Atascadero City Council
Staff Report - Community Development Department

Strategic Planning 2011 –
Community Development and Economic Development Issues

RECOMMENDATION:

Council review this staff report and provide direction to staff.

DISCUSSION:

Background:
Economic development / community development issues were identified as Council priorities during the last two-year budget cycle. These issues have been grouped under the Council’s current goal:

- Grow the City’s Economy and Pursue Economic Development

This goal represented the foundation for the City’s strategy to cope with an unprecedented economic downturn. As 2011 begins, the City, local businesses, and residents continue to face significant economic challenges. The Council has identified economic development, development assistance and local Redevelopment Agency stimulus programs as a priority to aid the local economy. The purpose of this report is to summarize the City’s current economic and community development programs and options.

The City has undertaken a number of programs and actions to encourage and stimulate local economic development as follows:

- Office of Economic Development (OED)
- Redevelopment Agency Façade & Sign Business Stimulus Program
- Permit Fee Relief Program
- Omni bus code update
- Priority Development Projects
- ADE Economic Strategy Priorities
In addition, there are a number of development-related issues that also require Council direction.

- Community Appearance / US 101 Corridor
- Second Unit Legalization Program
- Group Homes / Sober Living Facilities
- Housing Element Implementation / Homeless Shelter

Summary:

Office of Economic Development (OED)

The Office of Economic Development is a joint effort among all of the City’s departments to assist and coordinate economic assistance efforts. The OED meets on a regular basis to review the status of projects, develop assistance programs, and identify barriers to development that should be removed. Examples of OED programs and efforts are listed below:

- Business-friendly outreach
- Inter-department coordination
- Business assistance
  - Cowgirl Café relocation
  - Kia Lana Restaurant permitting assistance
  - Cal Terra Restaurant permitting assistance
  - Auto Zone site selection
- Restaurant Promotion Program
- Permitting Roadmap
- Downtown affordable housing program
- Restaurant Loan Program

Council Options

- Continue to prioritize and support OED efforts.
- Provide direction on addition OED objectives.

Redevelopment Agency stimulus programs

The Redevelopment Agency is funding two major business stimulus programs in the project area. The Façade and Sign rebate program is focused on the Downtown zone and has produced significant results that can easily be seen on Traffic Way. The second program is the permit fee waiver program. This program is available throughout the Redevelopment Agency project area and has provided assistance to $13,000 in fee relief assistance to 38 different businesses. Unfortunately, the Governor’s proposal to eliminate all redevelopment agencies in California has put this program in jeopardy.

Council Options

- Continue to fund program if Redevelopment Agency funds are available.
Redevelopment Agency Façade & Sign Business Stimulus Program:
- Provides matching grants for signs and façade improvements in the Downtown
- $2000 available towards signs and $1000 available towards façade improvements. Businesses are eligible for both. Matching funds (RDA reimburses 50% of improvements).
- Funded 13 Downtown businesses
- Includes 10 new signs, seven buildings painted, and one business that installed awnings
- $12,537.03 of RDA funds spent
  (Total improvements in the downtown, including owner’s contribution: $24,654.67)
- $30,000 in funding allocated for program, $17,462.97 still available

<table>
<thead>
<tr>
<th>Address</th>
<th>Business</th>
<th>Improvement</th>
<th>Amount Reimbursed</th>
<th>Total Improvement Expense</th>
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<td>$1,130.73</td>
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</tbody>
</table>

$12,537.03 $24,654.67
Façade Improvement Photos

Back on the Racks, 5920 Entrada

Punky's Italian Ice, 5870 Traffic Way
The Spa, Central Coast, 6105 El Camino Real

Envisions Gallery, 5975 Traffic Way
The Fig, 5945 Traffic Way

Haven Wine Bistro, 6155 El Camino Real
Pfium's Muffler, 5970 El Camino Real
Commercial Permit Fee Relief Program

