



# Memorandum

**TO:** HONORABLE MAYOR AND CITY COUNCIL  
**FROM:** Councilmember Donald Rocha  
**SUBJECT:** OCTOBER 2017 PRIORITY SETTING  
**DATE:** October 16, 2017

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Approved Don Rocha Date 10-16-17  
*DR*

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## RECOMMENDATION

That the City Council take the following action:

1. Direct staff to return to the City Council at a future date with a comprehensive analysis of the Mayor's Housing Crisis memo, including evaluation of the proposals the Mayor sets forward, identification of any addition policy approaches to the Housing Crisis that staff believes may have merit, and an accounting of the resources that would be needed to implement the Mayor's initiatives and meet his ambitious housing production goals.
2. Consider removing from the priority setting list any items that were drawn from the Mayor's Housing Crisis memo, and instead make a decision on which items from that memo to pursue and how to prioritize them after receiving analysis from staff. The intent with this recommendation is not to obstruct consideration of the Mayor's memo, but to ensure that we have adequate information evaluate the merits of each proposal, and that we do not limit ourselves to our existing staff resources in the pursuit of worthy proposals to address the crisis.

## ANALYSIS

I was very pleased to read the Mayor's housing plan and look forward to working with him to continue to address the Housing Crisis. I offer this memo because I believe that the Housing Crisis is such a critical issue that we should take extra care in evaluating our options and deciding which to pursue. If we are to do justice to the comprehensive approach that the Mayor proposes, I think we need to have a comprehensive analysis from staff well in advance of the meeting and a comprehensive discussion with the Council about our approach. Given both the complexity and the importance of this issue, I don't feel prepared at this point to decide which items should proceed and which should not.

I also think it would be useful for us to take some time to think about how the Mayor's proposals may change our larger approach to land use in San Jose. I've heard for years that our unfavorable jobs/housing ratio makes it critical for us to put jobs first. From tiny teacher housing to the 910 units proposed by the Evergreen ballot initiative, the refrain

has been that we must not convert industrial land. With the Mayor's proposal that seems to be changing. In particular, he proposes to accelerate construction of 4,000 housing units in North San Jose ahead of the job production required in the North San Jose Plan—effectively turning the jobs first motto on its head. I'm not necessarily opposed to this suggestion, but I do think it would be wise for us to take a breath and have a high level discussion about what this new approach means for the priorities and direction of the 2040 Plan.

Perhaps most importantly, I think we should give careful consideration to what resources we will need to provide to successfully implement the Mayor's goals and proposals. I'm not convinced that priority setting is the best venue for that discussion. The Housing Crisis is one of the greatest challenges we face—I think it merits more careful consideration than just being thrown in to compete with a collection of smaller policy efforts.

Priority setting is our method to divide up the workload pie, but it seems to me that the pie may already have been eaten, and if we want to pass out more pieces we may just be slicing up the air. Consider, first of all, that of the twenty-five items already on the priority setting list, almost half are the responsibility of Planning, Building and Code Enforcement (PBCE) and an additional six are the responsibility of the Housing Department. Next, consider that many of the priority items that are PBCE's responsibility have lingered on the priority list for a long time (Electronic Billboards, Mobile Home Conversions, and the Development Agreement Policy, for example.) Finally, consider that there are many critical workload priorities in PBCE that are not on the list and which also remain unfinished. For example, six years after the adoption of the General Plan, we have not yet figured out how to structure Urban Village Implementation Plans. If it takes us over half a decade to complete a mission critical project like implementation plans, what are the odds that staff will be able to finish a long list of new work items in a timely fashion?

My intent is not to criticize staff, but to suggest that instead of making housing policy ideas fight with each other over depleted staff capacity, it might be wiser to remove them priority setting altogether, commit to doing all of them that are worth doing, and figure out how to line up resources to make that happen. Instead of fitting our priorities to our resources, we would be fitting our resources to our priorities.

I know, easier said than done, but if the Housing Crisis is the challenge of our time, shouldn't we try to line up the resources to address it? To give you a sense of how much money we might need to make a dent, I've attached a cost estimate I requested in the last budget cycle. I asked staff to estimate how much it would cost to staff up our Urban Village planning effort such that we could complete all village plans within 10 years. I decided not to pursue the idea through a budget request given my limited bandwidth as one councilmember, but if the entire council were committed to increase planning staffing it might be something we could accomplish.

Here are a few ideas we might consider:

- Establish a fee for long range planning in areas where nexus could be found, and use fee revenue to supplement the General Fund resources that currently fund many long range planning activities.

- Pursue a small tax increase during the 2018 election cycle that could fund the addition of a few new planning staffers.
- Study a Commercial Linkage Fee that would help fund affordable housing and move us closer to the 10,000 unit goal.
- Assuming the Council eventually adopts Urban Village Implementation Plans, we could devote some of the value captured from development in Urban Village to planning future Urban Villages or doing other long range planning work.
- Cut other non-essential spending and use the savings to hire planning staff.
- When the Council takes action on the Annual Report, which appears as item 3.3 on the October 17 agenda, redirect the \$500,000 proposed for the Contingency Reserve and the \$350,000 proposed for the Future Deficit Reserve to immediately fund consultant staffing to begin working on housing policy items. (See Attachment B for the relevant page from the Annual Report.)

It won't be easy to add staff, but we may have some viable options. Before we even get to these solutions, however, we would need to get a sense of what the resource needs for accomplishing the Mayor's proposals are, which is why item one in my recommendation is so important. We can't fill a resource gap until we know how big the gap is. We may also need to evaluate whether vacancies in the Long Range Planning Division pose a challenge. I don't know the current vacancy rate but I do know that Planning has struggled with turnover in the past. We may also need to address that problem if we want to make quick progress.

I appreciate the Mayor's commitment to exploring partnerships that could help us complete some of the work with outside resources, but some of his proposals are such significant work items that I'm skeptical that we can make significant progress without committing some of our own resources. Budget decisions are values decisions, as the saying goes. If we value our response to the housing crisis, we may need to commit resources to the cause.

I want to close by again thanking the Mayor for his work on this issue and express my eagerness to take this opportunity to make a difference for our residents who struggle with housing costs.

# Attachment A: Planning Staff Cost Estimate

## 2017-2018 Proposed Budget BUDGET DOCUMENT COST ESTIMATE REQUEST

Cost Estimate #: 20

### TO BE COMPLETED BY CITY MANAGER'S OFFICE:

Cost Estimate Approved By Margaret McCaban Date 5/18/17

### CITY DEPARTMENT:

Staff Person Completing Cost Estimate: Athena Trede/Sr. Analyst Date 5/17/17  
Name/Title

Department Approval of Cost Estimate: Zoë McChesney/Administrative Officer Date 5/17/17  
Department Director or Designee

### BD PROPOSAL:

BD Cost Estimate: Assumes 10-year plan.

| Fund  | 2017-2018 Cost     | Ongoing Cost       |
|---|--------------------|--------------------|
| General Fund                                  | \$1,402,990        | \$1,452,384        |
| Personal Services                             | \$624,228          | \$680,976          |
| Non Personal/Equip                            |                    |                    |
| Consultant Services                           | \$765,000          | \$765,000          |
| Computers, Software & Supplies                | \$7,994            | \$3,900            |
| Ergo/WO                                       | \$2,208            | \$708              |
| Training                                      | \$3,560            | \$1,800            |
| Other Funds (list funds below, if applicable) |                    |                    |
| <b>TOTAL</b>                                  | <b>\$1,402,990</b> | <b>\$1,452,384</b> |

### Position Changes (if applicable):

| Position Classification | 2017-2018 FTE | Ongoing FTE |
|-------------------------|---------------|-------------|
| Planner III             | 2.0           | 2.0         |
| Planner IV              | 1.0           | 1.0         |
| Principal Planner       | 1.0           | 1.0         |
| Staff Specialist        | 1.0           | 1.0         |
| Analyst II              | 1.0           | 1.0         |
| <b>TOTAL</b>            | <b>6.0</b>    | <b>6.0</b>  |

BD Cost Estimate Notes (if applicable – provide any notes only if necessary to clarify the cost estimate):

- 1) To successfully complete planning for all 68 Urban Villages within a 10-year and 20-year time frame, additional personal services and non-personal funding will be required. The current staffing levels that support the planning of the nine Urban Villages is comprised on 1.0 Planner IV and 2.0

**2017-2018 Proposed Budget**  
**BUDGET DOCUMENT COST ESTIMATE REQUEST**

Planner III positions. Current staffing levels are primarily covered with grant funding. To continue the current staffing levels, grant funding will need to be maintained or other funding sources identified. Mimicking this model, to accomplish the 10-year plan, the following additional staff would be needed: a 1.0 Planner IV and 2.0 Planner III positions as well as 1.0 Principal Planner and 1.0 Staff Specialist will be necessary to accomplish this goal. A Principal Planner position will lead this effort and provide essential oversight of staff workload, priorities, and crucial timelines to stay on target with delivering completion of tasks. The Staff Specialist will support the Urban Village team to track progress, prepare documents and materials for community meetings and presentations, collect and compile packets to submit to grant agency as backup of completed tasks for reimbursement. The 20-year plan could be accomplished using the current staffing level.

