rely on a lot of external agencies like moody's. For example. We partnered for several years with psu and the local data. We get that information from them. And, you know, you probably seen on the slides that it ranges from interest rates to construction to affordability and isis. So plenty of independent variables that we match with our revenue streams. Multiple regression. We did heavily rely on that in the past. And as peter mentioned with covid, it's just a lot of models are actually are not stable enough for us to even use them. So in those cases, we again, we're looking at historical patterns in our data. And a lot of times we rely on the expertise of the committee.

That iterative process. We developed the models. The first the first meeting, we just we just meet with the committee. We talked to them about what's happening, what they observe in the macro environment, and also within the city of Portland, because we're very unique. So we cannot just rely on the macro parameters. We really need to look and see what's happening in Portland area. So once we get that initial feedback. Kyle, finance manager and his team, they start looking at the models. So we developed those models. We go through iterative process. There are years when more than 100 models are being developed. Just just to look and see which ones fit better. And also we look at the models that we develop in prior years. So there is a huge database that we maintain. It's a lot of work that goes into that. Once those models developed, we developed the revenue growth rates for different streams. And because the bureau is very unique, there are different streams of revenue. There is electrical program, there's plumbing program, there is mechanical, there is building, there is land use side development. And a lot of them have very specific variables that we use for those specific streams. So it's not just one model or two models for the entire year. It's like multitude of models for different streams. So and then once we develop those growth rates, we present them to, to the committee. And this year we actually had to change them. We went back to the drawing board and we our, our forecast was a little bit optimistic. So we had to go back and we had to reduce those growth rates for all of our programs now. And I I'm glad we did, because what we're observing happening right now is actually reflecting that. So that's kind of an adjust our modeling process.

Speaker: And councilor, if I may, just one more thing is I think the challenge is interim director kuhnhausen mentioned this is the number of permits is not nearly as relevant as the scale and size of the projects. And so even if you have a model that estimates x number of units, it's suggestive that the mix of large scale and

small scale projects is consistent over time. And what we've seen is one, the advent of residential infill has allowed for more middle housing to happen, and those projects are aren't as scalable as the larger projects and the complete lack of large scale projects. And so that confounds the process of even if you understand how many units you're expecting, there's out of model or post-processing that kyle and team do that really tries to understand those large projects are so crucial. So being able to forecast large projects is almost more important than the total volume in terms of the overall efficiencies.

Speaker: That's that's very helpful. And thanks for letting me get into the weeds, colleagues, because it's important I feel comfortable and I feel much more comfortable right now. So that's pretty good. I want to just got a couple more points and then i'll yield. I really, really want to reaffirm and appreciate the public comment we heard from mr. Mckenzie. I just think when you're in a cash strapped situation as a city and you're looking at, okay, what can we do from an incentive based approach, you want to look for those ones that are kind of like the so-called free lunch, although I hazard to use that term. But this is in that case, this is almost like a free lunch. We don't need to appropriate really anything because we're not already relying upon sdcs in any kind of meaningful way, because we're at the we're at the lower bound. And if it on the margin causes a big project or even a small project to pencil and get moving, that's that's good for us. That's property tax revenue. That's that's economic activity. That's that's those are jobs. So we should we should be very serious about that. And I'm going to be advocating towards that as we move forward down the road. I think the last thing I want to and this is a question you mentioned, there's one large project in the in the queue and there's like a design route is that the one in sellwood is okay. I like that one in sellwood.

Not everyone in sellwood likes that one, but I do. So anyway, enough from me.

Thanks.

Speaker: Thank you. Co-chair green, councilor clark.

Speaker: Thank you, mr. Chairman. You haven't heard from the neighbors. And so whatever, have you?

Speaker: Oh, I've.

Speaker: Heard, I've heard.

Speaker: Yeah.

Speaker: Stop that. Right. That's okay. Thank you so much again. This has been a really, really good for me. I'm not an economist, but it's been a sobering reality check. I would call it a reality sandwich here today and I really appreciate it. It sort of puts my comments in perspective because I'm very excited about what you're going to bring back to us this summer, but now it's sort of in the larger picture. It's progress. But, you know, there are these macroeconomic factors that are really just as, if not more important. But I am excited about getting a list of changes this summer from you. Code changes really a small, very small issue with the with the increase in permitting on alterations. I'm just wondering if there are, you know, demographic changes and that we're an aging society, that we're going to see more and more people wanting to age in place and more alterations. And I know it's such a small thing, but I'm imagining demographics must be somewhere in your your economic projections and the advisory committee. But it's I know it's small. Lastly, I just want to kind of echo comments here. And then I wanted to ask you, how can we be helpful and in messaging and oversight in the funding and, and it could be that, you know, after we have a conversation here, we may want to send a message to the mayor or, you know, regarding our concern about continuing the funding for the pit. It just seems like that's something we may want to talk about. I'm certainly

