

**REPORT TO THE
CITY COUNCIL**
City of Salinas, California

DATE: January 6, 2015

FROM: Douglas A. Yount, Interim Director,
Community & Economic Development Department

SUBJECT: **IMPLEMENTATION OF THE DRAFT ECONOMIC DEVELOPMENT
ELEMENT**

RECOMMENDATION:

It is recommended that the City Council adopt a resolution relating to the approval and implementation of the Draft General Plan Economic Development Element (herein referred to as the “Draft Element”) that provides for the following:

- 1) authorizes staff to proceed with the formal approval process for consideration of the Draft Element as provided for in this report;
- 2) receives the resource allocation study for the Draft Element’s Five Year Action Plan; and
- 3) directs staff to proceed with presentation of recommended priority economic development policies and action items, as appropriate, as a part of the mid-year and annual budget process.

DISCUSSION:

Background

At their regular meeting of August 8, 2013, the City Council received an informational report from Mr. Yount, Project Manager and the Draft Element Project Team regarding the progress of the Draft Element, with particular emphasis on the Community Outreach Program.

Additionally, at their regular meeting of November 5, 2013, the City Council received a second informational report from Mr. Yount and the Draft Element Project Team regarding the progress of the Draft Element, with emphasis on the Economic Area Opportunity Map, Technical Studies, preliminary goals or topic areas, and sample economic development indicators developed as part of the preparation of the Draft Element.

As noted in the November 5, 2013 report and detailed in Volume II of the Draft Element, an extensive public outreach process was also conducted by City staff, the ED Project Team and others from August 2013 and planned to continue through February 2014. This process consisted of individual and group interviews with stakeholders, business owners and other interested parties, four Resource Group Meetings, meetings with residents of the East Salinas area (including one meeting conducted in

Spanish) and other meetings/events to gather public input on issues to be addressed in the Draft Element.

At the joint City Council/Planning Commission meeting of April 8, 2014, Mr. Yount and the Draft Element Project Team presented the Draft Element, consisting of two volumes: Volume I Economic Development Element; Volume II Appendices, and a detailed staff report summarizing the document and how the policies and strategies within the document align with previously adopted City Council goals. After a comprehensive presentation and extensive Council/Commission questions, more than 25 community members spoke under public comment regarding the draft Element. Almost without exception, public speakers commented in favor of the draft document's policies and the community outreach process.

After the meeting of April 8, 2014, members of the ED Project Team made presentations on the Draft Element to the following groups:

- Transportation Agency of Monterey County, Executive Committee
- Local Agency Formation Commission
- Monterey County Business Council
- Old Town Salinas Association
- Salinas United Business Association
- Salinas Rotary
- Monterey Bay Area City Managers Group
- Health in All Policies Committee/Building Health Communities
- Grower-Shipper Association
- Farm Bureau

An announcement of the Draft Element with hyperlinks to the document was provided to each of the 705 individuals in the Draft Element's stakeholder data base, representing nearly 341 agencies/interest groups. Additionally, an announcement of the release of the Draft Element was put on the home page of the City's website with links to the Draft Element volumes and the staff report. (<http://www.ci.salinas.ca.us/news.cfm#EDE>)

At the regular meeting of June 17, 2014, after additional public comment, the City Council further reviewed the Draft Element and unanimously approved the document for acceptance as a key strategy for the City of Salinas. Additionally, the City Council authorized the City Manager to enter into contracts for professional services to advance the Draft Element toward formal approval and implementation: 1) complete analyses of the CEQA and general plan amendment requirements to incorporate the Draft Element into the City's General Plan; 2) analyze the resource requirements for implementation of the 5 Year Action Plan, and; 3) assist in implementation of strategies and actions within the Draft Element that were previously underway or approved in the City's budget and strategic priorities. Subsequent to this meeting, the City entered into a contract with EMC Planning for item 1, and with ADE for items 2 and 3.

