



Portland, Oregon

Development Services

FY 2024-25 Fee Changes

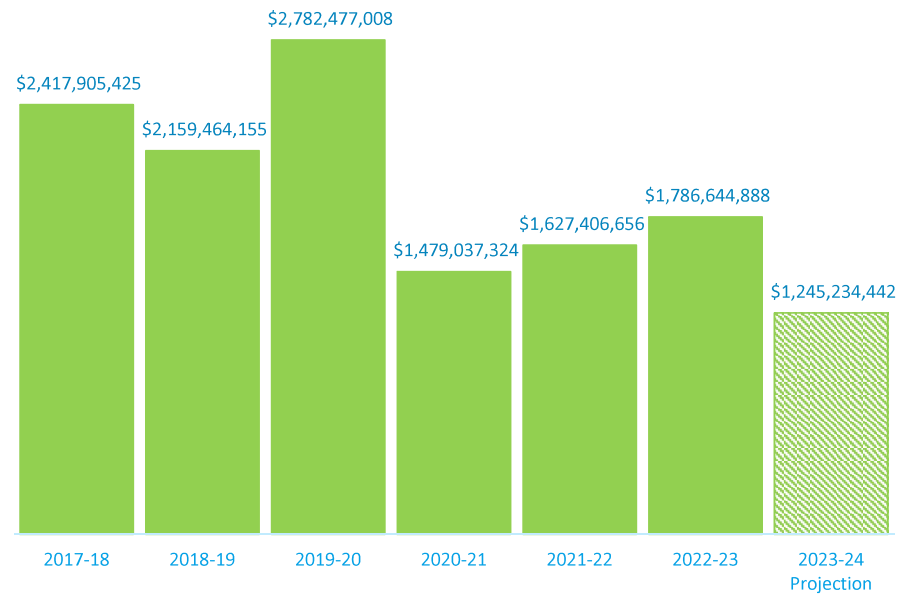
BDS Funding and Connection to the Economy

FY 2022-23

\$1.8 Billion
Valuation of
7,326
Permit Applications

- 97% of BDS funding is from fee revenue/charges for service
- Fluctuations in the economy have a pronounced impact on BDS revenue streams
- Macroeconomic trends, such as interest rate levels, impact demand for construction
- Construction activity is projected to stay low levels for 18-24 months
- Balance the need to maintain service levels with the maintenance of acceptable financial reserves
- Valuation of permit applications are down 27% year-over-year

Valuation of Building Permit Applications



Programs supported by fees and charges for services

- Fees pay for personnel to deliver services
 - Early assistance meetings
 - Land use zoning case reviews
 - Processing of permit applications
 - Permit plan reviews
 - Building Inspections
 - Enforcement of property maintenance codes
 - Liquor and cannabis licensing
 - Responding to customer inquiries
- These codes ensure the life safety and structural stability of buildings and livability in Portland

How are fees and charges determined?

- Bureau review fee levels to determine if they are covering the cost to provide services
- Council votes on the adoption of bureau fee change proposals
- Revenue fluctuates with the volatile construction industry
- Fee revenue is the sole source of funding for staff doing development review, permitting, and inspections
- Industry volatility makes having financial reserves critical, so that BDS can maintain a stable, experienced workforce

What contributes to the cost increases?

- **These costs increase annually**
 - Mandatory PERS contribution increases
 - Increases associated with labor agreements
 - Pay changes for staff (COLA, merit and step pay changes)
 - Materials and services inflation
- **The increasingly complex regulatory environment is costly**
 - As regulations grow more complex, staff need to spend more time with each customer explaining layers of complicated regulations
 - Staff also need to spend more time reviewing each permit, to verify compliance with a growing number of regulations

History of BDS fee changes

- **BDS held fees constant for several years during the construction boom, while costs continued to increase**
 - FY 2013-14 through FY 2018-19: **no increases to most fees**
 - FY 2016-17: **3% fee decrease** to most BDS programs
 - FY 2019-20: 3% fee increase
 - FY 2020-21 through FY 2023-24: 5% fee increases
 - Proposed FY 2024-25: 8% fee increase

BDS Fee Change Proposal

- **Most BDS fees proposed to increase by 8%**
- **ASTR fees adjusted to fully cover cost of providing services**
- **Minor increase in cost of obtaining a permit**
 - Example: New Single Family Residence - valuation \$274,769
 - Current BDS Fees: \$6,584
 - Proposed BDS Fees: \$7,129
 - Total increase due to BDS fees: \$545
- **Low-income applicants have the ability to apply for fee waivers**
 - BDS wants to keep the cost of obtaining a permit within reach of applicants because it is important component in ensuring building safety

Impact of fee changes

Consequences of depleting reserves

- Without intervention, BDS will deplete its reserves by beginning of FY 2025-26, if not sooner
- Unable to continue operations
- Layoffs that will result in irreversible negative impacts on the bureau and economic recovery in Portland area
- Extreme difficulty hiring and retaining employees when and if construction activity recovers
- Slows permitting turnaround timelines

8% fee change avoids the layoff of 24 staff

Questions?