



Office of the City Auditor

**Report to the City Council
City of San José**

**DEVELOPMENT
SERVICES: IMPROVING
THE EXPERIENCE FOR
HOMEOWNERS**

**Report 14-08
September 2014**

September 18, 2014

Honorable Mayor and Members
Of the City Council
200 East Santa Clara Street
San José, CA 95113

Development Services: Improving the Experience for Homeowners

In 2005, the City opened the Permit Center on the ground floor of City Hall. This innovative facility was hit especially hard due to reduced development during the economic downturn. The purpose of this audit was to assess the efficiency and effectiveness of processes affecting single-family home improvement projects.

Finding 1: PBCE Can Achieve Better Turnaround Times by Addressing Staffing Shortages and Inefficiencies. Turnaround times are a primary concern for Permit Center customers. While some permits were issued the same day, it took an average of 67 calendar days to issue a single-family residential remodel permit that followed the standard permit process. Most of that time was spent waiting for City staff to review the plans; other causes of delays include appointment delays and multiple rounds of plan submittals. Inefficient staffing strategies, aging and underutilized technology, and delayed handoffs between City departments further delayed throughput. We recommend PBCE clarify expectations and track performance for Drop-Off Submittals, Express, and Over-the-Counter plan reviews; work with applicants to reduce the number of resubmittals; and develop and implement a staffing strategy to fill vacancies in the Building Division.

Finding 2: The City Can Improve the Customer Experience in the Permit Center. Customers seeking permits at the City's Permit Center encounter a confusing layout, long lines, 30 minute wait times, empty counters, and a confusing queuing system. In our opinion, the City should reconfigure signage, develop customer service standards for summoning additional staff to the Permit Center reception desk, rationalize its queuing system, station more building staff to help walk-in customers, and expand referrals to and use of self-help terminals in the lobby.

Finding 3: PBCE Should Extend Operating Hours and Online Services. The City's Permit Center offers limited operating hours and limited online services. Even simple projects require multiple trips to the Permit Center. We recommend PBCE improve Permit Center hours, improve and expand online services, and upgrade its technological infrastructure. This will ease the pursuit of permits by improving access for people wanting to enter the Permit Center, offering more convenient options for people who do not need to enter the Permit Center, and reduce time and costs of completing permit milestones.

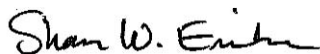
Finding 4: PBCE Should Offer Clearer Information to the Public and More Aggressively Promote Building Permits. The City of San José requires permits for new structures, changes to existing structures, and repairs including electrical, plumbing, and mechanical work. The permit process facilitates technical review of planned work and inspections of completed work, which ensures work is performed in accordance with health and safety codes. This process requires a partnership between governments and property owners. Governments adopt, promote, and enforce codes, while property owners learn and demonstrate compliance with them. We found the City could strengthen this partnership. Specifically, existing problems with website information need to be addressed. In addition, the online presence of PBCE, the Building Division, and the Permit Center can provide better information to the public. Finally, the City can improve its public awareness campaign to better disclose when and why permitting is necessary. These problems have arisen in part because of staffing constraints, but the FY 2014-15 Operating Budget includes funding for a new position to implement communication/outreach improvements. With these resources, we recommend improving the website and materials targeted to the public, and promoting building permits to the public.

Finding 5: PBCE Should Update Its Fee Calculations. San José seeks complete cost-recovery in building fees. Its cost structure is complicated, as are the cost structures of other jurisdictions. This is particularly true when comparing not just base fees, but all the other fees, surcharges, and taxes that also get applied. In addition, many of PBCE's fee calculations and cost estimates are out of date. We recommend the Department review its total cost of permits and update time and staffing cost assumptions as part of its upcoming fee study. In addition, PBCE should simplify its online fee calculator, consider deeper discounts for online permit applications, expand use of entry-level engineering positions for simple Plan Review, and eliminate the Construction & Demolition Diversion Deposit.

The Office of the City Auditor thanks management and staff of the Permit Center, the Department of Planning, Building, and Code Enforcement, and the City Manager's Office for their time and insight during the audit process.

This report includes 22 recommendations. We will present this report at the September 25, 2014 meeting of the Public Safety, Finance, and Strategic Support Committee. The Administration has reviewed the information in this report and its response is shown on the yellow pages.

Respectfully submitted,



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Introduction

The mission of the City Auditor's Office is to independently assess and report on City operations and services. The audit function is an essential element of San José's public accountability and our audits provide the City Council, City management, and the general public with independent and objective information regarding the economy, efficiency, and effectiveness of City operations and services.

In accordance with the City Auditor's Fiscal Year (FY) 2014-15 Work Plan, we have completed an audit of the City of San José's Development Services application and permitting process and wait times for single-family home improvement projects.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We limited our work to those areas specified in the "Audit Objective, Scope, and Methodology" section of this report.

We would like to thank staff members at the Department of Planning, Building, and Code Enforcement for their time and insight during the audit process.

Background

The City has an interest in ensuring San José's physical environment serves the needs of existing and future residents, merchants, and visitors. A first step in providing for these needs is setting standards for safety, and the orderly layout of built installations, infrastructure, and natural resources.

Why Are Building Permits Important?

Homeowners are required to have permits for certain types of home improvement projects. The building permit process ensures that building projects that may impact the health and safety of occupants are built to meet City and State standards.

When home or business owners do not get building permits, they put themselves at risk of poor construction, jeopardizing the health and safety of inhabitants. Furthermore, it behooves residents to participate in the building permit process because they may also be liable for issues arising from unpermitted work.

Customer Service Matters

Customers engaged in the building permit process reflect a vast array of backgrounds. Some customers are design or construction professionals with years of experience working in many different jurisdictions. Over time, they become experts in dealing with each city's process. On the other hand, homeowners embarking on their first remodel, will be novices to the process. This may be the first time they have ever been to City Hall.

Regardless of customer skill level, the City is responsible for providing accurate, timely, and consistent information to customers. The importance of good customer service cannot be overstated because the City's goal is to ensure the safety of our built environment, and to attract repeat customers – not discouraging them from participating again.

Annual Customer Satisfaction Survey

Among all development services customers surveyed¹, homeowners are likely to be the most discouraged. With little design experience to draw upon, and sometimes working without professional assistance, this group tends to be less satisfied with the permit process than other customer groups.

In a 2013 survey conducted by the City, nearly one-third of self-identified “owners” disagreed that plan check turnaround times set by the City were reasonable. Over 20 percent felt plan check staff were not responsive. They were less likely than others (e.g. architects, engineers, contractors, permit runners, or agents) to think that staff's “comments, corrections were clear and understandable.”

Furthermore, on some issues, owners registered particularly poor opinions compared to the other groups. Some of these included: constructive input and guidance, clear processes and steps for permit processes, and the Plan Review process.

The most common areas of improvement identified by this type of customer were: decreasing turnaround times (13 percent); increasing staffing (9 percent); set, maintain, provide clear standards, consistency (9 percent); clarify, standardize, reduce fees (8 percent).

¹ Since 2006, the “development partners” (the Department of Planning Building and Code Enforcement (PBCE) Building and Planning Divisions, Public Works Department, and the Fire Department's Bureau of Fire Prevention), have contracted with an outside firm to survey development services customers. The statistically representative survey reveals customer attitudes on a range of topics for customers across the development services trades, and across the different development milestones including applications, Plan Review, and inspections. The survey identifies respondents by their roles in their projects – such as owner, architect, engineer, or contractor. Overall, satisfaction levels among owners were lower than the other groups.

These customer/homeowners are the focus of this audit. In our opinion, improving the process for this group will have positive spillover effects for all other customers.

Residential Projects Generally Begin and End in the City’s Building Division But Can Involve Other Departments

Homeowners typically follow what is called the “ministerial” process when pursuing permits for single-family residential projects. A typical kitchen or bathroom remodel or water heater installation are examples of ministerial projects that do not require public hearings, and would be approved administratively. City technical codes, which reflect California State codes, are the basis of such approvals.² For these types of projects, technical review begins and ends at the Building Division, which ensures new construction projects meet health and safety requirements as well as applicable zoning regulations.³

When homeowners take on more complex projects, sometimes it is necessary for the Building Division to coordinate and ensure that applicants have obtained the necessary clearances from the other “development partners” – departments and divisions that also work to preserve community health and safety. In addition to the PBCE Building Division, the City’s Development Services Partners include the Planning Building and Code Enforcement (PBCE) Planning Division, Public Works Department, and the Fire Department’s Bureau of Fire Prevention.

For example, when a homeowner takes on a second story addition, the City’s Building Division would involve the City’s Planning Division to ensure that the work is appropriately scaled to the site. The addition may also trigger a review by the City’s Public Works Department, if the site is located within a flood zone or geological hazard. Projects that include fire sprinklers will require review and approval from the Fire Department.

² San José Municipal Code Title 24: Technical Codes - The purpose of this title is to provide for the administration and enforcement of the building, residential, plumbing, mechanical, and electrical, the existing building, Green Building Standards code, and historical codes adopted by the City of San José.

³ Title 20 of the San José Municipal Code is the City’s zoning code/ordinance. “In order to regulate and restrict the location of residences, professions, businesses, trades, and industries, to regulate and restrict the location, height, and size of buildings and structures hereafter erected, enlarged or altered, and to regulate and determine the area, depth, and width of yards, setback areas, and other open spaces...”, the zoning ordinance prescribes allowable land uses. The zoning ordinance also sets out when approval from the Director of Planning is required through a discretionary land use permit. Some discretionary approvals can be administrative, but many require a public hearing. Some single-family homes may be subject to discretionary processes if they fall within a Planned Development Zoning. In many of these cases, the discretionary approval can be accomplished by staff at an administrative level that does not involve a public hearing.

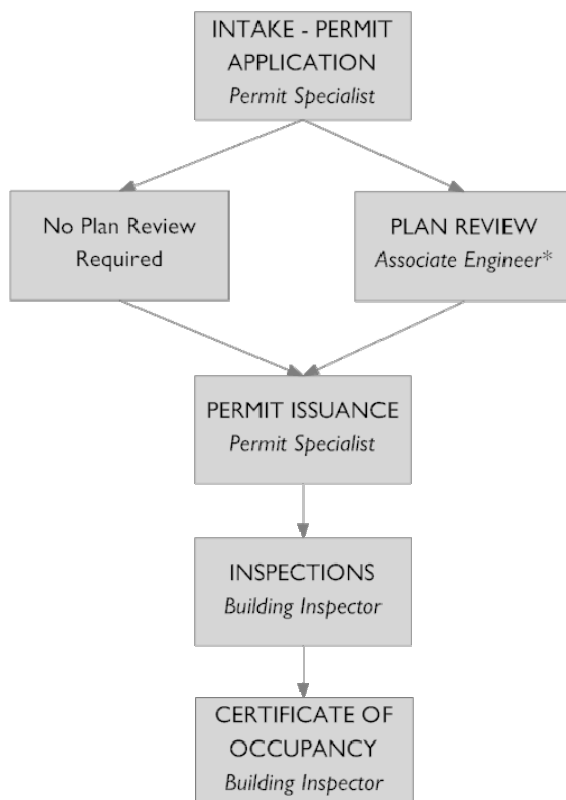
The Building Permit Process

In 2005, the City opened the Permit Center on the first floor of City Hall. Staff from various City departments are available at the Permit Center to assist customers who are applying for building permits. The process begins with “intake” when Permit Specialists review applications and plans. Projects requiring advanced technical review are forwarded to “Plan Review” where Engineers verify their compliance with applicable local and state building codes. Review to this point is intended to verify that proposed projects are designed to meet safety requirements as outlined in City and State building codes.

Once plans are approved, Permit Specialists issue permits once proposed projects are deemed to meet these codes. Then, at the permit holders’ request, Building Inspectors perform on-site inspections (after each stage of construction and upon completion) to verify projects were completed in accordance with approved plans.

Projects vary broadly in their required permits and inspections. Passing inspection certifies that newly completed projects are safe to occupy. This certification is formalized by a certificate of occupancy. Exhibit I below shows the typical permit process for building projects.

Exhibit I: Building Permit Milestones and Related Staffing

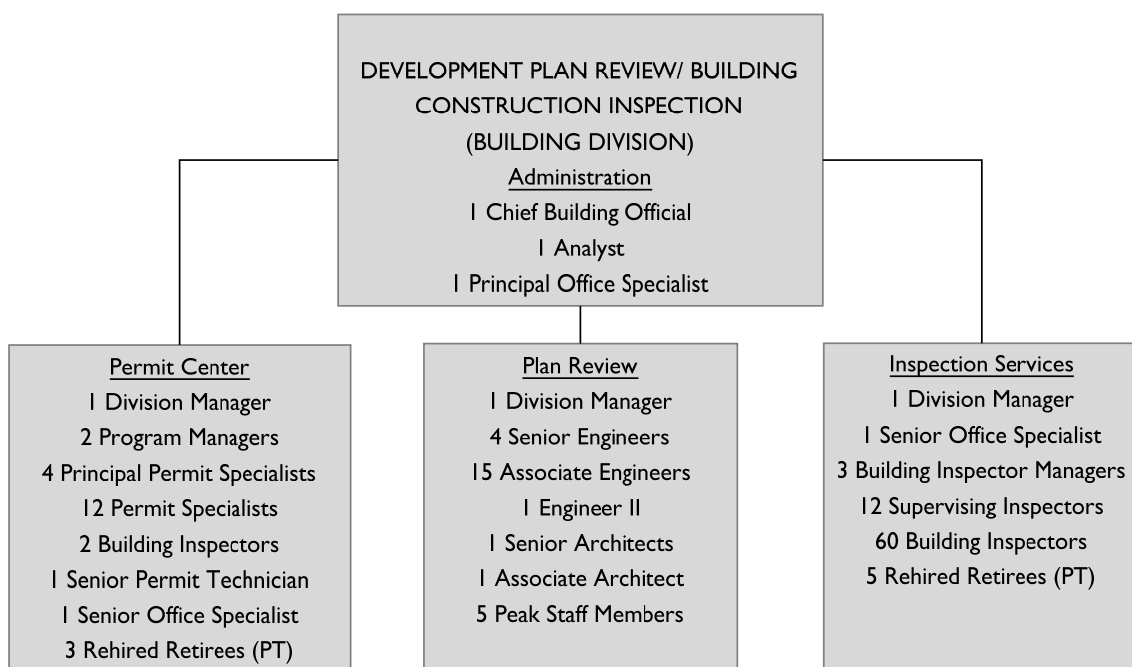


Source: Audit team summary of the building permit process.
* Building inspectors may also assist with Over-The-Counter Plan Review when there are no structural calculations.

The Department of Planning, Building & Code Enforcement

The aforementioned permitting process is an important part of the mission of the Department of Planning, Building, and Code Enforcement (PBCE) which is "to guide the physical change of San José to create and maintain a safe, healthy, attractive, and vital place to live and work." The department is organized in three core services: 1) community code enforcement, 2) long range land use planning, and 3) development Plan Review and building construction inspection. In addition, there is an administrative services unit that manages the department's budget, personnel, and other administrative functions. Exhibit 2 below shows PBCE's organization.

Exhibit 2: PBCE Building Division Personnel



Source: Compiled by the audit team based on filled and vacant positions shown in July 2014 organization charts provided by PBCE.

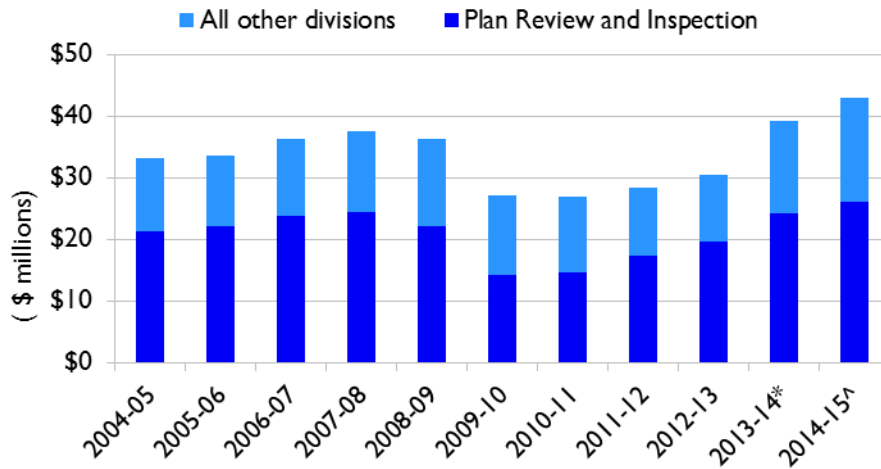
Note: The exhibit details positions within the Building Division and excludes staff members from the other development partners (Planning, Public Works, and Fire).