As part of the resolution adopted on June 17, 2014, the City Council further stated that the City Council is committed to continued public input into the Draft Element adoption and implementation process, and that the City Council is committed to city-centered growth as part of the economic development strategy.

Until this week, staff had not received any additional information or comment on the Draft Element, nor has it been specifically solicited, given the additional analysis to be completed as noted above. Staff did receive recently information from Council Member Lutes to include in this agenda packet

regarding the Draft Element. This information came as a result of a recent meeting between Mayor Gunter, Council Member Lutes, and one of the city's key partners for the Draft Element - Building Healthy Communities (BHC) - and includes the following: 1) suggested strategies from economic development case studies and best practices around the country to promote jobs that offer living wages and that will attract, develop, and preserve these jobs; 2) suggestions for prioritization of policies within the Draft Element (See **Attachment A** titled "Economic Development Case Studies and Best Practices").

Analyses Relating to the Formal Approval Process for the Draft Element

EMC Planning recently completed several analyses that specifically address the following:

- Determination of the consistency of the Draft Element's policies with the City's current General Plan
- Determination of the estimated level of analysis required under the California Environmental Quality Act (CEQA) necessary for adoption and incorporation of the Draft Element into the City's General Plan
- Review of whether the adoption of the Draft Element should be as an amendment to the existing General Plan or incorporated into the future update of the City's General Plan
- Determination of Draft Element policies and action items eligible for implementation without CEQA and formal adoption of the Draft Element and incorporation into the City's General Plan

Information supporting these analyses is provided in **Attachment B** to this report (titled Table 1 GPU Requirements/Recommendations).

Consistency of the Draft Element

To adopt the Draft Element, the policies must be consistent with the City's current General Plan. During the preparation of the Draft Element and in further review as part of this analysis, EMC reviewed all of the policies of the Draft Element against the policies of the General Plan, and found the Draft Element to be consistent.

Estimated CEQA Analysis Required

Prior to adopting the Draft Element, the City must prepare and certify the appropriate CEQA documentation. Based on the analysis of the policies of the Draft Element by EMC, it is recommended that the City prepare a program level Environmental Impact Report (EIR) to assess the potential environmental effects of implementing the Draft Element. This level analysis is based, in part, on several Draft Element policies which identify economic development opportunities areas that are located outside of the City's existing Sphere of Influence, and that if implemented, would convert agricultural land to commercial, industrial, and possibly some residential land use. Additionally, intensification of development in the Carr Lake area of the City is also envisioned. Outside of these specific development areas, all other opportunity sites noted in the Draft Element are anticipated to have development potential consistent with the City's current General Plan build out capacities for those areas.

To assist in this analysis, EMC has calculated the acreage for each opportunity area of the Draft Element (25 total areas) and whether each is within or outside the City's jurisdictional limits and Sphere of Influence (See Table 4 of Attachment B). Additionally, the development capacities of each of the potential opportunity areas was calculated, with specific intensities estimated for those areas

outside of the City's limits and Sphere of Influence, and for Carr Lake (see Table 5 and 6 of Attachment B). Finally, this analysis refined and plotted the boundaries of the opportunity areas and provided either existing or proposed land use designations, as appropriate (Figures 1 and 2 of Attachment B). All of this information would be used for the project description for the programmatic EIR for the Draft Element, and helps inform the analysis and conclusion of the necessity of a programmatic EIR for adoption of the Draft Element.

Draft Element Adoption Process

In adopting the Draft Element, and incorporating its policies into the City's General Plan, two primary options are presented by EMC: a) adopt the Draft Element as a separate General Plan amendment with the program level EIR as noted above, or; b) incorporate the Draft Element content into a future update of the City's General Plan, including the Draft Element's required CEQA review as part of that necessary for the General Plan Update (also, a program level EIR). Key components of a General Plan Update and opportunities and constraints for each of these two alternatives are provided in this analysis. (see Tables 1 and 2 of Attachment B, respectively.)

