

DEPARTMENT OF
CITY PLANNING
200 N. SPRING STREET, ROOM 525
LOS ANGELES, CA 90012-4801
AND
6262 VAN NUYS BLVD., SUITE 351
VAN NUYS, CA 91401

CITY PLANNING COMMISSION

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MARTA SEGURA
JAMES K. WILLIAMS
COMMISSION EXECUTIVE ASSISTANT II
(213) 978-1300

CITY OF LOS ANGELES
CALIFORNIA



ERIC GARCETTI
MAYOR

EXECUTIVE OFFICES

MICHAEL J. LOGRANDE
DIRECTOR
(213) 978-1271
ALAN BELL, AICP
DEPUTY DIRECTOR
(213) 978-1272
LISA M. WEBBER, AICP
DEPUTY DIRECTOR
(213) 978-1274
JAN ZATORSKI
DEPUTY DIRECTOR
(213) 978-1273

FAX: (213) 978-1275

INFORMATION
www.planning.lacity.org

April 22, 2014

Honorable Members of the City Council
Budget and Finance Committee
c/o Office of the City Clerk
Room 395, City Hall
Mail Stop 160

Attention: Erika Pulst, Legislative Assistant

DEPARTMENT OF CITY PLANNING 2014-15 PROPOSED BUDGET

The Mayor's Proposed Budget for Fiscal Year 2014-15 provides the Department of City Planning with the resources necessary to continue and launch a number of significant programs and projects in the upcoming fiscal year. We are very appreciative of the resources provided in the Proposed Budget and the continued support for the Department's ambitious work program. As we continue to review the need for additional planning resources across the City, there are five requests we would like the Committee to consider:

- Establishment of a Neighborhood Conservation Program to respond to community requests for enactment of new regulatory controls to protect against mansions and preserve the character of the City's residential neighborhoods;
- Establishment of an Environmental Policy Unit to update the City's out-of-date CEQA thresholds, implement recently adopted environmental state laws, and strengthen the City's legal defensibility against CEQA challenges to major projects and planning initiatives;
- Appropriate use of the Department's Planning Case Processing Fund;
- Establishment of a Sign Unit as a follow-up to adoption of a comprehensive new billboard and sign ordinance and to capitalize on opportunities for generating significant new revenues for city government; and

- An apparent budget error concerning the Department's Systems Development Fund.

All five items are addressed in more detail in this letter.

1. Neighborhood Conservation Program

The Department requests four new planners to augment existing staff working on neighborhood planning projects. The additional resources will help address widespread community concerns that the City's existing regulatory controls are inadequate to the task of protecting the City's residential neighborhoods from out-of-scale development. Currently, the Department has a combined backlog of over ten requests to establish new Historic Preservation and Residential Floor Area (RFA) Overlay Zones. RFA Overlay Zones can provide controls stricter than the City's baseline mansionsization and hillside ordinances, based on neighborhood character and context.

2. Environmental Policy Unit

The Department proposes to establish a two-person Environmental Policy Unit (supported by outside consultants) that would undertake three tasks: (1) update the City's CEQA Guidelines, last updated in 2006; (2) identify and implement opportunities to streamline and simplify the City's approach to complying with CEQA; and (3) encourage sustainable development practices by implementing a trio of state laws: AB 32, the Global Warming Solutions Act; SB 375, the Sustainable Communities Strategies Act; and SB 743, the Jobs and Economic Improvement through Environmental Leadership Act. Embracing these laws will allow the City to position itself as a leader in crafting model strategies for adapting to a changing climate.

The new unit will also help the City carry out the development reform recommendations outlined in Matrix Consulting's report. Matrix Consulting observed that further progress in reforming the City's development review processes will remain stymied without also reforming the City's out-of-date approach to complying with CEQA. As an added benefit, the new unit will also work collaboratively with the City Attorney to shore up the City's continuing vulnerabilities to CEQA-related lawsuits.

