Agenda Item #15.3
For Council Meeting of: February 23, 2016

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: CLARE HARTMAN, DEPUTY DIRECTOR – PLANNING
PLANNING AND ECONOMIC DEVELOPMENT
RAISSA DE LA ROSA, ECONOMIC DEVELOPMENT AND MARKETING COORDINATOR
SUBJECT: SANTA ROSA HOUSING – REPORT #2: PROCESS IMPROVEMENTS

AGENDA ACTION: MOTION

RECOMMENDATION

It is recommended by the Planning and Economic Development Department that the Council, by motion, confirm support for the direction of process improvements designed to improve customer experience, increase transparency, and ease permitting and entitlement procedures to encourage business and housing development in Santa Rosa; and to accept this report.

EXECUTIVE SUMMARY

Per Council direction, staff has developed a series of reports designed to provide information on actions and opportunities specific to the issues around and the encouragement of housing development in Santa Rosa. Over the course of six reports, the series will present a wide-range of topics including process improvements, funding resources, alternative programs, incentives, and initiatives.

The purpose of this report is to outline how the City can achieve efficiencies and responsiveness in processing development applications, increase transparency of status and performance to the public, reduce the time and uncertainty, while creating incentives to produce housing and improve the relationship with the community.

This work effort is included within Council Goal 1: Create a strong, sustainable economic base; Strategic Objective 2: evaluate housing initiatives.

BACKGROUND

In March 2015 the City Manager authorized a contract with the consulting firm Management Partners (MP) to analyze and identify opportunities for improving the

City's development review process. At issue with this highly visible and complex function area is gaining balance between public policy, legal requirements, and customer needs regarding the review and permitting of residential and commercial developments; a challenge faced by cities across the country.

The resulting report, titled Observations and Recommendations, was provided by Management Partners to the City on June 19, 2015. In response, the Planning and Economic Development staff quickly took the initiative to engage with the effort and supplemented the MP recommendations with deeper and bolder improvements. As a result the Department created the Process Improvement Action Plan (PIAP). The PIAP identifies over 80 process improvement action items intended to affect customer service, process, technology, and partnerships. The PIAP includes six Action Plans, each to address vision, task identification, timeframe and budget:

1. Integrated Service Center: establishing a single customer service counter for intake and tailoring the services to address the variation in customer needs.
2. Increase Communication and Customer Service: communicate development review process and submittal requirements clearly and comprehensively and create certainty of service by making appointments available to applicants for project intake.
3. Pre-application Meetings and Entitlement Reviews: create review process for proposed projects and provide conditions and recommendations to meet permit-streamlining deadlines.
4. Plan Check and Inspection Team: gain efficiencies by reducing staff overlap between building and engineering plan check teams.
5. Accela Software Optimization: advance the ability for permit tracking and reporting capability.
6. Administrative Efficiency Measures: improve internal referral communication, help guide applicants on complete application submittal requirements, and establish a staff report template for Boards and Commissions with a consistent review process and achievable timeframes.

The most immediate focus of the PIAP is to expand service counter hours, decrease plan review turnaround times, increase transparency of permit status and staff performance, increase inspection capacity, and reform land use and processing policies impeding housing development.

Since the beginning of the Management Partners analysis, to what has morphed into the Process Improvement Action Plan, staff has exercised openness, eagerness and creativity with tangible results (see Attachment 1 and PIAP outreach website at srcity.org/ImproveCD). Efforts and accomplishments to date have creatively maximized and exhausted the use of existing resources from within the Department and City organization. The actions outlined hereafter will require additional resources.

Long prior to the Management Partners contract, the former Community Development Department had partnered with the Economic Development Division to create aggressive augments to the City's Economic Sustainability Strategy. The augments focused on building the entrepreneurial environment through programs, partnerships, and building a positive business climate. Approved by Council Resolution #27626 on May 4, 2010, staff was also directed to draft ordinance changes for development-related regulations.

Effective July 31, 2010, Ordinance #3944 codified actions designed to reduce barriers to development and new business start-ups as proposed in Council Resolution #27626. Highlights of these economic development measures include extensions and reactivations (e.g. extensions in time limits for legal nonconforming status, extensions for existing approved project entitlements, and an increase to the number of City approved extensions), allowing more uses by right, modifications to the Design Review Process, changes to sign requirements, and changing the collection of Development Impact Fees within the City's jurisdiction to be made at final inspection.

In addition to the 2010 initiative, subsequent efforts included additional aggressive measures Tier 1 & 2 which included multiple work plans spanning 2011 to 2013. These work plans resulted in prepared opportunity sites, reduced zoning impediments to economic development and permanent codification of the 2010 interim measures (see Attachment 2).