going to put something in my newsletter about getting to yes, and trying to get the word out that things are changing, that progress is being made very, very positively because a lot of us, I think, ran on the problems of permitting. You know, we heard over and over and over again. So it's really a great presentation. I'm really happy to hear this and looking forward to the summer and maybe a conversation about, could we send a message? Thank you.

Speaker: Thank you, councilor, councilor dunphy.

Speaker: Thank you, mr. Chair. Thank you all for taking time this morning to present for us and all the work that's already been done to reform the system. It's great, but I definitely have some concerns. I mean, first of all, I have concerns that this entire system was set off and you were given a new acronym that already exists within the city. We have two pads now. That's silly, but I'm more so concerned that our system is so dependent on these large scale projects that historically have been rare in Portland. You know, we're not Seattle, we're not san francisco. And so having sustainable funding streams for the future is really vital to making sure that this system actually works. And clearly our systems are improving. Clearly, there's so much work still to be done right now, if you're a homeowner trying to build an adu or a nonprofit trying to build affordable housing, I think our system is still a barrier, not a bridge. And if our systems are complicated, it makes it impossible for an average homeowner to be able to navigate these things themselves. And that makes it inherently more expensive. I think we need to more clearly define what success is. I think we need a true north star of what guides our work. Both, you know, both the large scale and small scale projects have to be prioritized so that we can rehabilitate our our perception and our reputation as a city into one that is open to possibilities and innovation. I will be i'll preview, I want to I want the city to explore a universal housing permit. I think that we need to have a single,

streamlined approach to housing that centers on clarity, speed and accountability. I hear that that won't make the difference in the market today, but as we're gearing up for what comes in two years, I think that having those systems in place and starting to get those ready now is the right direction, and I want to lean into what we're learning from other cities. I'm glad to hear that we've been reaching out to not only peer cities across the country, but also neighbors and smaller scale suburbs and smaller cities within the city. Other cities like phoenix and austin and denver and even los angeles have shown us ways to move forward. And I hope we lean into that. We don't need to reinvent the wheel. We can learn from their wins and from their mistakes, and we can make Portland a place that's the best place in the country to build when the market comes back to us. So thank you all for taking this so seriously, for being so thoughtful and approaching this in the right way. That's all. Thank you.

Speaker: Thank you, councilor dunphy. I have a couple questions. First, clearly, we all want to find out what that new resilient revenue model is. And we know that we have something dated. And we've been talking about that for a while. So we're accepting that the extremes, the ups and downs, I'm accepting that that's just the new normal because it's been that normal for quite a while, and I spent a lot of time with elsschot back there, and he would explain what he did to everyone, to me, quite a bit. In 2021, when we were seeing the big dump, the big dive into lack of activity and revenue coming in. And I want to thank you for how you've been pulling this off with the game of balancing those reserves during the up time and how to gradually, you know, it's not sustainable. Thank you for hanging in there. So I just want to hear some of your thinking on what what's what's the new way we can look at this. Do you guys put you on the spot a bit. But what are some thoughts that you have about how we can build a better revenue model?

Speaker: Thank you for the question, councilor Ryan. Daniel rivera for the record. So first and foremost, the single biggest change that's already happened is that we have a new form of government that will allow the entire city enterprise to contemplate all of our revenue streams and funds and look at the most efficient way to manage them and put them to work. I think in the former, you know, form of government, it would it was solely on paddy in that commissioner in charge to solve for the problems of paddy. And I think as we start to rethink and i'll just acknowledge that dc and I have been talking about this on a broader scale. It's not just how the funds are deployed, but it's our overhead models, it's our reserve policies, all these financial tools and budgetary tools that other cities deploy. We are still building. So first and foremost, just looking at the work from an enterprise model perspective is going to go a long way. So right out of the gate and then specifically we are as soon as this budget process that we're in is over. Because right now we're solving for 25, 26. We have a contractor that's ready to go to start working with us on doing that analysis of other similar areas, best practices, maybe some lessons, tough lessons learned from other cities. But full disclosure, this is probably going to be, you know, a citywide approach. There's not a single tool that pd is going to be able to actualize that won't require us partnering with our infrastructure partners, looking at general funds again, overhead modeling, those are all going to be real things for you all. As City Council to contemplate in future budgets. But the work is going to be afoot once our fy 2526 budget is complete.

