

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: August 20, 2014

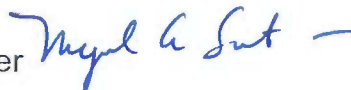
CAO File No. 0220-04851-0006

Council File No. 13-0046

Council District: All

To: The Mayor  
The Council

From: Miguel A. Santana, City Administrative Officer



Reference: Council adopted quarterly report backs under Council File No. 13-0046 on April 2, 2014

Subject: **DEVELOPMENT SERVICES REFORM INITIATIVE – STATUS REPORT TWO**

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### SUMMARY

On January 28, 2014, the Matrix Consulting Group (Consultant) delivered their analysis of the City's opportunities to improve development services functions. The Consultant's report included 329 separate recommendations. On April 2, 2014, the Council adopted a Planning and Land Use Management Committee (PLUM) Report (C.F. 13-0046) which identified additional tasks to be performed by the Consultant; the Mayor and Council instructed our Office to: 1) amend the City's contract with the Consultant (Contract) to include additional monitoring and implementation tasks; 2) report back to PLUM on progress made by departments relative to all actions taken by the Council and the Mayor relative to the development services reform initiative; and 3) allocate contingency monies and extend the length of Contract accordingly.

On June 3, 2014, our Office executed a supplemental agreement with the Consultant utilizing \$50,986 of the \$51,000 in contingency monies our Office received as part of the 2013-14 Adopted Budget to manage the Consultant's contract and extended the term to September 15, 2014. PLUM instructed our Office to identify a funding source to extend the Consultant's services through June 30, 2015. Our Office recommends utilizing \$117,660 from the Construction Services Trust Fund (Fund No. 438) to fund the supplemental agreement with the Consultant to continue facilitating the implementation of the City's Development Services Reform Initiative (Initiative) through June 30, 2015.

This report reflects some of the actions taken by the City since April 2, 2014 relative to the Initiative, including budget proposals included in the Fiscal Year (FY) 2014-15 Adopted Budget, the status of the Development Services Reform Implementation Plan, colocation of development services functions to establish fully functional Development Services Centers (DSC), establishing a universal cashing system and Development Services Trust Fund, technology, new and updated fees, Memorandums of Agreement (MOA) to improve the consistency, efficiency, and effectiveness of service delivery to constituents, and other tasks the City and the Consultant are engaged in.

A minimum of three additional status reports will be submitted to PLUM through June 30, 2015 to continue the implementation of the Initiative.

## RECOMMENDATIONS

That the Mayor and Council:

1. Approve funding in the amount of \$117,660 from the Construction Services Trust Fund 438/50 for the Office of the City Administrative Officer (CAO) to fund the supplemental agreement with Matrix Consulting Group, Inc. to facilitate the implementation of the City's Development Reform Initiative through June 30, 2015;
2. Request the City Attorney to draft the necessary ordinance(s) to effectuate the recommended development services fees for the Department of Transportation contained in Attachment 2 of this report;
3. Request the City Attorney to draft the necessary ordinance(s) to effectuate the recommended fees for the Department of City Planning and Department of Building and Safety contained in this report for the pro-active Condition Compliance Monitoring and Verification Program;
4. Instruct the Department of City Planning (DCP) to incorporate the California Environmental Quality Act (CEQA) Mitigation Monitoring fee study into DCP comprehensive fee study;
5. Request the City Attorney to postpone drafting the necessary ordinance changes to effectuate the CEQA Mitigation Monitoring fee until DCP has completed their comprehensive fee study;
6. Instruct the Department of Public Works, Bureau of Engineering (BOE) and the DBS to report back in 60 days on the feasibility of DBS providing cashing and accounting services on behalf of BOE for development related activities;
7. Instruct the CAO to report back in 60 days on the feasibility of establishing a special fund for the collection of development services related fees for the BOE and Fire Department;
8. Instruct the CAO, with the assistance of the affected Departments, the Department of General Services (GSD), and the Consultant, to report back in 60 days to the Municipal Facilities Committee with a plan to co-locate development services in the three existing Development Services Centers: Metro, Van Nuys, and West LA;
9. Instruct the CAO, with the assistance of the City Attorney and affected Departments, to review existing surcharges applied to development fees and, if necessary, recommend modifications to existing surcharges or new surcharges to ensure sufficient funding is available to pay for special purpose activities;
10. Request the City Attorney to draft the necessary ordinance changes to clean up the language in the Construction Services Trust Fund ordinance and, if necessary, update surcharges to ensure sufficient funding is available to pay for the one-time costs associated with the BuildLA project; and,

11. Authorize the CAO, or designee, to prepare Controller instructions and/or make any necessary technical adjustments consistent with the Council action on this matter and authorize the Controller to implement those instructions.

