PLANNING & LAND USE MANAGEMENT

MOTION

The current financial market environment continues to present significant challenges for development, including elevated interest rates, challenging debt markets, tariff uncertainty, rapidly escalating material costs, and immigration initiatives impacting the labor force. These forces materially impact project feasibility and require additional time for developers to structure viable capital stacks and secure financing commitments.

Construction costs remain volatile and continue to escalate due to global supply chain pressures and tariffs on key building materials, requiring developers to reprice projects and adjust budgets during the pre-development and plan check process which requires additional time to raise capital.

Banks and financial institutions typically require approved drawings before issuing final loan commitments, and lenders also require a Guaranteed Maximum Price contract (GMP) from a general contractor as part of their underwriting.

In the current market environment, lenders and institutional investors are also conducting more extensive due diligence and underwriting given tariff volatility and regulatory uncertainty. As a result of these challenges, the financing process may require several additional months after the Plan Approval to complete underwriting and close construction financing in order to break ground on a project.

Affordable housing is a critical need in the City but development of affordable and supportive housing is difficult to build. A complicated financing structure involving multiple funding sources and funders, including low- income housing tax credit program, soft loans from the State, County and City, as well as traditional banks make the timing of when an affordable housing project can actually start construction difficult to predict and manage.

Many developers who submitted for Plan Check in the past three years have not been able to start construction when anticipated due to these factors. Therefore, in light of these barriers to the construction of housing, it makes sense to make the necessary amendments to the Municipal Code to extend the existing Plan Check review process as codified in Municipal Code Section 98.0603 (*Expiration of Plan Check*) for permit applicants.

I THEREFORE MOVE that the Council instruct the Department of Building and Safety, in consultation with the City Attorney, to prepare and present a proposed ordinance, to amend Municipal Code Section 98.0603 (*Expiration of Plan Check*) to extend the Plan Check expiration beyond the 18 month-time period that is currently allowed, and thereby allow project applicants more time to secure a permit.

I FURTHER MOVE that the Council instruct the Department of Building and Safety to revise existing policy to extend Plan Check to allow more time for project applicants to complete the Plan Check process and obtain permits while complying with the building codes in effect at the time of original submittal.

PRESENTED BY: Bob Blumenfield

BOB BLUMENFIELD
Councilmember, 3rd District

SECONDED BY: ______________________

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