The processes that most directly affect the target population of this audit – single-family residential customers – reside within the Development Plan Review/Building Construction Inspections core service or “Building Division.”

PBCE Budget and Staffing

PBCE's budget and staffing totals have changed dramatically over the years. The department was hit especially hard due to reduced development during the economic downturn. Since PBCE is substantially funded by development fees, they have only recently (FY 2013-14) returned to funding levels last seen in FY 2008-09.

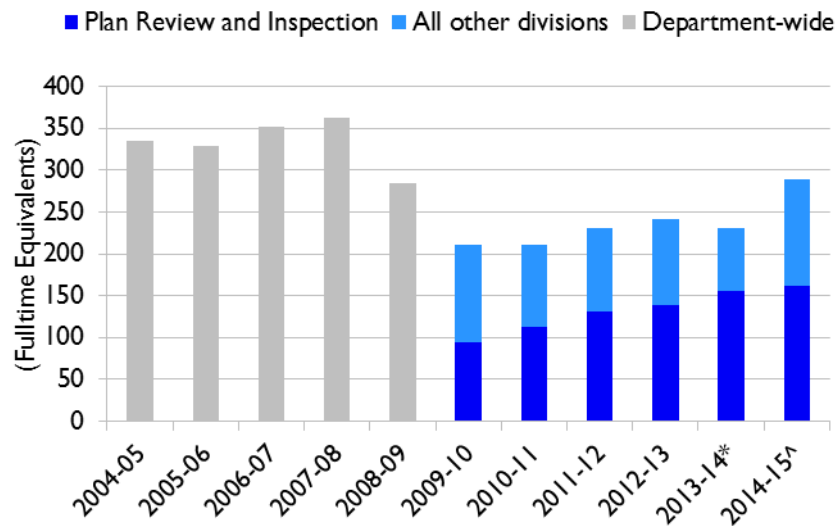
Exhibit 3: PBCE Budget Expenditures



Source: Compiled by Audit Team from historic operating budgets.
 Most years are actuals.
 *Adopted
 ^Proposed

Despite having a larger budget than seen in recent years, staffing levels are far lower than they have been historically. As shown in Exhibit 4 below, the FY 2014-15 proposed budget allotment of 288.5 fulltime equivalents (FTE) is still 20 percent lower than the highest staffing levels of FY 2007-08, when the department had 363 FTE. Between FY 2009-10 and FY 2014-15, Plan Review and Inspection staffing grew from 45 percent to 60 percent of the department's total staffing.

Exhibit 4: PBCE Departmental Staffing



Source: Compiled by Audit Team from historic operating budgets

*Adopted

^Proposed

Exhibit 4 above does not reflect PBCE's large vacancy rate. As of June 2014, the department's vacancy rate was about 10 percent. This means that the fulltime workforce employed at the department in June 2014 was 10 percent smaller than the budgeted workforce.

Beginning FY 2012-13, PBCE began a "peak staffing" strategy whereby the department has contracted out some Building Division functions in order to address staffing shortages and challenges with recruitment. As of July 2014, the department had 5 peak staffers in the Building Division.

Building Division Workload

Permit activity has increased substantially since FY 2009-10. Most notable is the increase in the number of field inspections, which has more than doubled in four years.

Exhibit 5: Building Division Activity & Workload Highlights

	2009-10	2010-11	2011-12	2012-13	2013-14 Estimated
# of building permits issued	20,849	24,064	24,871	27,646	31,900
# of customers served in Permit Center	29,637	27,666	27,201	31,868	33,300
# of Plan Reviews	5,049	5,654	6,100	7,148	7,800
# of field inspections	86,825	101,074	141,097	189,065	211,700

Source: Adopted operating budgets (unaudited)

Audit Objective, Scope, and Methodology

The objective of this audit was to assess the efficiency and effectiveness of processes affecting single-family residential home improvement projects. The following is an outline of the work performed in support of the audit objective.

We reviewed and assessed the customer experience by:

- Conducting an inventory of resources available to prospective building permit customers at San José's Permit Center, City websites, and other areas, and compared what is available in San José vs. elsewhere.
- Compiling, summarizing, and analyzing annual customer satisfaction surveys.
- Compiling, summarizing, and analyzing data on customer volume and wait times as recorded in the Permit Center's queuing system.
- Interviewing development services employees.
- Observing operations at the Permit Center and other public areas serving building customers.
- Interviewing Permit Center customers.

We assessed turnaround times for key building permit processes by:

- Compiling turnaround times and other performance targets kept by Development Services partners; and comparing turnaround times and targets against other jurisdictions.
- Compiling and analyzing permit data from the building permit computer system.
- Interviewing staff members in PBCE's Building Division and Administrative Services unit.

We assessed the cost and effectiveness of staff involved in single-family residential building permits by:

- Evaluating roles and responsibilities.
- Reviewing budgets.
- Compiling and summarizing PBCE personnel data.
- Comparing staff compositions of San José Building Division with others.
- Reviewing job specifications.
- Reviewing the terms of peak staffing plans.

We assessed the City of San José's regulatory framework for single-family residential building permit applicants by:

- Reviewing the San José Municipal Code and the basis for establishing codes.
- Reviewing policies, procedures, and checklists.

We assessed the reasonableness of San José's building fees by:

- Reviewing methodology for setting fees.
- Reviewing City policy and State law informing fee setting.
- Identifying components of fees and comparing against other agencies.

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Finding I PBCE Can Achieve Better Turnaround Times by Addressing Staffing Shortages and Inefficiencies

Summary

Turnaround times are a primary concern for Permit Center customers. While some permits were issued the same day, it took an average of 67 calendar days to issue a single-family residential remodel permit that followed the standard permit process. Most of that time was spent waiting for City staff to review the plans; other causes of delays include appointment delays and multiple rounds of plan submittals. Inefficient staffing strategies, aging and underutilized technology, and delayed handoffs between City departments further delayed throughput. We recommend PBCE clarify expectations and track performance for Drop-Off Submittals, Express, and Over-the-Counter plan reviews; schedule Express appointments timely; work with applicants to reduce the number of resubmittals; and develop and implement a staffing strategy to fill vacancies in the Building Division.

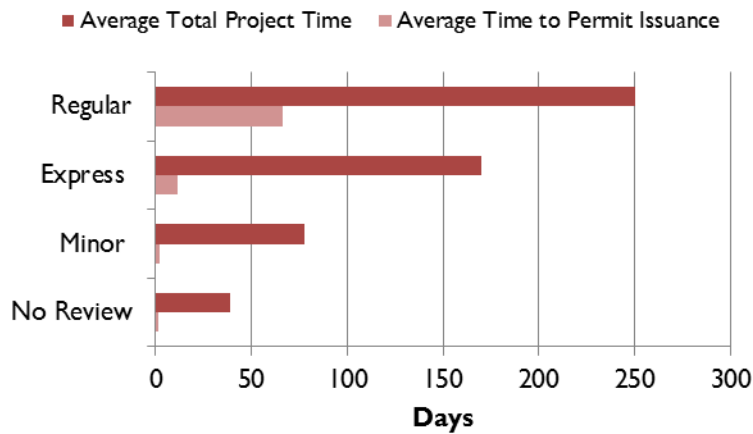
Average Time to Permit Issuance

Development services customers identified turnaround times as one of the areas having the most room for improvement. In fact, when customers were given the opportunity to suggest an area of improvement during the 2013 Annual Development Services Customer Satisfaction Survey, decreasing turnaround times was the top suggestion.

Among residential single-family projects, those requiring Plan Review have the longest project timelines. These tend to be addition/alteration projects that include some amount of structural work. The average total project time for these types of projects was 250 calendar days; the average time to permit issuance was about 67 calendar days.⁴ On the other hand, if there is no structural work required, the process is often as simple as an over the counter permit which can be processed the same day. Exhibit 6 shows the average project timelines for single-family projects by type of review (described below). Note that these average timelines reflect the time between when the project was initiated at the permit center and when the permit was retrieved (that is, picked up by the customer).

⁴ Project time is the total amount of time between project initiation and final inspection approval. Turnaround time is the time from project initiation to permit issuance, when construction can begin. These calculations are based on an AMANDA query of residential permits initiated from January 1, 2012 through December 31, 2013. Note: The department tracks its performance in working days, less holidays and weekends, however, we opted to use calendar days for this analysis.

Exhibit 6: Average Project Timelines for Residential Single-Family Projects by Type of Review



Source: AMANDA database

Note: Includes data from the three most common permit types: addition/alteration, sub-trade and reroof permits only.

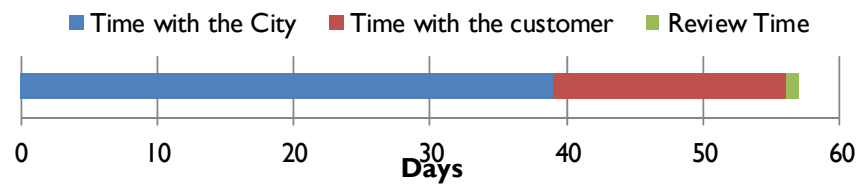
Delays in Plan Review Queue Significantly Impact Turnaround Times

Our review indicates that most of the turnaround delay was spent waiting for someone to review plans. For example, although the Plan Review unit has a turnaround target of fewer than 15 working days, the actual staff time spent on processing and review, often is much less.

As shown in Exhibit 7 below, a representative single-family residential project took a total of 57 calendar days to issue the permit.⁵ In this example, the City only spent an estimated 8 hours of staff time for Plan Review and processing. However, the project spent about 17 days with the customer and about 39 calendar days with the City.

⁵ This example is representative of our sample because it had the average total turnaround time, and close to the average number of review cycles.

Exhibit 7: Comparison of Days Spent Waiting for Plan Review Vs. Time Spent Working on Plan Review



Source: AMANDA database

Tracking Key Milestone Targets

When key milestone targets for single-family residential permits are not met, the impact is degraded customer satisfaction. Some customers opt for the Residential Express Review (described below) because of the higher likelihood of same day permit issuance.

Development Services targets vary by type of permit and the process it follows. For those permits requiring Plan Review, permit issuance targets depend on the route pursued. For example, the Department has implemented the following options for Addition/Alteration permits and their anticipated turnaround times, in order of project complexity:

- **Over-the-Counter Review (Minor):** For Additions smaller than 100 square feet and Alterations smaller than 300 square feet. Plan Review is handled on a walk-in basis by on-call Plan Reviewers at the permit center. The goal of this program is to turnaround same-day permits for simple projects.
- **Residential Express Review (Express):** Optional service for Additions and Alterations less than 500 square feet. Express customers are charged 1.5 times the cost of regular Plan Review. Plan Review is scheduled in 60- or 90-minute appointment slots where the customer and their design team meet with all relevant staff members from Building, Planning, Public Works, and Fire to review the plans. The goal of this program is to complete the review such that permit issuance can occur the same day.
- **Drop Off Submittal (Regular):** For all other Addition and Alteration projects, customers are asked to drop off their plans for intake staff to process (this was previously an appointment submittal). Intake is anticipated to take 3 to 5 business days, after which customers are asked to pre-pay for Plan Review. Once customers have paid, the Plan Review process is anticipated to take 10 to 15 business days for a typical review.

Although PBCE tracks some turnaround times, it has not quantified the impact of recent service delivery changes.

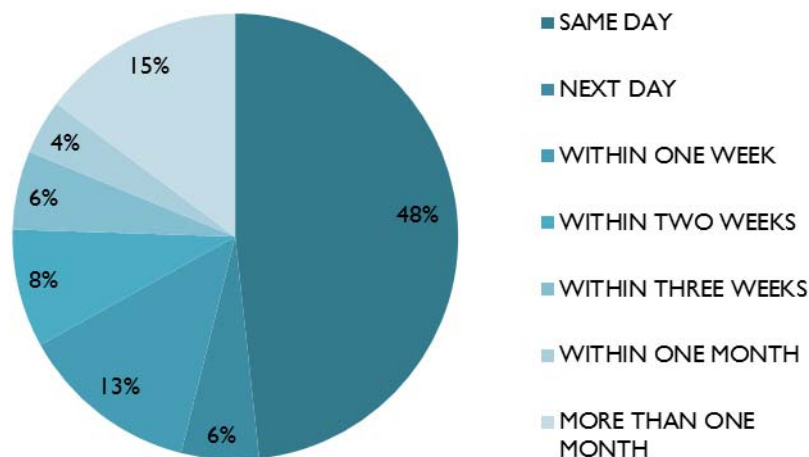
Recommendation #1: Clarify expectations and track performance metrics for Drop-Off Submittal, Express and Over-the-Counter Plan Review in addition to regular categories of building permits.

Unmet Expectations for Residential Express Plan Review

For those projects smaller than 500 square feet, customers have the option to schedule a Residential Express appointment with all necessary Development Services staff in order to turnaround the permit that same day. The goal of this program is to invite all project participants to the table so that any changes can be incorporated directly on the drawings.

The department charges an additional 50 percent for Express Plan Review, but does not notify customers of the premium charge prior to the appointment. Also, Residential Express customers face appointment wait times of 3 to 4 weeks. Furthermore, only about half of the Residential Express appointments in calendar years 2012 and 2013 resulted in same day permit issuance

Exhibit 8: Distribution of Express Permits by Days to Issuance



Source: AMANDA database

According to PBCE, one potential reason for delay may be not having the designer at the appointment. As a result, changes cannot be incorporated directly onto the plans during the meeting, further delaying issuance. Similar to the idea of notifying customers of the premium fee prior to their appointments, the department should also notify customers that having their designers in attendance is highly recommended for same-day issuance. If customers would prefer not to pay their designers to attend, perhaps the department should suggest regular Plan Review which commonly involves multiple rounds of submittals.

Moreover, it is unreasonable to ask customers who have paid extra for “express” permits to wait 3 to 4 weeks for an appointment. In our opinion, this does not represent “express” service. Changing the name to something such as “Consolidated” Plan Review would convey the expectation of same-day issuance while alleviating the expectation for prompt scheduling.

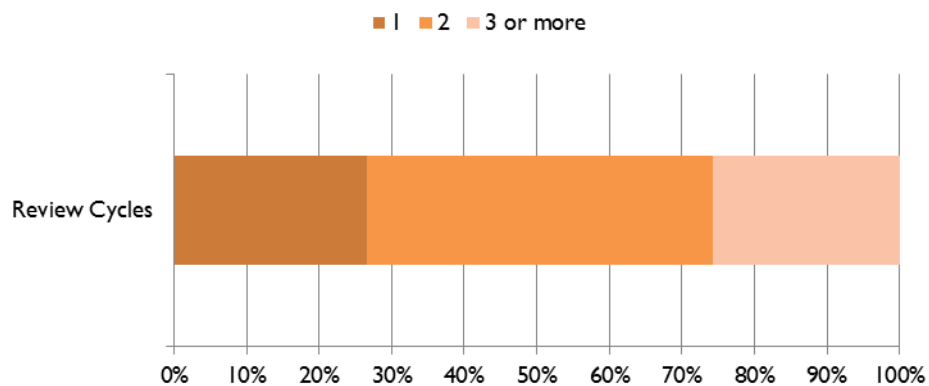
Recommendation #2: In order to meet the expectations of Express Plan Review, PBCE should:

- a) **Notify customers of the 50 percent fee premium in advance;**
- b) **Counsel customers on ways in which successful same-day issuance can be achieved; and**
- c) **Reduce the wait time to schedule express appointments, or consider renaming the program to better represent the program.**

Multiple Plan Resubmittals Delay Permit Issuance

Unlike Express Plan Review which is intended to result in same-day permits, the Regular Plan Review process assumes a longer wait time and multiple submittals. The Department has a goal of no more than 2 cycles (initial review and subsequent review). Nonetheless, 26 percent of residential additions require 3 or more reviews. Repeat submittals further add to the backlog of work and, in turn, further delay turnaround times for new projects entering the pipeline.

