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City of Santa Clara

City Auditor's Office

Audit of Building Permitting Process

Contents

EXECUTIVE SUMMARY....1
INTRODUCTION....2
DETAILED ANALYSIS....5
AUDIT RESULTS....12
APPENDIX....19

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Executive Summary

Purpose of the Audit

Baker Tilly US, LLP (Baker Tilly) provides internal audit services to the City Auditor's Office (CAO) for the City of Santa Clara (the City) and has conducted an audit of the Building Permitting Process based on the Statement of Work (SOW) No. 2023-02 prepared in accordance with the 2023-2024 audit plan approved by the Audit Committee of the City. The objectives of this audit were to:

1) Determine whether the internal controls for the building permitting processes are adequately designed and operating effectively to ensure compliance with the City Code and other regulations.
2) Determine whether adequate mechanisms are in place to ensure that the building permitting process is efficient and provides timely customer service.
3) Determine whether the internal controls over billing and collections of permitting fees and fines are adequately designed and operating effectively to ensure financial accountability.

Report Highlights

Finding 1: Policies and Procedures (page 12)

Although the Building Division (BD) has some written procedures, they are informal and fragmentary. Comprehensive policies and procedures (P&P) have not been formally established for the building permitting process, which is essential to guide the BD staff in decision-making and to communicate management's expectations.

Management should establish and implement comprehensive P&P for the BD's critical processes, including Application Processing, Plan Review, Permitting Fee Billing and Collection, Permit Issuance, and Performance Monitoring.

Finding 2: Timeliness of Permitting Process (page 13)

Baker Tilly's review of 45 applications revealed that initial plan review, as well as subsequent plan review, was not consistently completed within the target time frames established by City management. Based on our permitting process timeline analysis, the processes before and after plan review can be improved.

Management should proactively monitor the permitting process efficiency by leveraging additional performance metrics throughout the year, maximizing the use of the City's permitting system reporting function.

Finding 3: Permit Fees (page 15)

Baker Tilly tested permit fee calculations for 45 applications (for which the total job value was $334M and fees totaled over $3M) selected from all applications the City received in FY2022 and FY2023 and noted that building permit fees were not always calculated accurately in accordance with the applicable Municipal Fee Schedules.

Management should implement the following mechanisms to ensure the accuracy of building permit fees charged to applicants: Comprehensive Manuals and Training for Permit Technicians; Adequate Testing of Fee Calculations; Timely Secondary Review of Invoices; and Refresher Training for Permit Technicians.

Finding 4: Performance Monitoring and Process Improvement (page 17)

The BD does not have a robust, formal mechanism that utilizes performance metrics for monitoring building permitting processes to track progress, identify areas for improvement, and make informed decisions. The BD also lacks a formal process for receiving, tracking, and responding to customer feedback in a manner that allows for analyses and subsequent improvements to the building permitting process.

The BD management should establish formal mechanisms for periodically monitoring building permitting processes. The BD management should also implement a systematic approach for collecting and analyzing customer feedback.

Introduction

Objective

The objectives of this audit were to:

1) Determine whether the internal controls for the building permitting processes are adequately designed and operating effectively to ensure compliance with the City Code and other regulations.
2) Determine whether adequate mechanisms are in place to ensure that the building permitting process is efficient and provides timely customer service.
3) Determine whether the internal controls over billing and collections of permitting fees and fines are adequately designed and operating effectively to ensure financial accountability.

Background

Building Division

The Building Division (BD) is part of the City's Community Development Department. The BD is responsible for project approval throughout various stages, from permits and design review to construction and use. Additionally, the BD ensures that buildings and structures comply with the Building Code, prioritizing public health, safety, and well-being in the built environment. The 2023 Permits Issued Report[1] available in the City's website shows that the City issued 690 permits during calendar year 2023.

The BD, led by the Building Official and Assistant Building Official, comprises over fifty full-time positions that provide the following services: Permit Services and Building Services.