PRIOR CITY COUNCIL REVIEW

The Process Improvement Action Plan has not been presented to Council for action to date.

ANALYSIS

The opportunity for housing production is now. The vacancy rate is low, demand for all types of housing products is high, and the development community is ready for action with entitlements for housing projects representing thousands of units either in hand or pending imminent action. The City plays a limited but important role facilitating the completion of these projects.

Housing development of any kind is subject to the state of the economy/market investment cycles, banking and credit, market demand, and land/parcel availability. Where municipalities enter the picture are in the local entitlement and permit processes, and economic development initiatives; and even these can be subject to state and federal regulations.

In regards to market investment cycles, Santa Rosa has responded as healthy cities should. During declining conditions Santa Rosa developed initial development incentives as seen in the Aggressive Economic Development Augments (AED). During the bottoming of conditions staff worked to improve zoning and other regulations, and

began streamlining the entitlement process as seen in the Additional AED work plans. With improving conditions – where we are now – we should consider catalytic public investment and additional development incentives such as those introduced in this report. And in booming conditions we will focus on value capture and minimizing public investment.

Currently there are 1,129 residential units in various stages of the City's development process (see Attachment 3). Specifically: 267 multi-family attached units, 380 single-family attached units, and 490 single-family detached units. The Planning and Economic Development (PED) Department goal is to have as many process improvements in place to ease housing entitlement procedures to aid the timely building of these units, which in turn will encourage reinvestment as well as new housing investments. This will require the above mentioned outlay, and will result in beneficial and tangible social and economic impacts. It is good to note that the proposed improvements will also have a positive impact on the 14 commercial developments currently or imminently in process.

To achieve sustainable success in implementing the goals and objectives of the Process Improvement Action Plan, the City must plan for a multi-year phased resource investment process that will continually prioritize use of existing resources and the reinvestment of fees over one-time and fiscal year monetary asks.

The proposed priorities and funding goals for the remainder of Fiscal Year 2015-2016, and Fiscal Year 2016-2017 are:

- Expand service counter hours and services
- Decrease plan review turnaround time
- Increase inspection capacity
- Increase transparency of permit process and performance
- Reform land use policy impacting the production of housing

FISCAL IMPACT

Approval of this report does not have a fiscal impact on the General Fund.

The total number of permits submitted to Planning, Engineering, and Building have steadily increased each year from the 2009 low of 4,675 total permits to the 2015 record of 7,046 permits. This exceeds the previous record in 2007 of 6,768 permits.

While fee based revenues have also increased from the 2010 low of $2,973,625, they have not kept pace with permit volume. This is because 1) many permits that we previously charged for are now allowable by right through the Aggressive Economic Development Ordinance, and therefore no longer have fees associated with them, and 2) Planning, Engineering and Building fees are not designed to be full cost recovery.

The economic impacts associated with the process improvement initiatives, and specific to housing development, can be seen as follows. This is not a conclusive list.

- Building materials (retail and wholesale) are in the City's top ten highest

producing economic segments, with each category providing $1.75 million in local sales tax for a total of $3.5 million in local sales tax revenue (per MuniSerives STAR Report)

- 94% of the city's housing stock in a five mile radius from downtown Santa Rosa is occupied, illustrating the demand for market rate and affordable housing.
- Even at peak production, the nation's housing supply increases by only one to two percent annually. Per statistics presented at the recent State of the County address, Sonoma County mirrors this trend. As our local economy nears what is considered "full employment," as measured by the unemployment rate, housing will continue to remain a premium, putting stress on our housing needs, especially at the lower wage end. This, in turn, will have a negative effect on employment and business attraction, retention and expansion

With resources, a multifaceted analysis of the localized impacts of new housing development in Santa Rosa could be conducted, and include:

- The regional economic impact of real estate investment – looking into how "new dollars" ripple through the local economy, creating economic activity (sales, jobs, taxes, etc.);
- The fiscal contribution of new households - essentially taxes paid in comparison to the costs of public services;
- The expanding labor force and labor force diversity supported by new housing serving the range of working family incomes.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – Process Improvement Action Plan Updates 1-5
- Attachment 2 – AED Results
- Attachment 3 – Residential Developments Currently in Process

CONTACTS

David Guhin
Interim Director, Planning and Economic Development
dguhin@srcity.org
Tel. 707-543-4299

Clare Hartman
Deputy Director, Planning
chartman@srcity.org
Tel. 707-543-3185

Raissa de la Rosa
Economic Development and Marketing Coordinator
rdelarosa@srcity.org
Tel. 707-543-3059