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Cover Story: The perilous world of Portland permits

The bust depleted the city's Bureau of Development Services. The boom has it scrambling to keep up. With permits now taking six months or more to process, architects, builders, developers and all kinds of businesses are feeling the pinch.

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Developer Killian Pacific is behind the massive Goat Blocks apartment project known as LOCA on Southeast Belmont. But it's the smaller adjacent Little LOCA that's given the Vancouver-based developer the bigger headache.

Killian applied to the Portland Bureau of Development Services for a building permit for the 100-unit Little LOCA a year ago.



ALAN BORRUD

Tom DiChiara, founding principal at Cairn Pacific, has high-profile projects about to commence in NW Portland. Though the permitting process hasn't necessarily delayed work, the seven months it's taken to receive permit approval is about twice

"We literally got it last Friday," said Killian Pacific Managing Director Noel Johnson on June 2.

as long as it used to be. "A lot of it comes down to a work capacity issue and how much you can do with the resources you have," he said.

The delay cost Killian at least \$83,000, the amount it had to pay to contractor **Andersen Construction** for the change order.

Tom DiChiara, founding principal with Cairn Pacific, the developer behind some of the biggest projects reshaping Northwest Portland, has experienced similar delays. He said the time between applying for permits and receiving approval has nearly doubled to about seven months for mixed-use projects that used to take three or four months.

"Everybody's busy, so things are definitely taking considerably longer," he said. "Ordinarily we might be pretty upset about it, but it's just how it's gotten. There aren't adequate resources."

The jeremiad from developers and builders that the city's bureaucratic machinations can impede progress and economic growth is a familiar one. But in Portland, the lament has grown louder as the pace of development has accelerated.

The reason is two-fold: A shortage of staff and experience at the city's Bureau of Development Services.

Funded by fees from the building permits it issues, BDS lost nearly half of its workforce during the Great Recession. And even though it's back up to pre-recession numbers, it's having difficulty keeping the permit pipeline flowing, in part because many of its more experienced professionals are long gone.

And it's not just developers that feel the pinch of a taxed city bureau scrambling to keep up. The ripple effect from the backlog impacts pretty much everyone who touches a project, from builders and architects to contractors and interior designers, not to mention any tenants that have already leased space in office and retail projects

knocked off timelines. The impact on small businesses can be particularly dire (See Small businesses feel pain, Pg. 16).

"This is a huge issue," said Johnson. "It's one of the major topics of discussion in the development community. It's a really important story."

An agency scrambles

No project can break ground in Portland without sign off from BDS.

The roughly 300-person bureau enforces and interprets building code, issues construction and demolition permits, conducts property inspections and performs a range of other services related to building, construction and code across the city. The permits it issues range from residential and commercial building permits to electrical, plumbing and mechanical permits as well as permits for interior tenant improvements and renovations. Bureau inspectors also perform residential, commercial and site inspections. Costs vary by project and how many inspections are required, but in general the fees are based on the value of the construction work to be performed.

A decade ago, when the housing market boomed and developers were busy in the Pearl, South Waterfront and, on a more limited scope, in the city's neighborhoods, BDS was a stout agency with more than 300 employees.

Then the recession hit.

"We went down to approximately 150 employees," said Ross Caron, public information officer for BDS. "It was pretty big."

BDS data make clear the cuts were warranted. Between July 2007 and April 30, 2008, the total value of permits issued was \$1.7 billion. For the same period between 2009 and 2010, the total was \$699 million.

Over the next four years, BDS staffing levels held steady and the workflow was manageable.

That changed dramatically, however, as the economy fired up and residential and commercial construction began a precipitous rise.

According to BDS, the bureau received 7,418 applications for residential and commercial projects in 2011; by 2014, it was up to 10,500. Last year hit 11,770, and already this year, through April, the city has seen 4,479 permit applications, a 21 percent increase over the same time period in 2015. The bureau has also seen a stiff rise in the number of residential and commercial inspections in the past five years, from roughly 119,000 in 2011 to more than 166,000 last year.

“We are seeing an unprecedented level of development in the city,” said Caron, who estimated that, on average, the permitting process can take between six and nine months. There are, however, projects that have spanned even longer than that.