Speaker: That was helpful. So the current system will stay intact through 2526. The timeline will be that we will hear about some changes by the 2627 budget cycle.

Speaker: I want to I want to manage expectations. This this could be a one of those pandora's box.

Speaker: I'm trying to manage expectations.

Speaker: We see the need and the opportunity. But what is change look like. And also just acknowledge that there's a lot of ideas for changes across our city right now. So managing lots of big moves is going to be a part of this calculation as well.

Speaker: Yeah, I'm hoping the mayor and michael jordan and all of you really seize this moment to be bold, because we knew we were going to become one enterprise last year. And so we are one enterprise. And so now is the time to lean into that. And I think a lot of us won't have a lot of tolerance for a slow walk of this, because we are here now and we have to look at those streamlines and those efficiencies. We have to think like one enterprise and look in new ways to build this revenue system. So I hope that I know as long as I'm in this role as co-chair, I want to make sure that we're updated on that journey to coming up with a better revenue stream model than that we've created back in the day when we're no longer in that system anymore.

Speaker: Correct. And councilor, if I may just reflect on, you know, the comment that, you know, councilor green made about sdc's in response to the public testimony. That's a great example of we are absolutely right now doing some analysis on the proformas on how, you know, moratoriums on sdc's can move projects from from red to green, but that's not one bureau. That's that's multiple bureaus, that's doing cost benefit analysis of what's the impact to infrastructure. You know, preprogramed projects that, you know, maybe pbot or parks had in the queue already that might be slowed. So these are the trade offs that we have to, you know, evaluate before we do things like that. Full disclosure from our side, we see the win of a, you know, a potential sdc moratorium. But again, we want to have data to back those decisions first.

Speaker: Okay. Great. And I it's easy to see that the new construction number is quite low from 2024 162. Is that the lowest since what year?

Speaker: I'd have to go back in the data. But I mean probably 2008.

Speaker: That would be my hunch. But or even I know it went all the way into 11 and 12. And what about the so far in 2025? I know we're only three months in. Do we have a first quarter update?

Speaker: I don't have the specific numbers, but it doesn't look good.

Speaker: Is it safe to say mike probably has an opinion here, that 2025 will be even lower than 162.

Speaker: That the trend in multifamily permits, I think, is what we're most actively tracking, because other.

Speaker: Than the commercial.

Speaker: Other things aren't really happening. Alterations are separate. But I would say the trend we're on this year is the same, or actually maybe slightly ahead of where we were in 2020 for a lot of that is very dependent on the continued funding of affordable housing, as that was the bulk of what's happening. And so I think that's the big uncertainty. The most of what is happening today is. Small scale middle housing, not institutional scale development. And so again, those are much harder to forecast because they just come in and they're not necessarily as early in the kind of land use and other processes. So you're not really aware of those. But in the few months of data we have, it's roughly on track from a multifamily perspective of where it was last year.

Speaker: Okay. And then I think we're all learning more about this big uptick in alterations under the residential side. And I appreciate that you brought some light to that. Could anyone else explain why it went up so much? And it kind of skews our numbers on the bottom for total types of permits. Those are the two outliers. The ones I'm calling out is.

Speaker: I mean, it's just the shift in the market trends as builders have less, you know, financial ability to build new homes. They still have the need to continue working. And that shift is to remodels rather than new construction. So, you know, the same thing happened in 2008 that we saw a, you know, decline in new construction and those business owners shifting to remodeling existing housing stock.

Speaker: And the roi for staffing. You spend quite a bit of time with just not as much revenue coming back.

Speaker: Absolutely.

Speaker: Okay. I think that's been a real for all of us to really take in today, these large scale projects. We know that the beautiful airport construction is almost complete. And so those are the projects we don't see on the horizon in the immediate horizon. Is that correct?

Speaker: That's yes, we there are some in the planning stages, but you know, the financial realities are difficult. And even when we start to get some optimism around construction coming back, something else will happen in the extremely volatile financial industry that we're in. And those projects, you know, get delayed further delayed, further delayed. So as mentioned, there are a number of projects I believe there's, you know, 3000 permits that are sitting in approved to issue status, that all the reviews are completed and approved. They just need to pay for those permits and pick them up.