- Permit Services issues building permits after completing a review of building plans submitted by applicants to ensure compliance with local and State laws concerning building construction, use, maintenance, repair, and rehabilitation. Permit Services, while conducting its own review, coordinates the building plan review process across several City departments including but not limited to, Planning, Silicon Valley Power (SVP), Public Works, and Fire. Permit Services consists of various support staff and the following positions:
    - One Permit Center Supervisor,
    - Two Customer Service Representatives,
    - Two Senior Permit Technicians,
    - Seven Permit Technicians,
    - One Plan Review Manager,
    - Five Senior Plans Examiners,
    - Four Plans Examiners.

- Building Services conducts inspections after a building permit has been issued for building construction, ensuring compliance with the Building Codes and approved plans.

The BD also utilizes consultants to assist with plan reviews and inspection services. Currently, the BD has eight active contracts.

The BD's objectives related to the permitting process include the following[2]:

- Delivering excellent customer services through efficient plan review and permitting services
- Streamlining the building permitting process through new technologies and optimal use of the current permitting system
- Improving customer satisfaction
- Coordinating plan checks for City Stakeholders, Building, Fire Prevention, Planning, Public Works, etc.

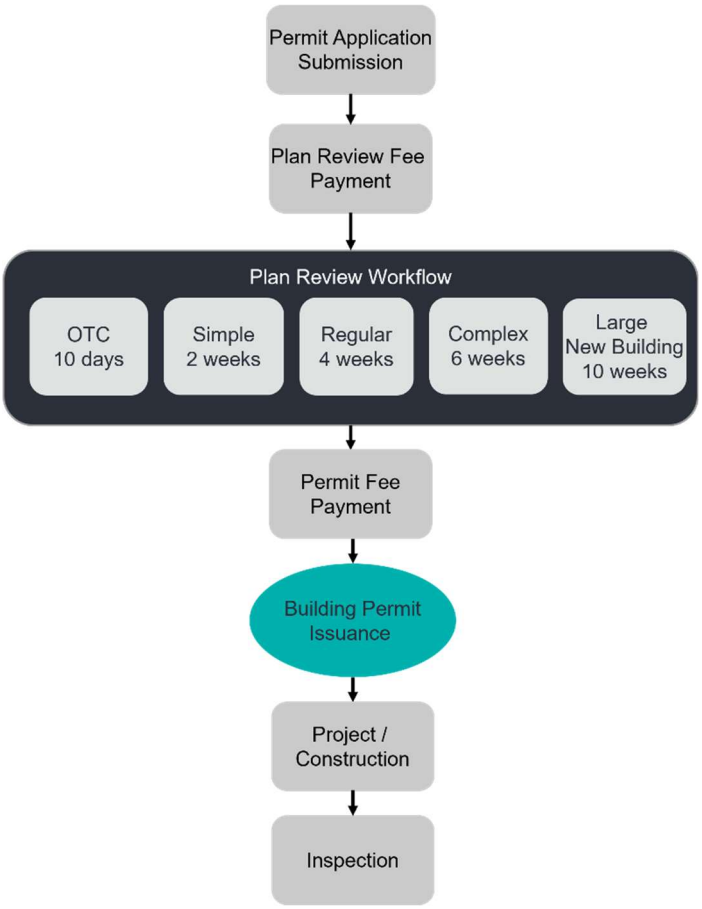
[1] https://www.santaclaraca.gov/our-city/departments-a-f/community-development/building-division/permits-issued-report
[2] Page 383, City of Santa Clara FY 2023/24 and FY 2024/2025 Adopted Operating Budget

The BD's performance measures related to the building permitting process are reported as follows[3]:

TABLE 1: Building Division Performance Measures Reported in FY 2023/24 and FY 2024/2025 Adopted Operating Budget

Performance Measures	2020/21 Actual	2021/22 Actual	2022/23 Target	2022/23 Actual	2023/24 Target	2024/25 Target
Percent of short cycle plan checks performed within ten business days	N/A	N/A	50%	93%	90%	90%
Percent of regular cycle plan checks performed within target dates at 4,6,8, and 10 weeks	72%	93%	N/A	85%	85%	85%