- Available to all businesses in the Redevelopment Agency
- Covers permit costs up to $999 for each business
- Funded 38 permits so far (includes those in process)
- Used mostly for sign permits, tenant improvement permits, ABC licenses
- $13,973.35 of funds spent
- $25,000 in funding allocated for program; $11,026.65 still available

<table>
<thead>
<tr>
<th>#</th>
<th>Project</th>
<th>Permit</th>
<th>Address</th>
<th>Date</th>
<th>Total Cost</th>
<th>RDA Cost</th>
<th>Applicant Cost</th>
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<tbody>
<tr>
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<td>Sign Permit: Punky's Italian Ice</td>
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$13,734.42
$12,973.35
remaining
-25,000.00
$(11,026.65)
3,817.16
Omnibus Zoning Code Update

One the City Council’s 2010 goals, to encourage economic development, was to simplify the entitlement and construction process. Council adopted code text amendments making the following changes to the Zoning Ordinance in order to simplify and streamline the development process:

- Change 10,000 square foot CUP rule to 50,000 square foot
- Establish a Council-PC Design Review Committee
- Expand 2nd Unit options and sizes
- Establish restricted personal service uses
- Reduce and simplify multi-family setbacks
- Fire Sprinkler exemption for small commercial additions
- Conditionally Allow Hotels on Morro Road
- Allow Libraries Downtown without a CUP

Council Options:
- Identify additional code amendments to review for possible amendment.

Priority Development Projects

Despite the severity of the recession, the City in the midst of processing the two largest planning entitlement projects in the City’s history, Walmart and Eagle Ranch. Both of these project are staff’s highest priority and every effort is being made to keep these projects moving forward as smoothly as possible. Staff is in constant communication for the applicants for both projects and has standing monthly meetings to coordinate efforts and review progress. In addition, the Hoff Property in the Downtown is another high priority. The Council has identified development of the Hoff Property as a key to revitalization of Downtown. Staff has been meeting regularly with the Hoff Family and their design teams.

- Del Rio Road Specific Plan / Walmart
  - EIR in Process
  - Draft EIR to be released in early February 2011
  - Project Hearing Spring 2011

- Eagle Ranch Specific Plan
  - EIR contract to be completed in January 2011
  - Project Review Process is on-going
  - Specific Plan public outreach meetings will begin in early 2011
  - Phase I EIR Technical Studies early 2011
  - Preferred Project Selection 2011
  - EIR Process 2011-2012
Hoff Property
  - New architect and development team hired by Hoff Family
  - Staff has been meeting with new design team
  - Revised project concept underway
  - Phased project likely
  - Redevelopment Agency participation options

Council Options
- Endorse staff’s prioritization of key development projects.

ADE Economic Strategy Priorities

The City hired ADE to prepare an economic development strategy in 2009. The ADE strategy provides a roadmap for economic development priorities in the City. The following list was identified as the top priorities of the ADE strategy.

Ongoing Activities
- Colony Square
- Del Rio retail
- Renovation of historic City Hall
- Inclusion of economic development components in Eagle Ranch plan
- Monitoring of sales tax trends
- City Council public communication efforts and programs
- Zoo park expansion/improvement
- Continue existing visitor promotion activities and collaborative participation with SLOCVCB

New Activities
Marketing
- Complete the branding process to establish agreed upon messages for use throughout the marketing program
- Upgrade websites for both visitors and business attraction
- Institute measures to collect e-mail addresses for online newsletter
- Develop information about for Veterans Memorial and Purple Heart Trail and integrate into the City promotional programs
- Develop strategy to improve collaboration among SLO County jurisdictions on tourism marketing
- Additional Year 1 marketing activities as funds/staffing permit

Land Use/Site Development
- Develop design guidelines for Downtown
- Establish parking district in Downtown
- Develop project plan to improve Via Way bridge over Atascadero Creek
- Form broadband working group: collaborate with stakeholders, obtain TA/funding from Governor’s Broadband Initiative and CA Emerging Technology Fund.
- Complete zoning study for Morro Road to increase visitor serving potential
Tourism Asset Development

- Explore feasibility of wine museum
- Apply for designation as Gateway to Carrizo Plain National Monument
- Study feasibility of equestrian center
- Explore feasibility of expanding Paloma Park
- Inventory Tourism Assets

Business/Job Development

- Establish Business Retention and Expansion (BRE) Program, conduct interviews with businesses in key clusters, identify one or more clusters to engage as (an) ongoing network(s).
- Create City and County green product/service directory and resource guide

The following list identifies ADE Strategy tasks that the City has completed or is underway.