Speaker: On may 5th, we will receive the budget from the mayor and his team, starting with city administrator michael jordan. You know, that's the new day. We're not involved in that. And so is there any expectation that you're in dialog with, since you're all part of that team on what you're will address some of these concerns? And then how will that helps us as council members be responsive, because you've

really educated us very thoroughly today on the importance of steadying the ship and keep moving forward with some momentum. You hoping to see in that budget?

Speaker: Thanks for the question, councilor. So first and foremost, you've already seen that we put a request in to continue the permit improvement team for two staff, plus the grant funded program.

Speaker: Right now there's currently how many for four. And so eliminate two of those positions.

Speaker: No. Eliminate maybe maybe not. The word I would use. But we're going to put two of the positions into p and d okay. And then one into okay. That was helpful. Yeah. And then and the fourth one is work in progress. We're we're it lives in the service area. But to your question about what to expect. And the mayor's proposed we just started the process through the finance committee about fees. So fees is one of the dials that council will have to move if you want to go higher than 5%. That's the currently proposed increase, generally speaking across the board for p and d fees, perhaps like this fiscal year, there's \$2 million from one time general fund. If you all are working with a one time general fund, you know, resource pool that could be considered or contemplated to add to support this. And then, of course, we do still have a reserve that that will, you know, will look for direction from council. I will just say from a, you know, we are at the point to david's earlier point that we would be draining the reserve policy down to almost zero if we relied on that solely. So that will be a conversation and a calculation that council will have to make.

Speaker: And then my final question is of thank you. That was very helpful. How many of the bureaus of the seven are now would you say are really integrated like that's happened? And then what? Bureaus have not joined the integration and then tell me why.

Speaker: So the five bureaus that make up p and d are the entire bureau of development services, former bureau of development services, along with the development review teams from the parks urban forestry group, pbot development review, bts development review and water development review. So the teams that we still interact with regularly that are not part of p d include the fire bureau, the housing bureau, and then to a lesser extent, some of the work that we work with. Bts, I don't think it would be appropriate to move the bts team into p and its different work. We collaborate regularly. However, there could be an evaluation of the teams that are currently part of the bureau and whether or not we want to expand that, you know, would be we'd be open for discussion. But it's it gets complicated because the technical, the technical nature of permitting can get pretty deep into those bureaus.

Speaker: And what.

Speaker: I'm sorry.

Speaker: The last you mentioned, p, p and.

Speaker: P and d Portland permitting and development.

Speaker: You said p pbot.

Speaker: O I'm sorry. Planning and sustainability.

Speaker: School district.

Speaker: No, no. Planning and sustainability. Oh I'm sorry.

Speaker: Got it. And all of the ones that are now integrated, it's like the culture is not there yet though, right?

Speaker: It correct. I mean it's a it's a work in progress for sure. Okay. We really want some. And I think to your point, we want to make sure staff know this is permanent. This is the future. This is something that they need to lean into. There will not be a consideration of moving everyone back to their bureaus. I think once

that is clear, quite frankly, there's going to be more buy in or, you know, people can make decisions. I.

Speaker: I is that not clear?

Speaker: I just want to add that one of the challenges is, is that when we did this first iteration of the org chart, you know, there were many positions on development review teams from the other bureaus that david's referring to that that didn't just do this development related job. They did other things right. So it wasn't a black and white kind of decision. There are also teams that do reviews still that Portland permitting development is dependent on to get a customer through the process, but they're not full time private property development review teams. Right. And they still live in their their what we call home bureaus, you know, utilities, traffic, things like that. And so it's not it's gray. Right. It's not it's not black and white. And there's still some interdependencies dependencies there that are challenging. So that's that's the reality. And so there's it's just cultural right. And also affiliations with the home bureau. When people were hired they were hired because they they had an affinity for the water bureau. They had an affinity for, you know, urban forestry. Right. And they're they've been moved to a different bureau where they no longer necessarily feel that. And that's why david talked about making making sure those those cultures are integrated is a challenge.

Speaker: I get that and thank you. I think we got to some of the heart of the matter issues on culture. And i'll just say half measures really do avail us nothing. And so I really hope to hear the day when we're all in on this because, you know, doing reporting to both seems to be. Not helpful at this moment. And I'm I'm perplexed up here on why that hasn't happened.

Speaker: So councilor may I be more more direct about it? I think.

Speaker: I'm.