Overview of the Building Permitting Process



- A permit application can be submitted on the Building Permitting Online Portal or to the Permit Center in person.
- For an application received via online portal, a Permit Technician bills plan review fees via the permitting system after receiving a complete application.
- Once plan review fees are paid, a Permit Technician creates a digital workflow in the permitting system based on the review type to facilitate a plan review. To provide quality and timely service to the applicants, the BD has established target time frames for plan reviews. Permits for small scale projects are to be completed within 10 days. For more extensive projects, there are four other target time frames based on size and scope: 2, 4, 6, and 10 weeks.
- After initial review, an applicant may be notified to submit additional information. The plan review target time frame for the additional information submitted is half of the original target timeframe for that particular permit type.
- A Permit Technician bills permit fees when a plan review is completed.
- Once permit fees are paid, a building permit is issued to an applicant.

During the annual risk assessment conducted to prepare the FY 2023/2024 Audit Plan (presented February 3, 2023), Baker Tilly rated the building permitting process as high risk based on inherent risks and specific information gathered, including:

- Customer complaints for slow processing
- Departmental vacancies and turnover due to failed recruitment in a competitive field
- New system implementation
- Volatile revenue
- Increased compliance risk associated with changing building code

[3] Page 401, City of Santa Clara FY 2023/24 and FY 2024/2025 Adopted Operating Budget

Scope

Our audit covered interviews and document assessments related to the City's building permitting process for FY 2022 and FY 2023. We focused on Permit Services, which encompasses processes from application receipt to permit issuance, while excluding Building Services consisting of inspections and permit finalization.

Methodology

To achieve the audit objectives, Baker Tilly performed the following procedures.

- Analyzed the relevant laws, policies, and guidelines related to building permitting issuance including the City of Santa Clara Municipal Code (Title 15, Building and Construction) and California Building Standards Commission in Part 1 of Title 24 of the California Code of Regulations.
- Gathered information to understand the environment under audit including evaluating P&P, permitting applications and fees, annual budget information, and performance monitoring documentation.
- Conducted interviews with key process owners and management including the Director of Community Development, the Building Official, the Assistant Building Official, Staff Analysts, Permit Center Supervisor, and the Accounting Division.
- Assessed risks and identified controls in place based on process walkthroughs and review of supporting documentation.
- Performed testing of key controls for application processing, plan reviews, and permit fee billing and payments.
    - Randomly selected 45 applications using a stratified sampling method to ensure all review types were represented in our sample.
    - Selection was made from permit applications that were received in FY2022 and FY2023 and for which permits had been issued as of September 11, 2023.

Organizational Strengths

The BD boasts several strengths. Firstly, the City's website hosts an informative page dedicated to building permits, providing clear guidelines and resources for applicants. Secondly, the recent implementation of a new permitting system has streamlined processes, enhancing efficiency and transparency. Lastly, in general, notes are maintained within the system for each permit application, ensuring accurate tracking and effective communication.

Baker Tilly greatly appreciates the support of the BD and Accounting Division in conducting this audit activity.

Thank you!

Detailed Analysis

Risk and Control Matrix

To assess the BD's control environment, Baker Tilly created a Risk and Controls Matrix (RCM). The RCM was used to identify inherrent and potential risks that could affect the achievement of process objectives, and document the BD's existing controls to mitigate those risks. Additionally, it highlights control design weaknesses (gaps) and opportunities for improvement. This matrix was constructed through documentation, analysis, and stakeholder interviews related to the building permitting process within the scope of the audit. We separated the process into four sub-processes: Application Processing, Plan Review, Permit Fees, and Performance Monitoring. As shown in the table below, we identified six gaps, some of which are repeated under different risks and sub-processes.These gaps are discussed in the Audit Results section of this report.

