

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Joseph Horwedel
Jennifer A. Maguire

**SUBJECT: DEVELOPMENT SERVICES
STAFFING**

DATE: May 24, 2012

Approved

Date

5/24/12

RECOMMENDATION

To facilitate San José's Development Services increasing workload demands and to meet set performance targets, the following actions are recommended to be effective July 1, 2012:

1. Adoption of the following 2012-2013 Proposed Budget amendments in the General Fund contingent upon approval of the 2011-2012 Appropriation Ordinance and Funding Sources Resolution amendments that will go forward for City Council approval on June 19, 2012:
 - a. Decrease the Reserve for Building Development Fee Program by \$124,703;
 - b. Decrease the Reserve for Planning Development Fee Program by \$520,821;
 - c. Increase the Building Development Fee Program - Personal Services appropriation to the Planning, Building and Code Enforcement Department in the amount of \$113,497;
 - d. Increase the Planning Development Fee Program - Personal Services appropriation to the Planning, Building and Code Enforcement Department in the amount of \$473,777; and
 - e. Increase the 2013-2014 Future Deficit Reserve by \$58,250 or distribute this funding as part of the 2012-2013 budget process.

2. Approve the following position additions:

Building Fee Program:

<u>Job Code</u>	<u>Job Classification</u>	<u>FTE</u>
4122	Planner I/II	1.00

Planning Fee Program:

<u>Job Code</u>	<u>Job Classification</u>	<u>FTE</u>
4122	Planner I/II	1.00
4124	Senior Planner	1.00
8074	Division Manager	1.00
3954	Permit Specialist	1.00

OUTCOME

The outcome of these actions will add five new positions (one in the Building Fee program, and four in the Planning Fee program). These actions are necessary in order to operate San José Development Services “at the speed of business,” and to ensure performance levels for planning services will meet newly anticipated customer demands.

The Building and Planning Development Fee Programs are currently projecting to end the year above revenue estimates combined with expenditures savings, resulting in Fee Program Works in Progress reserves projected at \$945,000 in the Planning Fee program, and \$13.7 million in the Building Fee program at the start of 2012-2013. This memorandum recommends the use of both of these Planning Fee and Building Fee estimated reserves, leaving a projected remaining balance of \$424,000 for Planning and \$13.5 million in Building, in order to provide for additional Planning staff to meet increased demand in Planning Development and in the Permit Center.

BACKGROUND

As a cost recovery business, Development Services needs to work as efficiently as possible while providing high quality service and thorough review consistent with Council adopted codes, policies, plans, and guidelines. Based on increased activity and associated increase in revenue at the end of 2011-2012, Development Services is expanding its service model to meet dynamic customer needs by offering increased baseline service capacity, increasing the Expedited Plan Review capacity with coordinated review and a second STI/ITI line, as well as enhancing customer service through the *Superior Customer Service through Successful Partnerships* initiative.

In order to meet the challenges of expanding staff yet maintaining cost recovery in an uncertain economic environment, staff presented a strategy to City Council on January 31, 2012 to provide the staffing capacity needed to keep up with current and future demand for permitting services. This approved request added a total of 21 permanent front-line positions to Development Services, 17 within the department of Planning, Building and Code Enforcement (PBCE). The 2012-2013 Proposed Budget also adds 17.8 front-line staff to Development Services, a net 6.75 positions in PBCE. In addition to these new positions, \$300,000 was added ongoing to PBCE during the 2011-2012 Mid-Year Budget Review for a Peak Staffing (temporary staffing) agreement that would allow Planning and Building to add Building Inspectors, Plan Check Engineers, and Planners on an as-needed basis when activity demands require above baseline capacity. An additional \$100,000 was added ongoing in PBCE for peak staffing as part of the 2012-2013 Proposed Budget, as well as \$110,000 to Fire Development for temporary Fire Plan Check Engineers.

Despite this increase in staffing and the ability to use temporary resources, it has become clear that additional Planning baseline resources are needed in the Planning Fee program and Permit Center in order to meet anticipated demand and to continue to operate efficiently, attract further

development to the City, and appropriately staff the anticipated large development projects coming to San Jose during 2012-2013.