Speaker: I'm, I it would be and I and I know that the mayor and city administrator Jordan have the support. You know they support ppe and there still seems to be this like question of ppe and is permanent. And I think if we can just dispel that myth that we're not contemplating going back, I think that would be helpful. And also it would also be great for us to not just lean in with, you know, confirming that continually, but also that staff know that this is what's happening. There's not a scenario where we might revert back to the old model, and I'll just I'll just say that that would be helpful to continue to have your support as counsel, to reiterate that p and d is the direction we're going organizationally.

Speaker: Thank you. We'll formalize that as soon as we can. Co-chair Green.

Speaker: Thank you. Co-chair Ryan. Just wanted to return back to the sdcs for a moment. I think it's really the right approach to say, let's look at this holistically. Look at the cost benefit proposition and any unintended consequences on infrastructure. Although I would say that there may be value in saying, let's just try a pilot without a lot of analysis to see if there is a marginal impact. That's almost an experimental case. And I would I would advocate for that because it takes a long time to do a good study of that nature. The other thing is yesterday, senator confirms sb 684, which creates a revolving loan fund for housing production, made it out of committee. And when we talk about and it reminds me so much of Montgomery County, how they dealt with their macro risk, but they had developed and permitted or they had shovel ready projects to go. The county stepped in with a revolving loan fund and said, we're just going to by the by the equity stake, essentially take an equity stake in this project and move it forward with a 5% loan for bridge finance. And I know that we're we're not there yet for the city, but that is the spirit and intent of the social housing resolution that we unanimously adopted unanimously adopted last week and asked director Hissrich to look forward and

explore. And so I just kind of think we might be coming to an opportunity as a city to say, all right, we're going to try some new stuff. And hopefully that pushes these developers across the line, whether they are nonprofits, whether they are for profit or it's the city itself, all hands on deck. And so I just wanted to highlight that, that that bill made it out and then just wanted to support. Oftentimes I get into space with councilor clark, not another study councilor green. And I just want to say we I think we can do a I think we do a pilot with, with a with a lighter touch.

Speaker: Thank you. Green. Councilor smith.

Speaker: Thank you. Dca oliveros pnd is facing a \$14 million shortfall. And I'm trying to figure out what that means for you. And in terms of will you have to eliminate 74 ftes. Worth worth of positions? Can you kind of. Walk me through that?

Speaker: Yeah.

Speaker: Councilor. So as, as currently proposed, if, if no interventions are taken, the current plan is to eliminate approximately 14 vacancy positions and then potentially 74 fte that are currently no currently filled positions in the bureau.

Speaker: What's what's the number of your entire ftes are you talking about over all of your your bureaus?

Speaker: Just just permitting development. Just the one.

Speaker: 260 currently 260.

Speaker: And you would have to eliminate 74.

Speaker: Correct. And I want to just use the moment to emphasize how substantial that is, because that number looks artificially high, given the recent merger of the infrastructure bureau staff into pd. So if you're looking at those cuts purely on a what was formerly bts, that would put the cuts at about 40% over the last two years to a bureau. I mean, it would, it would, it would actually require us to

probably eliminate programs, not reduce programs, eliminate programs. That's how severe the cuts would be.

Speaker: For context, if I may, pre-pandemic, pd had at 1.408 employees, 408.

Speaker: Okay, so I'm just looking at some of these numbers. I see that prosper Portland got 5 million, \$5,478,476 from arpa funds. Did you use those for any ftes or is that for housing? What what did you use that money for?

Speaker: For prosper? Those were largely for programs going out the door. Councilor like such as repair grants or small business grants, those sorts of things. That was the money that went to prosper.

Speaker: So is that why in the report I saw last week that the repair grant program is on the chopping block as well. Is it because because you were doing that before you had the arpa funds.

Speaker: In a different capacity? Yeah, we've been the prosper has been providing small business grants for a variety of different reasons. We moved from a sort of a loan model to a grant program model when there was the protests in 2020 and sort of the vandalism, the uptick in vandalism we were experiencing. And then we even moved the repair grant program and prosper to be repair grants for response to the extreme storms and the summer heat. So we were actually repairing sidewalks and awnings that that collapsed during the storms. So the repair grant has been largely more agile these days. But it was it was built on one time funding.

Speaker: Okay. Thank you.

Speaker: Thank you, councilor smith. Councilor clark.

Speaker: Thank you, mr. Chair. So I'd like to address the co-chairs here and see if we can have a discussion about this. I you know, we're talking about a change in culture. We're changing our culture. And all of our policy committees do deep dive into these areas. And the question for me is, how do we share this information to

our colleagues? I mean, some of us carry it individually. I know councilor smith has a great job of that and infrastructure on our committee there, but I'm just wondering, after everything we've heard today, it's so important to our economy and that I'm just wondering if we shouldn't send a message, a letter, a memo to our cohort about. And I know staff will write a brief on what we learned here today, but it seems like it's imperative on us as leaders in this committee to let our cohort know what we've learned today and to have a message in there if we can, if we have some consensus here about what we need to do about that.