<table>
<thead>
<tr>
<th>ADE Strategy Tasks</th>
</tr>
</thead>
<tbody>
<tr>
<td>PMG Complete branding process and finalize messages</td>
</tr>
<tr>
<td>SMG Continue to develop area-wide way finding program</td>
</tr>
<tr>
<td>SMG Continue to place outdoor ad at the Paso Robles Fair, integrating Atascadero brand</td>
</tr>
<tr>
<td>SMG Work with and coordinate public relations efforts with the County VCB to present a unified destination to media, and to leverage efforts and budgets.</td>
</tr>
<tr>
<td>2.1.1 Prepare marketing materials that highlight key demographic and income characteristics important to desired retailers. Ensure that these materials are easily accessible from the City’s economic development website.</td>
</tr>
<tr>
<td>2.1.2 Attend ICSC conferences to promote key retail development opportunities in the City.</td>
</tr>
<tr>
<td>2.1.3 Encourage retailers to establish shops in Atascadero, especially in the Downtown, by promoting the City’s infrastructure improvement plans for the Downtown and for other commercial nodes through its economic development web site.</td>
</tr>
<tr>
<td>1.1.1 Continue supporting the completion of Colony Square</td>
</tr>
<tr>
<td>1.1.3 Adopt design guidelines to ensure a unified design theme for the Downtown.</td>
</tr>
<tr>
<td>1.2.3 Plan for long term parking solutions in Downtown. Establish Parking District to create planning organization and long term funding vehicle, establish density bonus incentives for developers building underground or multi-story parking structures, explore options for building attractive multi-story parking garages adjacent to the downtown core to support development of arts and entertainment venues; avoid surface parking except on streets.</td>
</tr>
<tr>
<td>1.3.1/2.6.1 Continue to implement the Downtown Revitalization Plan.</td>
</tr>
</tbody>
</table>

Objective 2: Support development of major commercial centers at the Del Rio Road interchange.

<p>| 2.2.1 Process applications and environmental clearance for projects on these sites when submitted. |
| 2.3.3 Identify development opportunities that offer mixed use commercial formats such as smaller scale lifestyle centers at commercial nodes on El Camino. |</p>
<table>
<thead>
<tr>
<th>ITEM NUMBER</th>
<th>TEXT</th>
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<tbody>
<tr>
<td>2.4.2</td>
<td>Align transit planning with planning for mixed-use nodes to facilitate travel to and from retail, employment and entertainment centers.</td>
</tr>
<tr>
<td>3.4.1</td>
<td>Review zoning along Morro Road to determine if some Commercial park zones should be replaced with Commercial Tourist zone to accommodate more lodging and visitor services/attractions along this corridor.</td>
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<tr>
<td>1.2.1</td>
<td>Continue work to renovate the historic Colony administration building to meet current safety codes.</td>
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<tr>
<td>1.2.2</td>
<td>Concentrate entertainment and cultural venues, including lively and visual arts, galleries, and similar uses in the Downtown. Consider an entertainment overlay zone to encourage the location of such uses in downtown.</td>
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<tr>
<td>3.1.2</td>
<td>Promote development of Bed and Breakfast facilities.</td>
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<tr>
<td>3.2.1</td>
<td>Utilize “Portable Infrastructure” to support a variety of events in various locations through the City.</td>
</tr>
<tr>
<td>3.3.1</td>
<td>Consider uses for Eagle Ranch that would further the goals of the economic development strategy. Possible uses to consider would include an equestrian center with adjacent equestrian-oriented subdivisions and a conference center/hotel/resort.</td>
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<tr>
<td>3.4.2</td>
<td>Implement Zoo park expansion plan</td>
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<tr>
<td>5.2.3</td>
<td>Consider the establishment of an artist studio near downtown</td>
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<tr>
<td>5.1.4</td>
<td>Support the establishment of a non-profit tree-planting project that would make it easy for homeowners to plant and care for trees specifically selected for the Central Coast region. Refer to the Palo Alto Canopy program as a model.</td>
</tr>
<tr>
<td></td>
<td>Mapping and analysis of economic development “hot spots” throughout town.</td>
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<td></td>
<td>PKF Hotel feasibility study underway.</td>
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**Council Options**