Exhibit 9: Percentage of Building Projects with 1, 2, and 3 or More Plan Review Cycles



Source: AMANDA database

If plans require fewer submittals, then the amount of staff time dedicated to those projects will decrease and plans can move through the queue faster. At a time of increased development volume and plateaued staffing, the backlog problem can snowball into plans piled up waiting for review to begin. For example, during the week of May 26, 2014, Plan Review completed initial reviews of 35 new single-family add/alt plans; during that same period they received 45 new projects and 16 resubmittals to review.

Incentives for Consistently Prepared Contractors

Most homeowners use professional contractors or designers to assist with plans for additions and alterations. As discussed in Finding 4, it is important to keep homeowners apprised of the status of their applications (which may be in the hands of their contractors) so that they can hold their contractors accountable for contractor-caused delays.

The City of Seattle and Mecklenburg County, North Carolina further incentivize good behavior by rewarding contractors that have proven success in navigating those respective agencies' Plan Review processes. Mecklenburg County, the home of Charlotte, categorizes architects and engineers into four major groups: "Superior," "Successful," "Not Yet Graded" and "Poor," based on the performance of their most recent plans. In its system, superior performers are offered more services, like walk-in services, team reviews, and preferential scheduling.

In the case of Seattle, building personnel reward "consistently prepared applicants", who have established histories of little or no problems with building plans, with priority appointments for reviews.

Recommendation #3: To reduce the number of resubmittals, PBCE should provide incentives for consistently prepared applicants.

Low Staffing Impacts Timeliness

The timeliness of permit processing has been impacted by low staff levels. As of July 2014, the vacancy rate in the PBCE Building Division was 16 percent. This means that the Building Division's actual workforce was 16 percent smaller than the budget suggests. In addition, current staffing levels in the Building Division (where Permit Specialists, Engineers, and Inspectors work) are lower than the levels they were in FY 2008-09, even though the workload in terms of permit activity has surpassed FY 2008-09 levels. In the Building Division, vacancies include 9 Building Inspectors, 3 Permit Specialists, 4 Office Specialists, and an Information Systems Analyst.

There are currently 3 vacant Permit Specialist positions, but since they are at the level of Senior Permit Specialist and Principal Permit Specialist, the candidate pool may be limited, as filling these positions respectively require 2 and 4 years of Permit Specialist experience. Furthermore, when compared to similar positions in San Francisco and Sunnyvale, San José's entry-level Permit Specialist job specifications are more rigorous.⁶

In addition, Plan Review staff (Associate Engineers) are not eligible for overtime, Retire-rehires are limited to 960 hours per year, and as of July 2014 peak staffers (contract employees) are limited to Plan Review. These limitations serve to further restrict throughput. In addition, Permit Specialists are only available between the hours of 9:00 to 12:00 and 1:00 to 4:00, when the Permit Center is open.

We found that other government agencies offer outside plan review for key permitting processes. For example, some cities offer customers the option of initiating technical review of plans and inspections on their own, by directly coordinating with pre-approved contracted firms. This happens at the City of Milpitas. Such an arrangement could help supplement PBCE's existing peak staffing efforts.

Recommendation #4: Develop and implement a staffing strategy that includes:

- a) **Reviewing and updating job specifications to facilitate hiring at the entry level;**
- b) **Filling vacancies;**
- c) **Expanding the use of temporary peak staffing; and**
- d) **Consider providing applicants the option of working directly with outside Plan Reviewers.**

Insufficient Training and Development, and Underutilized Technology Diminish Throughput and Customer Service

Due to staffing reductions after the economic downturn, the development partners have had to build back up their ranks now that construction is on the rise. PBCE is grappling with the impact of onboarding a large number of staff in a brief time period.

⁶ The City of San José's entry-level Permit Specialist job description requires "... one year of responsible public contact experience in building, construction or fire code office work or any equivalent combination of education and experience sufficient to successfully perform the essential duties of the job such as those listed above." The entry-level equivalents at San Francisco and Sunnyvale do not require industry-specific experience. In our opinion, the requirement for more specialized experience may present a barrier to prospective applicants, and may limit recruitment options.

The cumulative tenure of PBCE employees was 2,223 years in July 2008; by July 2014, it had dropped to 1,451 years -- a 35 percent decline. Some work units are particularly impacted. For instance, in July 2014, 70 percent of Associate Engineers in Plan Review had fewer than two years of departmental experience. Since 2012, Plan Review staff members are processing fewer permits per working hour. According to a PBCE staff member, “getting up to speed” on Plan Review responsibilities takes over 2 years.

Training and Procedures Are Lacking

As cumulative experience has declined, training has been inconsistent, and standard operating procedures are lacking. Customers have expressed concern about inconsistencies among staff members in handling their applications and plans. For example, during our Permit Center interviews, one homeowner seeking to pick up a permit for an addition to his house, complained about inconsistent advice from Building Division staff members. Specifically, this customer reported frustration when, according to him, Building Division staff initially told him that he needed additional information to pick up his permit. However, after appealing to management, the homeowner reported that the initial advice was mistaken, and he was able to pick up his permit.

Seventy percent of customers report being satisfied with permit application, plan review, and permit issuance.⁷ However, others complain about the lack of consistency. For example, two regular customers reported that the quality of their experiences at the Permit Center varied depending on the staff members they encountered.

Consistently trained staff can improve workflow and diminish multiple rounds of submittals in the long run. When asked to provide written procedures for onboarding new Plan Review staff members, department staff were unable to do so. While standard comment lists for single-family dwellings have been developed and provided on the department webpage, standard operating procedures would be useful both for onboarding new staff, and communicating expectations to existing staff.

Recommendation #5: Develop and implement standard operating procedures, and an onboarding and training program for new staff in the Permit Center and Plan Review.

⁷ 2013 Annual Customer Satisfaction Survey

Inefficient Deployment

Adding to the increasing strain on staff, recent changes have broadened the job duties required of in-demand staff. For example, in Fall 2013, Permit Specialists and Planners began staffing the reception desk which takes them away from duties at the Building Counter, which require Permit Specialists and Planners exclusively. Prior to that, the reception desk was staffed by Senior Office Specialists who referred customers to professional staff.

Exhibit 10: The Reception Desk at the City Hall Permit Center



Source: Audit team photo of the Permit Center on August 11, 2014

Similarly, Plan Review staff members are assigned to a weekly rotation of phone duty when the Call Center forwards building-related customer calls. Although the purpose is to aid in customer service training for employees, the result is less time dedicated to Plan Review duties.

Permit Specialists and Planners should be committed to the respective duties of those positions, as should Plan Review staff. In our opinion, this is especially true when staffing is low, as it is now.

Recommendation #6: To meet the demand for critical staff, PBCE should staff the reception desk with office specialists, and station Permit Specialists and Planners at the counter.

Aging Technology Infrastructure

Development services partners use a system called “AMANDA” as their permit database. The system was first adopted in 2001, and although it has been heavily customized, PBCE concedes it is past time to update the system. AMANDA integrates with a multitude of existing City software including the revenue management software and Code Enforcement’s database. Replacing and or updating AMANDA ranks high among PBCE’s operational priorities.

In addition to replacing the permit database, PBCE is currently exploring upgrades to other systems such as its network storage and imaging. All of these components will need to be addressed before PBCE can move forward with the plan to bring on electronic plan submittal and review, which would involve annotating plans directly on the computer and allow various development partners to work on a project simultaneously.

Delayed Handoffs Between Development Partners

Some development projects require signoff by multiple divisions or departments, and the Building Division is the de facto lead for these types of projects. However, the Division’s role as project manager is complicated by heavy manual interaction. For example, the current AMANDA system does not automatically notify and prompt Building staff when other development partners complete their reviews. Likewise, the system does not have automatic alerts when other partners have become delinquent. The unintended consequence is that the customer becomes the instigator for propelling the project along.

Along the same vein, Permit Center intake staff relies on customers to alert them when their fees have been paid and plans can be routed to Plan Review (under the new Drop-off-Submittal program). In some cases customers do not alert intake staff and the plans sit idle until intake staff takes the time to manually check the status. The lack of automatic alert further delays the forwarding of completed plans.

Recommendation #7: In AMANDA or its replacement, implement a “tickler” to signal alerts to development services partners when plans are ready for their review, when Plan Review is delayed, and when fees are paid.

Finding 2 The City Can Improve the Customer Experience in the Permit Center

Summary

Customers seeking permits at the City's Permit Center can encounter a confusing layout, long lines, 30-minute wait times, empty counters, and a confusing queuing system. In our opinion, the City should reconfigure signage, develop customer service standards for summoning additional staff to the customer service counter, rationalize its queuing system, station more Building Division staff to help walk-in customers, and expand referrals to and use of self-help terminals in the lobby.

The Permit Center Is the Primary Destination for Development Services Customers

The Permit Center aids customers such as contractors, developers, and homeowners in their projects including planning and building applications, permits, and general information. The Permit Center's reception desk – known by City Hall staff as “the donut” – is where customers are provided resource documents and are referred to different development services staff. Each of the development services partners (PBCE Building, PBCE Planning, Public Works, and Fire Prevention) has their own counters to serve customers.

Customers should be able to expect that the City of San José will provide quality customer service to everyone, especially for once-in-a-lifetime customers unfamiliar with City of San José's processes. According to the 2013 Annual Development Services Partners Customer Satisfaction Survey, among the most desired improvements sought by development services customers were responsiveness and attentiveness.

Some Customers Are Confused by the Permit Center's Signage and Layout

Prominently situated on the ground floor of City Hall, the Permit Center occupies a space that was originally intended to be a citywide customer service center where members of the public could begin their pursuit of the full gamut of services and transactions the City offers. Even though the concept of the citywide hub was abandoned, the physical layout of the space does not reflect its narrower function. As soon as customers enter City Hall through the main entrance, they face signs that read, “Customer Service Center” where the Permit Center's reception desk is located. Frequent customers may not encounter any problems finding the Permit Center; however, to some homeowners who are not as familiar with City Hall or the Permit Center, the layout can be confusing.

Our observations of the Permit Center revealed that people sought services at the reception desk not offered there. We witnessed people seeking services such as directions, parking validation, business licenses, fee payment, and information about City jobs. Staff members estimated as much as 20 percent of visits to the Permit Center reception desk were unrelated to services available there. Conversely, we also observed a few instances in which people could not immediately identify the Permit Center or the reception desk.

Confusion with the space was not limited to the reception desk. For instance, we observed multiple instances of customers entering the wrong cashier line to pay their building permit fees. Such a mistake is easy to make because each cashier is assigned to specific transactions. An inexperienced development services customer may be unaware of the distinction.

Improved Signage Is Needed at the Permit Center

Perhaps the first thing people look for and notice when they enter a new environment is signage. People rely on signs for guidance for getting to their intended destinations. Missing or misleading signage can frustrate, confuse, and waste visitors' time. This undermines quality customer service. In addition, poor signage burdens staff members who need to compensate for inadequate signage, and address dissatisfaction from frustrated and confused visitors.

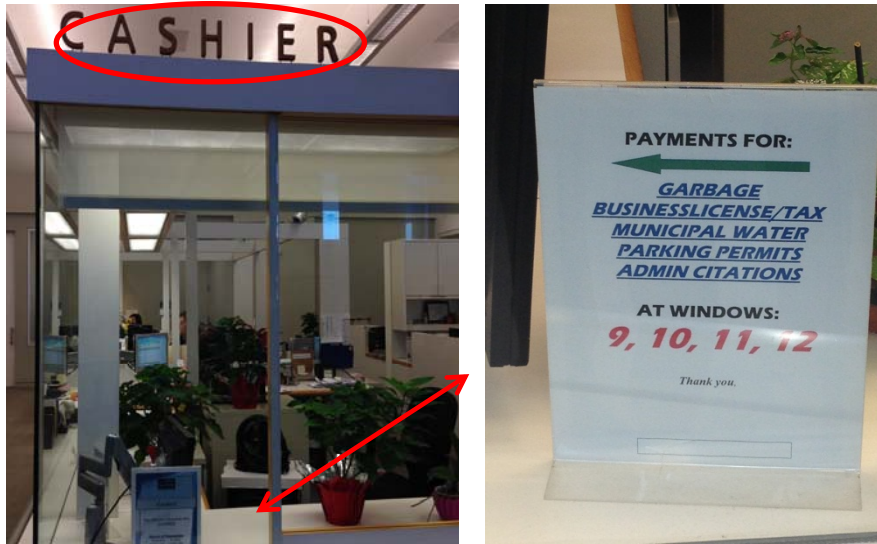
Confusion at the Permit Center is partly attributable to poor signage. The exhibits below show how people entering City Hall may be challenged to: 1) distinguish the Permit Center reception desk from a citywide customer service hub, 2) identify the reception desk line from lines for other services, and 3) distinguish the cashiers that serve development services customers from the cashiers that serve other customers.

Exhibit 11: Signage at the Permit Center Reception Desk



Source: Audit team photos from July 15, 2014 and August 11, 2014 showing the prominent "Customer Service Center" sign at the Permit Center reception desk, and the much smaller clarifying sign at the actual desk that redirects confused members of the public to the City Hall General Information Desk.

Exhibit 12: Signage at the Cashier Area



Source: Audit team photos from August 8, 2014 and September 16, 2014 showing the generic “Cashier” signage, and the much smaller, waist-high sign specifying which cashier windows customers should visit for specific services.

As part of the FY 2014-15 proposed Operating Budget, PBCE has set aside \$250,000 for an architectural design assessment for City Hall’s development services workspaces.

Recommendation #8: To clear up the confusing layout of the permit center, PBCE should reconfigure signage and lobby space to provide clearer guidance for customers.

Customers Face Long Lines and Wait Times at the Permit Center

Wait times are an important aspect of the customer experience. According to the Development Partners Annual Customer Satisfaction Survey, decreasing office wait times were among the improvements sought by customers. Specifically, 26 percent of customers who visited the Permit Center felt that the wait time before being assisted by staff was unreasonable.

Customers must wait in line at the Permit Center reception desk in order to be served. The reception desk often has long lines. Some of this is attributable to the aforementioned confusion about the services provided at the reception and cashier areas.

Exhibit 13: Long Lines at the Permit Center



Source: Audit team photo from July 15, 2014 showing a long line at the Permit Center.

Permit Center queuing data revealed that 18 percent of total customers that obtained a queuing number during the calendar years 2012 and 2013, waited longer than the Permit Center's 30-minute target for wait times.

Customer Service Rules

Inevitably, there will be times when the Permit Center is swamped with walk-in customers. For such occasions, it is a widely accepted customer service best practice to summon additional staff when the line grows to a certain length or wait times exceed a given timeframe. For instance, a retailer may prescribe a "5 customer rule" whereby clerks request additional help when the line grows to 5 or more customers. However, San José's Permit Center does not have any such rules. We observed that long lines were a source of frustration among Permit Center customers waiting at the reception desk.

A Confusing Queuing System

Currently, the Permit Center uses a queuing system intended to improve the customer experience by recording customer flow and assigning adequate staff to accommodate customer demand. In theory, the queuing system would significantly reduce congestion and wait times.

However, we learned that the Permit Center is not using the queuing system to its full capacity. Specifically, the system is currently being used as a customer ordering tool which alerts customers when they can be served and at which counter. For example, if a customer reports to the Permit Center reception desk, s/he informs a staff member of the reason for the visit, and the staff member will assign the customer to the next available development services staff member that can address the needs. But as currently used, the system is strictly set up on a first-come/first-serve basis, with no regard for the ease or complexity of projects. This results in customers with quick and easy service needs, waiting behind customers that have time-consuming and complex service needs, which leads to congestion in the lobby.

