

# XI. OTHER FUNCTIONS

## A. ECONOMIC DEVELOPMENT

The Office of Economic Development (OED) formulates and implements strategies and programs to foster business growth, job creation, and a strong revenue base for San Jose. Programs fall into two service areas:

- ✍ Business/Job Attraction, Retention, Expansion and Creation
- ✍ Workforce Development

OED has historically had a base staff of 35 employees. For FY 2002-2003, staffing is being expanded to 49, primarily to expand the workforce development program. The total budget is \$4,993,963. OED is located within the office of the City Manager.

OED is an active participant in the END CSA and OED's Director is currently designated as END's Team Leader. OED's primary relation to San Jose's development and permitting activities is in the area of business/job attraction, retention, expansion and creation. Employees assigned to this function include 11.25 positions. OED staff work with other City departments to make a company's expansion or development process as smooth as possible. OED's goal is to respond to requests for assistance within one day, 90% of the time. During 2001-2002, roughly 58 companies received OED permitting assistance.

In addition to participation in END, OED participates in the Economic Development Cabinet and the Development Cabinet, each of which meets every two weeks.

A variety of economic development issues surfaced in this study, as discussed below.

### **OED Effectiveness**

The charge of this study was only to look at OED interface issues with development and permitting functions rather than conduct an internal audit of OED and its activities. Those we interviewed felt that, in the past, OED has not been a strong actor in the City, but that under new leadership, this is likely to change.

### **Organizational Structure**

Economic development activities are structured in a variety of ways in other cities, as follows:

- ✍ Independent organization
- ✍ Office of the Mayor
- ✍ Office of the City Manager

✍ Within redevelopment

✍ Within planning

There are pro and cons for each alternative. Often the best structure depends on the city's size as well as economic development needs. In a smaller city, we might recommend placement in either redevelopment or planning. However, in San Jose, we believe the function requires a greater focus and we would not favor either approach. Redevelopment needs to keep its focus on the specific redevelopment areas. Planning, while needing to be sensitive to economic development issues, has a broader mandate along with important permitting requirements that carry a variety of legal mandates.

The economic development needs of San Jose are too central to the future of the City to have them totally located in an independent organization. Finally, the City structure as related to the Mayor's role does not lend itself to this function directing operational programs.

Given the above, the logical placement of the economic development function is within the City Manager's office, as currently structured.

### **Housing/Economic Development**

There appear to be conflicting City goals between the need for economic development and the need for housing. General Plan Amendments are reported to be increasingly sought and approved to allow industrial land to be converted for residential development. This is a broad policy issue and a General Plan strategy needs to be worked out by the City.

**316. Recommendation: Planning, in concert with Economic Development and Housing, should develop a General Plan strategy and policies in regard to economic development and housing issues. Such a strategy should be reviewed by the END CSA and, as appropriate, brought before the City Council for approval.**

### **Process Issues**

In many communities, conflicts between economic development interests and the permitting functions relate to the time it takes to obtain various plan approvals or permits. At times, this has been the case in San Jose. The issue of permit timing is discussed in various chapters of this report. The information age and changing industry practices now call for even faster timelines. One of the City's prior industry focus groups said it very cogently, "By the time we get a permit for a tenant improvement, we may have already lost the sale to a competitor."

In addition to time issues, economic development clients are looking for problem-solving approaches, consistency and clarity of requirements. Other sections of this report address these issues, as do some of END's performance standards.

Many feel that the relations between economic development interests and permitting issues have substantially improved in San Jose. We feel this is true, particularly at the management levels. However, given high staff turnover, the need to be sensitive to economic development issues has to be continually reinforced. A good way to do this is to train the permitting staff in development economics. The focus group of engineers convened for this study suggested that they would be willing to conduct a training session for City engineers to help them be sensitive to what the private sector engineers and developers face. Similar approaches could be used in Building, Fire and Planning.

In the new City Hall, Economic Development staff and permitting staff will be located in the same building. This should help to reinforce productive relations. As Economic Development monitors how it can best serve its clients, consideration should be given as to how best to locate some of OED's staff in relation to the permitting functions.

**317. Recommendation: Private sector developers, builders, planners, architects and engineers should be asked to conduct seminars for City staff involved in the permitting functions.**

**318. Recommendation: Economic Development should review how best to locate its staff dealing with permitting as part of the new City Hall.**

## **B. TRANSPORTATION**

### **Profile**

The Department of Transportation is a large 535-position department with a FY 02/03 budget of \$68,731,710. Services within this department include Parking, Street Landscape Maintenance, Pavement Maintenance, Sanitary Sewer Maintenance, Storm Sewer Management, Transportation Operations, Traffic Maintenance and Transportation Planning.