The primary advantage of adopting the Draft Element as an amendment to the existing General Plan with a programmatic EIR is its shorter timeframe and significantly lower cost. Another advantage is that it may allow other key economic development policies to be implemented on a more-timely basis, such as, opportunities for re-evaluating land uses and zoning changes in the Downtown Vibrancy area for catalyst sites held by the City and County (these changes could utilize the programmatic EIR as the basis for limited zoning and land use changes).

Further, one of the primary purposes of the Draft Element is to inform future planning processes and policies of the City, including the General Plan Update. The Draft Element has a policy horizon of 35 years or more for its vision of prosperity, whereas, the General Plan typically has a 20 year outlook.

Finally, the timeframe for a General Plan Update could be extended for a significant period of time based on the need for additional analyses, potential litigation, and changes in policy direction through changes in City Council membership and other elected boards and commissions. All of these factors pose a potential risk to the timely implementation of the policies of the Draft Element. Recent history with the County of Monterey's protracted General Plan update is testament to the risks of this process.

There are some advantages of adopting the Draft Element as part of a larger General Plan update, including potential overall cost savings compared to preparing these documents independently. These savings would need to assume the General Plan Update process is completed in the near future. However, the converse of this could also be true; that if these documents were done in succession, also within several years apart, it is possible the work completed for the Draft Element General Plan amendment and program EIR could be utilized and incorporated into the General Plan Update, thereby creating cost savings to that larger planning process (such as traffic studies).

Given the advantages, as noted, it is recommended the City proceed immediately with a process for the formal adoption of the Draft Element as a separate General Plan amendment accompanied by its requisite programmatic EIR. This process would entail first soliciting a planning and environmental consultant for the preparation of the General Plan amendment and CEQA document for the Draft Element. Next, the consultant would complete these documents in conjunction with a continuing public outreach program and formal public hearing process with the Planning Commission and City Council for consideration of a final Element. This process is anticipated to take approximately seven to nine months to complete.

Eligible Draft Element Policies for Implementation

Prior to adopting the Draft Element, the City could choose to begin adopting and implementing individual Draft Element policies and actions that do not require a General Plan amendment and have minimal or no CEQA review required. The analysis prepared by EMC specifically evaluates each policy and action item of the Draft Element to determine eligibility for implementation based on these criteria (see the EDE Policy Actions/Analysis Matrix provided in Attachment B). As noted in this matrix, many policies and action items can be adopted and implemented in the near term and are noted under the column “Short Term Implementation Opportunity”. These specific policies are also denoted later in this staff report in the Resource Allocation Study for the Five Year Action Plan, providing a cost estimate and timeframe for implementation.

Utilizing this matrix, we can further refine and isolate the individual policies of the DRAFT ELEMENT and evaluate them based on their potential for causing environmental impacts. There would basically be three tiers of policies: (1) those which have no environmental impact and can be adopted and implemented now; (2) those which have some, but not a high level of environmental impact and can be analyzed further for those environmental impacts; and (3) those which have an impact on the environment and will require environmental review, and thus, be adopted as part of the General Plan amendment accompanied by the programmatic EIR for the Draft Element.

Resource Allocation Study for the Five Year Action Plan

Another important analysis relating to the Draft Element is the determination of the estimated costs and timing for implementing those policies and action items of the Five Year Action Plan (Resource Allocation Study). This analysis is provided in **Attachment C** to this report, and represents a comprehensive planning analysis including the following:

- Decision Matrix
- Timeline
- Cost by Policy
- Cost by City Department
- Cost by Year
- Cost by Category of Expense (Policy Development, Operations and Maintenance, Capital Improvement Program)

A summary of each of these cost analyses are presented in the charts, figures and tables in the front of Attachment C. Following these summary documents, are detailed tables illustrating the estimated costs for each department by year, by policy, by City department, and by expense category.

