



## STAFF REPORT

**Meeting Date:** March 4, 2014

**To:** Honorable Mayor & City Council

**From:** Susan Healy Keene, AICP Director of Community Development

**Subject:** Request for Authorization to Appropriate \$378,058 from General Fund Revenue to Fund Three New Positions in Community Development

**Attachments:** None.

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### **RECOMMENDATION**

In order to meet the sustained, increased demand for development services, staff requests the City Council move to appropriate funds from General Fund Revenue in the amount of \$378,058 to create three (3) new positions, including one (1) Building Inspector II position and two (2) Associate Planner positions in the Community Development Department. The appropriation will be offset by revenue derived from permit application fees.

### **INTRODUCTION**

As the national economy has shown recent signs of growth and recovery, Beverly Hills has experienced more robust growth. There is considerable increase in both scope and volume of private development throughout the City. The Planning division has experienced a 400% increase in applications reviewed by the Design Review Commission when comparing the first half of last fiscal year to the first half of this fiscal year. The number of plan checks submitted to the Development Services program and building permits issued has increased by 10% and 18%, respectively, compared to the first half of last fiscal year. In the first quarter of this fiscal year, permits were issued for

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two new multi-family residential buildings and 12 new single-family homes; this contrasts with the first quarter of last fiscal year, when there were no multi-family residential permits issued and only two (2) single-family homes permitted.

The number of permits and plans received with job valuations over \$500K during the first half of the year increased 69% and 32%, respectively. The total project valuations of issued permits exceeding \$500K increased from \$47 million to \$101 million while valuation of project plans received for plan check increased from \$102 million to \$112 million.

As construction project valuations have increased, revenue has also increased, while the Community Development Department's ability to provide comparable service has not kept up with increased demand. For these and other reasons outlined in this report, staff has identified additional key positions required now to meet increased and anticipated demand.

## **DISCUSSION**

At the height of the last economic boom, there were 53 authorized positions in Community Development. With the economic downturn the following year (FY09/10, 7 unfilled positions were eliminated and the next year (FY10/11) 5 employees opted for early retirement leaving a total of 45 authorized positions.

City Council approved four (4) new positions in Community Development for FY 13/14 increasing the total to 49 employees, with three of those positions with a limited term of two years. The addition of the Transportation division added 5 positions not all directly related to development. Since the beginning of FY 13/14, the Community Development Department has had five (5) vacancies due to staff retirements or promotional opportunities in other cities with an additional retirement expected at the beginning of March.

The recruitment process typically takes anywhere from 3-6 months. Due to the number of ongoing recruitments citywide, the process has taken a bit longer and positions granted at the beginning of the fiscal year are just now being filled nine (9) months after authorization. This will remain an issue even if City Council approves added positions. Market conditions have created a demand for professionals resulting in a reduction in the pool of qualified candidates.

Even with completion of the active recruitments, there is still a need for additional staff to support the increase in development. Access to funding has become more available recently both for single family and larger development projects. Consequently, many applicants are taking advantage of this window of opportunity and are looking to advance their projects. The Department has used and continues to use salary savings from the vacant positions to fund temporary workers in those positions where there is an ongoing recruitment.

### **Building Inspector**

The City conducts an average of 1,268 building inspections each month or an average of 60 inspections a day. Due to the economic upturn and increase in private development in the City of Beverly Hills, there is an urgent need to staff building inspection resources at a level closer to customer expectations. Building inspectors oversee construction

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activity performed on private property, with a focus on structural and life safety in the construction, demolition or alteration of buildings. This includes, but is not limited to, matters such as electrical, plumbing, and mechanical systems, energy conservation, disabled access, and public right-of-way improvements related to residential properties.

Inspection requests are submitted to the department using either the telephone interactive voice response system, or the online self-scheduling service, which accommodates inspection requests up to 10 business days in advance and opportunities for next day inspections. Customers scheduling online can request either a morning or afternoon inspection to better accommodate property owner and contractor's schedules.

According to the Insurance Services Office (ISO), and in order to ensure quality of service, an acceptable number of building inspections is twelve (12) per inspector in a nine (9) hour day. In Beverly Hills, each individual inspector is assigned to inspect 12 different construction sites Monday through Thursday and 10 different construction sites on Fridays; an average of 60.4 inspected sites per day by the inspection staff. At the current staffing level, Development Services is unable to meet inspection demand, effectively causing delays in construction project timelines.

Prior to the 2008 recession, nine (9) building inspectors were actively performing field inspections; whereas the FY 13/14 budget includes eight (8) building inspectors. In actuality, through attrition and reallocation of staff, only six (6) inspectors currently perform field inspections. The building inspection program is staffed as follows:

- (1) Supervising Building Inspector (Senior Building Inspector, Filling Position out of Class)
- (4) Senior Building Inspectors
- (1) Building Inspector II

The other two budgeted positions are not performing inspections. One Building Inspector II incurred an on-the-job industrial accident in 2008, resulting in permanent medical and physical restrictions that prevent him from performing field inspections. Currently, this staff person performs administrative activities including review of plans in support of the inspectors allowing inspectors more time in the field.

The other Building Inspector II position was under-filled by a Customer Services Supervisor until early January when the employee accepted a position with another city. Recruitment is currently underway to fill this position with a building inspector. However, as anticipated needs are reviewed based on the pending projects, it is clear that there is the need for two additional Building Inspectors, the current vacant building inspector position and an additional Building Inspector II in order to satisfy current and forecasted workload.