Unpredictable Queuing Numbers

Once customers reach the reception desk, they are handed a queue number and are prompted to wait for their queue number to be called. When interviewed, some customers expressed frustration and confusion with the numbering system. The queuing numbers are frequently called out of numeric order because each different permit type is placed in a different queue depending on which department is needed. For instance, building customers are designated differently from fire customers, and have different numbers. Even though there is a letter marked next to the queuing number ticket given to each customer, the letter is not displayed on the digital queuing display board. During our observation of the Permit Center lobby, customers became frustrated because they were unable to predict when their numbers were due to be called. Customers would appreciate predictability in the lobby queue display or ticketing system.

Unrecorded Customer Trends

Another way that the queuing system is being underutilized is that reception staff members are not recording the specific reasons for customer visits, and have not been consistently recording instances of people entering the Permit Center for non-development services reasons. This information can prove valuable in understanding customer demand, allocating resources, and identifying underserved areas ripe for improvement.

Recommendation #9: To shorten long lines and reduce the wait times for the Permit Center, PBCE should:

- a) **Develop customer service guiding principles including procedures for when to summon additional staff assistance to the reception desk and to the Building Counters;**
- b) **Rationalize queuing numbers that are given out to customers;**
- c) **Hone available options in the queuing system and record reasons for customer visits; and**
- d) **Use the queuing system to track customer flow and set the right amount of staff to accommodate the customer demand.**

Underutilized Building Counters Were a Source of Frustration

Just as grocery store customers complain about waiting in checkout lines while adjacent checkout lines are unstaffed, development services customers become frustrated waiting in the lobby while Building Counter stations remain unstaffed. During our observation, customers reported this as a source of frustration. In the words of one customer: *“The people here are nice enough but the wait sucks...they don’t have enough people working!”* In our opinion, inactive counter space sends the wrong message to customers and serves as a visual reminder of insufficient staffing.

Exhibit 14: Underutilized Building Counters



Source: Audit team photo from August 11, 2014 showing empty, inactive Building Counter space.

Until Fall 2013, the reception desk was staffed by Office Specialists. Since then, PBCE has staffed the reception desk with professional staff from the Planning and Building divisions.

PBCE staff members reported that by having professional staff at the reception desk, they are often able to offer valuable technical assistance to customers immediately, and can often make progress before forwarding customers to the Building Counter. If questions and errors are addressed up front, customers can avoid waiting in the lobby for trivial matters, and Permit Specialists at the Building Counter can be focused on more complex work.

Opportunities to Better Utilize the Building Counter

The Building Counters are frequently empty. We recommend PBCE return to its practice of staffing the reception desk with Office Specialists who will refer customers to Permit Specialists at the Planning and Building Counters as needed. In this model, “on-call” Permit Specialists will always be performing Permit Specialist duties, and leave reception duties to Office Specialists. Staffing the Building Counters with “on-call” Permit Specialists sends the message to customers that the City is working on their behalf – that it is attentive and responsive.

Self-Help Computer Terminals

There are four available computer terminals in the Permit Center lobby. In our observation, they are underutilized. In fact, during our observations, we found that the terminals were being used by people for matters other than development services. Imagine a scenario in which a customer arrives at the Permit Center to learn more information about a simple building permit application. Instead of waiting 30 minutes, Permit Center staff members can direct her to an onsite computer terminal where s/he can learn about the processes and apply for permits. This would be especially helpful when online services are expanded and made more user-friendly (see Finding 4 for additional information about making building permit information more accessible on the web).

Recommendation #10: To maximize its infrastructure already in place at the Permit Center, PBCE should:

- a) Station more staff at Building Counters available to provide assistance from walk-in customers as needed (i.e. desk duty); and**
- b) Expand referrals to and use of self-help computer terminals in the lobby.**

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Finding 3 PBCE Should Extend Operating Hours and Online Services

Summary

The Permit Center offers limited operating hours and limited online services. Even the simplest projects may require multiple trips to City Hall. We recommend PBCE improve Permit Center hours, improve and expand online services, and upgrade its technological infrastructure. This will ease the pursuit of permits by improving access to people wanting to enter the Permit Center, offering more convenient options for people who do not need to enter the Permit Center, and reducing time and costs of completing permit milestones.

The Permit Center Has Limited Operating Hours

The Permit Center reception desk is usually staffed by at least one Building Division Permit Specialist and one staff member from the Planning Division. The Permit Center is open 9:00am to 4:00pm Monday through Friday,⁸ but Building staff members are unavailable between noon and 1:00pm and Planning staff members are unavailable between 11:00am and 1:00pm. These operating hours mean that for Building customers, the Permit Center is available only 6 hours per day. According to Permit Center staff, the Permit Center closes midday to allow for staff to resume other duties.

One drawback from the midday closure is that many customers may expect it to be open. Although operating hours are detailed on the website and on the development services phone message, customers may expect such services to be continually available throughout normal business hours (as they are in other public customer service settings like post offices and branches of the Department of Motor Vehicles). Such customers would be inconvenienced to find that the Permit Center is closed midday.

Because San José is such a large City, with perhaps many people needing permits, its residents may particularly benefit from longer operating hours. As of August 2014, none of the other largest California cities -- Los Angeles, San Diego, or San Francisco -- closed their respective permit centers midday. Neither did smaller cities like Cupertino, Berkeley, Oakland, Long Beach, or Sacramento. In our opinion, longer operating hours would be particularly helpful for people pursuing single-family residential permits, who may need more “face-to-face” assistance than more experienced applicants.

⁸ The Permit Center is also closed on the 14 City Holidays and the Holiday Closure.

Some customers may also be confused by varying operating hours at the other development services counters and the cashier. The intent of the following recommendation is to expand service hours for all services sought at the Permit Center, not just the reception desk and Building Counters.

Recommendation #11: Improve the hours of operation at the City Hall Permit Center.

Building Permits Require Multiple Trips to City Hall

Building permit customers may need to visit City Hall multiple times over the course of their projects. The following project milestones often trigger trips to City Hall:

- Obtaining general information about prospective projects
- Submitting applications and plans
- Paying fees for technical review
- Re-submitting and discussing revised plans
- Picking up approved permits and paying permit fees
- Claiming Construction & Demolition Diversion Deposits⁹

Even relatively simple projects may require numerous trips to the City Hall. Consider a hypothetical example of a homeowner who lives 12 miles from City Hall pursuing a permit for a sunroom.

1. Customer may visit the Permit Center to obtain general information about the proposed project; this may include zoning rules, the types of permits required, and/or how to apply for a permit.¹⁰
2. Once the application and plans are ready for submittal, the customer would need to visit the Permit Center to drop off the documents.
3. Once “intaking” Permit Specialists have processed the application, the customer would need to return to pre-pay for Plan Review.
4. The customer would need to come back to the Permit Center if there are any required changes or updates to the plans stemming from Plan Review.
5. Once the plans are complete, the customer would visit the Permit Center again to pay for the permit and complete permit issuance.

⁹ See Finding 5 for more information about Construction & Demolition Diversion Deposits (CDDD).

¹⁰ This trip is optional because some information is available online.

6. After the sunroom construction is complete, the sunroom has been inspected, and a certificate of occupancy has been issued, the customer would need to return to the Permit Center one more time to claim her/his Construction & Demolition Diversion Deposit (reclaiming the deposit is optional).

All told, this homeowner could anticipate making the 24-mile-roundtrip drive to City Hall and back, 6 times during the course of her project. In completing this project from start to finish, this customer will drive 144 miles, and spend almost 5 and a half hours driving to and waiting at the Permit Center. Additional time being served at each visit could add another three hours to the total.

The Building Division Has Made Progress in Reducing Trips to the Permit Center

The Building Division has recently developed and implemented service delivery options aimed at consolidating and reducing the number of required trips to the Permit Center and theoretically, reducing project timelines. Express Review is intended to consolidate intake, Plan Review, and permit issuance in a single appointment; and Over-the-Counter Plan Review (initiated in Summer 2014) is intended to allow customers to leave City Hall with a permit rather than having to return for another visit.

Eliminating Trips to City Hall Benefits Customers and the City

Some customers, because of the nature of their projects or personal preference, may want to go to the Permit Center for “face-to-face” service. But there are some project milestones, for which there is no apparent benefit from “face-to-face” contact. Take the permit issuance step, which entails picking up building permits and paying for final permit fees.

We estimate, given typical Permit Center experiences that going to the Permit Center to pick up permits and pay fees could take: 15 minutes driving to the Permit Center, 5 minutes waiting in line at the reception desk, 3 minutes talking to reception staff, an additional 30 minutes waiting in the lobby for a Permit Specialist, 10 minutes talking with a Permit Specialist to finalize permit issuance, 5 minutes waiting for a cashier, 5 minutes paying fees and collecting the permit, and finally, the 15-minute return trip home.

This amounts to an hour and a half of a customer’s time. From the City’s perspective, the 20 minutes spent by City staff represents time not spent helping other customers.

The Building Division Issues Limited Online Permits

Currently, the City offers several types of permits via online application process. This process entails creating and logging into an online permit account, completing an online application, paying fees based on the submitted application information, and printing a permit card. Types of permits available online (and for which customers can pay online) include water heater and re-roofing permits, chimney repair, simple re-piping, and some mechanical appliance installations.¹¹

For all other building permits, such as those requiring Plan Review, applicants cannot apply or pay for their permits online. Customers must make payments via mail, phone, or at the Development Services cashier at City Hall.

PBCE Should Point Applicants to Existing Offerings of Online Permits

PBCE has created efficiencies by offering online permits, but the Building Division has work to do in getting more people to choose online permits. Take simple permits for re-roofs and water heater installations. During FY 2012-13 and FY 2013-14, 2,303 of 2,735 (84 percent) water heater permits were obtained online. This high usage of the online interface may be because PBCE incents online water heater permit applications via discounted fees -- \$124 online versus \$164 for in-person water heater permits. Alternatively, residents may seek online permits because they are more convenient than in person.

Similarly, during calendar years 2012 and 2013, two-thirds (2,458 out of 3,629) of re-roof permits were processed online. The other one-third of the re-roof permits were issued in-person. PBCE charges a base 30 minutes processing time for each of these permits. If those remaining permits were issued online, this would have saved the department approximately 550 staff hours over the course of the two-year period.¹² And that estimate only considers time spent at the counter, additional time savings would result from diminished demand at the reception desk and cashier counters as well.

Photovoltaic Installations Are Good Candidates for Online Permit Applications

As just described, customers and the City both benefit from online permit options. In our opinion, photovoltaic installations would be an ideal category of projects for offering online applications.

¹¹ The City's website also lists photovoltaic installations, but that option is not currently available.

¹² This estimated savings is based on PBCE's time estimates for permit processing.

At the City of San José, photovoltaic contractors need only demonstrate that they are licensed by the State, and that specifications of their projects comply with City and State building codes. For the majority of photovoltaic projects, the most scrutiny occurs after permits are issued, during inspections.

As a result of this relatively straightforward process, the actual in-person consultation between photovoltaic applicants and the City's Permit Specialists takes very little time – often fewer than 15 minutes. As part of this audit, we observed these photovoltaic permit appointments, and spoke with photovoltaic customers. All interviewees reported that they would benefit from an online photovoltaic permit option, and cited convenience, time, and monetary savings as potential benefits. According to one photovoltaic contractor we interviewed: *“I'm surprised San José doesn't have online solar permits, since this is such a big city... and me having to come down here for these straightforward solar installs doesn't make any sense.”*

We found other agencies, such as San Francisco, Milpitas and San Diego County offer online photovoltaic permits. And PBCE staff members have informed us that it has had a goal to offer online permit applications for photovoltaic installations, but they have not had the staff capacity to take on the project.

The Building Division issued 2,750 photovoltaic permits in 2012 and 2013. If these were offered online, applicants could have saved about \$220,000 in processing fees (\$80 per permit), and the City could have redeployed about 680 hours to other permit jobs.¹³

Online Payment Processing

There may be a demand for online payment processing as well. In our opinion, the Building Division and the other Development Services partners should expand their capacity to accept online payments, and allow for customers to print permit cards without entering the Permit Center. In addition to improving convenience to customers, expanding online transactions could lower congestion in the Permit Center and reduce workload for City staff members. Moreover, people would be able to conduct business even when the Permit Center is closed.

At this time however, permit issuance processing requires owner-builder customers to pick up their permit in person upon signing off on a declaration of understanding regarding workers compensation laws. Still, online payments would be helpful in cases when the person picking up the permit is different than the person paying.

¹³ This assumes an actual processing time closer to 15 minutes, which is what the audit team observed, rather than the base fee of 30 minutes processing time currently being assessed for photovoltaic permits.

The Customer Satisfaction Survey revealed that customers desire more online functions. Take the testimony of one customer: *“I would like to see more self-service options for the permitting process made available on the development website. Paying permit fees online would also be a great feature.”*

Recommendation #12: PBCE should promote online permits, make more permits available online, and offer online payment options.

Electronic Plan Submittal Would Offer Convenience to Customers and the City

Many in the development services community report that electronic plan submittal, review, tracking, and storage of building plans would improve efficiency and lower costs. Just consider the potential efficiencies gained in applicants sending plans electronically, rather than entering the Permit Center. A 2007 whitepaper *“On Best Practices in Electronic Plan Submittal, Review, Tracking and Storage”* outlined many benefits to electronic submittal and review: *“Electronic plans submittal, tracking, review and storage reduce traditional plan processing times by between 20 to 50 percent by reducing the number of physical trips to and from government offices and by making these services available 24/7/365 and enabling jurisdictions to shift staff resources to other areas in need of attention.”*

Electronic Plan Systems Have Been Successful Elsewhere

We found numerous examples of cities that now use electronic building plan submittal, tracking, review, and storage. As part of this audit, we surveyed other agencies to understand the benefits of going electronic, and issues San José should consider if it adopted an electronic system.

One agency – the City of Seattle – unveiled its system slowly with a few invited applicants and a few Plan Review staff members at first for 6 to 9 months, and over time, other applicants asked to become involved. Today, 80 percent of building plans are submitted via electronic submittal. According to staff in Seattle, customers like the option of avoiding the permit center, dealing with expensive and scarce parking downtown, and printing and lugging around plans. Similarly, staff reported appreciating the electronic plan system because it results in fewer customers at the permit center and facilitates easier routing and tracking of plans. Even if electronic plan system is not embraced by the target group of this audit – residential single-family building applicants – they would still benefit from other groups taking advantage of it.

PBCE Faces Technological Barriers to Implementing Electronic Plan System

According to PBCE, the department must overhaul its technological infrastructure to support an electronic plan submittal and review system. Among other things, the department must: implement an electronic content management System (vendor selection is underway), upgrade its AMANDA system (AMANDA upgrade relies on new Electronic Content Management System), and upgrade to Windows 7 for all staff computers. In addition, the department is looking to get better use of geographic information systems to provide information to customers online. As of July 2014, PBCE reports that it has allocated \$4 million to technology upgrades.

Recommendation #13: Implement the technological infrastructure needed to support electronic plan submittal and review.

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Finding 4 PBCE Should Offer Clearer Information to the Public and More Aggressively Promote Building Permits

Summary

The City of San José requires permits for new structures, changes to existing structures, and repairs including electrical, plumbing, and mechanical work. The permit process facilitates technical review of planned work and inspections of completed work, which ensures work is performed in accordance with health and safety codes. This process requires a partnership between governments and property owners. Governments develop, promote, and enforce codes, while property owners learn and demonstrate compliance with them. We found the City could strengthen this partnership. Specifically, existing problems with website information need to be addressed. In addition, the online presence of PBCE, the Building Division, and the Permit Center can provide better information to the public. Finally, the City can improve its public awareness campaign to better communicate when and why permitting is necessary. These problems have arisen in part because of staffing constraints, but the FY 2014-15 Operating Budget includes funding for a new position to implement communication/outreach improvements. With these resources, we recommend improving the website and materials targeted to the public, and promoting building permits to the public.

Websites Have Become a Critical Component to Governments' Outreach to the Public

According to a 2010 study by Pew Research, 82 percent of American internet users sought information or completed transactions on government websites within the year preceding the study. We surmise that with the increasing accessibility of the internet, now even more members of the public are turning to the internet to transact with government. These figures point to the importance of governments offering accurate, clear, and resourceful websites.

Multiple Webpages Are Used to Guide Building Permit Applicants

The City hosts multiple webpages for current and prospective building permit customers:

- PBCE – provides an overview of the department, and the three divisions, and directs visitors to resources related to information and services offered by the department.

- Building Division – provides an overview of the division, and provides access to permit information, building codes, and the services offered by the division including Plan Review and inspections.
- Permit Center – directs viewers to information about different types of City permits.
- SJPermits Online – offers application and payment forms for online permits, and fee estimates.

Existing Problems With Webpages Need to Be Immediately Addressed

The webpages for PBCE, the Building Division, and the Permit Center contain information that can mislead, confuse, and frustrate customers. The following are some of the specific problems we noted.

Some Aspects of the Webpages Are Misleading

- As currently structured, when choosing “The Permit Process” option, visitors are not provided with information about the permit process. Instead, viewers are presented with options to be redirected to “Forms,” “One & Two Family Detached Buildings,” “Multifamily Buildings,” and “Commercial / Industrial Buildings.” When choosing these options, there is no actual breakdown of the processes permit applicants can expect, and the forms themselves offer no insight to the permit process.
- SJPermits Online offers customers the option to apply for some permits online, but not all the listed options are available. For instance, the site offers visitors to apply online for photovoltaic permits and permits for additions/alterations, but these services are not actually supported by the website.
- PBCE staff members have reported that the fee calculator feature currently provided does not necessarily provide accurate fee estimates. There is an alternative fee estimator, which requires customers to send emails to staff with descriptions of their projects. The assigned staff person will then calculate and provide estimates via email back to the customers.
- Information was missing. For instance, the “Help Center” on SJPermits Online contains broken links to information about applying for permits, obtaining refunds, and seeking inspection help.

Webpages Are Unclear and Confusing

- Several pages rely heavily on supplemental information provided in files linked from the website. This effectively buries information deeper into the website. We noted linked documents that outlined departmental directives, but were dated over 10 years old, and identified as the Chief

Building Official, someone who has been long retired. These kinds of observations triggered doubts about the relevancy and accuracy of the documents. Lastly, reliance on linked forms may present challenges to people accessing the pages from their smartphones.

- The online permit application tool and fee calculator contain jargon used by development services staff members, but would not necessarily be understandable by lay customers looking to apply for a building permit, or estimate fees. For instance, an estimate for installing a bay window prompts applicants to identify “# Alterations 1”. The linked glossary specifies: “# Alterations – This value is a multiplier of the listed flat fee or the product of the alteration times the sq. ft. value.” Another prompt reads: “Building Review Required?” When clicking on the question, we were directed to a glossary of terms, which stated: “Yes if building plan review is required.” However, the form does not offer a simple “yes” choice. Rather, it offers “No,” “Yes – coordinated,” “Yes –Express,” “Yes –Industrial Tool Installation,” “Yes – Intermediate,” “Yes – Minor,” “Yes – Regular,” and “Yes – Special Tenant Improvement.” There is no explanation of what these various options mean.

In the 2012 Annual Customer Satisfaction Survey, customers raised concerns about misleading and confusing online information. One customer offered: “The web page is hard to find a document on, and they’re outdated. They need to make the documents more detailed and easily accessible so everyone doesn’t have to show up in-person to ask questions.” Another customer urged: “Make the website easier for the layman to understand, and utilize current website technology and search capabilities.”

Poor Information Frustrates Customers and Burdens City Staff

In our opinion, for important and mandated activities like permitting, it is essential for governments to inform residents of their responsibilities, to let them know how to fulfill their responsibilities, and make it as easy as possible to fulfill those responsibilities. This holds true for building permit customers, including those who are less experienced in navigating the technical realm of building permits.

Absent clear and accurate information, building permit applicants can take wrong turns that affect the cost and timelines of their projects. This could lead to confusion and frustration, which undermines the quality customer service the City aspires to provide. In addition, the lackluster web presence potentially leads to more trips to the Permit Center, excess costs, and time for City staff who field customer phone calls and emails, and costs for Permit Center staff who address questions from walk-in customers.

We found evidence of this frustration in the 2013 results of the Annual Customer Satisfaction Survey, and during our interviews of development services customers at the Permit Center. One customer expressed a desire for: “access to building code information that I don’t need to be an engineer to understand.”

Jargon was also a source of frustration for another customer who said he was a medical doctor. The customer mentioned that as a doctor, he does not expect his patients to understand medical terminology so he answers questions in simple layman terms. This customer wanted the City to communicate with him in this way. He reported that during his quest to get a furnace permit, the City failed to simplify the terminology for “an average homeowner like myself.”

The Website Should Offer More Information to Customers

In addition to the aforementioned aspects of the websites, we also found that the websites lacked basic information critical to someone new to the building permit process. For instance, missing from the Building Division’s main website is information that might prove helpful to a customer wanting to know the answers to the following questions:

- What is a building permit?
- What is the purpose of a building permit?
- For what types of projects should homeowners obtain permits?
- What steps and processes are involved?

Customers Want More Information

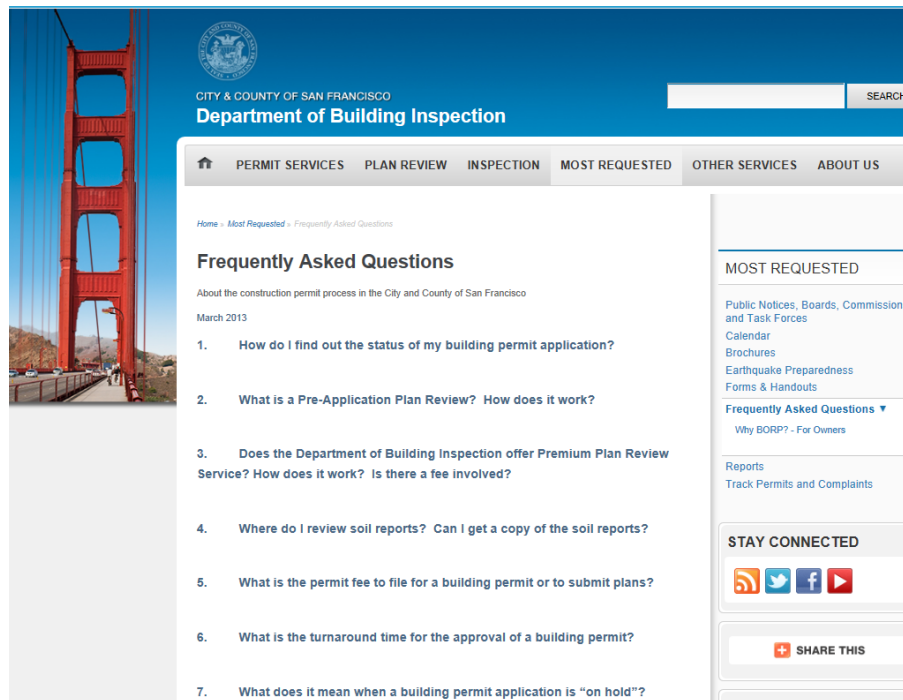
The results of the 2013 Annual Customer Satisfaction Survey suggest that customers desire this type of information. About one out of five ministerial respondents (21 percent) across all development services reported that the process and steps needed to obtain a permit were not clearly communicated. And owners¹⁴ were even more likely to hold this view, with 27 percent indicating the City lacked clear communication. The survey results also suggest that customers want a more robust website. When provided with the opportunity to provide open-ended feedback, improved online access to information ranked second behind turnaround times in the ranking of most desired improvements.

¹⁴ The term “owners” refers to a subset of the surveyed population that includes homeowners and business owners who may be taking the lead on their construction project.

Other Agencies Offer Examples of Helpful Communication

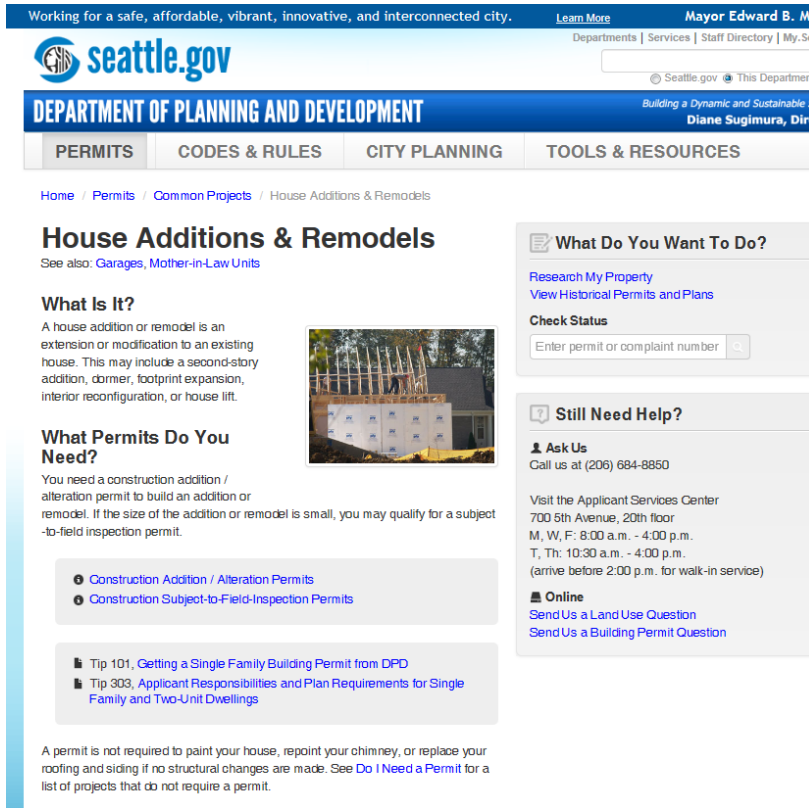
Other agencies' websites featured formats, features, and navigability that provide convenience to customers, and may be effectively adopted for San José's websites. For instance, several agencies provided process guides, flow charts, in easy, accessible language. The exhibits below showcase two of these.

Exhibit 15: San Francisco Website Lists Frequently Asked Questions



Source: Audit team screenshot from the City and County of San Francisco's Department of Building Inspection website. August 2014.

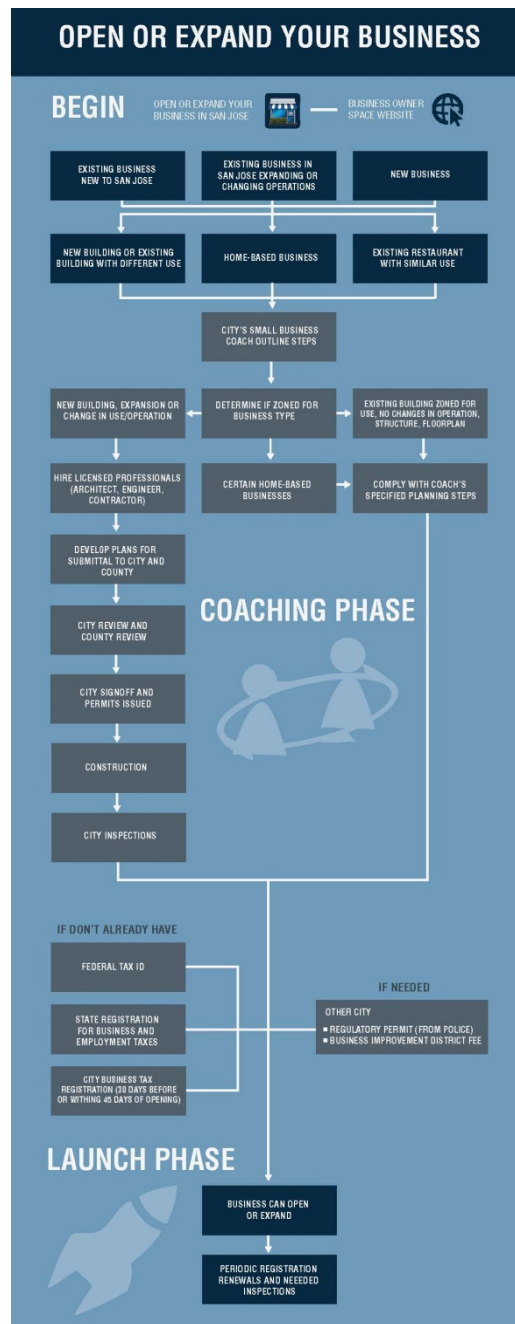
Exhibit 16: Seattle Website Lists What Permits Homeowners Need



Source: Audit team screenshot from the City of Seattle’s Department of Planning and Development website. August 2014.

Another example of a helpful website resides in the City of San José already. The Office of Economic Development has an existing program designed to assist small businesses with opening or expanding their businesses. The webpage dedicated to this effort features a simple flow chart illustrating the path with steps to opening or expanding a business and each process step is clickable. When clicked, the link opens to a new page explaining each step in more detail. The flow chart with process steps is shown below.

Exhibit 17: OED's Opening Your Business at a Glance



Source: Audit team screenshot from the City of San José Office of Economic Development website. August 2014.

PBCE has been approved to add a Public Information Manager position to provide coordinated communications for Development Services. This position will be responsible for updating the Development Services websites; developing brochures and other printed media. In addition, the position involves reviewing customer feedback and working closely with staff on business process changes to reduce processing time, increase consistency, and improve the customer experience.

Recommendation #14: To improve communication and outreach to Permit Center customers, PBCE should:

- a) Review and correct outdated information on its website;
- b) Remove jargon and provide simply-worded instructions about when, why, and how to obtain permits and approvals; and
- c) Upgrade the online permit interface to make it more user-friendly.

Keeping Owners Apprised of the Status of Their Projects

As stated above, respondents to the 2013 Customer Satisfaction Survey reported that they want clearer communication about the process and steps needed to obtain permits. In addition, customers were dissatisfied with turnaround times, and among the major project milestones (application, Plan Review, and inspections), respondents registered the most negative opinions about Plan Review. According to the survey, 24 percent of respondents identified as owners disagreed that there was “adequate communication among City staff during plan check.”

At the same time, Plan Review staff members reported that homeowners were sometimes kept in the dark about the status of their building projects by contractors working with the City. Specifically, according to Plan Review staff members, it is typical for contractors to serve as the project applicant, which means that they are the only ones alerted to problems or progress with the projects. According to Plan Review staff, some contractors may be motivated to blame delays on the City, even when the actual hang-up is contractors providing poor plans.

A minority of official project applicants are owners, and homeowners are not necessarily updated on status changes to their projects. We think homeowners and other members of the project team can benefit from learning about completed milestones, project status, and payments to date. We found that other agencies provided online updates that key players can access. In our opinion, this type of system can empower homeowners and other project team members to hold contractors accountable.

Recommendation #15: To improve communication with project participants, PBCE should upgrade the online permit interface to provide relevant project information to anyone affiliated with the project.

Homeowners May Be Confused About Whether a Permit Is Necessary

The City requires permits for new structures, changes to existing structures, and repairs inside structures including electrical, plumbing, and mechanical work. The permit process ensures work is performed in accordance with health and safety codes. This process requires a partnership between governments and property owners.

We found the City could strengthen this partnership by actively encouraging residents to obtain permits. Nowhere on the website is there any advisement to residents about their responsibilities to seek permits. Existing communications seem to be most helpful to people who already know the City's building permit processes and are already inclined to get permits.

Significant Numbers of People Are Not Seeking Building Permits

Large numbers of residents are not obtaining permits. Water heater installations are a good example. Back in 2011, PBCE staff estimated that only 11 percent of San José residents were obtaining mandated permits. In FYs 2012-13 and the first 11 months of 2013-14, respectively 886 and 534 water heater permits were issued in the City of San José – far fewer than expected considering the City had over 170,000 owner-occupied residential units at that time. We surmise that other permits applicable to single-family residential homeowners also have significant numbers of people skipping the permit process. Some of this may be attributable to people being previously frustrated with the permit process. Take the example of the aforementioned medical doctor who wanted clearer, easier to understand guidance for his furnace project. He implied that the process was so frustrating that he may forgo permits in the future.