ANALYSIS

Planning Development Services

A detailed review of pending Development Services projects shows that the Planning Division must further increase its Planning capacity in order to be prepared to meet recent and anticipated demand for 2012-2013. Late 2011-2012 submittals have or will result in significant revenue increases from the following projects:

- North San Jose - Two new parking garages for an existing tenant in North San Jose.
- Atmel Way - 600,000+ square feet of office space and associated parking garage located at the westerly terminus of Atmel Way
- FMC – 670,000+ square feet of office and associated parking garage located at the westerly intersection of Coleman Avenue and Aviation Way
- Santana Row Office – Approximately 230,000 square feet of commercial office and below grade parking located at the southeast corner of Winchester Blvd. and Olsen Drive
- Hitachi Retail – 310,000+ square feet of retail on the east side of Cottle Road between Poughkeepsie and Raleigh Roads

Other development applications are anticipated for 2012-2013, such as Communications Hill and additional Hitachi residential as well as development projects intending to take advantage of recent incentive packages approved by the City Council. Together with the recently filed projects, Planning revenue is expected to cover the costs of the additional staff.

In addition to these major applications, Planning Development is also experiencing an upswing in minor Planning applications and preliminary reviews, resulting in a back up of application submittals by at least one month. As a result of this backup, management and Sr. Staff are performing the work of Planners such as processing newly submitted applications and preliminary review applications to help provide additional capacity.

The top comments received during the 2011 Annual Customer Satisfaction survey for Development Services overwhelmingly shows that customers want to see decreased wait times and turnaround times and increased staffing. Although Development Services, as mentioned earlier, has been approved to increase staffing following the January Council memorandum, this survey reflects the low staffing levels of 2011. One additional Planner in Development was reinstated after the Council's January budget action to raise the total number of Planners to five; however, additional resources are needed now to respond to the uptick in applications. The additional positions will be filled from a recruitment that generated over 400 applications for Planner I/II to fill the current vacancies in the Environmental Review, Expedited Planning, and Village Planning teams.

Over the last two years, the Planning Fee program has seen a steady revenue intake, meeting base budget estimates. However, since December 2011, the monthly intake has been increasing. With a base budget of \$2.5 million, the estimated 2011-2012 intake is now projected at \$2.7

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million. In addition, staff estimates show that approximately \$370,000 in salary and non-personal/equipment expenditure savings will be added to the Planning Development Fee Program – Works in Progress reserve at year end. Based on these savings and increased revenue intake, the reserve balance at year end is now estimated to be at least \$945,000. This reserve is intended to pay for projects (staffing and non-personal costs) that cross fiscal years and reflects work remaining to be completed.

Based on this analysis of work coming into the Fee programs, it is recommended to add one Planner, one Senior Planner, and one Division Manager in the Planning Development Fee program. A Senior Planner is needed to provide the supervisory expertise needed for more complex projects, and workload demands require an additional Planner I/II for project management. A Division Manager is needed to provide sufficient management support of several important disparate activities focused on business attraction across all Development Services, restarting the Expedited Planning Service processing planning projects, expanding the support for small businesses across development services, and assist with development opportunities in planned village areas.

The action would support restarting the Expedited Planning service and add resources to allow faster implementation. It would also bring the Development Services Project Manager/Expediter, new Small Business Advocate positions together to expand the facilitation services to small businesses working within the city and with outside business groups to improve the level of service available to these customers. This position could also expand initially the capacity of the Department to move forward with Village Plans by allowing proposals for Signature Projects as contemplated by the Envision 2040 General Plan to be considered as well as major economic development proposals in the village areas.

The goal of restarting the Expedited Planning Service is to create a new service line in the Planning Division to expedite high priority economic development projects, similar to the Building Division's successful Special Tenant Improvement/Industrial Tool Installation programs. Staff from Public Works, Fire, and Building would work in a coordinated review approach under the Division Manager's leadership to streamline the development process, reduce processing times, and ensure thorough and high quality review and resolution of issues.