#### Associate Planners

The Planning Division Program in Community Development supports four commissions and has three essential functions:

1. Long Range Planning
2. Current Planning
3. Urban Design & Historic Preservation

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The Long Range Planning function is staffed with two full time equivalent employees that work on City Council defined work plan priorities. These include projects such as changes to the R1 Development standards, in lieu parking, view preservation and other Council-directed initiatives.

The Current Planning function typically has three planners assigned to review and process private development projects filed by developers, homeowners and business owners. This includes administrative and discretionary projects reviewed by the Planning Commission.

The Planning division has been minimally staffed for several years and with the increased development activity is unable to process applications or respond to customer telephone and email inquiries in a timely manner. Application processing times for Planning Commission-level projects have nearly doubled since the first half of last fiscal year. Moreover, the division has not been able to dedicate resources toward enhancing its technological presence on the Internet and has fallen behind adjacent jurisdictions in terms of information available on the city's website and opportunities to promote an interactive online community.

To address the increased workload, process applications efficiently, respond to community inquiries in timely manner, and be technologically relevant, staff requests two (2) new full time associate planner positions. The cost for these new employees (salaries and benefits) can be recovered through existing application fees collected by the Department.

The Urban Design and Historic Preservation program remains understaffed to meet the increase in development activity and commission expectations. The Cultural Heritage Commission in particular has required significantly more resources than anticipated. The Commission was intended to meet four (4) times a year and to date has meet six (6) times in 2012; nine (9) times in 2013; and already had a special meeting this year. Additionally, there have been fourteen (14) subcommittee meetings supporting five Commission-established subcommittees and two (2) community outreach meetings. Insufficient progress has been made on the citywide historic preservation survey due to limited resources and commissioners have expressed disappointment with progress on a variety of commission initiatives.

To help address these concerns, the City Council authorized a two-year limited term position to bolster the urban design program. The ability to hire an individual for this position has taken longer than expected (started in July 2013); however, a candidate recently accepted the offer and is anticipated to begin sometime in March.

## **ANALYSIS**

There is clearly an increase in development activity. Development projects, whether a tenant improvement for a retail space or a new single family home, increase revenue to the city, either in sales or property tax. Fees are charged based on the staff time needed to process the application whether it is an entitlement or a building permit. The fees for entitlements, plan review, and permit issuance are based on the work hours required. At this time, the demand for service exceeds the ability to provide the service in a timely manner. There are a number of ways to address this issue.

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The least desirable solution is to not hire any additional staff. The result is longer processing time and project delays which impose additional costs on applicants. Under this scenario, current vacant positions are filled and no new staff is added and budget is not increased.

Since development levels increase and decrease with economic conditions, there is an understandable hesitancy to add staff that could be subject to future layoffs. As an alternative to the recommendation, the City Council could consider making the positions available for a limited term (2 – 3 years). However, as experienced with the most recent recruitment, candidates are less willing to leave existing jobs and to take a limited term position with the city. Also, the Department recommends against hiring limited term building inspector positions due to the reduced oversight in the field and a perspective that limited term inspectors may be less vested in the community compared to full time employees. Unfortunately, as increased development is happening throughout southern California, the competition to find qualified candidates has increased and candidates have been less willing to consider a limited term.

Another solution is to contract temporary staff. The Department has used this alternative when possible. However, there are significant limitations to its use as an ongoing solution. Temporary employees are limited to a maximum of 960 hours (roughly 6 months) each fiscal year.

With the addition of two inspectors, the City will be able to address current needs and provide higher inspection service levels for the completion of development projects. Once under construction, it is critical for projects to continue uninterrupted without delays waiting for inspections. Revenues generated through the issuance of building permits will offset the salary and benefit costs. Delays in completion of construction mean delays in revenue to the city through associated sales and property taxes.

From a fiscal perspective, there are legitimate concerns about any increase in number of employees and the potential for future layoffs when the economy again shifts. Development occurs in cycles. Absent hiring any additional Building Inspectors, the scheduled inspection response times for most inspection requests will continue to be delayed. The construction community will continue to experience delays in overall development and Beverly Hills will be viewed as a city less friendly to home owners and business. Based on current and anticipated work load, including larger projects such as 9900 Wilshire and the Beverly Hilton/Waldorf Astoria projects, there is a higher level of certainty that increased activity will continue for at least the next 3-5 years.

If there is not support for the requested associate planner positions, staff would look at diverting resources from the Cultural Heritage Commission operation and Long Range Planning functions to support the applicant initiated cases filed with Current Planning. This would have the effect of provided the expected level of service to applicants while ensuring the city is meeting its local and state-mandated requirements to process applications within a certain time period. However, it would result in less progress being made on City Council-initiated policy projects and reduce Cultural Heritage Commission support to its essential functions.

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**FISCAL IMPACT**

The fiscal impact including total compensation (salary and benefits) for the proposed positions is \$378,058 annually which includes one Building Inspector II position at \$124,222 annually and two Associate Planner positions at \$253,836 annually (\$126,918 each). The salary and benefit costs are revenue offset by permit fees collected for residential, multi-family and commercial developments.

  
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Finance Approval

  
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Susan Healy Keene, AICP  
Approved By