



Memorandum

TO: DRIVING A STRONG
ECONOMY COMMITTEE

FROM: Stephen M. Haase
Katy Allen
Jeffrey L. Clet

SUBJECT: DEVELOPMENT PROCESS
PERFORMANCE UPDATE

DATE: March 11, 2005

Approved

Paul Kubhe

Date

3/17/05

BACKGROUND

Through consultation with representatives of the development community, the City's development service partners - Planning, Building, Fire, and Public Works - have made significant improvements in performance and customer service in the past two years with an aim of creating a consistent, predictable, and timely development process.

This report to the Driving a Strong Economy Committee will discuss the ongoing partnership with the development industry, review the performance of the City's development review process in the first two quarters of FY 2004-05, and preview process improvement initiatives aimed at enhancing customer service.

DIALOG AND PARTNERSHIP WITH CUSTOMERS

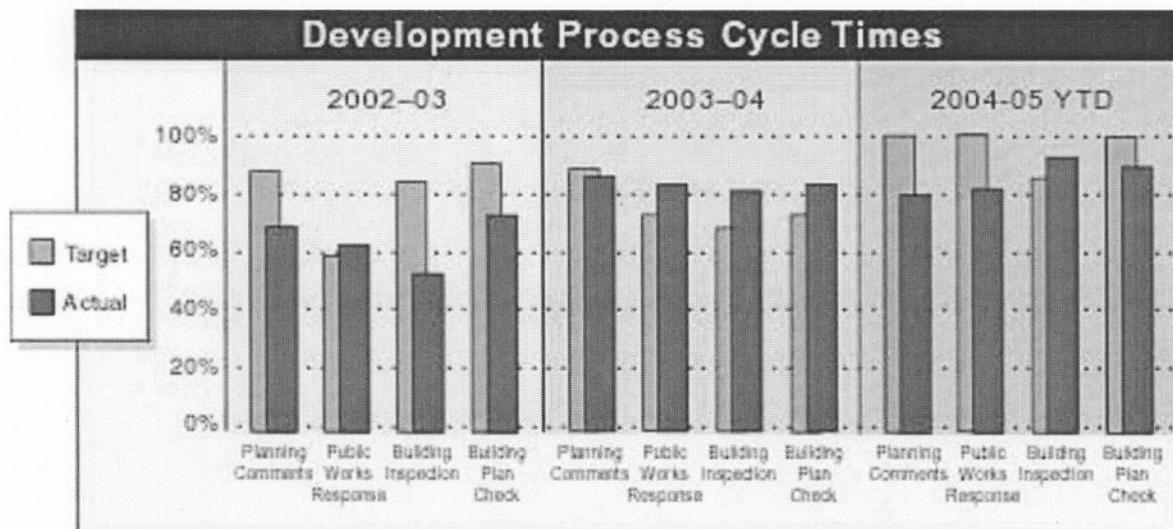
A crucial element in the effort to improve the development process and make San José the best place in America to do business is the creation of an ongoing dialog and partnership with development customers. This partnership initiated in late 2002, continues in the current fiscal year. The San José Silicon Valley Chamber of Commerce's Development Committee has served as an advisory panel for the City's development service partners. The next meeting is scheduled for April 11, 2005.

Beyond the periodic meetings however, a more dynamic outreach and feedback relationship has been formed around policy work and ordinance development. Senior staff from Planning, Building and Code Enforcement, the Fire Department, the Department of Public Works, the Office of Economic Development, the Department of Transportation, and the Redevelopment Agency have proactively conducted outreach by attending the meetings of key industry groups to get feedback during the development of the Downtown Strategy 2000, Citywide Traffic Level of Service, and the Vision North San José policy updates.

Other recent examples of this dynamic include deliberations on the High-Rise and Unique Building Ordinance, and on the new storm water run-off mandates of the NPDES permit. The City's development service partners have also introduced a new San José Development Services newsletter that you will find attached to this report. Creation of the newsletter was a recommendation of the Zucker Study and provides regular customers with updates about development issues and process changes in San José. In addition, to improve the amount and clarity of feedback we receive from development customers, the City is now distributing "smart surveys" to customers and collecting results via e-mail. The development service partners have provided customers with surveys to solicit feedback for many years. Unfortunately, the response rate has declined steadily in recent years leading to customer survey sample sizes that are too small to supply representative data. The first smart survey circulation has already produced a significantly higher response rate and will greatly increase the validity and usefulness of customer satisfaction performance data.

CONSISTENT, PREDICTABLE, AND TIMELY DEVELOPMENT PROCESS

In FY 2003-04, development process performance measures continued to show improvements in service and customer satisfaction. While, clearly, there is still room for further improvement, the performance gains indicate that staff's efforts have initiated significant movement in the right direction. To continue this momentum, the development service partners raised performance targets for 2004-2005 and continue to look for efficiencies and collaborate on process improvement. The chart below shows selected development service cycle time performance measures through the first 2 quarters of FY 2004-05 compared to the past 2 fiscal years.



While the timeliness of first-cycle Planning comments slipped below 70% in the first quarter of 2004-05 due to staff turnover, performance rebounded to 94% in the second quarter. The other measures show performance comparable to or better than last year. More detailed performance data is available in the attached Development Process Report.

Two of the most crucial factors for customers with development projects are the timeliness and predictability of the development review process. To address the timeliness issue and the Getting Families Back to Work recommendation to “eliminate delays in the development process”, the performance targets for all development process cycle time targets except inspection have been moved to 100% for 2004-2005. The “next day inspection” target was raised to 85% to account for the fact that inspection demand is cyclical and it is not cost effective to staff for peak demand. A combination of overtime and retiree help will continue to be used to address peak demand periods and ensure 100% response to inspection requests within 48 hours.

CUSTOMER SERVICE POLICY

Another important factor in building timeliness, consistency, and predictability into the development process is getting “buy-in” from all levels of the organization on being responsive to customers. With this in mind, a Customer Service Policy for development process staff was developed and is in the process of being implemented through training and the reinforcement of employee recognition programs. The policy is intended to clarify for staff their customer service responsibilities, while emphasizing the “process facilitation” approach to doing business.

COST OF DEVELOPMENT SURVEY

The first ever South Bay Area Cost of Development Survey was completed in early June 2004. Compiled by City staff and published under the auspices of the Home Builder’s Association of Northern California, the survey compared costs for development service (entitlement and construction) fees, impact/capacity fees, and development taxes on five sample projects for seven south bay cities. The survey showed that, while San José has a higher development tax burden than the other cities, the service fees run from the middle of the pack to lower on the sample projects. Impact/capacity fees were in the middle of the curve for residential projects and were second lowest on commercial/industrial projects. Work on the second annual survey is currently under way with publication scheduled for April.

INITIATIVES AND INVESTMENTS

In response to the City Council’s Getting Families Back to Work Study Sessions, the adopted Economic Development Strategy, and recommendations from development industry groups, the City’s development service partners are making consistent progress in the effort to provide

seamless, predictable, and timely service to development customers. Forthcoming service improvement initiatives and investments include:

- **Support to Small Business** – Recognizing that commercial customers who do not conduct regular business with the City’s development process are also important to the City’s economic health, the City’s development partners and the Office of Economic Development are collaborating on the creation of a Small Business Center at the new City Hall. The aim of the program is to reach out to small business customers to facilitate their one-time start up or expansion project through the development process.
- **Expansion of the new methodology for initial fee assessments to commercial and industrial projects** – As described in an August 2004 Information Memo to City Council, Building and Fire are collecting data on the cost of providing service to various commercial and industrial projects in order to build accurate fee models for the expansion of the fee methodology now used for residential projects to the commercial and industrial sectors in August 2005.
- **Separation of Fire’s development service program from its non-development fire and life safety inspection program** – This will allow clearer accounting and accountability in the Fire Department’s two fee programs. The non-development fire and life safety inspection program will be moved from the Economic and Neighborhood Development to the Public Safety CSA.
- **Integrated Development Tracking System and San José Permits On-Line Enhancements** – A request for approval of a contractual services agreement with Integrated Development Tracking System (IDTS) vendor CSDC will be submitted to Council in April to secure programming services to make efficiency improvements in the IDTS and make its online customer component, San José Permits On-Line, more customer friendly. Among the system improvements that this contract will secure are:
 - Automation of inspection dispatch functions that will save hundreds of staff hours annually
 - Ability for the system to track post-disaster inspections for FEMA reimbursements
 - Automatic notification of customers about pending permit expirations
 - Automation of Public Hearing Notice mailings that will again save hundreds of staff hours annually
 - Automatic e-mail notifications of project status changes for residents who subscribe to this service
 - Reports to assist with the tracking and refunding of Construction and Demolition Diversion Deposits (CDDD)
 - Improved accounting capabilities that will allow customers with funds on deposit to allocate money to multiple projects

Funding for these enhancements was obtained from rebudgeted savings from the original IDTS project budget and from development fee reserve funds that were appropriated by Council at mid-year.

MAINTAINING SERVICE THROUGH THE MOVE TO THE NEW CITY HALL

The development service partners have designated a single move coordinator for all of the development service components to ensure a smooth transition and minimize service disruptions during the move to the new City Hall (NCH). The development service partners are currently scheduled to be the last group to move in mid-August.

In the meantime, the NCH 'bring the services to the customer' operational model is being piloted in Room 200 through co-location of staff from the development service partners. A tour of room 200 for DSE Committee members will be conducted at the end of the March 28th meeting.

SUMMARY

Since early in 2003, the City's development service partners – the Planning Divisions, Building Division, Fire, and Public Works – have been working to achieve the following 5 goals:

1. Make San José the best place in America to do business;
2. Continuous improvement through an ongoing dialog and partnership with customers;
3. Fiscal stability for the development fee programs;
4. Provision of enhanced service options; and
5. A consistent, predictable, and timely development process.

For the development process, successfully achieving goals 2 through 5 above and emphasizing process facilitation in providing day-to-day customer service is the formula for making goal number 1 a reality. As this report notes, the dialog with the customers is expanding into a real partnership. Fiscal stability has improved greatly as the 2004-2005 combined development services budget was built at 99% cost recovery. This has enabled staffing to the service demand and is a major factor in the performance improvement. Enhanced service options were introduced for Building and Fire plan check and inspection in 2003-2004, and are proving popular with customers because of the time efficiencies. Continued improvement in performance and predictability will be aided by the full implementation of the customer service policy, the initiatives and investments discussed above, and the project-focused customer service model that will be facilitated by the move to the new City Hall.

DRIVING A STRONG ECONOMY COMMITTEE

Development Process Performance Update

March 11, 2005

Page 6

Through process changes and service challenges, the City's development service partners continue to work with each other and development community representatives toward making San José the best place in America to do business.



KATY ALLEN
Director of Public Works



JEFFREY L. CLET
Fire Chief



STEPHEN M. HAASE, DIRECTOR
Planning, Building and Code Enforcement