The City Should Not Assume Property Owners Know About Their Responsibility to Seek Permits

In our opinion, the City should not assume that people already know that they must obtain permits. To some members of the community, the concept of building permits for private property may be completely unfamiliar. The PBCE website does not clearly indicate that almost everything involving construction or changes to existing structures requires a permit. This can cause confusion. Take the following quote from an online blog, which outlines confusion about what is required by the City of San José in terms of building permits:

I'm finding it difficult to find clear information on when a permit is required for a home improvement project in San Jose. If I go to the sjpermits.org web site, I see permits listed for things as minor as "replace appliance" and "replace electrical switch." After a little digging around, I found that as long as the existing electrical box was being reused, you didn't need a permit to change a switch or

outlet (thank heavens). But I can't find out when a permit is required for an "appliance replacement." Surely I don't need a permit to replace my refrigerator???

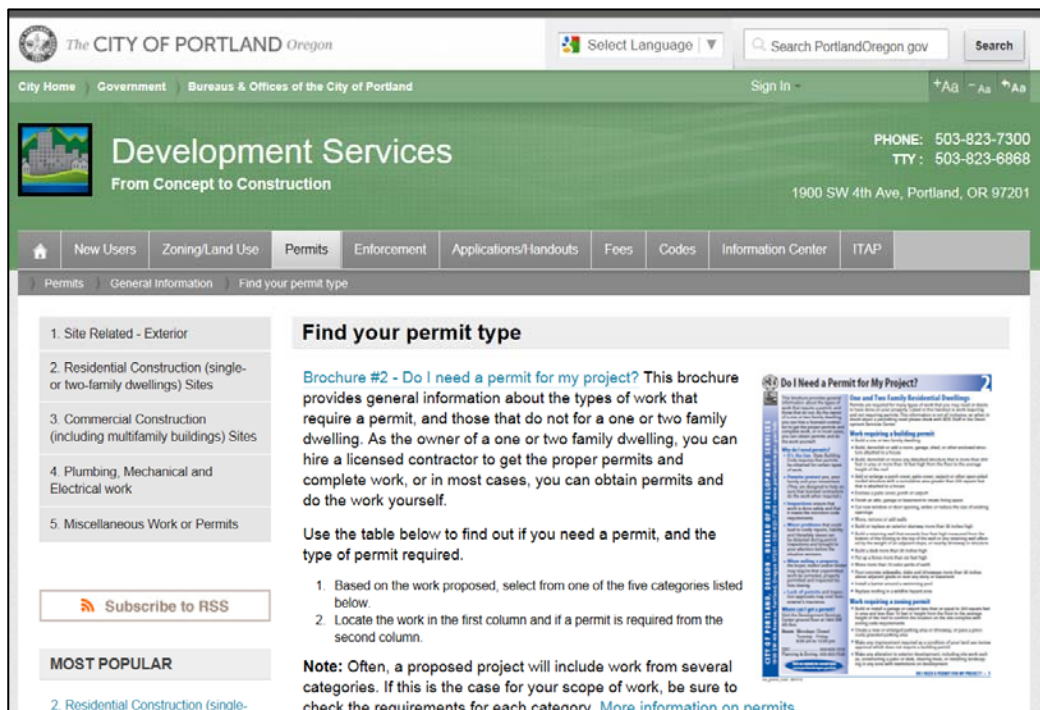
Other Agencies Showcase Best Practices in Promoting Building Permits

We turned to other government agencies to learn if and how they were promoting building permits, and found that many governments were promoting building permits in many different ways. The City of Portland, Oregon, in particular, offered extensive information outlining the specific types of work that require permits, along with information on why it behooves homeowners to obtain permits. The following outlines some of the strategies employed by different agencies.

Clear Descriptions About the Type Of Work That Requires or Does Not Require Permits


Many agencies provide clear information, front-and-center to customers advising them of when they must obtain permits, or when they do not need to do so. The following two exhibits, from the City of Portland, Oregon and Santa Clara County, offer examples.

Exhibit 18: City of Portland's Development Services Bureau Provides Information on When Permits Are Required



Source: Audit team snapshot from the City of Portland Development Services website. August 2014.

Exhibit 19: County of Santa Clara’s Department of Planning and Development Provides Information on When Permits Are Required

<p>County of Santa Clara Department of Planning and Development County Government Center, East Wing 70 West Hedding Street, 7th Floor San Jose, California 95110</p>								
<table border="1"> <tr> <td>Phone:</td> <td>Planning Office (408) 299-5770</td> <td>Development Services Office (408) 299-5700</td> <td>Fire Marshal Office (408) 299-5760</td> </tr> <tr> <td>Fax:</td> <td>(408) 288-9198</td> <td>(408) 279-8537</td> <td>(408) 287-9308</td> </tr> </table>	Phone:	Planning Office (408) 299-5770		Development Services Office (408) 299-5700	Fire Marshal Office (408) 299-5760	Fax:	(408) 288-9198	(408) 279-8537
Phone:	Planning Office (408) 299-5770	Development Services Office (408) 299-5700	Fire Marshal Office (408) 299-5760					
Fax:	(408) 288-9198	(408) 279-8537	(408) 287-9308					
<p>WHEN IS A BUILDING PERMIT REQUIRED?</p> <p>A building permit must be obtained before you construct, enlarge, alter, move, replace, repair, improve, convert, or demolish any building or structure. This includes patio covers and sheds over 120 square feet, decks, fences over 6 ft. high, retaining walls more than 4 ft. in height (measured from the bottom of the footing to the top of the wall), and all retaining walls supporting a surcharge (i.e. road, structure or hillside, etc.).</p>								

Source: Auditor snapshot from the County of Santa Clara Department of Planning and Development website. August 2014.

Publicizing Consequences of Not Obtaining Building Permits

Several agencies promote the necessity of permits and the potential liabilities of unpermitted work. The City of San Diego’s Development Services Department’s website has a section devoted to construction permit tips for homeowners. There, in a plain-language frequently-asked-questions section is the following question-and-answer sequence:

What if I don't get a permit? If a permit, when needed, is not obtained before construction, you have violated city codes and regulations; you'll be subject to fines and penalties. You'll be required to obtain permits for the work and it must pass inspection, or you'll have to return the structure or site to its original condition. Remember...construction codes were created for safety reasons. Work built without a permit can be unsafe, no matter how good it looks. The city's Code Enforcement Division enforces codes on already-built structures. The telephone number for Code Compliance is (619) 236-5500.

We found similar messages on the websites of the City of Riverside and other agencies.

Innovative Outreach to Retailers

In 2012, in partnership with a major national home improvement retailer, Clark County, NV sought to help contractors and homeowners get water heater permits. The County entered into an agreement with the store for a pilot program that allowed customers to apply for permits in 4 local stores, saving them time and extra trips.

The agreement entailed the store providing customers with proofs of permits for water heater installations, and collecting payments from customers for the building permits at no cost to the County. The payments were transferred to the County with the permit information where the permit was processed and issued to customers. Customers were then directed to the County's website to schedule inspections. The County did not continue the pilot program, because complications arose from the payment transfers. However, this innovative program serves as an example of a local government showing commitment to promoting permits at "the speed of business."

Recommendation #16: To increase building permit awareness and increase compliance with the City's health and safety code, PBCE should develop and implement an aggressive strategy for promoting Building permits including:

- a) **Website information about the consequences of not obtaining building permits; and**
- b) **Clear descriptions about the type of work that requires and does not require permits.**

Finding 5 PBCE Should Update Its Fee Calculations

Summary

San José seeks complete cost-recovery in building fees. Its cost structure is complicated, as are the cost structures of other jurisdictions. This is particularly true when comparing not just base fees, but all the other fees, surcharges, and taxes that also get applied. In addition, many of PBCE's fee calculations and cost estimates are out of date. We recommend the Department review its total cost of permits and update staffing cost assumptions as part of its upcoming fee study. In addition, PBCE should simplify its online fee calculator, consider deeper discounts for online permit applications, expand use of entry-level engineering positions for simple Plan Review, and eliminate the Construction & Demolition Diversion Deposit.

San José Seeks Complete Cost-Recovery in Building Fees

California Government Code Section 66014 establishes that when local governments charge fees for building permits, those fees should not exceed the reasonable cost of providing the services. Consistent with State law, the City has a policy that building permit fees should be 100-percent cost-recovered (i.e., that total building permit revenues should equal total building permit costs).

San José Has a Complex Fee Structure, As Do Other Jurisdictions

The composition of fees and related charges varies across jurisdictions. San José, like other jurisdictions, calculates base fees and also imposes other documentation and administration fees. This complicates comparisons between agencies.

For example, Exhibits 20 through 23 display comparisons of the fee structures and total costs of permits for 4 simple residential building projects: 1) a simple water heater replacement, 2) a re-roof, 3) photovoltaic installation, and 4) a sun room addition.

Exhibit 20: Four City Cost Comparison – Permit to Replace Water Heater (Same Size and Location)

	San José	Milpitas	Cupertino	Sunnyvale
Permit Fee	\$ 103.00	\$ 141.00	\$ 47.00	\$ 78.00
Permit Issuance Fee	\$ 40.00*			\$ 25.50
Record Retention and Duplication Fee	\$ 20.00			
General Plan Update Fee	\$ 1.00			
Travel Documentation Fee			\$ 47.00	
Unit Fee			\$ 28.00	
Building Standards Administration Fee		\$ 1.00	\$ 1.00	
Permit Automation Fee		\$ 3.53		
Technology Surcharge				\$ 17.50
TOTAL	\$ 164.00	\$ 145.53	\$ 123.00	\$ 121.00

Source: Compiled by Audit team based on survey results, cost estimators, and fee schedules.

*Permit issuance is \$0 for online processing.

As shown in Exhibit 20 above, as of June 2014, San José’s permit fee for replacing a water heater was lower than one nearby agency, but the total cost was more than those in other jurisdictions when all fees were added in.

On the other hand, Exhibit 21 compares the fee structures and total costs of a typical residential re-roof permit. As of June 2014, both San José’s permit fee and total fee were lower than these nearby agencies.

Exhibit 21: Four City Cost Comparison – Residential Re-Roof (Removing Existing 2,000 sq. ft. Shake Roof and Installing Asphalt Roof)

	Milpitas	Cupertino	Sunnyvale	San José
Permit Fee	\$ 368.00	\$ 340.00	\$ 219.00	\$ 154.50
Permit Issuance Fee			\$ 25.50	\$ 80.00*
Record Retention and Duplication Fee				\$ 20.00
General Plan Update Fee				\$ 2.00
State Seismic Fee/ Strong Motion Fee	\$ 1.00	\$ 1.30		\$ 1.00
Building Standards Administration Special Revolving Fund Fee	\$ 1.00	\$ 1.00		\$ 1.00
Permit Automation Fee	\$ 9.20			
Technology Surcharge			\$ 17.50	
TOTAL	\$ 379.20	\$ 342.30	\$ 262.00	\$ 258.50

Source: Compiled by Audit team based on survey results, cost estimators, and fee schedules.

*Permit issuance is \$40 for online processing as of July 1, 2014.

When it came to a residential photovoltaic rooftop mount, costs varied dramatically between the agencies. San José had the highest total cost.¹⁵

Exhibit 22: Four City Cost Comparison – Residential Photovoltaic (3.5 KW Rooftop Mount)

	San José	Cupertino	Milpitas	Sunnyvale
Permit Fee	\$ 206.00	\$ 236.00	\$ 141.00	\$ 253.00
Permit Issuance Fee	\$ 80.00			\$ 25.50
Record Retention and Duplication Fee	\$ 20.60			
General Plan Update Fee	\$ 3.00			
State Seismic Fee/ Strong Motion Fee		\$ 0.65		
Building Standards Administration Fee		\$ 1.00	\$ 1.00	
Permit Automation Fee			\$ 3.53	
Technology Surcharge				\$ 17.50
TOTAL	\$ 309.60	\$ 237.65	\$ 145.53	\$ 296.00

Source: Compiled by Audit team based on survey results, cost estimators, and fee schedules.

Finally, a minor residential building permit involved eleven different fees across these four local jurisdictions. In this particular example, San José had a much lower building permit fee, but the total cost was mid-range of the other jurisdictions.

Exhibit 23: Four City Cost Comparison – Minor Residential Building (200 sq. ft. Patio Enclosure/Sunroom Addition; Prefab Construction)

	San José	Cupertino	Milpitas	Sunnyvale
Bldg. Permit Fee	\$ 206.00	\$ 716.00	\$ 351.00	\$ 537.54
Electrical Permit Fee	\$ 103.00			
Plan Review Fee	\$ 105.00		\$ 201.93	\$ 376.28
Permit Issuance Fee	\$ 320.00			\$ 25.50
Record Retention and Duplication Fee	\$ 30.90			
General Plan Update Fee	\$ 4.00			
State Seismic Fee/ Strong Motion Fee	\$ 0.56	\$ 1.30	\$ 1.12	
Building Standards Administration Fee	\$ 1.00	\$ 100.00	\$ 1.00	
Permit Automation Fee			\$ 8.78	
Technology Surcharge/Imaging			\$ 10.00	\$ 17.50
Bldg. & Structural Tax	\$ 85.93			
TOTAL	\$ 856.39	\$ 817.30	\$ 573.83	\$ 956.82

Source: Compiled by Audit team based on survey results, cost estimators, and fee schedules.

¹⁵ Sunnyvale estimate does not include construction tax.

Fees, Taxes, and Surcharges Vary

We found that among these four local cities – Cupertino, Milpitas, Sunnyvale, and San José, the composition of fees differed. Specifically, individual taxes, charges, and fees varied across jurisdictions. For example, customers seeking permits for similar re-roof jobs in San José and Cupertino would respectively pay \$258.50 and \$342.30.

In both cities, customers would need to pay state fees for the Strong Motion Instrumentation Program Assessment (SMIPA) and the Building Standard Administration Special Revolving Fund (BSASRF). However, in San José, a residential re-roof permit included a \$2 General Plan fee, whereas no such fee was itemized with the City of Cupertino. In this example, it is unclear whether in Cupertino the costs of general plan updates are collected outside of the fee, or if they are just included as part of another itemized category like permit processing.

In some instances, customers may encounter additional fees from the other development partners and other City departments. For instance, as pointed out in the Background section, building projects may cause other development partner involvement such as for public right of ways or fire safety measures, which would trigger Public Works and Fire fees. In addition to fees, the City also levies taxes on certain types of construction, such as the Building and Structural Construction Tax or the Commercial, Residential, Mobile Home Park Construction Tax.

PBCE Needs to Update Its Fee Calculations

San José's current fee setting methodology is based on calculations from the early 2000s. Between 2001 and 2006, PBCE underwent a massive overhaul of its fees in response to a City Council directive. In order to provide a fair fee assessment, PBCE estimated how much time it took to complete each permit-related task. According to PBCE, the result was a very precise fee schedule that mirrored quite closely the actual cost to provide a given service.

PBCE considers project valuation, square footage, type of project (residential vs. commercial vs. industrial, etc.), and the projected occupancy of a project to estimate the time required to process, review, and inspect projects. In addition, PBCE estimates direct and indirect costs related to the staff, facilities, equipment, and other costs needed for the processing, reviewing, and inspecting.

Outdated Assumptions

According to PBCE, the base fees were intended to reflect the cost of time required to complete permit-related tasks for the fastest 80 percent of customers. Projects that require more time result in customers being charged

additional fees. For example, the sun room project outlined in Exhibit 23 charged a \$105 plan review fee. This fee pays for 30 minutes of plan review service, and the customer pays for 30 minutes even if the review is completed in less time. However, if plan review exceeds this prepaid amount, the customer will be charged additional time.

However, due to the highly labor-intensive methodology, the time assumptions for the majority of fees have not been adjusted since they were originally enacted. The current fees for photovoltaic permits were set when photovoltaic installations required Plan Review, which required more time, and was consequently more costly. During our review of photovoltaic permit appointments, we observed that processing applications required far less than the 30-minute assumption. Furthermore, it is reasonable to estimate that if 80 percent of customers are not being charged additional fees, then a subset of these 80 percent are paying for more service than they require.