TABLE 2: Risk and Controls Matrix

Sub-process	Potential Risk	Potential Risk Description	Gap #	Control or Gap Description Specific to Santa Clara
Application Processing	Inconsistent processing	Applications are processed inconsistently	1	Comprehensive formal P&P are not established to guide the staff for consistent, efficient, and effective processing (Gap)
Application Processing	Inefficient processing	Permit applications are not processed in a timely manner	1	• The Building Permitting Online Portal is used for application submission, communication, billing, and fee payment (Control) • A Permit Technician reviews an application and plans for completeness before proceeding to the next step (Control) • Comprehensive formal P&P are not established to guide the staff for consistent, efficient, and effective processing (Gap)
Application Processing	Ineffective processing	• Incomplete and/or unpaid applications are routed to a plan review • Applications are not routed to all applicable departments for a plan review	1	• A Permit Technician acts as a gatekeeper of the entire building permitting process for effective processing (Control) • The permitting system is utilized to create a workflow and keep track of processing (Control) • Comprehensive formal P&P are not established to guide the staff for consistent, efficient, and effective processing (Gap)
Plan Review	Inefficient review	A plan review is not completed in a timely manner		• Target time frames for a plan review are established based on review types (Control) • Plan reviews are conducted by multiple departments (if applicable) simultaneously (Control)
Plan Review	Ineffective review	Incomplete applications are approved	1	• Missing information and documents are identified and communicated to an applicant via the permitting system (Control) • Comprehensive formal P&P are not established to guide the staff for consistent, efficient, and effective processing (Gap)

Sub-process	Potential Risk	Potential Risk Description	Gap #	Control or Gap Description Specific to Santa Clara
Plan Review	Approval of noncompliant applications	Applications that are noncompliant with new, unique, and established regulatory requirements, including zoning, building codes, and environmental regulations are approved	1	• Plan review is conducted by multiple departments with specific expertise (Control) • Comprehensive formal P&P are not established to guide the staff for consistent, efficient, and effective processing (Gap)
Permit Fees	Erroneous fees	Fees erroneously assigned by a Permit Technician are invoiced	1 2	• Comprehensive formal P&P are not established to guide the staff for consistent, efficient, and effective processing (Gap) • There is no formal mechanism to check the appropriateness of fees before they are invoiced (Gap)
Permit Fees	Inaccurately calculated fees	Fees are incorrectly calculated		The City's permitting system calculates fees based on the approved Municipal Fee Schedule in the system (Control)
Permit Fees	Unpaid building permits	Payments are not received for building permits issued		A Permit Technician verifies the fee payment status in the permitting system before routing an application to a plan review and issuing a building permit (Control)
Performance Monitoring	Inefficient application processing	The permit application processing continues to be inconsistent, inefficient, and ineffective	3	There is no formal mechanism for periodic monitoring of performance to identify areas of improvement (Gap)
Performance Monitoring	Inaccurate or incomplete plan review	Inaccurate or incomplete applications continue to be approved	4	There is no formal mechanism for periodic monitoring of the quality of a plan review (Gap)
Performance Monitoring	Uncollected building permit fees	Building permit fees are not collected due to bounced checks and other reasons	5	There is no formal mechanism for the BD management to identify uncollected fees periodically (Gap)
Performance Monitoring	Unsatisfied customers	Impairs the City's ability to consistently deliver excellent customer service due to its inability to improve the building permitting services based on customer feedback and complaints	6	All customer complaints and feedback are not collected and analyzed to improve customer satisfaction (Gap)

Plan Review Time Frame Data Analysis

Baker Tilly obtained a list of permit applications received by the City in FY2022 and FY2023 (beginning July 1, 2021 thru June 30, 2023) along with associated data, such as application dates, processing status, and status dates, extracted from the City's permitting system on September 11, 2023.

As the BD established several target time frames to complete a plan review based on review types (see the Overview of the Building Permitting Process section in this report), we filtered the data to identify applications falling into five review types that received permits and then conducted a high-level data analysis to compare the established plan review time frames (the "Plan Review Target" in the following tables) and the actual number of days it took to issue each permit (the "Average Days Until 'Issued' Status"). This analysis does not directly compare target and actual time frames for plan reviews, as that was done during sample testing. Instead, its purpose is to gain an understanding of the overall process time frame in relation to the established plan review target time frames as the list does not include detailed information or data, such as a continued plan review for a resubmitted application with additional information, or the dates for billing and payment steps before and after a plan review.

TABLE 3: FY2022 Comparison of Plan Review Target and Permit Issue Time Frames

	Plan Review Target (Days)	Number of Permits with "Issued" Status	Average Number of Days Until "Issued" