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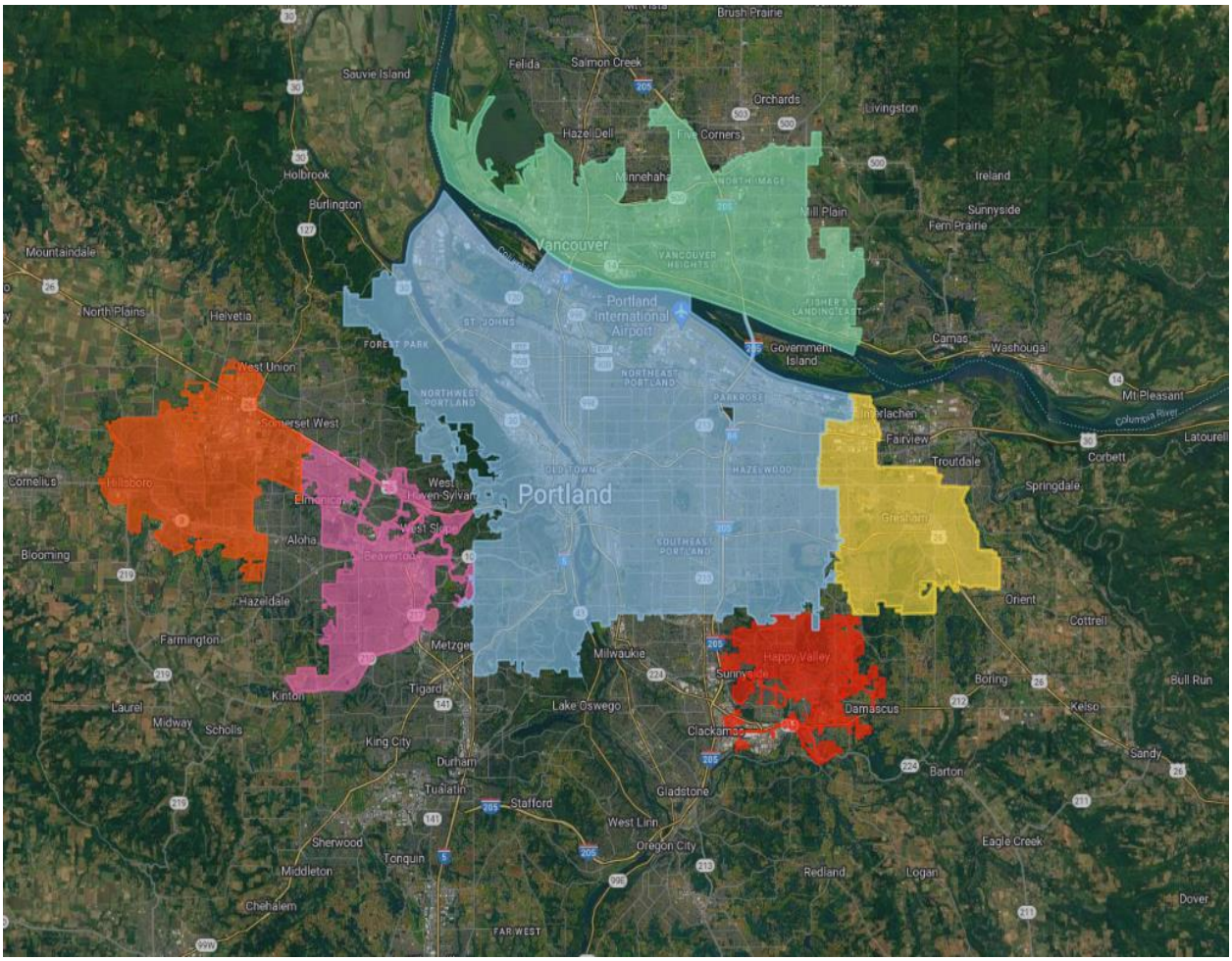

COMPARISON OF RESIDENTIAL PERMITTING TRENDS
SELECTED PORTLAND METRO AREA JURISDICTIONS

NOVEMBER 2022

TABLE OF CONTENTS

I. INTRODUCTION 2

II. EXECUTIVE SUMMARY 2

POPULATION TRENDS 2
MULTI-FAMILY MARKET TRENDS 2
PERMITTING PROCESS 3
PERMIT ISSUANCE TIMELINES 3

III. SOCIO-ECONOMIC 3

POPULATION 3
MULTI-FAMILY MARKET TRENDS 4
Absorption & Deliveries 4
Rent Growth 5

IV. PERMITTING PROCESS 7

PORTLAND PERMIT PROCESS 7
VANCOUVER PERMITTING PROCESS 8
HILLSBORO PERMITTING PROCESS 9
HAPPY VALLEY PERMITTING PROCESS 10
BEAVERTON PERMITTING PROCESS 11
GRESHAM PERMITTING PROCESS 12

V. PERMITTING TRENDS 13

PERMIT VOLUME 13
PERMIT ISSUANCE TIMELINE 14
Portland, Beaverton, & Hillsboro 14
Geographic Comparison 15

VI. CONCLUSIONS 18

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I. INTRODUCTION

Johnson Economics was retained by REVITALIZE PORTLAND to conduct a study on permitting patterns in selected jurisdictions within the Portland Metro Area. This study will focus on the following markets within the metro area: Portland, Beaverton, Happy Valley, Hillsboro, Gresham, and Vancouver.

The main components of this study are:

- Assessment of demographic and rental market patterns in the observed markets, including population trends and rent growth;
- Summary of the permitting processes within each of the observed markets;
- Analysis of permitting trends in the observed markets, including average turnaround times for permit issuance and the historic volume of issued permits.

II. EXECUTIVE SUMMARY

POPULATION TRENDS

The observed markets have seen significant growth in recent years consistent with trends in the broader Portland Metro area. In terms of population growth, the Portland Metro area has outpaced the nation, growing by 15% from 2010 to 2022 compared to an 8% growth rate nationally during the same period. Furthermore, the annual average population growth rate for this period was 1.2% for the Portland Metro area while the nation's was closer to 0.6%. From the observed markets, Happy Valley saw the greatest percentage growth in population since 2010, growing by roughly 89%. The market that saw the least amount of population growth during this period was Beaverton, growing by only 8% which is more consistent with the national trend. The rest of the observed markets' percentage growth ranged from 13% to 20% during this period.

MULTI-FAMILY MARKET TRENDS

From 2000 to 2022, over 78,500 multi-family units were delivered and roughly 73,200 multi-family units were absorbed among the observed markets. Portland accounted for roughly 62% of these deliveries, Vancouver contributed roughly 20%, while the rest of the observed markets contributed a little over 18% altogether. The absorption trends are similar with Portland being responsible for 62% of all the multi-family unit absorption, Vancouver being responsible for 21%, and the other observed markets accounting for roughly 17% of the absorptions. 2021 saw the highest peaks in recent years for deliveries and absorptions across all the observed markets, with roughly 7,500 units absorbed and 10,000 units delivered. Cumulatively, over 57,000 units have been delivered and 56,300 units have been absorbed since 2010.

Rent growth among the observed markets has also been strong, mostly staying in-line with national trends. Since 2000, the observed markets saw rents grow at an average annual rate of roughly 2.8%. Among these markets, Portland saw the weakest rent growth averaging at around 2.0% annually, while Beaverton saw the strongest rent growth, averaging at around 3.2% annually. Since the 2020 COVID recession, the observed markets have recovered

significantly, with rents growing by roughly 9% in 2021 and 6% in 2022. These numbers are consistent with national rent levels, which grew by roughly 5.8% from 2021 to 2022.

Permitting Process

Permitting processes are similar across the observed markets. Land use permits usually need to be obtained prior to submitting initial building permit applications. Following this, initial building permit applications are then required to be accompanied by detailed site plans as well as applications for site development, right of way, and safety systems. Once the necessary applications and plans have been submitted, proposed projects go under review and revisions may be required by the city before the applications and finalized and the relevant permits are issued. The applications and plans are reviewed by various divisions within the jurisdiction, and multiple revisions may be requested. The main differences between the permitting processes across the observed markets lie in the amount of time it takes for the permits to go through the necessary channels before issuance.

Permit Issuance Timelines

Historically, Portland has been the slowest in terms of permit issuance. Based on the available data, Portland has averaged roughly 303 days to get multi-family permits issued from the initial date of application since 2001. Portland's turnaround times become more extended during times of economic recessions, as permits applied for in 2008 took roughly 575 days to get issued, while permits applied for in 2020 took roughly 500 days to get issued on average. Beaverton has also seen long turnaround times for permit issuance, averaging roughly 439 days for permit issuance since 2001. However, Beaverton has displayed a decreasing trend in its turnaround time while Portland has been facing an increasing trend. When compared with the other observed markets in the last two years, Portland's average turnaround time was still the longest in comparison. Since the first quarter of 2020, Portland has averaged roughly 413 days, Beaverton averaged roughly 275 days, Happy Valley averaged roughly 185 days, Hillsboro averaged 204 days, Gresham averaged roughly 313 days, and Vancouver averaged roughly 225 days for permit issuance.

III. Socio-Economic

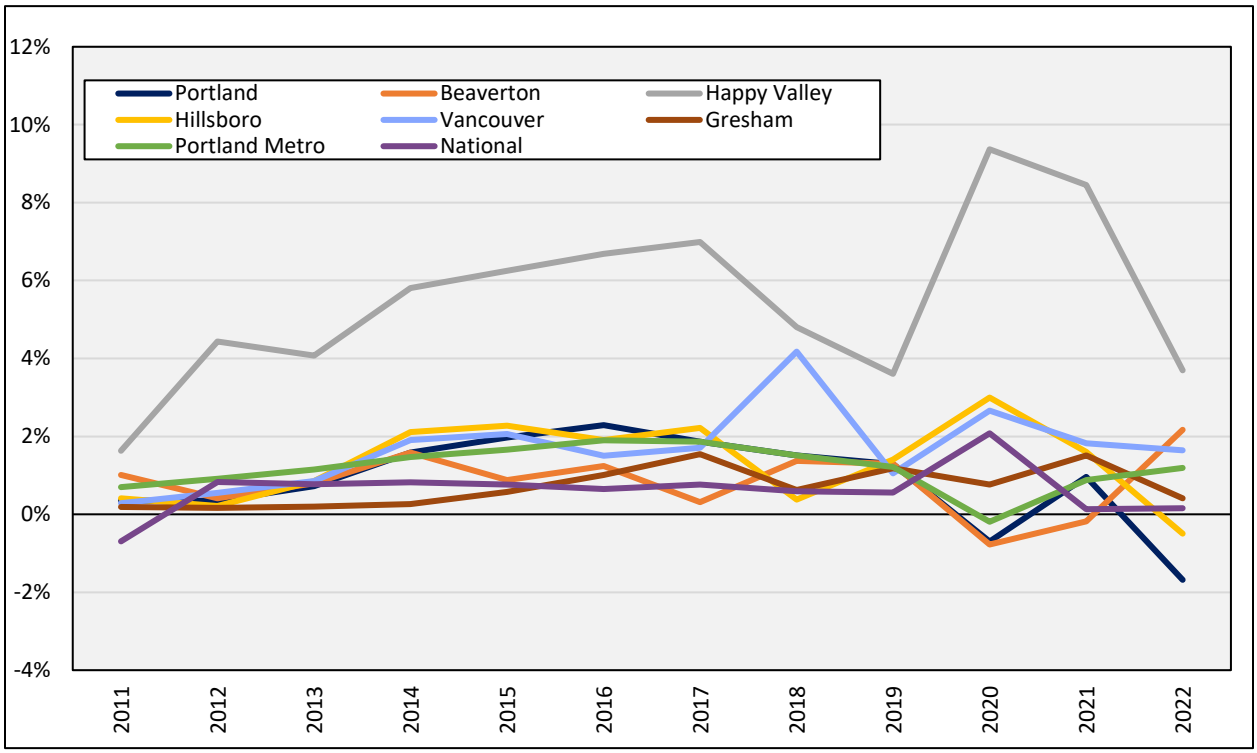
Population

The Portland Metro Area is a high growth economy. Population-wise, the region has outperformed the nation in terms of growth. Between the 2010 and 2020 census, the region's population growth rate was roughly double that of the nation's. As of 2022, estimates indicate that the PMA's population grew by 15% compared to the nation's 8% growth rate. Moreover, the average annual population growth rate of the PMA from 2010 to 2022 was around 1.2% while the average annual population growth rate of the nation during this same period was around 0.6%.

The figure below depicts the population growth rates in the observed markets, the Portland Metro area, as well as nationally. Out of the observed markets, Happy Valley displayed the highest population growth rate within the last decade. Since 2010, Happy Valley's population has grown by roughly 89% with an annual average of roughly 6%. Comparatively, Beaverton's seen the least population growth within the decade, with its growth being more in-line with the national trends having grown by only 8% from 2010 to 2022, with an annual average of roughly 0.7%. The other surveyed markets have grown between 13% to 20% in the last decade, with annual growth rates between 1.1% to 1.7%. It is the case that the cities in the periphery of Portland have experienced more growth as compared

to Portland itself as more people look to move to the city's outskirts due to costs of living within the city having increased in recent years.

