



Memorandum

TO: HONORABLE CITY COUNCIL

FROM: Mayor Mahan
Councilmember Jimenez
Councilmember Davis

SUBJECT: SEE BELOW

DATE: August 8, 2024

Approved

SUBJECT: Development Process and CEQA Improvements

RECOMMENDATION

Direct the City Manager and the City Attorney to take the following actions:

- 1) Prepare a presentation to the Community and Economic Development Committee (CED), to be heard no later than Q2 2025, that includes the following:
 - a) A summary of findings from any previously collected stakeholder input regarding the CEQA environmental review process, along with peer city metrics for timing for key review elements and other relevant benchmarks.
 - b) Overview and explanation of the CEQA process, including:
 - i) The procedures used for determining whether a project is exempt from CEQA, and whether San Jose's process differs in a meaningful way from our municipal peers.
 - ii) A progress report regarding implementation of the recommendations from the 2022 audit of Environmental Review for New Development.
 - iii) Options or recommendations that could allow for more projects to be determined eligible for CEQA exemptions.
 - c) Opportunities for the Planning, Building and Code Enforcement Department (PBCE) to engage the City Attorney's Office (CAO) to further streamline the CEQA process for projects, including reducing thresholds for impacts and standardizing mitigations for projects in our downtown and urban villages.
- 2) Prepare a City Manager's Budget Addendum (MBA) in the next budget cycle with:
 - a) An overview of workload and workflow in the context of the current cost recovery model.
 - b) Recommendations for a phased increase in general funding to PBCE for work currently not included in the cost recovery model as implemented. Such work may regard, but is not limited to customer service, policy work, and city council inquiries.

BACKGROUND

We are grateful to receive the support of our colleagues for our Development Services memo, dated October 25, 2023, and for the diligent efforts of City staff to implement those recommendations.

In the spirit of continuous improvement, we bring these additional recommendations to the Rules Committee for consideration. We believe it would be valuable for staff to provide an overview and explanation to the Community and Economic Development Committee of the criteria and procedure used to determine CEQA exemption eligibility. We believe it may be helpful for staff to identify points of discretion in the determination of CEQA exemptions, if any exist, and whether policy options exist that may allow for additional projects to be deemed exempt from CEQA. However, the presentation generally should include a walk-through of the CEQA process, the workload and workflow, and the resources available to PBCE for this purpose.

Given the familiar fiscal constraints of Prop 13 and the need for long-term improvement in the City's budget health, it is clear that increased development in the city is crucial for revenue growth. PBCE is an important facilitator of the City's expansion. Our municipal peers approach funding their equivalent departments in a variety of ways, but it is not uncommon to allocate a portion of general funds towards development services. This is quite different from our approach, which requires 100% cost recovery through fees on development, and which has proven to not provide budget consistency for the Department. Less volatile PBCE funding should yield a more stable department that can generate maximum long term revenue during times of broad economic growth.

Even under the cost recovery model as implemented, PBCE is expected to respond to Council and community inquiries, but we have never expected Council offices or members of the public to pay for the cost of staff to respond. We also expect our staff to weigh in on the state legislative process and implement numerous new rules related to state laws every year. We must acknowledge that the transition of PBCE away from a 100% cost recovery model to something that is sustainable is necessary for our city to grow. We direct staff to prepare an MBA with options for beginning this transition and appropriately funding PBCE for unbillable work, such as the costs associated with responding to Council and public inquiries.

The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City Council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.