The Transportation Planning function is the one function of this Department that is the most involved in the development and permitting functions. Fiscal year 2001-2002 was the first year that the Transportation Planning Core Service was included in the Transportation Department. It was previously located in the Public Works Department. The FY 02/03 budget for this function is \$3,889,023.

The Transportation Planning Core Service involves managing the transportation elements of the General Plan (arterial street plan, bike plan, and pedestrian plan) and coordinating transportation and land use planning studies and policies. Services also include the analysis of transportation system performance by conducting traffic studies and traffic forecast modeling. In addition, this service includes coordination of the City's Bicycle and Pedestrian Advisory Committee. Key activities include review of General Plan amendments, annual traffic counts at Congestion Management Plan intersections, annual travel time studies, aerial traffic surveillance, and maintenance of an intersection level-of-service (LOS) database.

### **Performance Issues**

The development and permitting functions within the Department of Transportation suffer from the same problems impacting Development Services within the Department of Public Works. That is, the review functions are a relatively minor part of the Department's activities and, therefore, often get inadequate attention. This problem is highlighted in a review of the END CSA performance measures. The only measure is "% of projects/activities completed on schedule." However, this measure has not yet been developed.

A number of performance issues have been raised in this study as related to the Department of Transportation.

### **Planning Reviews**

The Department of Transportation receives planning applications as part of the normal Planning Division referral process and sends a representative to the routine Thursday inter-departmental Project Review meetings. However, DOT does not routinely suggest conditions for project approval.

An effective review of new development requires a well-coordinated effort by all City departments. The input by DOT at the preliminary stages is critically important. DOT has stated its concern that they are often confronted with traffic operation problems in neighborhoods after the development is completed. It is the responsibility of DOT to identify those issues up front and to ensure that mitigation is required at the time of discretionary project approval by the Planning Division. DOT has stated the benefit of requiring traffic data and measurements of actual impacts resulting from completed projects. This could be done if such conditions were imposed and approved at the time of discretionary approval. If there is no condition applied to the project, DSD cannot add this requirement during its improvement plan review. Moreover, DSD is not in a position to accommodate "after-project" reviews, while DOT is. DOT has the responsibility to maintain and operate the public streets and is in a good position to lend its expertise to improve conditions that mitigate impacts to the various neighborhoods.

**319. Recommendation:** DOT shall coordinate its review and provide conditions to the Planning Division concurrently with the Development Services Division. Planning will assure that conflicts that may arise are resolved in the discretionary review process. DOT and DSD should explore the use of “after project data collection” on certain developments.

### **Traffic Signal Plan Check**

One of the major frustrations suggested by the engineers in the focus group was the lack of coordination and timely review of traffic signal design and plan check. This issue involves the Department of Transportation plus two divisions within Public Works. The issue is discussed in Chapter IX addressing Development Service.

### **Development Fees/ Impact Fees**

The City has recently adjusted the development fee schedule to bring the development review program back to a full cost-recovery mode. The fees had not been increased for some time, and development review costs increase each year by at least the cost of living. It is easy to conclude that, if these fees are not adjusted each year to match the cost of living and other increases, the cost recovery will never quite catch up.

During this study, it was noted that some of the problems related to the delay in the timing for complete reviews were related to DOT not allocating sufficient resources to keep traffic geometric reviews on schedule with the balance of the DSD project plan check. Moreover, it also appears that some of the traffic impacts to both local neighborhoods and to the Citywide circulation system are not being adequately mitigated. Part of this problem is due to the fact that there are often cumulative effects of several developments that cannot be mitigated by a condition or exaction on any single new project. It is difficult for DSD to find the "nexus" when this circumstance exists. The City then, quite often, is only left with after-the-fact solutions, such as “traffic calming” and other operational improvements that may not solve the real circulation needs in San Jose. DOT and DSD have not done a very good job of coordinating their comments and conditions to be applied to new developments at the discretionary approval stage, which is another reason why this problem has evolved. The current traffic reports being produced by each new development do not appear to adequately address the cumulative effects of new developments on the City’s system.

For example, a single small development may not generate enough traffic to justify the exaction of a local traffic signal, but it may add just enough traffic that an intersection several blocks away now meets a warrant for an improvement or even a signal. Larger developments quite frequently have measurable impacts well beyond the local neighborhood, but the proportionate, or fair share, related to the specific project is difficult to assess at the time of discretionary approval.

The costs of the ministerial development review and traffic impacts to the City can be brought into a better balance through the use of impact fees. It is possible that the review process could be both shortened and simplified, thereby reducing costs (fees) while at the same time collecting funds that can be applied to circulation improvements (signals, trails, sidewalks and streets, intersection improvements, etc.) to mitigate the cumulative impacts to the City's system caused by new development. Several staff comments in this regard are enlightening.