FIGURE 3.1: POPULATION GROWTH, OBSERVED MARKETS & NATIONAL (2011 – 2022)



Source: U.S Census Bureau, PSU Population Research Center, Washington Office of Financial Management

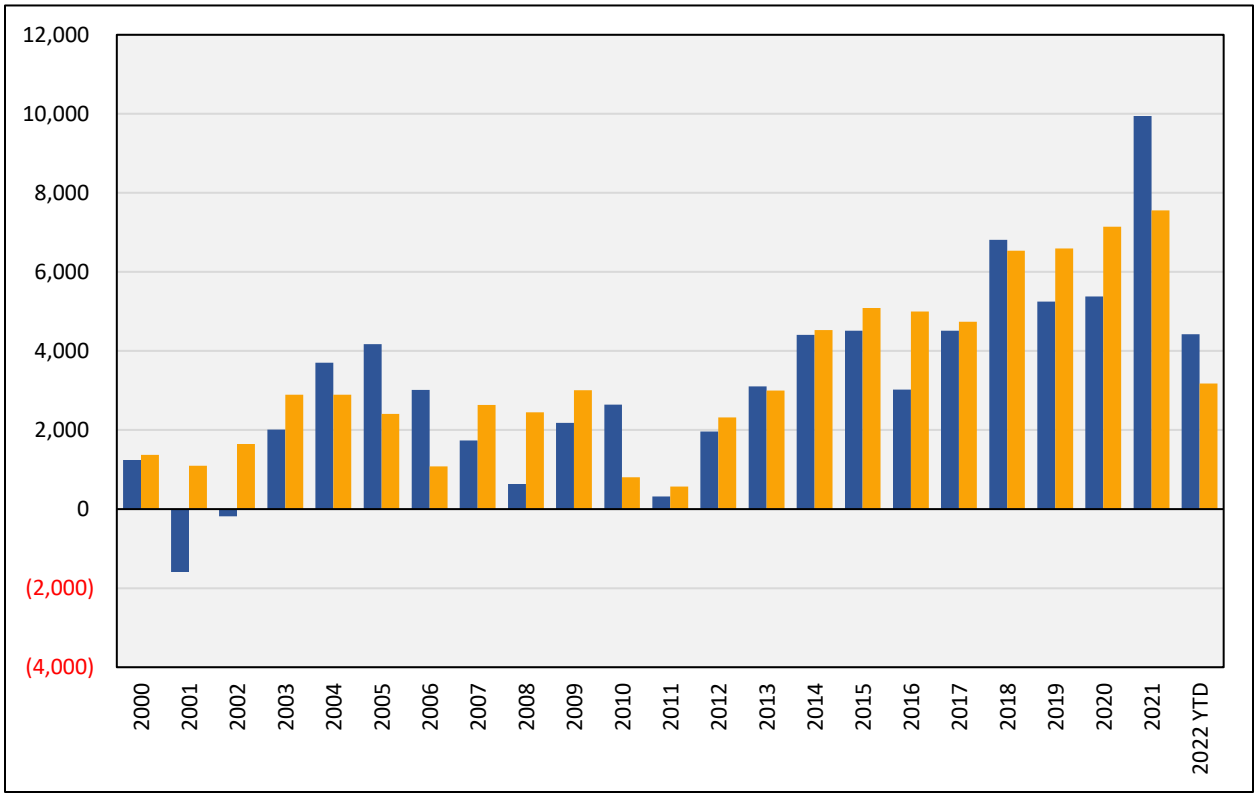
MULTI-FAMILY MARKET TRENDS

Absorption & Deliveries

The figure below depicts the cumulative absorption and deliveries of multi-family units in all five observed markets since 2000. In this period, roughly 78,500 multi-family units were delivered and roughly 73,200 multi-family units were absorbed. Roughly 62% of the deliveries since 2000 were from Portland, and roughly 20% came from Vancouver. In comparison, the multi-family units delivered in Beaverton, Gresham, and Happy Valley amounted to a little over 18% of the total amongst the observed markets. The results are similar for absorptions with Portland accounting for 62% of all multi-family unit absorptions amongst the observed markets, Vancouver accounting for 21%, and the other three jurisdictions accounting for roughly 17%.

There has been a noticeable increase in multi-family units delivered and absorbed following the 2008 recession. Since 2010 there has been roughly 57,000 units delivered, and 56,300 units absorbed, which accounts for the brunt of multi-family units since 2000. Absorptions and deliveries peaked in 2021 with nearly 10,000 units absorbed and 7,500 units delivered across the observed markets.

FIGURE 3.3: MULT-FAMILY UNITS ABSORPTION & DELIVERIES, OBSERVED MARKETS (2000 – 2022)

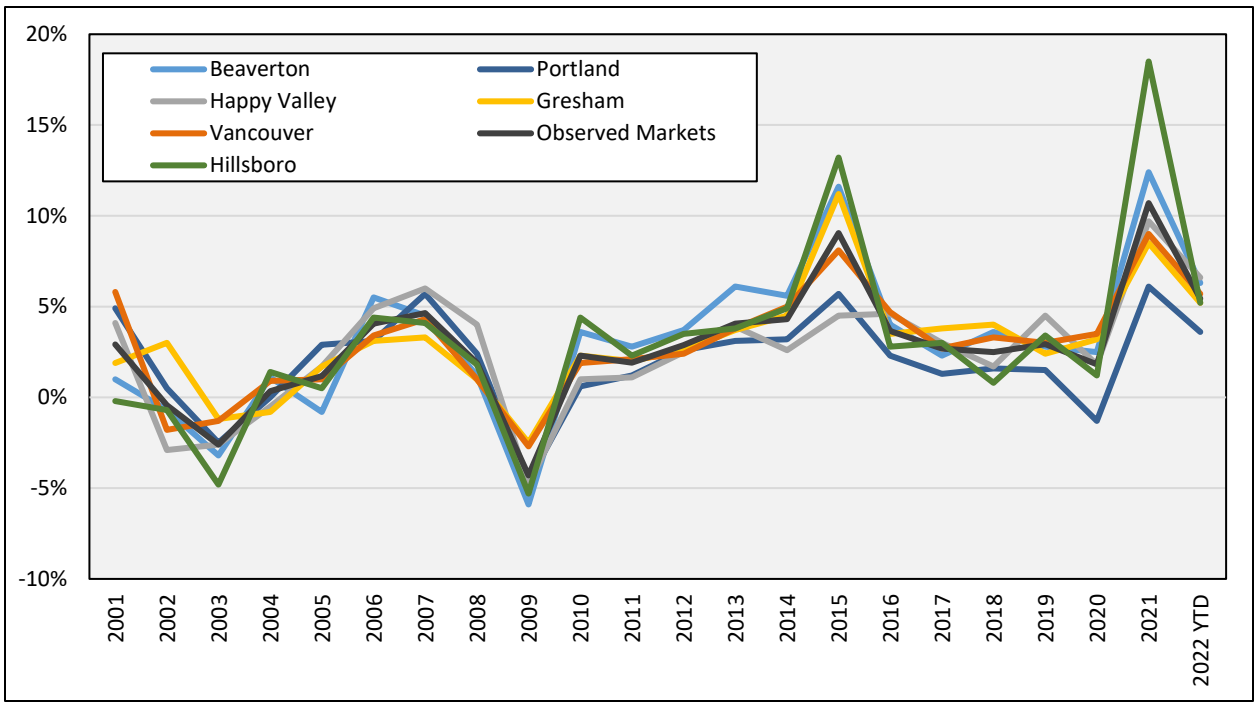


Source: CoStar, JOHNSON ECONOMICS

Rent Growth

The graph below depicts the average rent growth in the individual markets as well as the average for all the observed markets together. Among all the observed markets Portland has seen the slowest growth in rents, the growth averaging roughly 2% annually since 2000. The city with the highest rent growth during this period is then Beaverton, averaging about 3.2% in rent growth annually, with Hillsboro following closely behind averaging roughly 3.1%. In comparison, the average annual rent growth since 2000 for all the observed markets combined is roughly 2.8%. In the last decade, all the observed markets had peaked in rent growth around 2015, with Gresham and Beaverton seeing the greatest growth, both growing by roughly 11% since 2014. Following this peak rent growth in all the observed markets hovered around roughly 2% to 4.8%, with some markets such as Happy Valley and Gresham fluctuating considerably in that range.