Methodology

It is important to note the limitations of this cost analysis. First, information was provided by discussion with only those departments likely having a primary role in the implementation of the Draft Element policies: Community and Economic Development (CEDD), Public Works, Police, and City Manager/Administration. These are the departments noted in the Five Year Action Plan as having a lead role in policy implementation. Other departments, such as the City Attorney, City Council, Parks and Recreation, Finance, etc. all likely will have some costs involved in implementing the Draft Element policies; however, given the limited scope of this study this information was not included, but assumed captured under use of fully burdened labor rates as discussed below.

Second, the cost estimates in this Resource Allocation Study utilize a fully benefited rate relative to salary and benefit costs associated with new or additional positions required in the implementation of a specific DRAFT ELEMENT policy or action item. This fully burdened rate is taken from the fee study

currently underway in the City, and reflects both a direct and indirect costs of service that would be in addition to the base salary and benefits (unburdened). The purpose of using this rate is to capture, in theory, the administrative and overhead costs associated with each additional position versus having to calculate this amount for every operation of the city.

Third, the cost estimates are primarily focused on the five year time horizon of the Action Plan and not a long term projection. Clearly, a number of policies will have on-going cost implications, particularly those that augment staffing or require maintenance of new facilities. In the Resource Allocation Study, an attempt is made to estimate what the average annual cost impact will be for these on-going costs for years 6-20 for each policy where this is relevant. This information is illustrated in several tables in the Resource Study, but not included in the total cost summaries for the five year horizon of the Action Plan.

Finally, the Resource Study aggregates the cost of all of the action items into each respective policy, and does not inflate figures for future years. While the cost behind each action item is available in supporting documents to the Resource study, this information is not detailed in Attachment C for ease of understanding. The cost of the action items, however, is included in the cost for each policy. Also, given the short time frame of the Five Year Action Plan and the difficulty in assigning escalators, costs also are not inflated and represent 2014 constant dollars. There undoubtedly will be cost increases in the future, most notably in the CIP, but also in operations and maintenance costs.

Despite these limitations, the cost estimates included in this Resource Study represent valuable information on the resources required for Draft Element implementation and assist in the overall determination of priority Draft Element policies. Costs included are deemed to be from three logical areas of expense: 1) policy development, or the cost to prepare and adopt a new policy or initiative (i.e., specific plan, zoning change, and include consulting, legal and staff time); 2) operations and maintenance, including salary and benefits, services, supplies, and materials to implement the policy or action item program or project (including the cost to maintain such project or program); 3) Capital improvement program (CIP) costs, including planning, engineering, environmental, construction costs associated with new facilities or public improvements as requested in the policy or action item.

Primary Results and Findings

Provided in Attachment C are figures and tables which summarize the estimated Draft Element policy implementation costs across departments, policies, years, and expense categories. Parsing the information in this manner helps in the understanding of this resource burden. These cost estimates illustrate the magnitude of resources required to implement those policies and action items within the Five Year Action Plan. For some policies, these costs would extend beyond the five year window, should the City continue that specific project or program.

Clearly, not all policies may be funded in light of the significant needs of other key city programs and projects. Also, there may be individual action items advanced under a policy, but not all items. Further, many of the policy and action items will require further evaluation relative to the level of CEQA required, as noted in the previous analysis by EMC. The information in this Resource Allocation Study, however, is important to aid the City Council in the mid-year and annual budget allocation process to fund priority economic development policy and action items, often whose purpose is to leverage or stimulate community investment and improvement, create jobs, and provide additional fiscal resources for the city.

Also provided in Attachment C is an additional table, entitled Decision Matrix. The purpose of this table is to combine cost estimates from the Resource Allocation Study with other key information

about the policies from the previous CEQA/GPA analysis to aid in determining the relative importance or priority of the policy for implementation. In addition to showing the cost over five years for each policy and estimated full time equivalent staffing required (FTE), this table provides a column indicating which policies may be eligible for implementation without a general plan amendment or extensive CEQA analysis, which have potential fiscal benefit to the City, and which may be implemented in the short term. In the end, this matrix is meant as one of a number of tools to assist the City Council in determining which priority Draft Element policies to implement and to appropriate funds to in the mid-year and annual budget process (either prior to or subsequent to the formal adoption of the Draft Element, as appropriate).