3. Case Processing Fund

The Department understands that the FY 2014-15 Proposed Budget for the City Attorney includes an allocation of \$473,914 to pay for three lawyers who will provide support to the seven Area Planning Commissions (APCs). Ninety percent of this cost will come from the Department's Planning Case Processing Fund with the remaining 10 percent coming from the Building and Safety Building Permit Enterprise Fund.

The Department has long maintained that providing APCs with legal counsel is an important and necessary City function. The City Attorney is insufficiently staffed to send

lawyers to attend APC meetings, as it does for CPC meetings. The Department has concerns, however, about relying upon the Case Processing Fund to help pay for this service.

The Case Processing Fund is entirely supported by developers and other applicants doing business with the Department. The fees were based on a comprehensive study conducted by an outside consultant, who examined the Department's actual cost to process different types of applications. The consultant's study, which served as the factual basis for Council's subsequent adoption of a fee ordinance, did not cover the cost of providing legal services to the APCs.

The higher fees were justified to ensure sufficient staffing in the Department in order to reduce case backlogs and shorten cycle times. Transferring money from the Case Processing Fund to the City Attorney means the Department will be unable to hire three new planners. The Department's capacity to reduce case backlogs and shorten cycle times will thus be compromised.

4. Citywide Sign Unit

The Department's current budget authorizes six staff positions and contains \$400,000 in contractual services to establish a Citywide Sign Unit. No money is provided for the six staff positions. Next week, the Council's Planning and Land Use Management Committee is scheduled to reconsider a comprehensive billboard and sign law under development since 2009. After passage of the new law the Sign Unit would carry out two tasks: (1) it would review and process applications for establishment of new Sign Districts; and (2) it would draft a follow-up to the comprehensive billboard and sign law. Depending on policy direction set by the Council, the follow-up ordinance may provide the City with the opportunity to establish a program with the potential to generate a significant amount of on-going new revenue through appropriate regulation of digital signage.

Carrying forward the \$400,000 allocated from the General Fund in this year's budget into the new fiscal year would enable the Department to begin work on January 1st of 2015 on a two-year work program to draft the follow-up ordinance and conduct (with assistance from outside consultants) the necessary economic and environmental studies. As part of this request the Department also asks for authority to transfer up to \$200,000 from Account 3040 (Contractual Services) to Account 1010 (Salaries, General). The first task concerning Sign Districts would be entirely fee-supported and as such would not require a draw down from the General Fund.

5. Systems Development Fund

The Proposed Budget contains what appears to be an inadvertent error concerning the Department's Systems Development Fund. The Department utilizes this Fund to maintain crucial software licenses and to pay for the services of contract programmers.

The Fund is quite healthy with an unappropriated balance of \$2 million. For the next fiscal year we requested \$502,000 in order to:

- Continue current licensing with Oracle for \$144,000. The negotiated Oracle License 5-year payment plan, which began in FY 2013-14, requires an annual \$144,000 payment through FY 2017-18;
- Continue current licenses with Microsoft for \$150,000. The Microsoft Enterprise License Agreement of \$150,000 is required for essential Department operations; and
- Provide funding for one additional contract programmer for \$208,000. This position is required to develop mobile applications since the Department does not have in-house expertise and was not able to fill vacant systems positions.

These expenditures are essential elements of our IT operation and enable basic technology support. While they were included in the Department's FY 2013-14 budget, they were not included in the FY 2014-15 Proposed Budget. Therefore, it is requested that Contractual Services Account 3040 be increased by \$502,000 and funded by the City Planning Systems Development Fund, which has a sufficient balance to cover the requested increase. No support from the General Fund is being requested, merely the authority to use money already collected and available in the Systems Development Fund.

We look forward to discussing these five important issues with the Committee. If you have any questions, please contact me at 978-1271.

Sincerely,



Michael J. LoGrande
Director of Planning

cc: Jose Huizar, Chair of the Planning and Land Use Management Committee
Michael N. Feuer, City Attorney
Rick Cole, Deputy Mayor for Budget and Innovation
Kelli Bernard, Deputy Mayor for Economic Development
Miguel Santana, City Administrative Officer