FIGURE 3.4: RENT GROWTH IN MULTI-FAMILY UNITS, OBSERVED MARKETS (2000 – 2022)



Source: CoStar, JOHNSON ECONOMICS

During the 2020 COVID recession, each of the markets took saw rent growth decrease, with Portland being the only market seeing a decrease of roughly 1% in base rents from the previous year. Portland's particularly large negative shock may be attributed to the pandemic lockdowns compounded with ongoing unrest which reduced the marketability of more urban locations and decreasing overall demand for rental units in Portland. Following the pandemic, all of the observed markets have recovered as of 2021, with Portland showing the weakest growth (roughly +6%) and Hillsboro showing the strongest (roughly +19%), further reflecting the compounded negative shocks experienced in Portland from the previous year. Cumulatively, average rents in all of the observed markets grew by roughly 9% during this period before slowing down to roughly 6% the year after. As of 2022, Portland is still underperforming relative to the other markets, while rent growth the rest of the observed markets have hovered around 5.2% to 6.6%. Overall, the recent rent growth amongst the observed markets reflects strong demand for rental units that is in-line with national trends (according to the Dallas Fed, year-over-year national rent inflation was 5.8% as of June 2022).

IV. PERMITTING PROCESS

The permitting processes are similar across the surveyed markets. In nearly all of the surveyed markets, land use permits are required to be obtained prior to the initial building permit application. When submitting initial permit applications, detailed plans on the site's development are usually required to be submitted. Most permit applications will require separate applications for site development, right of way, safety systems, and more. Following submittal of the necessary applications, the proposed project will go under review and revisions may be required by the city before the permit is accepted and issued. Reviews will come from various divisions for development components such as engineering, fire safety, soil erosion, etc. The main differences among the permitting processes for different jurisdictions mostly lie in the amount of time it takes to process said permit applications. Although most of the jurisdictions do not outright give estimates on issuance timelines, the following reports in Section V will analyze the average amount of days it takes for multi-family permits to be issued using publicly available data provided by the respective jurisdictions.

The following pages provide a more detailed breakdown of the permitting process in each of the surveyed markets:

PORTLAND PERMIT PROCESS

How to Get a Permit- Development Review and Permit Processes | Portland.gov

1. Before applying for a permit:
    a. Get property info (address, tax roll of site, tax account number, owner's information)
    b. Determine what Public Works permits are needed for use of public services during development.
    c. Determine the base zone of the site
    d. Adhere to the following additional standard if applicable:
        i. Overlay zones
        ii. Plan Districts
        iii. Historic & Conservation Districts
        iv. Rules for historic Landmark buildings
    e. Obtain a Land Use Review if the proposal needs to meet the "Approval Criteria".
        i. Timelines for land use reviews are anywhere between *2 – 6 months*.

2. Apply for the permit:
    a. Have the following prepared (detailed step-by-step guide can be found here)
        i. Address of site
        ii. Description of work
        iii. Contractor information
        iv. Applicant's information
        v. Valuation of the project
    b. Submit a permit plan:
        i. Details the project's dimensions drawn to scale.
        ii. Include a site plan, floor plan, elevation drawings, structural pages, etc. if needed.
    c. Include the following supporting documents in the application:
        i. Structural calculations
        ii. Product specifications

iii. Geotechnical reports

d. Make sure submittal requirements are met based on type of property being built:
   i. For residential properties refer to: https://www.portland.gov/bds/residential-permitting/residential-building-permits#toc-list-of-all-residential-building-permit-types-and-how-to-apply-
   ii. For commercial properties refer to: https://www.portland.gov/bds/commercial-permitting/commercial-permit-inspections/commercial-new-construction

3. Permit Reviews and finalizing the application process:
   a. After initial application, project plans are sent to experts for review to evaluate if the plans meet requirements and regulations.
      i. If plans meet requirements and regulations, the application will be approved.
      ii. If they do not meet requirements and regulations, the reviewer will ask for corrections.
   b. Permit reviews can be tracked online including contact information of the reviewer handling the case.
   c. After review approval, the permit goes into pre-issuance where city staff checks plans for approval stamps and notes.
   d. List of permit requests and permits in pre-issuance can be found here. These lists are updated daily.
   e. Once plans are approved and finalized, developers can move forward with paying the fees for the permits.

4. Getting the project inspected:
   a. Receive an inspection card with the issued permit.
      i. Card will detail the inspections required for the project
   b. City inspector will come to look at the work.
   c. After general inspections are approved, a "999 Final" inspection needs to be made.
   d. When the final inspection is approved, the work is completed, and the permit is "Final"

VANCOUVER PERMITTING PROCESS

Residential Building Permits | City of Vancouver, Washington, USA
Commercial Building Permits | City of Vancouver, Washington, USA

1. Determine which permit applications are relevant for the project:
   a. List of Residential Permit Applications: https://www.cityofvancouver.us/cdd/page/residential-building-permit-applications
   b. List of Commercial Permit Application: https://www.cityofvancouver.us/cdd/page/commercial-building-permit-applications

2. Determine if the project will require individual trade permits, an architect, and/or an engineer.
   a. Individual trade permits are not always necessary.
   b. Engineering may be required for both residential and commercial projects if the design of the structural work does not meet the prescriptive requirements of the IBC (commercial buildings) or IRC (residential buildings).
   c. Architects are required for commercial buildings/improvements/remodels over 4,000 square feet and/or contain more than 4 dwelling units.

3. Submit the application electronically:
    a. Plans are to be sent separately from the initial applications.
    b. Initial fees will be charged after the application(s) are processed

4. Plan Review:
    a. After application is processed, project plans will be reviewed by different disciplines.
    b. Types of review include planning & zoning, structural, and fire.
    c. If the reviewer needs clarification or identifies corrections that need to be made, plans need to be revised.
        i. Project will not move forward until the issues are addressed and revised within the plans.

5. Plan Approval and Permit Issued:
    a. Once plans are approved, final fees will be charged, and the permit goes into pre-issuance.
    b. Once balance is paid, applicants will be notified of the plan's approval and the permit's issuance.

6. Inspections:
    a. Developer will receive an inspection card alongside the permit.
        i. Inspection card will detail all inspections that need to be done.
    b. Once inspections are scheduled and carried out, the project will need to go through a Final Inspection before the project is finalized.

HILLSBORO PERMITTING PROCESS

Development & Permitting | City of Hillsboro, OR

1. Obtain a Land Use Permit
    a. Type 1 Applications generally take 24 hours or less to review and approve
        i. Includes: Fence Permits, Home Occupation Permit, Partition Final Plat, Property Line Adjustment, etc.
    b. Type 2 Applications take roughly 4 to 6 weeks to process. These require public notice and opportunity for appeal, but do not require a public hearing.
        i. Includes: Cultural Resource Alteration (minor), Development Review, Floodplain Activity (minor), Minor Partition Preliminary Plat, Significant Natural Resource Permit (minor), etc.
    c. Type 3 Applications take roughly 3 to 4 months to process. These will require a public notice, public hearing, and potentially a neighborhood meeting.
        i. Includes: Conditional Use, Cultural Resource Alteration (Major), Cultural Resource Nomination/Removal, Expansion of Nonconforming Use or Structure, Floodplain Activity (major), Planned Unit Development, Zone Change, etc.