Next Steps

As noted previously in this report, staff is recommending the City Council authorize the City Manager to proceed with the formal approval process for the Draft Element with the preparation of the appropriate General Plan amendments and CEQA documents. Staff will return to the City Council during the mid-year budget review to specifically request appropriation for the funds necessary to hire the environmental and planning consultants to prepare these documents.

Additionally, staff would continue to refine the information in the Resource Allocation Study and integrate this information into the Performance Based Budget. Finally, staff will present potential budget requests for recommended priority policies and action items from the Draft Element Five Year Action Plan at the mid-year and annual budget process.

Staff will also continue to engage the community through the public outreach program, and confer with the City's key partners in the Draft Element - BHC, SPARC - and utilize the services of COPA in all of these efforts.

During the Council meeting of January 6, 2015, staff will present an overview of the information in this report, including a summary of the CEQA/GPA Analyses and the Resource Allocation Study.

ISSUE:

The issue before the City Council is whether to adopt the resolution authorizing staff to proceed with the formal approval process for the Draft Element, receiving the Resource Allocation Study, and directing staff to return with recommendations for funding of priority economic development policy and action items.

FISCAL IMPACT:

If the City Council adopts the proposed resolution, staff would proceed with preparation and release of a request for proposal (RFP) for solicitation of professional services in planning and environmental fields for the preparation of the CEQA documentation and general plan amendment documents necessary to incorporate the Draft Element into the General Plan as provided for in this report. As illustrated in the EMC analysis, cost estimates to complete this work are estimated between \$440,000 - \$760,000, but the exact costs are highly variable, and would not be known until specific proposals are submitted (See Table 3 of Attachment B). As for the source and amount of appropriations for this work, it is estimated that this budget request would coincide with the mid-year budget review at the beginning of February, and the contract for professional services per the RFP results presented for approval and authorization in late February or March.

There is no fiscal impact at this time associated with the receipt of the Resource Allocation Study for the Five Year Action Plan. This information is meant to provide information to the Council in advance of the Strategic Planning session on January 10, and ahead of the mid-year budget review in February. At this budget review, and during the annual budgeting process in the spring, staff will present recommendations for the funding of priority policy and action items from the Five Year Action Plan, as appropriate.

TIME CONSIDERATIONS:

If the resolution is approved, formal approval of the Draft Element will proceed in the next calendar year. Approval of the document is important for setting an overall framework or vision for future prosperity for the City. Timely approval helps to ensure those in the community, the region, and beyond, that there are near term and future opportunities for investment in Salinas, whether they are in land use, workforce training and education, or in quality of life. Such opportunities may be temporal and investment may go elsewhere; therefore, it is important that timely action be taken to move the Draft Element towards final consideration for approval and implement, where appropriate, those strategies and action items to capture these opportunities.

ALTERNATIVES/IMPLICATIONS:

As an alternative to not approving this resolution, the City Council could request staff to modify the documents and return for further consideration, refer the document to other Boards or Commissions, take no action regarding the documents, or other actions the City Council deems appropriate in this manner.

CITY COUNCIL GOALS:

This Draft Element, as a strategy document aligns closely with the City Council’s goals of Economic Diversity and Prosperity, Safe Livable Community, Effective Sustainable Government, Excellent Infrastructure and Quality of Life as these goals have been recently updated for FY 2013-2015.

CONCLUSIONS:

This Draft Element, as a potential critical component of the City’s General Plan, will allow the City to prioritize and focus its economic development policies, programs and projects to provide maximum benefit and return to the City ensuring a prosperous, safe and healthy community.

Distribution:
City Council
City Manager
City Attorney
Department Directors

Backup Pages:
Resolution
Attachment A: Economic Development Case Studies and Best Practices
Attachment B: EMC CEQA Analysis
Attachment C: Decision Matrix