Speaker: Yeah, I know there's a like ten minutes left in this committee meeting, but I think what we should we will do is noted and have the same experience in this meeting. And I think that we will keep talking amongst ourselves to make sure that we have something formalized about how to keep moving this work forward. We don't want there to be a drop off.

Speaker: This is the only place that we get to have these kinds of conversations to, and we only meet every other week.

Speaker: Yeah. So I think that that's what we know. And so that we work on what does that look like. So we're not going to solve that in ten minutes. But we're going to come up with some sort of policy that would be helpful perhaps to move this forward. We know that the timing with the budget process is a good time to do that. I think one of our powers, levers, is to do a formal resolution to stay the course. And we can we can we'll keep in dialog about this. Thank you. Councilor clark, I appreciate I was writing those notes down as well, and I really appreciate that you highlighted that as next steps. Yeah.

Speaker: Vice chair Ryan I think yeah. The. The resolution is fine and it's so formal. But I like what. I like with councilor clark was talking about in terms of if we can have just a rundown from from staff of what we talked about and send it to us so

we can forward it, just all we have to do is just forward, forward that. On the highlights of how we talked about it. We just went over the, you know, the high points in the agenda that people can look at publicly. But I mean, in terms of how we talked about. Infrastructure change, what that looks like, what that may look like in the future. So I think that's what she's talking about. I think a resolution is I mean, a resolution is an action that we're going to do to do something, to do something big. But I think what she's talking about is something less formal.

Speaker: I think it's an and I think that and as your co-chair of this committee, we'll make sure that we continue to noodle that. And I think what we're talking about is some sort of a synthesized summary that would be helpful for the rest of the council about some of our big ahas from this two hour session.

Speaker: Exactly. The big ahas.

Speaker: Yeah. And I agree with that 100%. And I couldn't help to go to how to formalize it so we can keep on the course.

Speaker: I just add to that that I would hope too, that it would have some recommendations in it wouldn't be just a here's what we learned, but here's what we think about where we ought to go or the budget that we actually take a positive step forward and recommend something.

Speaker: Let's talk about how we can do a shared writing group on that, and we'll be in touch with you soon. Councilor clark, any other questions as we wrap up this and take us home to the next meeting? Councilor dunphy, do you have anything to add? Okay. Thank you, all of you, for being here today. It was a big chunk of your time, especially those of you who came from outside the city. Looking at you. Mike, I really appreciate the shared partnership, and I know that you've had a lot of engagement with those outside the city as well. So was all the permitting bureaus, but also we brought in customers, and I can remember in those early meetings how

important it was to have. Maybe they were five of the 30 people on the zoom, but they added so much value, and it was great that we finally had those real conversations. I want to thank co-chair green for being my thought partner as we brought this to you today, and I think we already have some really smart next steps. So we'll keep you abreast. We'll make sure that you're our thought partners as we go forward. So it won't just be isolated here. We'd like to share what we will be sharing with the rest of the councilors with all of you as well. And we have our next meeting is set for the 22nd, and we're going to do a deep dive into the city's arts office and the rec side of parks and recreation. Both of them are activators of our economy. I never forget I went to a thing from the arts committee down in salem, and the data on what happens when you invest in arts, infrastructure and arts activation and what it does, especially to blighted neighborhoods that have had a real challenge with foot traffic. It's by far the best roi that anyone has come up with in the world of economics. And that's why we put the word arts as part of this committee. We wanted to make sure that it stayed a viable system within our city and not marginalized how it's been often in society. So I'm really looking forward to that meeting. We also will be pay close attention on how our committee agendas after that will be reflective of how we're relevant with the budget process. So just know that there'll be some adaptive moments as we move forward to make sure that we're not asleep at the wheel as we go through the month of may. And so I wanted to let you know that was a conversation that we had this morning. I don't know the details of that. None of us do. But we sure will be proactive as we guide ourselves through those meetings during the budget cycle as well. If there's nothing else, I just want to thank everybody for their time. I thought this was a wonderful presentation. We look forward to sharing this this smart information with the rest

of our colleagues so we don't have to keep reinventing the wheel. Thank you all for being here. The meeting is now adjourned.