As noted in a separate Manager's Budget Addendum, Development Services is identifying new performance targets to differentiate regular and expedited review. Planning staff capacity is needed to deliver on these targets. This core capacity would be augmented, as needed, with retire rehires and peak staffing so as not to expand the employee base beyond a sustained activity level.

Permit Center

Staffing levels in the Permit Center currently provide only 12 hours per week for general inquiries, and wait times often exceed two hours. Out of 1,367 customers served in March, only 63% were helped within 30 minutes. Planning resources are limited such that an average of ten customers are turned away each day with planning-related questions and walk-in applications. Staff are also abandoning approximately 40 phone calls per day due to the lack of staffing resources. Lean staffing levels, occurring as a result of the economic slump in 2009, leave the

department with no “backup staff” to help with workload during vacations, medical leaves, and other routine or unexpected absences. As more customers come to the Permit Center or use the Planning phone line for general inquiries, more are turned away due to the limited ability the Department now has to answer those questions. Based on the number of large development projects that are projected during 2012-2013, Development must increase Planner I/II capacity in the Permit Center to provide baseline services for general inquiries and Planning Technician capacity to assist with application intake and associated back office work.

General inquiries, coming though the Development Services website, phone line, and walk-ins, are usually considered a General Fund activity, as customers with these types of questions may not follow through and purchase a permit. Since these types of inquiries may not result in fees, the Department believes staff for general inquiries should be funded using General Fund. However, the Department is able to fund a Planner I/II using Building fees and a Permit Specialist from the Planning Fee Program as a result of increased revenue collections and expenditure savings. Currently, the Building Fee program is anticipated to collect an additional \$1.5 million in revenues and have approximately \$725,000 in expenditure savings (primarily personal services) at the end of 2011-2012, which would increase the Building Development Fee Program Reserve for works in progress to be over \$13.7 million at the beginning of 2012-2013.

Based on the need for additional capacity in the Permit Center, a Planner I/II position is recommended to be funded from the Building Development Fee Program reserve. A Permit Specialist position is recommended to be funded from the Planning Development Fee reserve to assist with application intake and initial processing of minor permits in the Permit Center.

COST SUMMARY IMPLICATIONS

The table below summarizes the estimated expenditures related to the actions recommended in this memorandum.

Expenditures	2012-2013	
	FTE	Funding
Building Development Fee Program – Personal Services	1.00	\$113,497
Planning Development Fee Program – Personal Services	4.00	\$473,777
Building Development Fee Program Reserve	0.00	(\$124,703)
Planning Development Fee Program Reserve	0.00	(\$520,821)
2013-2014 Future Deficit Reserve*	0.00	\$58,250
Total Expenditures	5.00	\$0

* The recommendation to increase the 2013-2014 Future Deficit Reserve or distribute this funding as part of the 2012-2013 budget process reflects the overhead reimbursement to the General Fund to recover the estimated fair share of indirect General Fund support service costs that benefit development services.


The table below summarizes the use of the Reserves and the projected balance at the beginning of 2012-2013.

Fee Program	Anticipated Status of Reserve (as of July 1, 2012)	2011-2012 Anticipated Add'l Revenue***	2011-2012 Anticipated Exp. Savings***	2012-2013 Subtotal Reserve	Recommended Actions	2012-2013 Projected Reserve
Building	\$11,477,909**	\$1,450,000	\$725,000	\$13,652,909	(\$124,703)	\$13,528,206
Planning	\$315,279	\$260,000	\$370,000	\$945,279	(\$520,821)	\$424,458

** Already assumes projected additional revenues of \$3,636,247 at the end of 2011-2012.

*** Staff will bring forward recommendations for City Council approval on June 19, 2012 to recognize additional revenues and anticipated expenditure savings as part of the 2011-2012 Appropriation Ordinance and Funding Sources Resolution amendments memorandum. The estimated amounts in the 2012-2013 Projected Reserve are contingent upon approval of these amendments by the City Council.

/s/
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