“We hear the concerns around the amount of time it’s taking us to respond to building permit applications,” Caron said, “and we understand that there can be big impacts on projects.”

The waiting game

DiChiara’s Cairn Pacific is one of the busiest developers in Portland.

The firm is behind a range of high-profile projects on or near the Conway property in Northwest Portland, including the New Seasons-anchored Slabtown Marketplace, the upcoming renovation of the Leland James office building and a 385-unit apartment project on blocks 294 and 295.

While DiChiara won’t say that BDS is completely to blame for delays related to some of those projects, he acknowledges that waiting seven months for the building permit for the apartment development is a lot longer than it’s taken on past projects — practically double what it took for the New Seasons project. And when there are construction crews to be paid, materials to be ordered and timelines to be kept, delays in the permitting process can have all kinds of impacts.

"In our case, it hasn't exactly held us up due to other things being critical at Con-way," DiChirara said, "but still, it really stretches out a developer's timeline."

Killian Pacific's Johnson is more direct

"It can cost a ton of money, tens of thousands, because (contractors) have all their people sitting there idle," Johnson said, referring to Andersen Construction, which is working on Killian Pacific's Little LOCA at 915 S.E. Belmont.

Recognizing the backlog at BDS, Killian Pacific had even tried to streamline the permit for Little LOCA by approaching the project as a simple, single project, not a phased one. Projects with multiple phases, for example those with underground parking, are more complex, take longer and create more work for BDS.

Even so, Killian's project got bogged down in design review and at other steps along the way. In December, Killian made additions to the project, including a rooftop deck, air conditioning and mechanical stacked parking. Rather than the permit being reviewed as one already in progress, Johnson said it went back to the bottom of the pile.

"It went to the very bottom of the line, as if it had never been reviewed or submitted before," he said. "I don't want to sound like I'm complaining, but it was frustrating."

Less experience, more complexity

There's a chance the permit backlog could get even worse before it gets better. DiChiara said developers across the city are getting anxious about new inclusionary zoning measures, which would require affordable housing in new developments, and amendments to the city's comprehensive plan. Those could make the permitting process even more complicated than it already is. On top of that, many developers are scurrying to get their future projects submitted before

any of those new measures kick in, piling on even more work for the already-stretched BDS.

“We’ve heard that you’ll have to be submitted sometime this fall to design review to be vested, so there’s going to be a really big surge of new projects coming in,” DiChiara said.

To help meet some of the new demand, BDS has restocked its ranks and is now back up to 316 staff members. An additional 40 positions are in the process of being filled. To help expedite the hiring process, the city has brought on temporary staff to help with recruitment. For several years now, the bureau has also had its Major Projects Group program, in which a single BDS staffer serves as the key point of contact on larger, more complex developments and can help shepherd it through more easily.

The goal, Caron said, is to cut down turnaround times on various parts of the permit and inspection process. For example, in a recent service level update, BDS noted that it is working to cut the time it takes to issue review comments on commercial projects from about 35 working days to 20; it’s also working toward a goal of two business days for pre-issuance of building permits, a process that now takes up to 10.

But it may take more than additional bodies to keep the permitting process running smoothly. When the BDS layoffs came, many longtime employees were let go, taking their experience with them. The result is a less-tenured workforce that, in many cases, is dealing with more complicated projects. Many of the big apartment complexes are larger than what the city has been used to dealing with in recent years. New approaches to building, including the use of heavy timber framing, glue-laminated timbers or new sustainability and energy efficiency features, are also making the approval process more complicated — and lengthy.

“There’s not a ton of people who’ve been there between five and 10 years,” Killian Pacific’s Johnson said, “and it’s pretty standard that

those are the people in any business who are the most productive and energetic and effective.”

Cairn Pacific’s DiChiara said adding staff will help, but he said the city could offer an assist by giving BDS staffers more discretion in approving minor changes in design. Streamlining the interpretation of city code would also help.

“Some of this is just inherent in a busy market,” he said. “When you have too much to do and not enough time, it’s hard. I think the more proactive we can all be, the better it could all be.”

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