## **FISCAL IMPACT STATEMENT**

There is no General Fund impact. The source of funds is the Construction Services Trust Fund, which has sufficient funds to finance this eligible request. This expenditure complies with the City's Financial Policies in that collected surcharges on Construction Service Center transactions will be used to support this expenditure associated with the Construction Service Centers.

The proposed fee increases and new fees have the potential to increase permit revenues to the level of full cost recovery, as directed during the Fiscal Year 2014/15 budget hearings. It is estimated that the proposed fees will result in the Department's achieving full cost recovery for the services provided to private developers, reducing future burden on the General Fund.

### Attachments

- 1 Summary of Department Responses to Matrix Consulting Group's Analysis of the Opportunities to Improve Development Services in Los Angeles Report
- 2 Exhibit A – Draft Updated Ordinance No. 180542 – Department of Transportation Traffic Study Review, Condition Clearance, and Permit Issuance Fees

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## FINDINGS

### 1. **Consultant's Analysis of the Opportunities to Improve Development Services in the City of Los Angeles Report and Current Activities**

The Consultant's report included 329 recommendations to improve the delivery of development services in the City. Each Department involved in the Consultant's study submitted an agree/disagree matrix (Attachment 1) for the recommendations that their Department was identified as the lead agency. At this time, there is agreement with 69 percent and disagreement with 12 percent of the recommendations. The remaining 19 percent require additional study by the Departments and the Consultant. Each Department will now prepare an implementation plan for the recommendations they have agreed to. Upon completion, these departmental implementation plans will be integrated into a single document and presented to PLUM. As adopted, this plan will become the City's official Development Services Reform Implementation Plan. Relevant recommendations from the 2011 KH Consulting Group study of development services which have not been implemented will also be incorporated into the plan.

The Consultant is currently working with Departments on the following tasks:

- Staffing analysis of the Department of Public Works (DPW), Bureau of Engineering (BOE) and Department of Transportation (DOT) services programs including B-permits
- Consolidated cashiering and accounting plan
- Development Services Trust Fund plan
- Memorandums of Agreement (MOA)
  - Zoning compliance plan check between the Department of City Planning (DCP) and Department of Building and Safety (DBS)
  - Universal cashiering between DBS and BOE
- E-plan check
- California Environmental Quality Act (CEQA) Mitigation Monitoring Fee

Our Office will report back on these activities in future status reports.

### 2. **Fiscal Year 2014-15 Adopted Budget**

The Mayor and Council adopted a budget which added over \$17 million and 150 positions to City Departments to support the Initiative. The following are a sample of the budget proposals included in the FY 2014-15 Adopted Budget:

#### Bureau of Engineering (BOE)

- Support for Plan Check Activities – Funding and position authority are provided for public counter plan checking support.

#### Department of Building and Safety (DBS)

- e-Plan Check Services – Funding and position authority are provided to implement e-Plan system which will allow customers to submit plans electronically.



- Parallel Design Permitting Process – Funding and position authority are provided to expand the Parallel Design Permitting Process to include projects valued between \$5 million and \$10 million which represent 70 percent of the projects submitted annually for plan check. This program assists the developers of mid-sized projects by allowing the design process and the permitting process to move forward concurrently.
- Development Case Management Services – Funding and position authority are provided to expand preliminary plan review and development case management services at the Valley and West Los Angeles DSCs.
- New Construction Inspection Services – Funding and position authority are provided to improve response times for inspections.
- Inspection Case Management Services – Funding and position authority are provided to provide inspection case management services to projects valued over \$5 million and to collaborate on interdisciplinary challenges such as construction timelines and overlapping inspection disciplines.
- Residential and Commercial Complaint Services – Funding and position authority are provided for code enforcement services and to reduce response time to customer complaints from 25 to 14 business days. Additional funding is provided for intermittent staff to address the existing backlog of 13,100 cases.
- Express Permits and Records Cashiering Services – Funding and position authority are provided to enhance cashiering services at the Metro DSC and reduce customer wait times for cashiers.

#### Department of City Planning (DCP)

- Construction Service Center Operations – Funding and position authority are provided to address workload demands in entitlement review and building permit clearance.
- Urban Design Studio – Funding and position authority are provided for full-time support of the Urban Design Studio to provide design guidance, training, and educational guidance to enhance the image of the City and set clear expectations for the quality of development within the City.
- Neighborhood Conservation Program – Funding and position authority are provided to support the Neighborhood Conservation Program.
- Expedited Processing Section – Funding and position authority are provided to staff the Expedited Processing Section in the Valley DSC, meet increased workload demands, and provide geographically based services to the Valley.
- Neighborhood Projects – Funding and position authority are provided for services related to the review and analysis of density bonuses and affordable housing projects.

### Collaborative Programs

- Zoning Review Pilot – DBS and DCP – Funding and position authority are provided to pilot a new zoning review program designed to improve customer service by streamlining permitting and zoning plan check activities.
- Conditional Use Permit Monitoring Program – DBS and DCP – Funding and position authority are provided to support inspection services for a new Proactive Conditional Use Permit Monitoring and Enforcement Program.

