

IV. ISSUES IMPACTING SEVERAL FUNCTIONS

A. BUDGETS AND FEES

The City’s approach to budgets and fees for the development and permitting functions is 100% cost recovery. The primary functions impacted by this policy are Building, Fire, Planning and Public Works. Many cities in California follow the 100% policy, although it is also not unusual that planning fees are set below the 100% level.

During the heavy development years of FY 99/00, 00/01 and part of 01/02, the City’s budget/fee ratios produced substantial excess revenues. Although the development permitting functions are not formally in an enterprise fund, excess revenues were segregated in reserve accounts.

During the last half of 01/02, the economic slowdown resulted in substantial reductions in fee-related development activity, which resulted in substantial revenue shortfalls in the fee-related functions. To meet the shortfall, the City adopted a three-part strategy consisting of:

- ✍ Use of reserves
- ✍ Reductions in staff
- ✍ Increases in fees

The City’s approach is summarized in Table 15 below:

**Table 15
Budget and Fee Strategy for FY 02/03**

Function	Project Budget Gap Based on 01/02	Actions			02/03 Estimated Cost Recovery
		Position Reductions	Use of Reserves	Fee Increases	
Building	7.2 million	18.60	\$2,800,000	2-year phase-in	85.40%
Fire Department	1.1 million	5.00	Some	7%	90.40%
Planning	2.3 million	8.70	\$784,000	10% year 3 years	83.40%
Public Works	2.0 million	13.67	No	Some increases	100%
Records Retention	-	-	-	2 to 10% over 2 years	-

The strategy is projected to return the programs to 100% cost recovery within a three-year time frame. Current budgets and staffing levels are based on maintaining current service levels and performance standards. This history and our current analysis lead us to a number of observations and conclusions, as follows:

- ✍ If current budgets, staffing levels and performance standards are less than full cost recovery, then budgets and staffing levels must have been too low when excess revenues were being achieved, resulting in poor performance levels. Based on both customer and staff input, this was the case.
- ✍ A personnel phenomenon was also likely at work. In times of high activity, staff is more productive and unit costs go down. However, in these situations staff may be subject to burn out.
- ✍ Even in what appeared to be times of excess revenue, had acceptable performance levels been maintained, fees were below cost recovery. Thus, fees should have been increased at that point in time.
- ✍ The mix in types of permits has also changed. In San Jose, as is true in much of California, some high value types of permits have decreased while low value permits have increased or stayed the same.
- ✍ There are several issues the City should address. One is the way some fees are based on building valuation, particularly building permit fees. There is no known nexus between valuation and costs. In our fee studies we are using a combination of some flat fees and fees per square foot to replace valuation.
- ✍ The City's goal to retain current performance standards is exemplary. However, several problems may impact this goal. Adjustments to new staffing levels and budgets often result in some transition inefficiencies. Additionally, as pointed out elsewhere in this report, more detailed and in some cases, shorter timeline performance standards should be adopted.
- ✍ The END CSA budget document indicates: "However, if development activity strengthens during the year, these service levels would be maintained only if the revenues from this increased activity are used to restore some of the positions deleted or reallocated in the proposed budget." We concur with this statement and believe the City needs to develop a clear strategy to address any such increases.
- ✍ The maintenance of a reserve account is an obvious sound business practice that should be followed for the City's development and permitting activities. However, the potential size and legality of such reserves are not clear. The State Attorney General has not commented on this question nor has there been any court finding. The question is currently under litigation in Orange County, California.

5. Recommendation: The City should undertake a new development and permitting fee study aimed at full cost recovery that fully implements State guidelines.

- 6.** *Recommendation:* The City should continue its practice to segment and account for fees from development and permitting activities. Such accounts should set forth specific authorizations and strategies for managers to maintain performance levels while maintaining full cost recovery.
- 7.** *Recommendation:* The fee accounts should include reserves to cover year-end carry over projects and to build a reserve for downturns in permit activity.
- 8.** *Recommendation:* The permitting functions should prepare a consolidated monthly report on permitting activity and staffing levels for discussion by the Economic and Neighborhood Development CSA. This should be used as an early warning system of either additional downturn in activity or an upturn requiring additional resources.
- 9.** *Recommendation:* Fees should be reviewed annually to keep pace with cost recovery levels.
- 10.** *Recommendation:* Establish minimum plan submittal requirements and reject applications that do not fully comply with these requirements.

B. INSPECTION OFFICE

Currently, inspectors who deal with construction and development work out of the following locations:

- ✍ Building Inspectors work out of the Permit Center area.
- ✍ There is one full time Fire Inspector working out of City Hall. The Fire Protection Engineers work part of their time performing inspections.
- ✍ Hazardous Material Inspectors work out of the Bureau of Fire Prevention located in the downtown area.
- ✍ Public Works Inspectors work out of a field office.