The City sets fees and charges each year based on estimated costs to deliver services. Although a majority of the individual fees in the Building Development Fee Program have not been adjusted since FY 2009-10, the program is fully cost recovery. The program's costs are updated annually and when the costs exceed the estimated revenues, causing a funding shortfall in the program, the use of the program's works-in-progress reserve is used to keep the program at 100 percent cost recovery. However, individual fees in the Building Program may or may not be 100 percent cost recovery. For example, most Building Program fees are based on personnel cost estimates from FY 2009-10. These fees have not been updated to account for changes in personnel costs such as: changes in compensation rates, retire-rehires, newer employees enrolled in the lower cost retirement plan, and peak staffing. As of July 2014, there were 143 Building Division employees; 32 (22 percent) were Tier 2 employees enrolled in the lower cost retirement plan; 13 (9 percent) were retire-rehires. There were 5 Peak Staffers (all in Plan Review).

The Upcoming Fee Study Can Inform the Setting of Fees

PBCE plans to initiate a fee study for the building permit fee program in FY 2015-16. In addition to updating the time and personnel cost assumptions in its basic fee structure, PBCE should also review the total of cost of permits, and attempt to simplify and clarify all the various fees, taxes, deposits, and surcharges as discussed above.

Recommendation #17: As part of the proposed study of development services building fees planned for FY 2015-16:

- a) **Review composition and purpose of various fees, deposits, and taxes that are part of a single-family permit issuance;**
- b) **Update current staffing cost assumptions and fee schedules; and**
- c) **Document fee calculations so that staff can more easily update assumptions in the future based on staff composition and historical data.**

The Construction & Demolition Diversion Deposit May No Longer Be Necessary

As described above, an assortment of other fees are charged to building projects in addition to regular building permit fees. One of those fees is a mandatory, refundable deposit that building permit applicants must pay as part of the permit process, the Construction & Demolition Diversion Deposit (CDDD). The CDDD was initially enacted in 2001 to “use financial incentives to encourage diversion of construction and demolition material from landfills.” The program is administered by the Environmental Services Department (ESD).

CDDD rates vary from a low of \$0.10 per square foot for nonresidential demolition projects, and a high of \$1.16 per square foot for residential additions/alterations. So, a homeowner embarking on a 1,000 square foot addition/alteration project would be paying a refundable deposit of \$1,160. The deposit is refundable if applicants return to ESD and demonstrate that they have handled their construction and demolition debris in accordance with the terms of the program.

This effectively increases the initial cost for permit applicants. Even though the deposit is refundable, we found that some applicants are not refunded their CDDD. For example, according to AMANDA, in 2012 and 2013 over 5,000 projects were charged CDDDs totaling over \$4.7 million. According to ESD’s FMS records, during the same period 1,637 projects were approved for a refund, totaling over \$2.9 million.¹⁶

¹⁶ It appears that refunds are not routinely tracked in AMANDA as the number of refunds is significantly less than ESD’s tracking. It is important that AMANDA accurately track refunds in order to accurately track total project cost.

Furthermore, according to ESD, there is a State statute that requires diverting construction and demolition waste. In fact, the statute precludes permit holders from getting certificates of occupancy without demonstrating that they have proven that they have diverted construction and demolition waste. Thus, the necessity of the existing CDD deposit is questionable.¹⁷

Recommendation #18: Eliminate the Construction & Demolition Diversion Deposit.

The Department Should Update and Simplify the Online Fee Calculator

As shown above, PBCE's fee assessment involves permit fee calculations layered with other types of fees, deposits, and taxes. Of the other California agencies surveyed, all use some form of a valuation table to estimate the scope of work for each project. While this simplifies (to some extent) the permit fee calculation, other cities also layer on other types of fees, deposits, and taxes.

A benefit of a less complex calculation is the increased accessibility of online fee estimation. When asked how a resident would estimate San José fees, staff explained that residents would need to submit an email detailing their project scope and a staff member would respond with an estimate because the online form would not yield dependable results.

¹⁷ Eliminating the CDDD would have General Fund impact because portions of the non-refunded deposits are currently transferred to the General Fund after forfeiture.

Exhibit 24: Snapshot of San José’s Online Fee Estimator

Permit Info

*Permit Coordinator?	▼
*Plan Check Category	▼
*Building Review Required?	▼
*Fire Review Required?	▼
Sprinklers?	▼
*# Of Stories	
*Conditioned?	▼
Demolition Sq Ft	
RS Garage 1 Type	▼
RS Garage 1 Sq Ft	
*Alteration 1	▼
Sq Ft Alteration 1	
*# Alterations 1	
Alteration 2	▼
Sq Ft Alteration 2	
# Alterations 2	
Alteration 3	▼
Sq Ft Alteration 3	
# Alterations 3	
Accessory/Site 1	▼
Sq Ft Accessory/Site 1	
# Accessory/Site 1	
Accessory/Site 2	▼
Sq Ft Accessory/Site 2	
# Accessory/Site 2	
Federal Government Financing?	No ▼
Church Owned?	No ▼
*Building (Fnd/Comp)	*n/a ▼
*Electrical (Fnd/Comp)	*n/a ▼
*Mechanical (Fnd/Comp)	*n/a ▼
*Plumbing (Fnd/Comp)	*n/a ▼

Source: Snapshot from Sjpermits.org. August 2014.

In other jurisdictions, a downloadable pdf is provided for residents to conveniently estimate their fees without staff intervention. For example, Milpitas’ fee estimator does not require user log in, is organized into project categories and links to a downloadable pdf to calculate fees. Exhibits 25 and 26 below illustrate the list of available fee calculators for residential projects and the corresponding downloadable worksheet.

Exhibit 25: Snapshot of Milpitas' Building Webpage Listing Available Fee Calculators

Building & Safety - Permit Fee

**Effective July 19, 2014 new fees will be adopted by the Building & Safety Department.

Note:

The Fire Department Fees were Revised effective July 1, 2013.
Please contact the Fire Department at (408) 586-3365 for any fee related questions.

Residential Permits Fee:

- Air Conditioning Replacement or Installation
- Remodel & Addition One Story
- Remodel & Addition Two Story
- Attached Garage
- Residential Kitchen and/or Bathroom Remodel
- Residential Detached Garage or Shed
- Residential Furnace Installation or Replacement
- Residential Garage Conversion
- Grading and Drainage Permit
- Residential Green House
- Revision/Deferred Submittal
- Structural Roof Conversion
- Wood Fences over 6' 0" High, Concrete / Masonry over 4' 0" High
- New Custom One Story
- New Custom Two Story
- New Tract Model One Story
- New Tract Model Two Story
- Residential Patio Cover
- Residential Patio Enclosure
- New or Change In Address Numbers
- Residential Re-Roof
- Site Improvement Permit
- Residential Skylight & Window Installation
- Residential Swimming Pool and Spa
- Residential Water Heater



Source: Audit team snapshot of the City of Milpitas Building website. August 2014.

Exhibit 26: Snapshot of Permit Fee Estimator Worksheet



City of Milpitas
 Building & Safety Department

Estimated Permit Fee for Air Conditioning and Furnace Installation or Replacement

Fee estimate is for the Building & Safety Department only. The City of Milpitas reserves the right to verify these information provided and modify the fees.

The existing Furnace	<input type="text"/>	<u>Required for Estimate</u>
The existing Air Conditioning	<input type="text"/>	<u>Required for Estimate</u>
Construction Valuation	\$ <input type="text"/>	<u>Required for Estimate</u>
Mechanical Permit fee	\$	
Electrical Permit Fee	\$	
Plumbing Permit Fee	\$	
Permitting Automation Fee	\$	
Building Standards Administration Special Revolving Fund Fee	\$	
<hr/>		
Total	\$	

(Check Fee Schedule for the complete list of Building and Safety Department applicable fees.

Source: Audit team snapshot of the City of Milpitas Building worksheet. August 2014.

Recommendation #19: To increase accessibility of online fee estimation, PBCE should update and simplify the online fee calculator.

PBCE Can Lower Costs for Some Permit Processes

The following outlines some areas that present opportunities for lower costs, and consequently lower fees for customers.

Deeper Discounts for Online Permit Applications

As more permits move online, the cost to provide these permits decreases long-term staffing costs for permit issuance and processing. San José’s permit fee structure includes a base permit fee, as well as a permit processing and issuance fee. For example, the roofing permit cited above included a \$154.40 reroof permit fee and an \$80 processing and issuance fee.

As of July 1, 2014, PBCE has instituted a 50-percent reduction in the Permit Issuance fee for online permits. Online permits eliminate the time and costs of staff intake and application review. However, online permits actually result in 100-percent reduction in the staff time required for intake and processing of permits (assuming that the online permits are handled entirely through an automated self-service system).

Although the City incurs automation expense for its online permitting system, it achieves further cost savings when those customers avoid using the Permit Center. Accordingly, PBCE should reduce the intake and processing component of its fees by 100 percent of the savings gained through online processing.

Recommendation #20: To pass on the cost savings of online processing and avoiding the Permit Center to its customers, the City should reduce the permit processing and issuance fee for those permits that are issued entirely online through automated systems.

Entry-Level Plan Reviewers

Other identified cost-saving opportunities include expanding entry-level job classifications in Plan Review and the Permit Center. For instance, the majority of Plan Reviewers are Associate Engineers – a management classification that has relatively high personnel costs. Salaries of Associate Engineers are 16 percent higher than those of Engineer II, and 22 percent higher than those of Engineer I (assuming top steps). San José's Associate Engineer job description describes a supervisory function that the current occupants are not fulfilling. They are actually functioning as Engineer I and II.

Furthermore, we found that for Plan Review, other agencies, including San Diego County, San Francisco and Los Angeles typically use classifications lower than their equivalent of the Associate Engineer classification for Plan Review.

Similarly, as described earlier in Finding I, San José's entry-level Permit Specialist position requires more experience than equivalent positions at other jurisdictions (San Francisco and Sunnyvale). Introducing a lower level job classification in these areas may aid in making it easier to fill vacant positions and reducing staffing costs.

Recommendation #21: Hire Engineer I and Engineer II for less technical Plan Review duties.

Refund Overcharges

According to the Fees and Charges budget document, San José stopped charging a processing fee for online water heater permits beginning in fiscal year 2012-13. However, a review of charges assessed for water heater permits since July 1, 2012, shows that there was no difference in the fees for online processing compared to in-person issuance. Of the 2,700 water heater permits issued since the fee change went into effect, 2,300 were processed online and charged the \$40 processing fee.

Recommendation #22: Refund overcharges to online water heater applicants where possible.

Conclusion

Building permits are essential to the health and safety of the community. Accordingly, it is in the City's interest to ease the pursuit of building permits.

It is important to achieve these goals among professional contractors who are well-versed in technical codes and government bureaucracy, but it is equally important to ease the pursuit of permits among homeowners, many of whom are not knowledgeable in technical codes or City Hall bureaucracy. On top of promoting the aforementioned health and safety goals, easing the pursuit of building permits among all segments of San José would also strongly support the City's commitment of providing quality customer service to its diverse residents and merchants.

This report focuses on homeowners seeking single-family building permits, and outlines opportunities for the City to: 1) reduce turnaround times, 2) improve the Permit Center experience, 3) expand access and services, 4) provide clearer information, and 5) update fees.

We believe the recommendations outlined in this report could improve the customer experience for everyone seeking building permits in San José.

RECOMMENDATIONS

Recommendation #1: Clarify expectations and track performance metrics for Drop-Off Submittal, Express and Over-the-Counter Plan Review in addition to regular categories of building permits.

Recommendation #2: In order to meet the expectations of Express Plan Review, PBCE should:

- a) Notify customers of the 50 percent fee premium in advance;
- b) Counsel customers on ways in which successful same-day issuance can be achieved; and
- c) Reduce the wait time to schedule express appointments, or consider renaming the program to better represent the program.

Recommendation #3: To reduce the number of resubmittals, PBCE should provide incentives for consistently prepared applicants.

Development Services

Recommendation #4: Develop and implement a staffing strategy that includes:

- a) Reviewing and updating job specifications to facilitate hiring at the entry level;
- b) Filling vacancies;
- c) Expanding the use of temporary peak staffing; and
- d) Consider providing applicants the option of working directly with outside Plan Reviewers.

Recommendation #5: Develop and implement standard operating procedures, and an onboarding and training program for new staff in the Permit Center and Plan Review.

Recommendation #6: To meet the demand for critical staff, PBCE should staff the reception desk with office specialists, and station Permit Specialists and Planners at the counter.

Recommendation #7: In AMANDA or its replacement, implement a “tickler” to signal alerts to development services partners when plans are ready for their review, when Plan Review is delayed, and when fees are paid.

Recommendation #8: To clear up the confusing layout of the permit center, PBCE should reconfigure signage and lobby space to provide clearer guidance for customers.

Recommendation #9: To shorten long lines and reduce the wait times for the Permit Center, PBCE should:

- a) Develop customer service guiding principles including procedures for when to summon additional staff assistance to the reception desk and to the Building Counters;
- b) Rationalize queuing numbers that are given out to customers;
- c) Hone available options in the queuing system and record reasons for customer visits; and
- d) Use the queuing system to track customer flow and set the right amount of staff to accommodate the customer demand.

Recommendation #10: To maximize its infrastructure already in place at the Permit Center, PBCE should:

- a) Station more staff at Building Counters available to provide assistance from walk-in customers as needed (i.e. desk duty); and
- b) Expand referrals to and use of self-help computer terminals in the lobby.

Recommendation #11: Improve the hours of operation at the City Hall Permit Center.

Recommendation #12: PBCE should promote online permits, make more permits available online, and offer online payment options.

Recommendation #13: Implement the technological infrastructure needed to support electronic plan submittal and review.

Recommendation #14: To improve communication and outreach to Permit Center customers, PBCE should:

- a) Review and correct outdated information on its website;
- b) Remove jargon and provide simply-worded instructions about when, why, and how to obtain permits and approvals; and
- c) Upgrade the online permit interface to make it more user-friendly.

Recommendation #15: To improve communication with project participants, PBCE should upgrade the online permit interface to provide relevant project information to anyone affiliated with the project.

Recommendation #16: To increase building permit awareness and increase compliance with the City's health and safety code, PBCE should develop and implement an aggressive strategy for promoting Building permits including:

- a) Website information about the consequences of not obtaining building permits; and
- b) Clear descriptions about the type of work that requires and does not require permits.

Recommendation #17: As part of the proposed study of development services building fees planned for FY 2015-16:

- a) Review composition and purpose of various fees, deposits, and taxes that are part of a single-family permit issuance;
- b) Update current staffing cost assumptions and fee schedules; and
- c) Document fee calculations so that staff can more easily update assumptions in the future based on staff composition and historical data.

Recommendation #18: Eliminate the Construction & Demolition Diversion Deposit.

Recommendation #19: To increase accessibility of online fee estimation, PBCE should update and simplify the online fee calculator.

Recommendation #20: To pass on the cost savings of online processing and avoiding the Permit Center to its customers, the City should reduce the permit processing and issuance fee for those permits that are issued entirely online through automated systems.

Recommendation #21: Hire Engineer I and Engineer II for less technical Plan Review duties.

Recommendation #22: Refund overcharges to online water heater applicants where possible.

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Memorandum

TO: Sharon Erickson, City Auditor

FROM: Harry Freitas

**SUBJECT: RESPONSE TO THE 2014 AUDIT
OF DEVELOPMENT SERVICES:
IMPROVING THE EXPERIENCE
FOR HOMEOWNERS**

DATE: September 18, 2014

Approved



Date

9/18/14

BACKGROUND

The Planning, Building and Code Enforcement (PBCE) Department has reviewed the recently completed audit of "Development Services: Improving the Experience for Homeowners". We appreciate the efforts and professionalism of the City's Auditor's Office. We welcomed the process and time invested by your staff to identify best management practices and efficiencies. The data collection, analysis, and documentation of the audit provided a fresh perspective and opportunities for improvement. We value the time spent by you and your staff to understand challenges, complexity, and importance of our services.