- Provide staff direction on pursuing additional ADE strategy items.

**Community Appearance**

Tourism and visitor accommodations continue to be identified as the most promising area for economic development and expansion in Atascadero. The strength of the Paso Robles wine country experience as a tourist destination and attraction continues to be an opportunity for Atascadero. However, outside tourism consultants have continually identified the appearance of the City’s commercial areas along El Camino Real and US 101 as a negative to the traveling public. One consultant dubbed Atascadero “Garage
Sale Town.” In order for the City to maximize tourism development opportunities, the appearances of the commercial corridors need to be improved.

Issues

- A positive community image helps to support business retention, expansion, investment and attraction activities. The Community Revitalization Program outlined in in ADE’s Economic Development Plan identified the need to enhance the physical appearance, economic viability of properties and businesses, and image of the community.
- The first item in ADE’s Community Revitalization program is “Commercial Corridor Appearance Enhancement.” The intent is to develop policies and programs to improve the appearance of the commercial corridor, and the economic vitality of the community.

- First task identified by ADE for appearance enhancement: “Maintain effective and proactive code enforcement and clean up campaign with appearance and maintenance standards, removal of abandoned and illegal signs, and abandoned and dilapidated structures.”

- Unpermitted signage is an ongoing problem in the City. The Community Development department provides limited code enforcement support for illegal signage on a complaint basis only. It appears that a lack of enforcement of the Sign Ordinance has led to a profusion of unpermitted freeway-oriented signs, semi-permanent banner signs, mobile signs, and other illegal signage. There are numerous signs located along Highway 101 frontage advertising off-site businesses, acting as billboards which are expressly prohibited in the Atascadero Sign Ordinance. Banner signs are also an issue as some businesses do not adhere to the “30 days up, 60 days down” regulation and may have multiple banners.

- The highway signs and banners that are out of compliance with adopted regulations negatively affect the aesthetic characteristics of Atascadero. The increased sign litter often detracts from the commercial business experience that Atascadero strives to maintain for its residents and visitors.

- Businesses that comply with the Sign Ordinance rules are at a competitive disadvantage to business that has additional unpermitted signage. Enforcement of the Sign Ordinance create a level playing field for all businesses.

- During these economic hard times, it is politically difficult to enforce signage regulations on struggling businesses. For a signage program to be effective, it
will need Council leadership and support from the Chamber of Commerce and Main Street.

- US 101 lacks landscaping in many areas, especially north of San Anselmo. Freeway landscaping is an important way to improve the appearance of the community to the traveling public.

**Council Options**

- Continue existing limited enforcement program.
- Increase existing code enforcement efforts.
- Create a Council led business outreach program with the Chamber of Commerce and Main Street to improve signage and business appearance City wide.
- Investigate landscaping options for the US 101 corridor.
Second Unit Legalization Program

Due to Atascadero’s large lots, the construction of accessory structures such as garages and shops are very common. It appears that over time, there is a tendency for these structures to be converted into stand-alone living units or second units. Although the City does not have an active program to identify unpermitted second units, the City is dealing with many cases that have been reported through code enforcement. Realtors, potential buyers, and records requests often alert staff to illegal conversions. Currently, staff does not take action unless there is formal complaint or an obvious safety issue. Once these unpermitted units are identified it is very difficult to bring these units into compliance. One of the primary barriers to legalization is the combination of City impact fees, school district fees and AMWC meter fees. The combination of these fees can often exceed $30,000. The result has been outstanding code enforcement issues which are never resolved, and ongoing safety concerns from unpermitted construction.