It is possible that six to seven inspectors have to visit a site several times prior to approval. Fire is training to consolidate architectural, fire sprinkler, and alarm plan checks and inspections, which will reduce the number of their staff involved in any project. There was one project that had multiple occupancies, which brought all inspection disciplines into near locations. They were able to plan team inspections and

efficiencies, which proves that, if all were co-located in one area, more efficiency and a team approach could be accomplished.

- 11. *Recommendation:* Co-locate Building, Fire, and Public Works Inspectors in the same facility to promote communications, team work, and cooperation.**

- 12. *Recommendation:* Create an inspection coordinating team consisting of supervisors from each discipline.**

C. MISCELLANEOUS

City Hall Customer Parking

There is a two-hour parking limit at City Hall. Many times, it takes longer than two hours for customers to complete their business and they get parking tickets. This is unreasonable and detracts from their perception of good service. The parking situation for customers needs to be improved. This is a concern voiced by focus groups and in customer survey responses.

- 13. *Recommendation:* Improve customer parking at City Hall to allow customers parking to complete their business without getting parking tickets.**

Consistency

A review of focus group and customer survey comments reveals a major concern about consistency for Plan Checkers and Inspectors through all departments and Divisions in the City. The solution is the establishment of training programs, check lists, and quality control programs in each function. This is discussed throughout our report in sections relating to each function.

- 14. *Recommendation:* Department heads and the CSA should review the training programs, use of check lists, information bulletins, and quality control programs in each function and determine their effectiveness in achieving uniformity in actions by all staff.**

Customer Feedback

The Building Division has a customer service survey form available at the receptionist's desk in the Permit Center. This form is available to customers and has a mailing address of City of San Jose Building Division. It is suggested that a customer feedback form be prepared to cover all aspects of development processing. It should have a postage-paid address and be addressed to the office of Director of Planning, Building, and Code Enforcement. The customer feedback form should be located in areas throughout City Hall where processing occurs and should also be sent to permit applicants after their project receives final approval for occupancy. Results should be shared with affected division heads and functions for handling. A reactive approach to solving reasonable problems identified from this feedback should be initiated.

- 15. Recommendation: Create a customer service comment form to cover all development permitting processes and make available throughout all City Hall areas where processing occurs. Send form to all permit applicants after projects are completed for occupancy.**

Historic Buildings

There is concern that historic buildings are not treated with enough sensitivity by Building and Fire functions. The State of California Historic Building Code should be used to check historic buildings. That code provides substantial latitude and relief from model codes normally used for building and remodeling of historic buildings. Also, the Building and Fire Divisions need to use common sense judgment to preserve the significance of these buildings.

- 16. Recommendation: The Building and Fire Divisions should use the provisions of the State of California Historic Building Code and common sense to preserve historic buildings in the City of San Jose.**

Newsletter

An effective way to communicate information to the public is through a newsletter. The newsletter could provide ordinance and code information and interpretations, various communications from staff, proposed changes in fees or ordinances and similar information.

- 17. Recommendation: Establish and publish a monthly newsletter for the permitting functions. Include maintaining it on the City Home Page as well as making it available in the Permit Center.**

D. TECHNOLOGY

Technology is rapidly evolving for the development review and permitting processes with new features and approaches being introduced from around the country. San Jose has made good progress in many technology areas and has a variety of improvement programs underway. The City has also been behind in a number of areas, which are discussed in this section.

To assist us in the technology analysis, we sponsored a Technology Charette for two days on June 27 and 28. A total of 18 people attended this Charette, including two from Zucker Systems, two from the city of Bellevue, Washington, one from the city of Scottsdale, Arizona, a representative of Synertech, San Jose's prime vendor for the AMANDA permitting system, and 12 San Jose employees from the various permitting functions. Bellevue was selected because they also use the AMANDA system. Scottsdale was selected because they have developed their own permitting system that has a number of interesting features.

Integrated Development Tracking System (IDTS)

San Jose's efforts have been focused on the IDTS system and a software program called AMANDA. The City was fortunate to have revenues available from the years of high permit activity and set aside \$ 8.3 million for this effort. A consulting firm was hired in 1996 to set specifications for a system and an RFP was issued in 1998. A contract was signed with Intergraph in 1999 and with Synertech in 2000.

The City has had a large number of staff working on the system from the Information Technology Department as well as from the operating departments. The program is coordinated by a full time manager who works out of the City Manager's office. An Executive Committee consists of the Deputy City Manager, Project Manager, Department Directors, Deputy Directors, IT Liaison, and Contractors. An End-User Committee meets to work on mutual problem solving. The Committee includes the Project Manager, IDTS Development Review Team, IT Staff, GIS staff, and Contractors.

There are three key contractors for the project.