2. Obtain a building permit:
    a. Obtain necessary trade permits if needed.
    b. Residential Permit Applications (PDF Link):
        i. Will need a copy of Geotechnical final report for each new single-family submittal

ii. Full construction plans, calculations, and specifications must be included with initial permit application.
iii. All plans and documents are to be submitted digitally.

c. Commercial Permit Applications (PDF link):
i. Plans need to be stamped by a state licensed and registered architect or engineer if a building is over 4,000 square feet, more than 20 feet in height, and/or deemed highly technical in nature.
ii. Submit the relevant specifications, reports, calculations, and plans alongside permit application.
iii. All plans and documents to be submitted digitally.

3. Project Review
a. When project submittals are approved, they will go through an initial review period. During this time, mark ups, corrections, and additional information may be made and requested by staff.
i. Initial review period is 2 weeks.
b. After initial reviews, there will be another review period.
i. Timeframe for review periods is roughly 1 week.
c. Timeframes provided do not include the time needed by applicant/developer to prepare application materials and respond to corrections.

HAPPY VALLEY PERMITTING PROCESS

Building Division | City of Happy Valley

(Refer to this infographic for a detailed timeline of the residential & non-residential permitting processes in Happy Valley.)

Note: Property development process is handled by three divisions of the Happy Valley City Hall: the Engineering Division, Planning Division, and the Building Division.

1. Obtain land-use approval for the project.
a. Land use approvals are issued by the Planning Division.

2. Once a project receives land-use approval, fill out the permit applications relevant to the project accompanied by a plan and construction drawings.
a. Applications for non-residential permits can be found on the Building Division's website. Building permit applications are eventually forwarded to the Planning Division. (Link)
b. Non-residential projects are also required to fill out the following engineering applications to be submitted to the Engineering Division:
i. Erosion Control Application
ii. Site Development Application
iii. Right of Way Permit Application
iv. Other submittals (e.g.: Traffic Reports, Storm Water Drainage Calculations, Geotechnical Reports, Preliminary Access Report, Pathway Design, Engineer's Construction Estimate)
c. Applications for residential permits are found under the Planning Division. (Link)

3. After applications are submitted, they will go under review.
    a. Mechanical, Electrical, Plumbing and Fire & Alarm Systems are typically separate reviews.
    b. Point #6 in the webpage details the applications that need to be included during the review stage.

4. Following submission of plan reviews, plan review fees will be assessed. Plan reviews will not be finalized until review fees have been collected.
    a. Deferred submittals may be allowed. A fee of $250 is required for each deferred submittal.

5. Once reviews have been completed for code compliance, a Building Permit Release Letter will be distributed to necessary divisions. Once the necessary signatures have been collected, a pre-construction meeting will be scheduled with stakeholders to review project details.

BEAVERTON PERMITTING PROCESS

Permits | Beaverton, OR – Official Website
(General infographic on permitting process can be found here)

1. Apply for permit (official document for permitting process can be found here)
    a. All submissions are made electronically through the official Beaverton website.
    b. Submit the necessary documents to one of the following divisions based on what the project entails:
        i. Planning Division;
        ii. Site Development Division; or,
        iii. Building Division
    c. Plans, calculations, and specifications are also to be included in this portion of the project's development.
    d. A Transmittal Form is also required with electronic document submissions.

2. Pay the application fees
    a. Payments can be made over the phone via credit card, via mail with check, or in-person.
    b. Once payment has been received, the project will be assigned an application/permit number.
    c. Permit application will not be placed in-line for a project review until after fees have been paid.

3. Project reviews
    a. Based on the completeness of the permit request, the city may ask for revisions or clarifications. The review will include instructions on submitting a response letter, required revisions, or additional information needed.

4. Decision
    a. If submittal is sufficient, the city will send approve the permit request and provide instructions for the next steps.

GRESHAM PERMITTING PROCESS

Building Permits & Inspections | City of Gresham, OR

1. Project submittal
    a. Projects must be submitted online through the online permitting system. (Link)
        i. The online permitting system is used for applications, payments, inspection requests, etc.
    b. Projects will get assigned to a Plans Examiner.
    c. Submittal conference may be requested by the City staff to go over the submitted plans.
    d. Plan review fees will need to be collected prior to moving onto the plan review process.

2. Plan review
    a. The required plans are reviewed by the relevant departments, divisions, or sections.
    b. System development charges, electrical, plumbing, and machinal fees calculated
    c. Inspector or examiner speaks with applicant and other plan reviewers for public facilities such as streets, water, sewer, storm, parks, and fire
    d. Additional information may be requested
    e. Plan review and first comments for new construction or additions are estimated to take around 21 days from initial submissions.

3. Construction, final inspection, & certificate of occupancy
    a. When applications and plans are ready to be issued, one final approved set of plans is returned to applicant to keep on the job site.
    b. Inspections conducted through all phases of construction.
    c. Before occupancy is granted, final inspections must be completed.
    d. After final approval, occupancy is granted, and a certificate of occupancy is issued.

The review processes outlined do not include design review, a separate process in the land use approval phase that is required in selected districts. The inclusion of design review can have a significant impact on overall entitlement time.

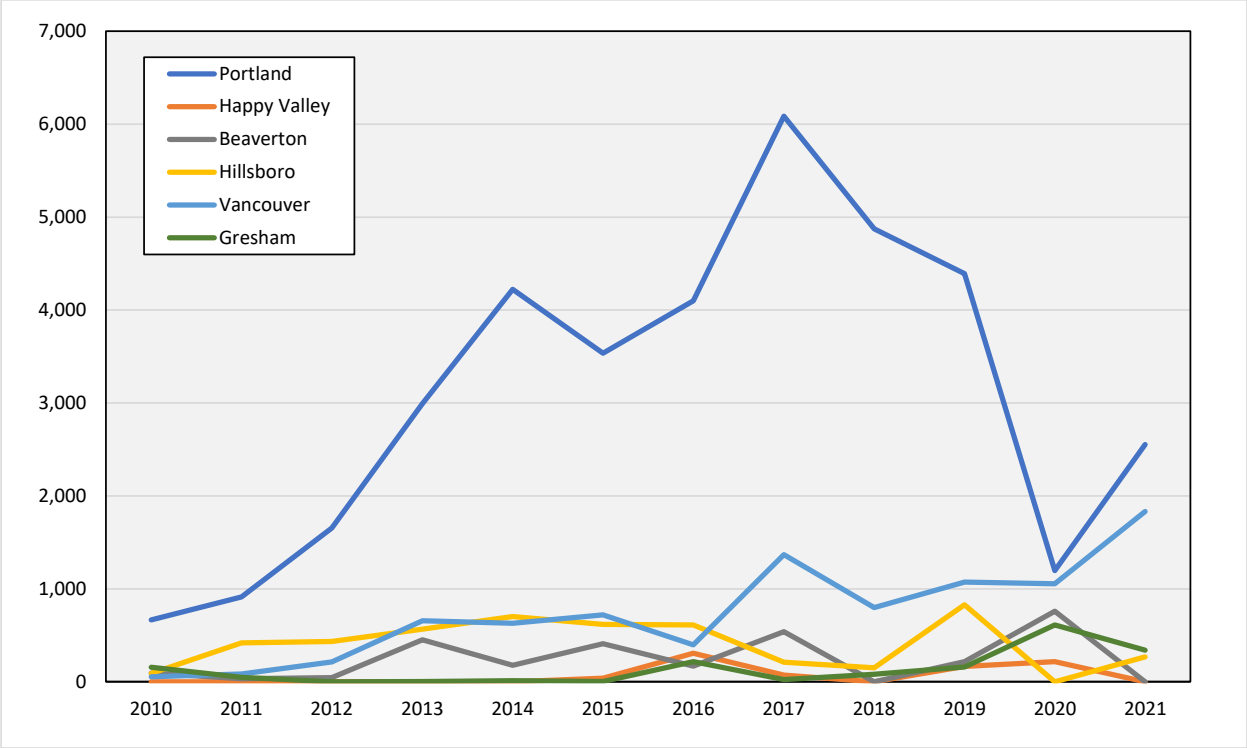
V. PERMITTING TRENDS

This section will focus on observed permitting trends for multi-family developments specifically. Multi-family projects tend to be a much more intensive undertaking than the average single-family or commercial projects. This means that the time it takes for multi-family building permits to be issued are usually much longer compared single-family and commercial projects, better reflecting a jurisdiction's capacity and efficiency in permitting. Also note that the building permits analyzed in the following portions only account for new construction permits, not including permits for other multi-family projects such as alterations and demolitions.

PERMIT VOLUME

The figure below depicts the volume of multi-family building permits that have been issued since 2010 among the five surveyed markets. Since 2010, roughly 56,300 multi-family building permits have been issued throughout the surveyed markets. Over 66% of these permits were issued in the city of Portland alone during this period. The market with the next biggest share of multi-family permits during this period is Vancouver, having issued roughly 16% of the permits since 2010. Happy Valley has the smallest share contributing roughly 1.4% of all multi-family permits issued among the surveyed markets, corroborating Happy Valley's goals of slowing urbanization in the area.

FIGURE 5.1: MULTI-FAMILY PERMITS ISSUED, OBSERVED MARKETS (2010 – 2021)



Source: U.S Department of Housing & Urban Development, JOHNSON ECONOMICS

Although Portland far outnumbers the other markets in the sheer volume of permits issued, Happy Valley and Vancouver have outperformed Portland in average growth of permit issuance in the last decade. Since 2010, the number of multi-family permits issued in Happy Valley and Vancouver has seen an average annual growth of roughly

81% and 68% respectively. In comparison, Portland's average annual growth in terms of permits issued was roughly 50% during the same period.

Furthermore, the volume of permits issued by a jurisdiction seems to have correlation with the amount of time it takes for permits to get issued. As seen later in this section, the two jurisdictions with the most volume in terms of permits issued (Portland & Vancouver) also face some of the longest times taken for permit issuance. Although there are some outliers, this corroborates the notion that a jurisdiction's efficiency in issuing permits is reliant on the amount of permit applications that need to be addressed; further implying that higher turnaround times may be at least partially related to a lack of resources to support efficient permit issuance.

PERMIT ISSUANCE TIMELINE

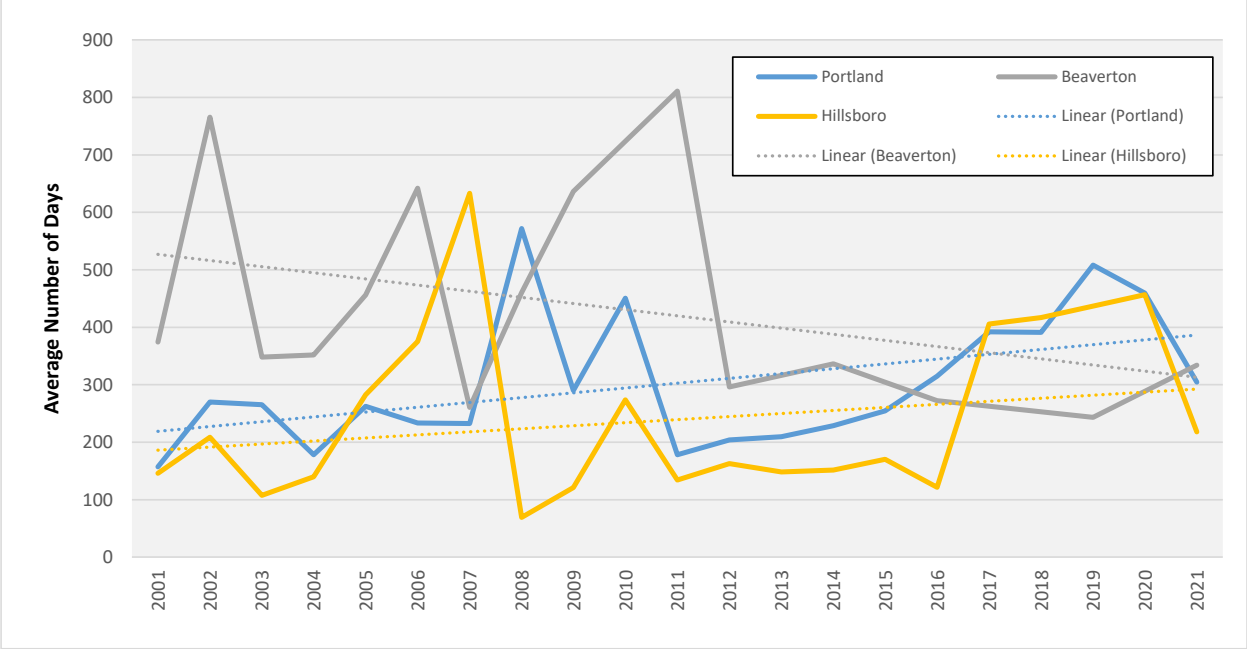
The following reports will seek to analyze the amount of time it takes on average for permits to get issued in the aforementioned observed markets. Data for these analyses were obtained from the respective jurisdictions' public records made available online. The main focus during data acquisition was in new construction multi-family permits as these reflect a jurisdiction's capacity for efficient permit issuance better than single-family or commercial permits. Specifically, we recorded the initial date of permit application submittals alongside the date for when the permits were issued. The date ranges covered by the records differed greatly between jurisdictions, with some maintaining records as far as 2000 and others only providing the relevant data since 2016. Thus, the following analyses had to work within the limitations of the available data.

Portland, Beaverton, & Hillsboro

Portland, Beaverton, and Hillsboro are some of the biggest cities in the Portland Metro area. Out of the six observed markets, Portland, Beaverton, and Hillsboro boast some of the highest population densities at 4,467 persons/sq. mile, 5,070 persons/sq. mile, and 4,874 persons/sq. mile respectively. These three markets are also considered to be largely built out compared to the other observed markets, having seen a lot of development in the last two decades. Beaverton's developable land supply has grown through UGB expansion to the west, while Portland has not seen any expansion of its land supply. Moreover, as compared to the other observed markets, these three jurisdictions have the most comprehensive data on their permitting timelines, providing data on application and issuance dates as far back as 2000. While the other observed markets have similar data made available publicly, their data does not cover the same period as Portland, Beaverton, and Hillsboro.