Second Unit Permitting Issues:

- Must bring up to current building code requirements, including fire sprinklers and Title 24.
- City Impact fees, school impact fees and AMWC meter fees required.
- Substandard and unsafe construction was be repaired or replaced.
- Many unpermitted second units have been found to have dangerous electrical, heating, and ventilation systems.
- Owners often have limited funds available and are dependent of rent from the unit.

Benefits of Legalizing Second Units:

- Housing Element Policy 1.1 Program 13 written to encourage second units; legalizing units would assist in meeting the City’s affordable housing obligations.
- Second units provide a valuable affordable housing option for people while providing income to the property owner.
- Units are made safer by having inspections done and the illegal work fixed.
- City receives affordable housing credit for legally permitted second units.
- Would minimize the number of code enforcement cases and save staff time.
- Creates legal property status for property owners; resolves resale issues with lenders.
• Provides a separate address to each unit which assists in emergency response situations.

Council Options:

• Create a new amnesty program to legalize second units.

• Significantly reduce impact fees for second units
  (Need a fee study / consultant to evaluate actual impacts of second units and determine a legal fee. Fees need to be the same for amnesty units and new second units).

• Consider the option to allow applicants to pay impact fees over an extended period of time.

• Consider a very low income affordable deed restriction in exchange for additional fee relief.

• Evaluate reducing development standards (covered parking, etc.)

• Work with School District and Atascadero Mutual Water Company to investigate the possibility of reductions to fees for second units and consider an amnesty program that would reduce or eliminate fees for unpermitted second units.

Group Homes / Sober Living Facilities

Group homes and sober living facilities are a growing industry that can be quite profitable. A house can often be rent for two to three times more as a group home than a single-family unit. Since the Courts have severely limited the ability of cities to define a “family,” any group of unrelated adults can easily fit the Court definition of a housekeeping unit. The current City code does not provide any legal tools to regulate unlicensed group homes. Although the vast majority of group homes are good neighbors, staff has seen an increase in complaints from neighbors regarding group homes.

Issue:

• Sober living facilities are not currently regulated in most cities, including the City of Atascadero. Typically these are not regulated by the City because they are considered to be just a group of people living together in house. Sober living is not considered residential care. It may be considered a group home in some situations.

• These facilities can be large in size, often 10 to 20 people living in a house, which can create an impact on a single-family neighborhood. Beds are rented
out to individuals by a facility / house manager. It is up to the house manager to regulate noise, traffic, etc.

- Staff has received complaints about these types of facilities within the City, however, we currently have limited enforcement power to regulate operations or location with our current codes.

- Many California cities have begun to adopt ordinances to regulate the size, location, and concentration of sober living facilities in an effort to minimize neighborhood impact.

- Ordinances typically require these facilities to be permitted through a Conditional Use Permit and a business license. Following regulations are typical:
  
  - The number of people is limited, typically as few as seven people allowed in a house.
  
  - Occupancy is limited to two to a bedroom.
  
  - Sober living facilities may not be located within 300 feet of another group home.
  
  - Limits the number of drug registrants and/or parolee or probationers living in one house.
  
  - Require garage and driveway spaces to be available and used for parking of vehicles and limits each tenant to one vehicle, which must be operable and be used as a primary form of transportation.
  
  - The sober living facility must serve only persons who are considered disabled under state and federal law and must provide the City with information concerning how such an evaluation is made.

Council Options:

- Maintain the status quo and treat unlicensed group homes and sober living facilities as single-family uses.

- Direct staff and the City Attorney to research options to regulate unlicensed group homes and sober living facilities.

Housing Element Implementation

With the adoption of the new Housing Element, the City is obligated to complete a number of programs within the first year of adoption. Staff has complied the following
list of programs that need to be completed. Some of these programs may require assistance from outside experts.