- ✍ Intergraph Corporation
 - † Prime Contractor
 - † System Integration
 - † Project Management
 - † GIS software supply and implementation
 - † Internet implementations

- ✍ Synertech
 - † Permit System (AMANDA) Implementation
 - † Data Conversion from legacy systems
- ✍ Spatiax
 - † Integrate Document Management (File Net) with GIS

The system has numerous features and is a work in progress. Key features include:

- ✍ A permit issuance and tracking system (Permit Software – AMANDA)
- ✍ GIS (Intergraph, Arc View, MapInfo)
- ✍ Internet Applications – On-line Permitting
- ✍ Document Management (FileNET)

We did not undertake a detailed appraisal of the system but were impressed by the breadth and scope of the program. Most importantly, the key functions of Building, Fire, Planning, Public Works, and Redevelopment are all part of the system. Key features that need to be included, either with the current budget or future augmentation include:

- ✍ Detailed management reports tracking permit volumes, status of timelines and labor calculations. These are all particularly important for San Jose since the staffing levels and fees are based on 100% cost recovery.
- ✍ Wireless field computers for inspectors should be added to the system.
- ✍ Internet access to the tracking system should be available to customers.
- ✍ An electronic signature feature is desirable.
- ✍ A GIS automated inspection routing system.
- ✍ The ability to move from a GIS map to any property data or permit file.
- ✍ Additional on-line permits.
- ✍ Movement of Code Enforcement to the AMANDA System or, in the alternative, ties to Code Enforcement's current system so that Code Enforcement problems can be flagged in the permit process.
- ✍ Creation of a reserve fund for future up-grades and replacement of equipment and software.
- ✍ The City's IDTS Manager and the Principal Planner coordinating IDTS in Planning, Building and Code Enforcement both prepared for us detailed listings of the current IDTS needs, which are included in Appendix G. We generally concur with their recommendations.

The City's IDTS effort is excellent. However, much remains to be done to make this a truly efficient and effective system. Given the City's budget concerns and staffing reductions, we are concerned that the effort could stall. It appears that the program needs current additional funding of \$200,000 to \$300,000 with ongoing funding in future years. A particular need appears to be to augment PBCE consulting by \$100,000 per year plus possible additional staffing.

- 18. *Recommendation:* The City's IDTS effort should proceed to complete the original scope of services.**
- 19. *Recommendation:* The City's current funding for the IDTS system should be increased.**
- 20. *Recommendation:* The City Manager should reinforce the intent to coordinate IDTS out of the City Manager's office and give IDTS management authority to have adequate representation from all relevant functions to prioritize and address issues.**

Many staff are currently frustrated with the AMANDA system. We believe that this primarily relates to a work in progress rather than any fundamental problem with the system. In Appendix E we have reproduced comments from planners which we feel are similar to other comments we received. Recommendations to improve the implementation system automation are provided in the Building Division section of this report.

- 21. *Recommendation:* Managers and supervisors in the permitting functions need to continually reinforce with employees the importance of the IDTS efforts but also listen closely to any frustrations. Many of these can be resolved through future upgrades.**

Geographic Information System (GIS)

A good GIS database and mapping system is essential for development and permitting systems as well as internet applications. GIS systems are designed for remote access by multiple users. Likewise, various functions can create and be responsible for a variety of data layers. However, for the system to be totally usable, the databases need to be controlled in some fashion and kept up to date. Otherwise, people copy the data and no one knows if the data is accurate and up to date. This can be particularly important when using GIS for development and permitting activities that may rely on the data for analysis and decision making.

The City's past approach to GIS has a number of problems, including:

- ✍ The lack of a good controlled base map. This point was well illustrated in the Technology Charette by Scottsdale, Arizona. Their GIS is updated and controlled by a new aerial flight every year. They are able to use GPS for applications like mapping all infrastructure. The system is also interactive on the internet.
- ✍ Current GIS efforts in the City are scattered. Planning, Police and Public Works are all heavy users.
- ✍ Although maps are available on the City Web site, they are "dumb" maps and do not allow manipulation or combining of data.

Two efforts are currently under way to address the GIS issue. The City has hired a consultant to create a City GIS strategy. We are highly supportive of this effort. The County is also looking at a GIS strategy. Out of these two efforts, the City should get its GIS program on track.

22. *Recommendation:* The City should adopt a Citywide GIS strategy that includes a detailed and unified database and base map with Internet and desk top access to all data layers.

Telephone Information System

The City of San Diego and other jurisdictions have a system that notifies customers how many callers are ahead of them and gives an estimate of the time it will take for the operator to get to their call. Callers are given the option of waiting on hold or leaving a message, which is returned within a specified time such as 30 minutes. This is an excellent customer service system and should be considered by San Jose as an option for dealing with heavy customer call volumes.

23. *Recommendation:* All permitting functions with heavy call volume should consider installing a voice system that notifies customers how many callers are ahead of them, the time it may take for their call to be taken, and when a voice mail message would be returned if recorded by the customer.