The figure below shows the average time it takes for multi-family new construction permits to get issued in Portland, Beaverton, and Hillsboro since 2001. The permits are categorized by the year in which the initial application was submitted. When comparing these markets since 2001, Beaverton has had the highest average turnaround time (roughly 439 days) as compared to Portland (roughly 303 days) and Hillsboro (roughly 237 days). However, Beaverton's average permit issuance times has been trending downward, signifying increased efficiency, while Portland and Hillsboro's trend for average turnaround time has been steadily increasing in recent years.

FIGURE 5.2: AVERAGE PERMIT ISSUANCE TURNAROUND, PORTLAND/BEAVERTON/HILLSBORO (2001 – 2021)



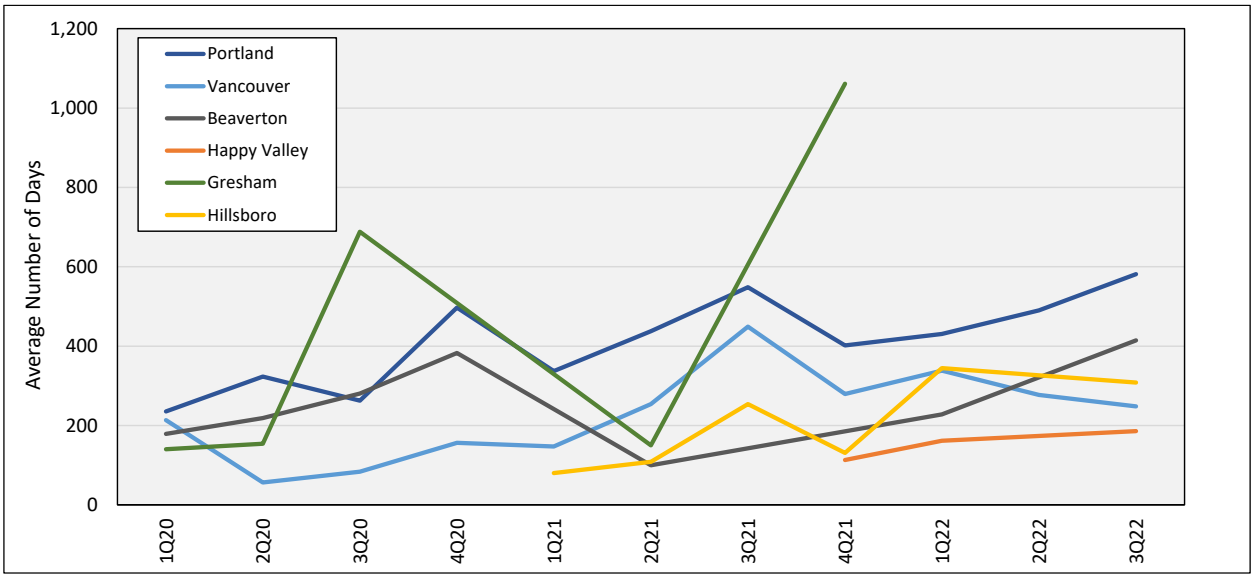
Source: City permitting divisions, JOHNSON ECONOMICS

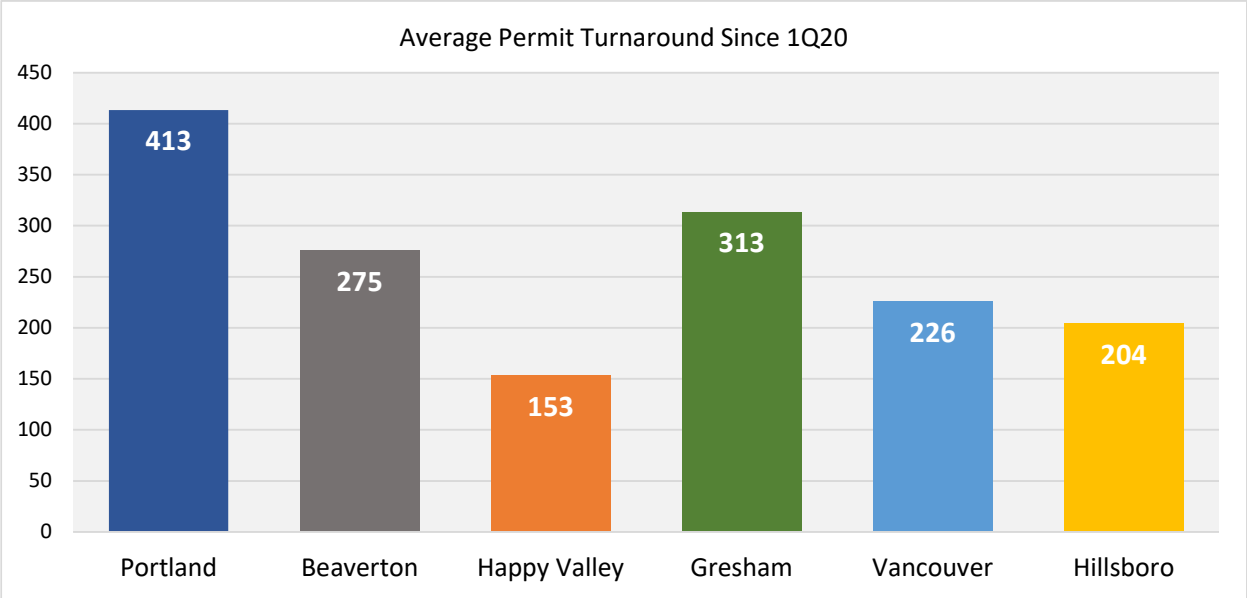
The effects of economic recessions on permit issuance have been more pronounced in Portland than in Beaverton. In Portland's case, the average amount of days for multi-family permit issuance, based on the year the permit application was submitted, peaked during the two most notable recessions of the past two decades. Permits whose applications were submitted in 2008 took roughly 575 days on average to get issued, roughly 250 days more than the two decade average. Similarly, permits whose applications were submitted in 2020 saw a turnaround average of roughly 500 days, roughly 200 days more than the average since 2000. It is noteworthy that, in Portland's case, permit applications in the subsequent years following recessions are usually processed much closer to what the decade-long averages were. Both the average permitting turnaround time for applications submitted in 2009 and 2021 both roughly dropped to 300 following the aforementioned 2008 and 2020 peaks. On the other hand, the effects of recessions on Beaverton's permitting timelines were much more pronounced in the 2008 recessions as compared to the recent COVID recession of permitting times reflecting recessions in the following years (see Beaverton 2009 and 2021 on figure above). In Hillsboro's case, economic recessions seemed to have had little effect as average turnaround times in 2008 through 2009 were at the jurisdiction's historic lowest

Geographic Comparison

Data for more recent trends around the Portland Metro Area are much more comprehensive and available among the different jurisdictions. The graph below depicts the average turnaround time ranging back to 2020 based on which quarter the multi-family permits were issued in. As seen below, it is clear that Portland's permitting process for multi-family developments is one of the least efficient when compared to the other observed markets. For permits that were issued in 2020 and beyond, Portland averaged roughly 413 days from application to permit issuance. Comparatively, Beaverton averaged roughly 275 days, Hillsboro averaged roughly 204 days, Vancouver averaged 225 days, Gresham averaged 313 days, and Happy Valley averaged 153 days. As of the third quarter of 2022, Portland averaged roughly 581 days for permit issuance, Beaverton averaged roughly 400 days, Hillsboro averaged roughly 308 days, Vancouver averaged roughly 200 days, Happy Valley averaged roughly 185 days. Gresham did not have any multi-family permits issued during this period.

FIGURE 5.3: PERMIT ISSUANCE TURNAROUND TIMES, OBSERVED MARKET (1Q20 – 3Q22)



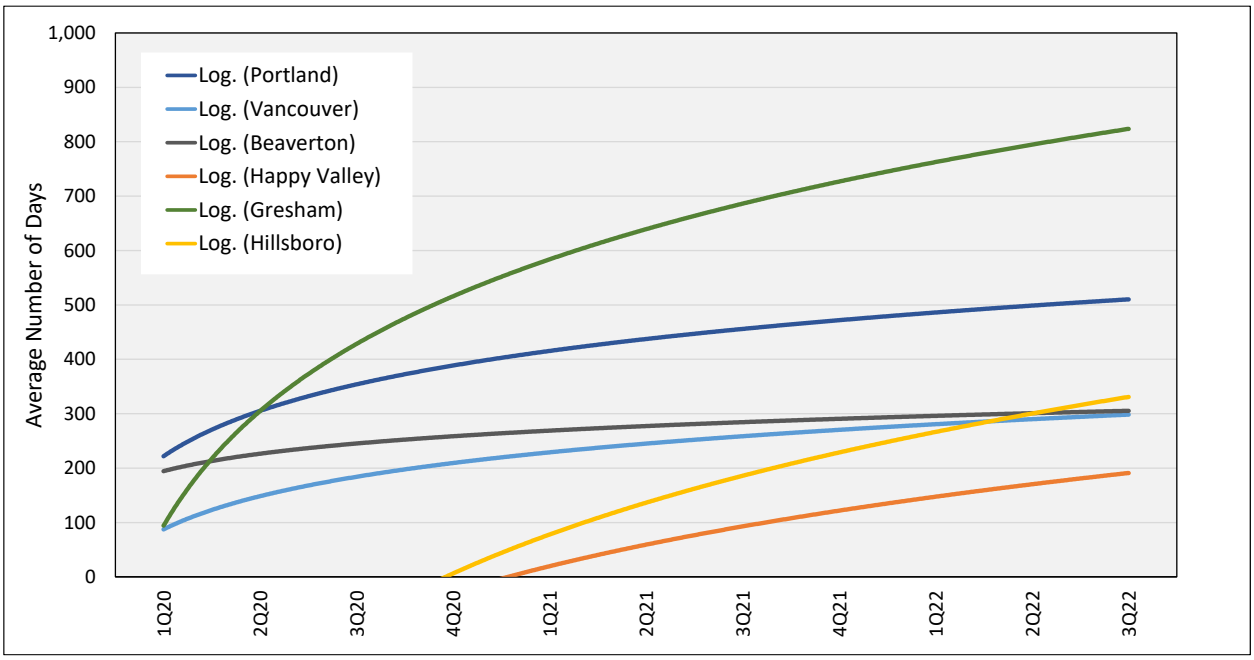


Source: Individual cities building & permitting divisions, JOHNSON ECONOMICS

It should be noted that besides Portland and Vancouver, the other observed markets have anomalous quarters where there were either no multi-family permits issued, or turnaround times were unusually long. The most notable examples are Hillsboro, Gresham, and Happy Valley where the graphs either start late or end early. This reflects the previous observation of Portland and Vancouver being the two jurisdictions with the highest volume of permits issued in the last decade, as both markets have seen a constant flow of permit issuance since 2020. Furthermore, in Gresham's case, the fourth quarter of 2021 was a particularly interesting period where only two permits were issued for new multi-family developments during, but both facing longer than usual turnaround time for permit issuance averaging roughly 1,100 days. Since the fourth quarter of 2021, Gresham has not issued any multi-family permits according to the publicly available records. The small volume of permits issued during the fourth quarter of 2021 in Gresham made the peak much more pronounced compared to the peaks in the other observed markets.

However, this also highlights a pattern of how each of the observed markets experienced peak turnaround times during the latter two quarters (3Q and 4Q) of each year since 2020.

FIGURE 3: PERMIT ISSUANCE TURNAROUND TIME TRENDS, OBSERVED MARKETS (1Q20 – 3Q22)



Source: Individual cities building & permitting divisions, JOHNSON ECONOMICS

In terms of trends, all the jurisdictions have been experiencing an increasing trend in the average number of days it takes for multi-family permit issuance, but only Portland and Gresham saw what could be considered exponential growth during this time. However, Gresham's case is particularly anomalous as the cause of the exponential increase can be attributed to a period where the sample size was too small for the trend to be considered an accurate representation of the jurisdiction's permitting efficiency (see 3Q21 in Figure 5.3). During this period, Portland has been trending upwards to an average of 600 days for permit issuance, while the other markets have been trending upwards to roughly 300 days on average. Happy Valley's upward trend is the mildest converging at just a little under 200 days on average for permit issuance.

As mentioned in Section III, the exponential growth in average turnaround time in Portland coincides with the growth in multi-family permits issued as well. The rate of growth in issued permits in the Portland has been the highest among the observed markets, averaging roughly 50% annually since 2010. This growth in volume is only outpaced by Happy Valley as it historically has not seen much multi-family development at all until recent years. Overall, it becomes clear that longer permitting times are correlated with relatively high volumes of issued permits.

VI. CONCLUSIONS

From the analysis carried out, it is clear that the turnaround time for multifamily residential permits in Portland is significantly longer than the other jurisdictions evaluated within the broader metro area. The extended turnaround times in Portland for permit issuance highlights how a lot of development is focused towards Portland relative to the rest of the metropolitan area. From 2010 to 2021, Portland was responsible for issuing over 72% of all the multi-family permits among the observed markets in this study. Besides Portland, the other jurisdictions that have historically faced some of the longer turnaround times for permit issuance usually are the larger, more built-out cities (e.g., Beaverton and Vancouver). Although most of the other jurisdictions have displayed increasing efficiency in permit issuance, Vancouver in particular has been facing an increasing trend in terms of turnaround time, although still outpaced by Portland.

All in all, the Portland Metro area has seen a significant amount of development over the last expansion cycle, with much of it concentrated in the larger jurisdictions. The time required for permit issuance has been consistently higher in the City of Portland relative to the other metro area jurisdictions we tracked for this assignment. Portland has likely seen a greater proportion of more complex development forms vis-à-vis the more suburban jurisdictions, but the volume of permit activity would be expected to also support a greater level of in-house expertise to offset the greater complexity.

The permitting timeline is an important variable in the development process, and a predictable, efficient, and timely process is supportive of new development. Significant costs accrue during the entitlement process, which must be recovered through reduced land values and/or revenues (rents). Extended development timelines also entail risk, such as construction cost inflation, shifts in interest rates, and shifts in the competitive environment.