Overall, we understand and agree with the audit findings and have set a goal to begin work on or implement all twenty-two recommendations within a twelve month period. It is understood that some recommendations will require Budget Office and/or City Council approval and we will seek their authorization within this period. Recommendations that address operational efficiency have been added to our twelve month strategic work plan. Other recommendations that involve the physical reconfiguration of the lobby or the implementation of information technology that is foundational to our service delivery has begun and will be completed over a two to three year period. We have also started working with the other departments mentioned in the audit and are in the process of implementing those recommendations.

The following are the PBCE responses to each recommendation in the Audit Report.

RECOMMENDATIONS AND RESPONSE

Recommendation #1: Clarify expectations and track performance metrics for Drop-Off Submittal, Express and Over-the-Counter plan review in addition to regular categories of building permits.

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PBCE Response to Recommendation #1: The Department agrees with this recommendation. Information and data already exist in the AMANDA permitting system from which we can design the appropriate reports. Permit Center staff will work with department IT staff to develop and design reports that will track turnaround times from drop-off, appointments, and counter visits. This can be implemented in addition to the existing Chess Clock data which includes time spent in the applicant's hands.

Recommendation #2: In order to meet the expectations of Express Plan Review, PBCE should:

- a) **Notify customers of the 50 percent fee premium in advance;**
- b) **Counsel customers on ways in which successful same-day issuance can be achieved; and**
- c) **Reduce the wait time to schedule express appointments or consider renaming the program to better represent the program.**

PBCE Response to Recommendation #2: The Department agrees with this recommendation. In fact, the Department is augmenting the Express Plan Review business model with the recent introduction of "Over-the-Counter Plan Review" service and charging fees commensurate with the service received. Staff will ensure that when appointments are made for an Express Review that Call Center staff remind the customer of the service fee, inclusive of the 50 percent premium. Additionally, staff will update information currently in place on the Department's webpage and direct the applicant to review minimum submittal requirements so that they are better prepared for their appointments.

The Department currently has information on the web announcing the Over-the-Counter Plan Review service and has identified which projects qualify for such service. Call Center staff has been instructed to inform and suggest the Over-the-Counter Plan Review service to applicants requesting Express Plan Check who have qualifying projects. As a result, the Department has seen a significant reduction in Express Plan Review appointment lead time. Those requesting a Residential Express appointment can typically secure a slot within 3 to 10 business days.

Recommendation #3: To reduce the number of resubmittals, PBCE should provide incentives for consistently prepared applicants.

PBCE Response to Recommendation #3: The Department agrees with this recommendation. The Division will explore how to promote accountability and incentivize quality consistency by working with its stakeholders in developing the rating criteria for assessing a "consistently prepared applicant."

Recommendation #4: Develop and implement a staffing strategy that includes:

- a) **Reviewing and updating job specifications to facilitate hiring at the entry level;**
- b) **Filling vacancies;**
- c) **Expanding the use of temporary peak staffing; and**

d) Consider providing applicants the option of working directly with outside Plan Reviewers.

PBCE Response to Recommendation #4: The Department agrees with this recommendation. The Division has already submitted an updated job specifications to the Department of Human Resources, for the Civil Engineer II (CEII) position with the intent to hire staff into this position for the review of simple permit applications involving incidental structural analysis review. Additionally, the department has increased the capacity of building inspectors (In-house and Peak staffing) performing Plan Review (such as Over-the-Counter program) with the assistance of a Structural Engineer when more technical review becomes necessary.

The recruitment process and priority to attract quality candidates continues to be a major challenge in the Building Division. The Division has budgeted a CEII position for FY12-13 and carried it over into FY13-14. PBCE has prioritized this position, and is currently awaiting assignment of an HR recruitment agent. Additionally, in FY12-13, the Division expanded the pool of peak staffing contractors and is executing work assignments as needed to maintain established performance targets. The Division is exploring the use of remote access review processes to allow off-site plan review staff the ability to review plans presented in electronic format through the Electronic Plan Review Pilot Program.

Recommendation #5: Develop and implement standard operating procedures, and an onboarding and training program for new staff in Permit Center and Plan Review.

PBCE Response to Recommendation #5: The Department agrees with this recommendation. The Department already practices standard operating procedures, and on-boarding and training programs for its staff in the Permit Center and Inspections. The Department does acknowledge that there needs to be a comprehensive update of said procedures and programs. The plan check section will develop and implement an on-boarding process and presentation collateral to be consistent with the Building Division's Field Inspection section.

Recommendation #6: To meet the demand for critical staff, PBCE should staff the reception desk with office specialists, and station Permit Specialists and Planners at the counter.

PBCE Response to Recommendation #6: The Department agrees, in general, with this recommendation. There has been a recent business model change to place a Permit Specialist and a Planner at the front desk, now called the Assistance Desk, to ensure that those coming to the Permit Center are assisted immediately and not just placed in another line. Many coming to the Permit Center need help understanding what they need to do, and those most knowledgeable in Permit Review and Issuance are better prepared to do that rather than the Sr. Office Specialist, a position which is subject to rotation and bumping citywide as has occurred in the past. By having a Permit Specialist and Planner at the Assistance Desk, customers are served right there and do not need to wait for additional assistance. Upon the completion of the reconfiguration of

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the Permit Center layout and signage (See responses to Recommendation #9), and an increase in staff resource (See responses to Recommendation #5), the office specialist can be allocated to the assistance desk with the technical staff dedicated to assist customers with specific needs.

Recommendation #7: In AMANDA or its replacement, implement a “tickler” to signal alerts to development services partners when plans are ready for their review, when Plan Review is delayed, and when fees are paid.

PBCE Response to Recommendation #7: The Department agrees with this recommendation. Staff in the Permit Center has worked with the AMANDA support team to begin to identify the work needed to implement a tickler system targeting only the initial payment due. In the interim, the procedure in place is for applicants to notify the Permit Center staff. As well, staff monitors the applications folders on a daily basis in case an applicant forgets to notify them of payment. What staff will be working on is to create a Crystal report that can be run automatically on a daily basis to identify those applications that have been dropped off and fees paid. This will eliminate the manual monitoring of these applications.

Recommendation #8: To clear up the confusing layout of the permit center, PBCE should reconfigure signage and lobby space to provide clearer guidance for customers.

PBCE Response to Recommendation #8: The Department agrees with this recommendation. The Department has already allocated funds to hire an architect to work with the staff to redesign the lobby space to better fit the service model. This process will also include appropriate signage. This is currently underway.

Recommendation #9: To shorten long lines and reduce the wait times for the Permit Center, PBCE should:

- a) **Develop customer service guiding principles including procedures for when to summon additional staff assistance to the reception desk and to the Building Counters;**
- b) **Rationalize queuing numbers that are given out to customers;**
- c) **Hone available options in the queuing system and record reasons for customer visits; and**
- d) **Use the queuing system to track customer flow and set the right amount of staff to accommodate the customer demand.**

PBCE Response to Recommendation #9: The Department agrees with this recommendation. Staff currently has some thresholds that are used to identify when additional staff needs to be deployed at the Assistance Desk. One of the challenges with this is the current level of staffing does not always provide for the “additional available staff.” (See responses to Recommendation #5) Once the Permit Specialist recruitment is complete and we are able to bring on two additional Permit Specialist and they are trained, there will be additional capacity. The same can be said for the Planning counter and the availability of a Planner. The Planner I/II recruitment

must occur in order for the two vacancies to be filled. With respect to b), staff can be more diligent in explaining the system to our customers and help them understand the system within each discipline. A half sheet explaining the system could be developed. Additional signage indicating the different Development Service disciplines could also help customers differentiate amongst who is being helped to alleviate frustration. For recommendation c), staff has begun to quell the available options down to better indicate the primary purpose of the customer visit. Reports can already be run to present the date within a desired timeframe. And, with respect to d), staff can already run reports to record customer flow and has done this to indicate how many staff we need in house. Our budget request for additional staff reflects having identified the demand and estimating the appropriate number of staff to accommodate such demand.

Recommendation #10: To maximize its infrastructure already in place at the Permit Center, PBCE should:

- a) Station more staff at Building Counters available to provide assistance from walk-in customers as needed (i.e. desk duty); and**
- b) Expand referrals to and use of self-help computer terminals in the lobby.**

PBCE Response to Recommendation #10a: The Department agrees, in general, with this recommendation. (See responses to Recommendations #5, #7, #9.) The current lobby configuration was designed for a different operational model and does not fully support the current business model. As mentioned in response to Recommendation #9, the Department has budgeted funds to hire an architect to work with the Department to redesign the lobby area to better reflect the current operation and accommodate appropriate work areas to serve the customers.

PBCE Response to Recommendation #10b): The Department agrees with this recommendation. Staff will work with the Departments IT staff to better configure the self-help computers to target the needs of the customer in an easy to use format. Staff would also suggest that additional self-help computers be deployed once a new format is developed.

Recommendation #11: Improve the hours of operation at the City Hall Permit Center.

PBCE Response to Recommendation #11: The Department agrees with this recommendation. (See responses to Recommendation #5.) The current capacity of staff does not afford the Permit Center to expand hours without impacting other duties behind the counter. However, with both the Building and the Planning programs, as mentioned earlier, the hiring of two additional Permit Specialist and two additional Planners will increase the capacity at both counters.

Recommendation #12: PBCE should promote online permits, make more permits available online, and offer online payment options.

PBCE Response to Recommendation #12: The Department agrees with this recommendation. Staff supports the direction to offer online payments for all projects. Additionally, staff will continue to work with the Department's IT support staff to increase the availability of on-line permits initially in the area of permits that proceed with simply a field inspection. The Department continues to expand the options to include on-line permits with plan submittal. Whether it is AMANDA, or a replacement system, the user interface of the on-line system is critical.

Recommendation #13: Implement the technological infrastructure needed to support electronic plan submittal and review.

PBCE Response to Recommendation #13: The Department agrees with this recommendation. PBCE's Draft FY14-15 Workplan has prioritized this element in conjunction with other technology infrastructure upgrades that will integrate closely and support electronic project submittal, review and permitting processes. The schedule to accomplish those upgrades is 24 to 36 months.

Recommendation #14: To improve communication and outreach to Permit Center customers, PBCE should:

- a) Review and correct outdated information on its website;
- b) Remove jargon and provide simply-worded instructions about when, why, and how to obtain permits and approvals; and
- c) Upgrade the online permit interface to make it more user-friendly.

PBCE Response to Recommendation #14: The Department agrees with this recommendation. With the hiring of the new Public Information Manager for the Department, the prioritization of this effort can take place and the appropriate direction given. In the interim, as staff goes through the website content and identifies outdated material, the direction to correct, update, and revise has been given.

Recommendation #15: To improve communication with project participants, PBCE should upgrade the online permit interface to provide relevant project information to anyone affiliated with the project.

PBCE Response to Recommendation #15: The Department agrees with this recommendation. Staff will continue to work with the Department's IT support staff when capacity is available to work on the information available via the SJPERMITS.ORG system.

Recommendation #16: To increase building permit awareness and increase compliance with the City's health and safety code, PBCE should develop and implement an aggressive strategy for promoting Building permits including:

- a) Website information about the consequences of not obtaining building permits; and
- b) Clear descriptions about the type of work that requires and does not require permits.

PBCE Response to Recommendation #16: The Department agrees with this recommendation. With the hiring of the new Public Information Manager for the Department, staff will work with this manager to develop an appropriate strategy to educate the public on the benefits of obtaining permits, as well as clearly identifying in layman terms, what projects do and do not need certain permits. As for an amnesty program, the Department has established the voluntary turn-in program in conjunction with the Code Enforcement Division. The goal of voluntary turn-in program is to promote compliance without fines.

Recommendation #17: As part of the proposed study of development services building fees planned for FY 2015-16:

- a) Review composition and purpose of various fees, deposits, and taxes that are part of a single-family permit issuance;
- b) Update current staffing cost assumptions and fee schedules; and
- c) Document fee calculations so that staff can more easily update assumptions in the future based on staff composition and historical data.

PBCE Response to Recommendation #17: The Department agrees with this recommendation. The Building FY 14-15 Workplan has identified the goal of simplifying the Building fee structure. The on-line fee calculator is also in the process of being developed for the small business customer (See also response to Recommendation #20).

Recommendation #18: Eliminate the Construction & Demolition Diversion Deposit.

PBCE Response to Recommendation #18: The Department agrees, in general, with this recommendation. The sunseting of the CDDD program is already underway and ESD, PBCE and the Budget Office are working together to develop a strategic approach for this transition. As indicated, the CDDD program was originally designed in 2001 and served as an effective model nationwide for many years to divert construction and demolition material. However, with the bolstered requirements that have been implemented by the State statute through "CalGreen," ESD and PBCE have been transitioning more and more permit applicants to this new process which requires a fee instead of a refund. For example, in 2011 only 69 applicants were covered by CalGreen and in the first six months of 2014, there were 517 due to the State's phased in approach of the requirements. Out of 1,965 total City permits issued during this period, 26% no longer required a CDDD deposit. Currently these deposits pay for administration costs of the CDDD program in both PBCE and ESD, costs that still exist under CalGreen, and provide annual contributions to the General Fund. ESD must process CDDD refund applications for some years after the final sunset date since applicants have 365 days to request a refund from date of permit expiry. Additionally, the Departments need to make sure that both the CalGreen and the Council directed solid waste recycling requirements are met; currently the minimum standards set by CalGreen require a lower diversion threshold with less projects encompassed

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than in the CDDD program. Nothing in the statute precludes a jurisdiction from having a more encompassing program if there are local goals that complement these efforts. Construction and demolition materials represent over 30% of total city waste stream making these programs critical. The departments would need to identify alternative funding for administration of the C&D recycling programs if these costs were not offset by CDDD abandoned deposits.

Recommendation #19: To increase accessibility of online fee estimation, PBCE should update and simplify the online fee calculator.

PBCE Response to Recommendation #19: The Department agrees with this recommendation. The Department does currently have an active on-line fee estimator that is only available to registered users. In order to make this resource more user friendly, staff time and effort would need to be devoted to this task. Currently, there is not the capacity in the Department to take this on.

Recommendation #20: To pass on the cost savings of online processing and avoiding the Permit Center to its customers, the City should reduce the permit processing and issuance fee for those permits that are issued entirely online through automated systems.

PBCE Response to Recommendation #20: The Department agrees with this recommendation. The Department has already reduced by 50% the processing and issuance fees associated with all on-line permits. A review of the revenue impact and assessment on revenue needs to maintain the system can be done in the future to identify and further reductions that can be made.

Recommendation #21: Hire Engineer I and Engineer II for less technical Plan Review duties.

PBCE Response to Recommendation #21: The Department agrees with this recommendation. Please refer to response to Recommendation #5. The Civil Engineer II position would enable the Division to hire entry level engineers to review simple projects involving minor structural design, at relatively lower personnel costs in comparison to those of the Associate Engineer classification.

Recommendation #22: Refund overcharges to online water heater applicants where possible.

PBCE Response to Recommendation #22: The Department agrees with this recommendation. Staff has already run a report to identify those applicants due a refund, and staff has been directed to begin the refund process on behalf of the applicants.

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CONCLUSION

The audit provided us with the in-depth management analysis that has not been possible to complete due to the reduction in resources during the recent downturn in the economy and the subsequent challenges of restoring services to our customers. We feel optimistic that your recommendations, especially those involving the clarification of the permitting process, improvements to physical layout of the Permit Center and further investments in technology, will allow us to restore and enhance services to the level our customers deserve and the City Council expects.

We look forward to continuing our work with the City Auditor's Office and City Council in finding ways to effectively deliver development services to homeowners and all of our other customers.

This memo has been coordinated with the Environmental Services Department, the City Manager's Office, and the City Manager's Budget Office.

/s/

HARRY FREITAS, DIRECTOR
Planning, Building and Code Enforcement

For questions please contact Page Benway, Acting Administrative Officer at 535-7887.