Web Site

The City has one of the best Web sites we have seen. Various recommendations are included in other sections of this report for improvements. Key needs include:

- ✍ Customer access to AMANDA files
- ✍ Customer access to GIS data and maps

- ✍ Additional on-line permitting
- ✍ Updates of process and procedure documents

E. NEW CITY HALL AND PERMIT CENTER

The new City Hall will have a profound impact on the development and permitting functions. Related staffs, which are now in five separate buildings, will be located in one building. This will make access by customers easier. It should also help communication and interaction amongst the various staff functions. Perhaps even more important will be the location of an integrated Permit Center on the first floor.

We met on two occasions with Public Works staff working on the layout of offices and the Permit Center. We were impressed by the thoughtful approach and analysis being conducted. There has been a considerable amount of input from the permitting functions and we understand that additional meetings will be held with both managers and employees as planning progresses. Timing of this study and the City Hall studies did not allow us to provide a detailed critique of plans. In general, the approach being taken seems appropriate. As general guidelines to help in the process, we offer the following principles:

- ✍ Permitting functions generally operate best with a horizontal rather than vertical floor plan. Since this is not possible in a high rise structure, a number of approaches can be considered to compensate, such as:
 - † As much of the backup staff to the Permit Center as possible should be located on the first, second and third floors.
 - † Visual ties from the Permit Center to the second and third floors should be emphasized through balcony design, signs and stair designs.

The Permit Center lobby needs to be large and uncluttered. The lobby functions much like waiting areas in an airport. Those with large lobbies and waiting areas provide a good relaxing impression. Those that are narrow and small in size create a chaotic environment less conducive to good customer service.

The counter layout is very important. A combination of sit-down and stand-up counters is desirable. Counter flexibility is also desired. Whatever management and functional structure is initially used in the Permit Center will likely change over time. An informal vs. formal appearance is desirable. This is achieved in many Permit Centers through the use of curved rather than long straight counters.

Desks or tables for many of the employees need to be large enough to comfortably layout plans. The furniture commonly used in open office landscape is often too small for this purpose.

The permit counters should have double freestanding computer screens. One for the staff member and one for the customer to view while data is being entered.

Staff should be grouped by functional relationships rather than by department.

Self-help areas for customers need to include computer screens, map and publication display areas, handout racks, access to reading materials, telephones, and a copy machine. A reader board announcing new publications, fees, and announcements can also be helpful.

A receptionist area should be readily visible and well placed to intercept traffic to the Permit Center.

24. Recommendation: The principles outlined above should be considered in the design of the new City Hall as related to the development and permitting functions.

Permit Processes not Connected with Building Permits

When building permit applications for new construction and some remodeling are received, many need planning, public works, and fire approvals before the permit can be issued. There are others that are issued stand-alone permits, such as fire sprinklers, alarms, hazardous materials, and planning entitlements. Public Works permits not directly related to development such as encroachments, grading, and small projects. These functions should have stations located within the Permit Center adequately identified so the customer can complete business in one location.

25. Recommendation: Provide identified locations in the co-located Permit Center for issuance of permits and public information that are not included in the Building Permit approval process. Each function should assure that staff coverage is provided during all public counter hours of operation.

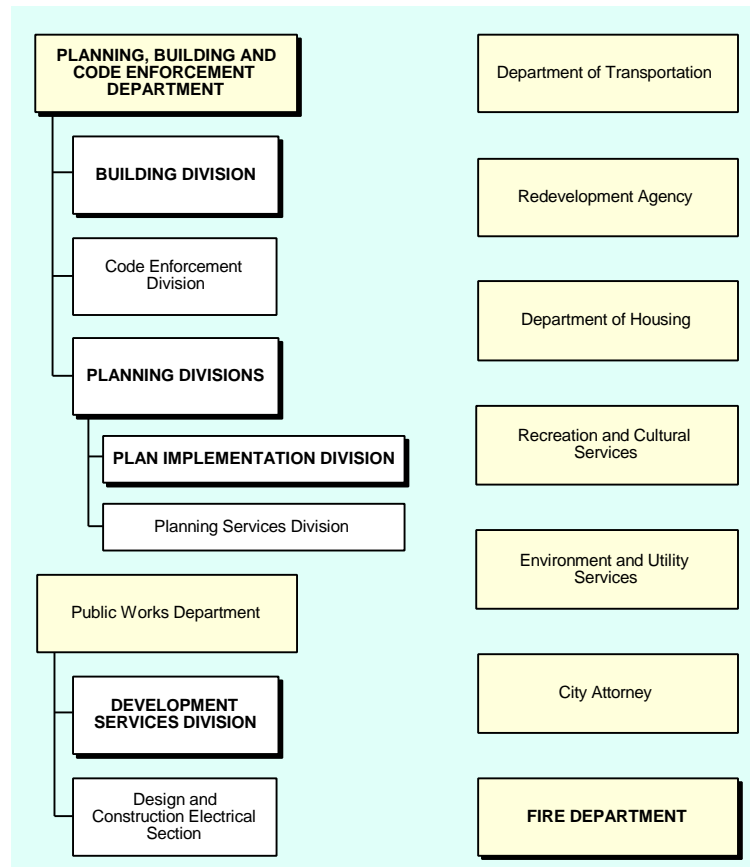
F. ORGANIZATIONAL ISSUES

The permit and development functions in San Jose are split amongst various divisions and departments, as shown in Figure 3 below. The primary functions are shown in bold.