### Year 1
To be completed by January 2012

<table>
<thead>
<tr>
<th>Program</th>
<th>Policy</th>
<th>Description</th>
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| Zone Change to allow emergency shelters SB 2 | Policy 4.1 Program 4 | - Amend Zoning Ordinance to comply with SB 2, permitting emergency shelters without a conditional use permit or other discretionary permits in the Commercial Service (CS), Commercial Park (CPK), Public (P) zoning districts, or other appropriate zones or sites.  
- Develop standards and criteria  
- Define transitional and supportive housing as a residential use subject to the same standards that apply to other residential uses. |
| Review impact fees | Policy 6.1 Program 8 | - The City shall review impact fees and the capital facility fee schedule to reduce fees and barriers to housing development, particularly affordable units. |
| Updates for Fair Housing | Policy 4.2 Program 2 | - City will establish a policy or ordinance to provide reasonable accommodations (i.e. modifications or exceptions) in their zoning laws and other land use regulations and practices when such accommodations may be necessary to afford disabled persons equal access to housing.  
- The purpose of the reasonable accommodation ordinance or policy is to remove constraints to the development, improvement and maintenance of housing for persons with disabilities.  
- The City will promote its reasonable accommodations procedures on its web site and with handouts at City Hall. |
| RDA funds for housing stock | Policy 2.1 Program 4 | - Allocate funds in the RDA housing set aside to rehabilitate existing housing stock within Redevelopment Project Areas with special emphasis on the Downtown Commercial zone. |
| Zone change to allow for waiver of 2 story height limit | Policy 1.1 Program 20 | - Amend the Zoning Ordinance to allow a waiver of the two story height limit in the RMF Zone through the Minor Use Permit process. |
| Updates to encourage second units | Policy 1.1 Program 13 | - To encourage the development of second units, the City will evaluate the development standards and update the Zoning Ordinance for second units. Explore incentives such as reducing fees and eliminating the covered parking requirement for a secondary residential unit.  
- Work with Atascadero Mutual Water Company to investigate the possibility of reductions to water connection fees for second units and consider an amnesty program that would reduce or eliminate fees for unpermitted second units. |
| Update inclusionary housing policy | Policy 1.1 Program 11 | - Adopt an inclusionary housing ordinance that requires residential and commercial developments to provide deed-restricted, affordable units or an in-lieu fee.  
- Update feasibility analysis of inclusionary housing policy to reflect current market conditions.  
- Explore options to streamline and clarify the various options available to a developer.  
- Evaluate impacts to market rate housing related to current market conditions, project applications, estimated affordable housing requirements, fee collection, and actual construction of affordable housing. |
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<tr>
<th>Zone update for mobile home/manufactured home</th>
<th>Policy 1.1 program 5</th>
<th>• Amend Zoning Ordinance to clarify that the terms “mobilehome” and “manufactured home” are essentially the same. Manufactured housing placed on a permanent foundation should be considered a single-family dwelling and permitted in all zones that allow single-family housing.</th>
</tr>
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<tbody>
<tr>
<td>Adopt an affordable housing density bonus</td>
<td>Policy 1.1 program 10</td>
<td>• Adopt an affordable housing density bonus ordinance that establishes procedures for obtaining and monitoring density bonuses in compliance with State law. Following adoption the City shall regularly update the ordinance to be in compliance with Government Code §65915 and develop an outreach program to ensure its successful implementation. The City should consider exceeding State requirements if projects meet City housing goals, such as compact high density housing, architectural quality, or green building.</td>
</tr>
<tr>
<td>Single-room Occupancy units</td>
<td>Policy 6.1 program 7</td>
<td>• The City shall establish policies, standards, and procedures that encourage and facilitate the development of single-room occupancy units (SROs).</td>
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**Council Options:**

- Provide staff with direction on prioritizing Housing Element Implementation programs for 2011-12.

**FISCAL IMPACT:**

Many of the programs and options discussed in this report have a monetary or staff resource cost. Based on Council direction, staff will address these costs in the draft 2011-13 City budget.