### **3. Colocation of Development Services Functions at Development Services Centers**

Our Office, with the assistance of the impacted Departments and the Consultant, are working on a plan to expand services at the existing DSCs, also known as One-Stop Permit Centers or Construction Service Centers. Based on our analysis, the Valley DSC is the closest to becoming fully functional and only requires the addition of Fire personnel. The West Los Angeles and Metro DSCs both require Department of Transportation (DOT) and DCP personnel. The City has sufficient space to accommodate DOT and DCP staff at the West Los Angeles DSC and space is available on the fifth floor of 201 Tower of the Metro DSC to accommodate DOT and DCP staff, as well as, an expansion of DBS services. Our Office, with the assistance of the affected Departments are in the process of developing a report for the Municipal Facilities Committee (MFC) to consider for co-locating development services in the Metro, Van Nuys, and West LA DSCs.

### **4. Universal Cashiering Services and Development Services Trust Fund**

Our Office, with the assistance of the impacted Departments, Hewlett-Packard (HP), and the Consultant, are doing an analysis to integrate the cashiering systems utilized by BOE and DBS. DBS handles cashiering for most development services activities. However, BOE is one department that manages its own cashiering. By transitioning this responsibility to DBS, it is anticipated that BOE will see an increase in output from engineers who currently provide cashiering services on a part-time basis. HP will submit a statement of work to do the requirements, analysis, and design phase. When this is completed, HP will submit another statement of work for the development, integration, and implementation phase. These will be presented to both BOE and DBS for approval. Transferring the cashiering function from BOE to DBS will also enable DBS to provide accounting services to BOE for development related activities which will provide relief to the under-staffed DPW Accounting Section.

Our Office recommends establishing a Development Services Trust Fund for the development services General Fund receipts currently collected for activities provided by the Fire Department (Fire), DOT, and BOE. This new Fund would be administered by DBS on behalf of the three departments since DBS also provides or will provide the cashiering services to all three Departments. Each Department would receive an appropriation from the Fund as part of the annual budget process to fund the positions supporting Fund activities. As an additional benefit, the associated positions would no longer be considered General Fund positions which will enable the respective General Managers to quickly backfill vacant positions to meet workload demands since the positions would be considered Special Funded. A comprehensive plan will be submitted by our Office to PLUM in 60 days for further consideration.

## **5. Technology**

The MFC recently approved the expansion of the DBS Data Center. DBS has experienced downtime with their existing computer servers resulting in decreased customer service, delayed revenue collection, and slower project cycle times. The expanded Data Center will provide an effective infrastructure and help the Department better predict and manage its systems through simpler operating environments and better information management. Over time, this will translate into decreased costs as well as better efficiency for the information technology environment.

The City is in the final phase of the BuildLA proposal review process. BuildLA is a web-enabled technology platform that will be used by multiple City departments to receive, assign, review, process, manage, and track all customer requests for services relating to the use and development of land. As envisioned, the BuildLA system will include an interactive customer web portal, a workflow management platform, electronic plan review capabilities, a supporting database, and integration or data sharing with several existing City systems. In anticipation of a staff recommendation to award a contract, our Office should begin working with the Office of the City Attorney (City Attorney) to clean-up the language in the Construction Services Trust Fund ordinance, as well as, review the systems development surcharges applied to development fees to ensure sufficient funding is available to pay for the one-time and on-going costs of the BuildLA project. The completion of the BuildLA permit, inspection, and enforcement system, will require three to four years. The creation of a more efficient, transparent, and predictable development system depends heavily on the application of this technology.

## **6. Updated Transportation Fees**

The DOT's Development Services Division includes three main development review offices (Metro, Valley and West Los Angeles) providing several fee based and non-fee services. These services include building permit review and signoff, site plan and driveway plan review, project condition clearance, site access and circulation consultation, investigation of street vacation requests, and the review of traffic impact studies and environmental impact reports which often involve the design and evaluation of mitigations. As private development projects are proposed at specific sites, DOT staff assesses the traffic, parking and circulation impacts associated with the project and recommends the appropriate mitigations to off-set these impacts. City Council adopted Ordinance No. 180542, effective March 28, 2009, (C.F. 08-2268) adding specific fees for traffic study review, condition clearance, permit issuance and other development review related items to LAMC Section 19.15.

Since the adoption of Ordinance No. 180542, DOT has implemented several process improvements aimed at streamlining transportation-related development review services. Working with representatives from the Building Industry Association, DOT has identified clarifications needed in the ordinance relative to the collection of certain fees. Through the Development Reform Initiative, other key transportation-related review services that are not currently listed in the Ordinance have been identified for cost recovery. For these reasons, Our Office and DOT recommend that LAMC Section 19.15 be updated to reflect these necessary changes. Attachment 2 includes a draft of the revised ordinance with updated services and fees.