One could postulate that the best way to handle permitting and development functions would be to simply put them all in one department under unified leadership. However, a quick look at the functions in Figure 3 makes it obvious that this would not be a practical or feasible alternative. Functions have simply become too specialized and

interrelated for such a simple solution. Nevertheless, many communities have found that merging some of these functions in one department can be helpful. In our national experience, now having worked directly with some 150 cities and counties and consulted with hundreds more in our seminars, we have seen numerous variations. One size or approach does not fit all. Each community is unique and can function best by a model tailored to the specific community. This is the approach we always use and is how we approached the San Jose analysis.

Figure 3
San Jose Permit and Development Functions



We should say at the outset that we are not a fan of organizational change. Organizations should be designed to solve problems and deliver services. Often the nature of the organization has little to do with the service delivery problems. We have seen highly merged organizations operate well. We have seen highly dispersed organizations operate well. Likewise, we have seen highly merged organizations that do not operate well and the same is true for some dispersed organizations. We do support organizational change when it becomes apparent that it would enhance a process that is problematic due to the current organizational alignments.

San Jose has taken what we believe to generally be a sound direction with the following key features:

- ✍ The key functions of Planning, Building, and Code Enforcement are in one Department.
- ✍ Most, but not all, of the Engineering functions have been merged in a Development Services Division of Public Works.
- ✍ A coordination function has been developed in the form of the END CSA.

A few of the possible alternative organizational structures are discussed below.

Planning – Permit and Planning Functions

Most communities keep the planning permit functions and the planning functions (often referred to as long range or advance planning) in one department. However, there are notable exceptions. The City of San Diego has these two functions in separate departments. Planning is a stand-alone function. Planning permits have been merged with the building and development engineering functions. The City of Tucson, Arizona is about to launch a similar organizational structure. We do not favor splitting the planning and planning permitting functions, as we feel these functions operate best when fully integrated. A number of communities who adopted this model eventually abandoned it, most notably the counties of San Diego and Washoe, Nevada.

Planning and Building Functions

Many communities merge the planning and building functions and some keep them in separate departments (City of Los Angeles). Building, if not separate or merged with planning (often called departments of community development) is sometimes lodged in public works (Los Angeles County). Rarely, but occasionally, building is merged with the fire department (City of Ventura). There is some tendency for the larger communities to have separate building departments and the smaller ones merged with planning. Many Chief Building Officials believe building should be a separate department. All else being equal, in the City of San Jose, we believe Building and Planning should be in the same department.

Engineering Functions

Engineering functions as related to development and permitting are most often located within a department of public works. The development and permitting functions are generally small in comparison to the much larger capital projects functions or public works operational functions. As such, it is not unusual that the development and permitting functions do not get the attention they deserve. To counter this problem, some communities are now creating separate sections within public works to handle the development and permitting functions, which is the San Jose model. Other communities, generally out of frustration with the inability to resolve permitting problems, have split engineering into two pieces. Under these models, the permitting

related engineering functions are generally combined with the planning and building permitting functions (San Diego, Clackamas County, Oregon, Sonoma County, California). Development Services has had some problems in San Jose getting an appropriate priority within the Public Works Department. These issues are described in Chapter IX. One option would be to merge Development Services with PBCE. This option was the assumed option circulating in the bureaucracy's rumor mill from the first day we began this study. While we would not be against this option, we are not recommending it. PBCE is already a very large department. It has many challenges ahead based on its new leadership and various issues identified in this report. Likewise, Public Works is a very large department that also has new leadership. In many respects, we believe that Development Services issues impacting the permitting functions may have more issues to work out internally within Public Works than there are issues between Development Services and PBCE. Based on our review, we believe that any major organizational change at this time could be counter-productive to focusing on other issues described in this report. Later on, should it appear that the lack of problem resolution requires an organizational change, such a change could be reconsidered.

Fire Prevention

The fire prevention functions are almost always located within a fire department. It is not unusual that this function has the same problems as those found by development engineering when located within public works. Fire prevention is almost always relatively small in comparison to the rest of the fire department. As such, this function does not always get the attention it deserves. As we were told by many San Jose fire employees in the past, "we didn't join the fire department to do plan check or inspections." Since we began working with San Jose in 1992, the Fire Department and Fire Prevention have made numerous advances in developing a sound permitting and inspection function, including the use of civilian fire protection engineers and inspectors. Good working relations with Building have also been developed. The focus groups we conducted for this study were generally pleased with the services they are receiving. We have made a number of recommendations in this report to further strengthen the function, see particularly Chapter VIII.