A significant amount of non-personal funding will support consultant services for environmental impact reports, traffic analysis, retail analysis, outreach materials, and surveys. These outsourced professional services, coupled the staffing model described above will allow for the completion of the aforementioned Urban Villages within the described timeframes.

The cost estimate for the 10-year plan is approximately \$1,402,990 in fiscal year 2017-2018: personal services - \$624,228 (based on 11-months and positions starting effective August 1, 2017) and non-personal - \$778,762. Ongoing costs would be \$1,452,348 and would include: personal services - \$680,976 (based on 12-months) and non-personal - \$771,408. These costs would increase annually to factor in cost-of-living adjustments. This option would expect 6.8 urban Village plans to be completed each year. The cost estimate for the 20-year plan does not require funding for additional staff and is approximately \$396,262 in non-personal costs for consultant services in fiscal year 2017-2018. Ongoing costs for the consultant services would be \$388,908. The 20-year option would expect 3.4 Urban Villages plans to be completed each year.

2) The incremental cost of adding one Planner III for fiscal year 2017-2018 is \$102,289 for personal services (based on 11-months and positions starting effective August 1, 2017) and \$2,557 for non-personal. Ongoing costs include \$111,588 for personal services (based on 12-months) and \$1,118 in non-personal.

3) For information on the competitive compensation, please refer to the Employee Retention Cost Estimate that will have information about the Planner classifications compensation.

# Attachment B: Annual Report

HONORABLE MAYOR AND COUNCIL  
 September 29, 2017  
 Subject: 2016-2017 Annual Report  
 Page 14

## ANALYSIS

### Impacts on the 2017-2018 General Fund Budget

#### PROPOSED 2017-2018 GENERAL FUND ADJUSTMENTS (\$000s)

**Additional 2016-2017 Ending Fund Balance** **\$ 24,565**

**Clean-Up Actions**

|   |                    |
|---|--------------------|
| Development Fee Programs Reconciliation | (4,404)            |
| Rebudgets/Clean-Up Adjustments          | (12,463)           |
| <b>Sub-total Clean-Up Actions</b>       | <b>\$ (16,867)</b> |

**Fund Balance Available After Clean-Up Actions** **\$ 7,698**

**Recommended Budget Adjustments**

**Required Technical/Rebalancing Actions**

|   |                   |
|---|-------------------|
| - Successor Agency to the Redevelopment Agency PERS Lewy Settlement Agreement (Interest Earnings)       | 232               |
| - Air Service Incentive Program Reserve   | 24                |
| - Finance Department Temporary Staffing Funding Reallocation (\$100,000 fr Pers Svcs to Non-Pers/Equip) | 0                 |
| - Police Department Overtime Reallocation (\$13.0 million from Salaries and Benefits to Overtime)       | 0                 |
| - Sales Tax   | (4,000)           |
| - Contingency Reserve   | (500)             |
| - FMC Debt Service Payment  | (392)             |
| - Planning, Building and Code Enforcement Temporary Staffing (Multiple Housing Program)                 | (150)             |
| - Business Tax System   | (145)             |
| - Animal Care and Services Washer/Dryer Replacement   | (50)              |
| - Insurance Premiums (Hayes Mansion)  | (33)              |
| - Mayor/City Council Salary Increases   | (31)              |
| <b>Sub-total Required Technical/Rebalancing Actions</b>   | <b>\$ (5,045)</b> |

**Grants/Reimbursements/Fee Activities** (Sources = \$1.87M; Uses = \$1.81M) **\$ 62**

**Urgent Fiscal/Program Needs**

|  |                   |
|--|-------------------|
| - Police Helicopter Replacement              | (1,600)           |
| - Google Development Planning                | (415)             |
| - Office of Emergency Management Work Plan   | (250)             |
| - VEBA Opt-In Program Implementation         | (100)             |
| <b>Sub-total Urgent Fiscal/Program Needs</b> | <b>\$ (2,365)</b> |

**Total Recommended Budget Adjustments** **\$ (7,348)**

**Remaining Balance After Recommended Adjustments** **\$ 350**

**2018-2019 Future Deficit Reserve\*** **\$ (350)**

\* This action is reflected in the Recommended Budget Adjustments and Clean-Up/Rebudget Actions section of this report under Required Technical/Rebalancing Actions.