- ✍ Traffic review as practiced often seems arbitrary and buffaloes the general public to a point of anger and resentment. The money spent on it, from the staff review to the consultant's fees for producing such reports, could be better spent on physically building road improvements.
- ✍ The Transportation Level of Service (LOS) Policy needs to be updated or completely overhauled to comply with the Council's direction of pro-development. More often than not, staff struggles to have the proposed project comply with the LOS policy and at the same time allow the project to move forward. Staff feels frustrated knowing that the policy does not work.

Traffic impact fees can be assessed in a number of ways. A fee that is based on the proportionate share of traffic that is added to the City's system can both be fair and help keep the City from falling behind in its full cost recovery in the development review program. We understand that in the past, the City has discussed and rejected the use of impact fees. Nevertheless, we suggest the topic once again be reviewed.

**320. Recommendation: DOT, Planning, and Public Works DSD should develop a proposed traffic impact fee program that meets the following goals:**

- a) **Partially offsets other development fees and costs to development for traffic/circulation exactions.**
- b) **Brings the traffic report requirement into sync with Citywide circulation improvement needs.**
- c) **Allows implementation of traffic improvements by the City as a part of its Capital Improvements Program.**

## **C. HOUSING**

The City Housing Department consists of 82 authorized positions with an operating budget of \$9,175,761. The Department manages funding of \$208,135,954 from a variety of sources to support services and programs. The Department's primary source of funding is 20% of the gross property tax increment from the Redevelopment Agency. The Department has ambitious goals for creating 6,000 housing units over five years, 85% low income and 15% moderate income. The City Council recently

approved a new production goal of 6,000 units or 1,200 units per year, for the five-year period beginning in July 2002.

The City’s development and permitting functions have an obvious impact on housing production in the City and the Housing Department’s programs. To assist in these efforts, the Housing Department funds a Senior Planner to work on their projects in the Planning Division. For FY 02/03 they will also fund one position in the Public Works Department, Development Services Division.

The Housing Department participates in a variety of activities to coordinate housing programs with other permitting and development activities, including the:

- ✍ Economic and Neighborhood Development City Service Area (END CSA)
- ✍ Development Cabinet
- ✍ Inter-Governmental Policy Committee

In response to concerns regarding housing availability and affordability, the Mayor created a Housing Production Team in September 2000 to identify specific recommendations to increase the housing supply in San Jose. By January 2001, this group developed 72 recommendations, many of which (50 or 69%) directly address the City’s development and permitting functions. Good progress has been made on implementing these recommendations, as summarized in Table 54 below, with 89% either completed or in progress. The Housing Production Team meets monthly and has representatives from Building Fire, Housing, Planning, and Public Works.

**Table 54**  
**May 2002 Housing Production Team Status Report**

Status of Recommendation	Number	Percentage
Complete	43	60%
In Progress Š Completion by 6/02	11	15%
In Progress Š Completion by 12/02*	10	14%
On Hold	8	11%

\*These items are related to the Housing Opportunities Study and Level of Service EIR.

The number of recommendations impacting each of the development departments is shown in Table 55 below. Excellent progress has been made on many of the recommendations. The Director of Housing suggested to us some improvements that the permitting departments can make, and these suggestions have been addressed in other sections of this report.

**Table 55**  
**Housing Production Team Recommendations by Development Department**

Department	Number	Completed	On Hold	In Process
PBCE	39	17	3	19
Redevelopment	7	6	1	0
Public Works	1	1	0	0
Transportation	1	0	0	1
All	4	4	0	0

Most of the recommendations “On Hold” or “In Process” address policy issues that are outside the scope of this study. The exception is two “In Process” recommendations, which are as follows:

- ✍ “28. Planning and Building need to be streamlined – cut by 25% timelines.”  
This item is discussed in the Planning and Building sections of this report.
- ✍ “31. Clarify existing rules and regulations so developers have more certainty.”  
Many of the rules and regulations are discussed in other recommendations that are in progress and are beyond the scope of this study. Others, as appropriate, are discussed in other sections of this report.

We also have comments on three Housing Production Team recommendations that are listed as “Completed,” as follows:

- ✍ “55. Adequate staff resources in Planning and Building.”
- ✍ “60. Promote concurrent processing of GP, PD zoning, PD permit and tentative maps.”
- ✍ “62. Planning is understaffed – need higher level planners.”

Recommendation 55 may need to be revisited as the year progresses. Staff will be adjusting to the recommendations included in this report, to new staffing levels, and to changing levels of permit activity. These are discussed at greater length in other sections of this report.

A survey was sent by the Housing Department to all developers requesting feedback on the efficacy of the Housing Action Team’s development review process. Responses were not available at the time of this report’s completion, but ideas from this survey can be used to further enhance improvements in the City’s development process.