Redevelopment

The organization of the redevelopment function varies substantially from city to city. For large cities, the function is almost always an independent function or department, sometimes reporting directly to the City Council, as is the case in San Jose, and sometimes reporting through the City Manager. In smaller cities it is not unusual to see redevelopment merged with other functions, often with planning or as part of a larger community development functions. For a city as large as San Jose and with an extensive redevelopment program, the focus that can be achieved through independence is essential. Perhaps more important in relation to the development and

permitting functions are the more detailed relations with planning, building and public works. These issues are discussed elsewhere in this report.

Economic Development

The organization of the economic development function varies substantially from community to community. In some cases it is organized as an independent function operating as a city or regional non-profit organization. In others it operates as a separate city department. Often, as is the case in San Jose, it operates within the city manager's office. Occasionally the function is combined with planning, and almost always is in small communities. Irrespective of organizational structure, it is important that good working relations be developed between economic development and the permitting functions. We see no reason to change the organizational structure within San Jose.

Summary

As related to the development and permitting process, we often ask, "who is managing the spaces between the boxes on the organization chart?" The answer generally is no one. In San Jose, this need is partially filled by the creation of the END CSA. The City has taken a major step to coordinate the planning and permitting functions through the efforts of the END CSA. We are very supportive of this effort and have discussed it in Section G., Setting The Strategic Direction. However, the END CSA tends to operate at the broad policy level rather than a more detailed management level. The function of the Senior Deputy City Manager is also important, but, like the END CSA, this function is also not organized to work at the operational level. What is missing is more day-to-day operational coordination that could, at least in theory, be accomplished by the creation of a large super department. As previously noted, such a department brings problems of its own due to size and complexity. Another approach is to designate a senior official to have the responsibility to assure cross department organizational integration. The logical choice for such a designation in San Jose is the Director of Planning, Building and Code Enforcement, since this Department already manages the largest and most central of the development and permitting functions.

26. Recommendation: The Director of Planning, Building and Code Enforcement should be designated by the City Manager as the executive to assure cross department integration of the City's development and permitting functions.

G. PRIOR STUDIES/IMPLEMENTATION

During our group meetings with over 300 employees as well as in many employee interviews, we heard one repeated theme. “Why are we doing this study again?” “Why are you wasting our time and why should we participate in the study?” In response, we suggested that the City had made many improvements based on past studies. Much to our surprise, most staff seemed to be unfamiliar with these prior efforts.

Why is this important? Continuous improvement in organizations is dependent on the active involvement and ideas of the employees. If they feel that nothing ever comes of improvement activities or recommendations they are likely to stop actively participating or making recommendations. As such, the following comments are intended to provide some perspective for this current study.

The 1992 Study

Zucker Systems was first involved with San Jose in 1992 as part of the City’s Business Climate Study. We conducted seven confidential focus groups with 58 of the City’s development and permitting customers. These customers had some harsh words for the City, as follows:

Based on the responses from the focus groups, San Jose does not present a particularly positive business climate. Of particular concern were the responses of the high-tech firms who operate on a national basis. None of these firms indicated that San Jose is high on their list for expansion plans. Three comments that particularly stand out were:

☞ San Jose isn’t even considered in our matrix for expansion.

☞ The biggest challenge is for Zucker to convince people that there really is a problem.

☞ I’m advising my people to go to another state.

The focus groups made 61 recommendations for improvement. The City took these seriously. They not only implemented most of the recommendations, but staff began to add recommendations of their own.

The 1994 Study

Eighteen months after the 1992 study the City convened five focus groups with 45 customers, half of which consisted of the same customers who had participated in the 1992 study. The City’s turnaround was impressive, as relayed in the focus group report:

Today, in what should be considered a remarkable turnaround, the City has made a 180-degree turn. The consultant was particularly impressed by the

attitude of department directors who seem eager to learn how they are doing and to hear ideas for yet even more improvement. There has been a great deal of positive change over a relatively short time frame for such a large organization. Much of the change has been accomplished in spite of reduced budgets and staffs in many departments.

Improvements were noted in permit timelines, the new Permit Center, combination inspections, planning project managers, concurrent processing and general employee attitude.

At the end of the focus groups we were surprised to see that the groups came up with 67 recommendations (6 more than the first time). This should not be read as negative. The City is hopefully engaged in a continuous improvement process – what the Japanese call Kaizen. When this idea is working it should be possible to come up with another 60 ideas a year from now. The changes may become smaller and smaller, but still significant.

Part of the process is also one of opening up. Once customers feel the City really wants suggestions – more will come. Also, once the City welcomes suggestions without becoming defensive – more will come. Change and progress is not a one-time event. It must take place on a daily basis.

1996 Mayors Code Enforcement Customer Focus Group Project

This effort consisted of 13 focus groups spread throughout the City. The groups came up with 177 recommendations, which again were mostly implemented. While most were not directly related to the development or permitting processes, this effort may have had a major impact on setting the stage for the current Mayor's Strong Neighborhood Initiative.

January 2001 Mayor's Housing Production Team

In January 2001, the Mayor's Housing Production Team issued 72 recommendations to increase the production of housing. All of the recommendations were referred to the Administration for review and response. Sixty percent of the recommendations are complete and others are in progress. We have reviewed them in the Housing Department section of this report.

June 2001 Business Climate Study

As part of this effort the City convened six customer focus groups with 30 participants. They also conducted four staff focus groups with 23 employees. It could be concluded from this study that the City's development and permitting functions had slipped since 1994. Comments included:

The permitting functions have had inadequate staff and a high turnover of staff. San Jose has been a training ground for other cities. This has too often led to:

- ✍ Long timelines*
- ✍ Inconsistency in opinions*
- ✍ Poor decisions or opinions*
- ✍ Less coordination between departments (developers have had to do the running)*
- ✍ Less staff training*
- ✍ Less management oversight of functions.*

Many of the focus group members find it hard to understand why the City has allowed the permitting functions to operate this way. Since many of the permitting activities are full-cost recovery, they believe the revenue should be used to fix the problems.

They are willing to pay higher fees if they can obtain better clarity and reduced timelines. The departments are seen as being directly involved in revenue generation for the City and as such, should have the needed resources.

These focus groups came up with 47 new recommendations. Some were implemented; many were not. All have been reviewed as input into this current study.

September 2001 Study

A group of developer representatives and various City staff met to discuss the City's progress on Residential Permit Streamlining. This group in a sense revolted because:

- ✍ They had short notice of the meeting and inadequate background on the agenda.*
- ✍ They were unaware of actions that had taken place on the Housing Production Team recommendations. They also had received no feedback on the 47 recommendations of the May 2001 Focus Groups.*

The group did come up with 11 recommendations. Again, these were used as background for this current study.

Conclusion

As is obvious from the above history, the City has indeed made substantial progress in relation to the permitting and development process. It is important that both staff and customers are aware of this progress. However, more remains to be done. This can best be accomplished with invigorated staff working in partnership with the

customers, all feeling that their recommendations are welcome and many will be implemented.

27. Recommendation: The history of past City improvement activities should be shared with City employees.

28. Recommendation: This current study should be shared with employees and customers of the City's development and permitting processes. Additionally, reports and communication should take place as recommendations are implemented.

H. SETTING THE STRATEGIC DIRECTION/PERFORMANCE STANDARDS

The permitting and development functions in San Jose are primarily spread across the Departments of Planning, Building and Code Enforcement, Fire and Public Works. A number of other departments also have some involvement, including Economic Development, Housing, Redevelopment and Transportation. Additionally, some of the functions cut across various divisions within the departments. The City has developed a variety of mechanisms to coordinate these activities, including:

- ✍ Economic and Neighborhood Development City Service Area (END CSA)
- ✍ City Manager's Development Cabinet
- ✍ Inter-Governmental Policy Committee

All of these are useful coordination tools. From an overall strategy perspective, END CSA is the central organization.

END City Service Area (CSA)

The City Service Area (CSA) concept grew out of the City's Investing in Results program. A small staff unit of six to ten people reporting to the City Manager (QUEST) was created to coordinate and facilitate this effort. QUEST is roughly halfway through a six-part strategy consisting of:

- ✍ Prepare the Organization
- ✍ Align to Mission
- ✍ Develop Measures
- ✍ Identify Opportunities
- ✍ Manage For Results

The six City Service Areas (CSA's) integrate services provided in individual departments into the City's six key lines of business. The CSA then provides a forum for strategic planning, for setting policies and for making investment decisions. These are then carried out through operational departments. For the first time, the FY 02/03 City Budget has been organized along CSA lines.

The END Mission is:

“To manage the growth and change of the City of San Jose in order to create and preserve healthy neighborhoods, and ensure a diverse range of employment and housing opportunities.”

The CSA suggested outcomes are:

- ✍ Strong economic base
- ✍ Diverse range of housing opportunities
- ✍ Safe, healthy, attractive and vital community

The permitting and development functions impact all three outcomes. A key for this study is the development review process.

The CSA meets every Tuesday and 19 representatives from all the development and permitting activities attend. The structure includes:

- ✍ A Team Leader who is “fully accountable for measuring and delivering service across department lines.” Last year the Team Leader was the permitting Deputy from PBCE. This next year it will be the Economic Development Director.
- ✍ The Service Delivery Partners are the various department and division representatives.
- ✍ QUEST provides a coach to consult and assist.
- ✍ One or two people are designated Team Facilitators to coordinate business plan creation and data collection.
- ✍ The Chief Deputy City Manager is designated the Team Sponsor to work with the Team Leader to ensure that the team successfully measures and delivers service across department lines.

Although the CSA is very successful, it tends to include mostly high-level management. We believe some additional features may be needed at the operational level. To some extent, the group of employees working on IDTS issues has begun to fill part of this role. However, for ongoing activities, other department representatives may be in order.

29. Recommendation: An END CSA group of operational employees should be formed to work on inter-departmental operational issues. While the

END CSA will primarily focus on broad strategy and some tactics, the new group will primarily focus on detailed operational issues. Key functions represented should include Building, Fire, Planning and Public Works. Other functions to be added when appropriate include Code Enforcement, Economic Development, Housing, Information Technology, Parks, Redevelopment and Transportation.

2001 City of San Jose Community Survey

The City has been conducting an annual survey to determine how citizens view City services. In the future the survey will be conducted on a biennial schedule. Very few of the survey categories address the City’s permitting functions. The one question of interest was on how people get information about the City of San Jose. According to this survey, the most useful means by 32% of the respondents was the City’s Web site. This highlights the importance of the Web site, as discussed in the Technology section of this report.

Although the biennial survey can be useful in examining the City’s overall performance, more detailed surveys will be necessary for the development and permitting functions.

2002-2003 Investment Strategy and 2002-2007 Business Plan

These two documents set the agreed programs for the END CSA. Most important for the permitting programs are the Performance Measures as shown in Table 16 below.

**Table 16
END CSA Performance Measures**

Goals/Objective	Performance Measure	2001-2002 Estimate	2002-2007 CSD Goal	Zucker Systems Goal
1. Ensure structural and life safety in built environment.	1. % of design professionals surveyed who rate structural review process as NgoodO or Nexcellent.O	50%	75%	85%
5. Provide seamless and effective development review including implementation of environmental regulations in a customer-friendly fashion.	1. % of projects that receive thorough, complete, consistent review in first cycle of staff review (New Measure).	-	TBD	85%
	2. Ratio of current year fee revenue to fee program cost (New Measure).	81%	100%	100%
	3. Selected development processing time targets (New Measure).			
	Planning initial comments mailed within 30 days.	49%	90%	90%
	Building plan check processing targets met (2-6 weeks depending on size of project).	91%	90%	90%
	Planning application responses within 3 weeks.	55%	75%	90%
	Building inspections within 24 hours.	81%	85%	90%
	4. % of development process participants rating service as "good" or "excellent."	70%	90%	85%
	6. % of clients surveyed who perceive that the development review process is seamless.	75%	85%	85%

We are very supportive of the adopted performance measures with the following exceptions:

- ✍ We believe that several of the measures set too low a standard. In Table 16 we show the changes we recommend.
- ✍ Under Goal 5, Performance Measure 3, “Planning application responses within 3 weeks” refers to the goal for Development Services to respond to referrals from Planning. This wording is vague and should be rewritten.
- ✍ The 90% target for rating service as good or excellent is considered too high. We suggest a target of 85%.
- ✍ The % of projects that receive thorough, complete, consistent review in the first cycle is very important. A plan to implement this standard will need to be developed and it will require some experimentation. A first approach would be for supervisors to audit 5% of first, second and third project reviews.
- ✍ “Building Inspections within 24 hours” should be changed to “Building Inspections next day after requested.”
- ✍ A number of more detailed operational performance measures are essential. These will be described in the detailed sections of this report.
- ✍ The Building Plan Check should be changed from “2-6 weeks” to “over the counter to 6 weeks.”

30. Recommendation: The performance measures should be reviewed for possible modifications as outlined in this report.

After reviewing the City’s strategy in some detail, we have major concerns in relation to performance issues. The system is based on an inter-relation between revenue (fees), staffing levels, and performance measures. The performance measures seem to have taken a back seat in this strategy. The budget and staffing levels have been set to bring permitting programs back to full cost recovery either this year or phased in over three years. However, any vacant staff positions shown in the budget have been frozen as well as positions where an employee is on leave. This freeze has been instituted in order to provide vacant positions should the City decide that further cuts are necessary in any General Fund program. The result, particularly in Planning, is that performance standards will likely not be met.

In addition to the staffing issues, there are other issues that impact performance. Planning has so few performance targets that even if they meet the published targets, customer service can be poor. Development Services has a different problem. They project meeting customer service targets only 75% of the time.

We are not in a position to second-guess the City’s budget strategy. We do know that poor performance by development and permitting functions can lead to costly penalties to the development community. Our experience, both in San Jose and elsewhere, indicates that the development community is willing to pay the price – if – they can receive good service.

31. *Recommendation:* As soon as the City’s overall budget strategy is set as related to the General Fund, the freeze on budgeted positions within the development and permitting functions should be released.

32. *Recommendation:* Performance standards within permitting and development service functions should be closely monitored. As the year progresses, further consultation with the industry re fees and services should take place.

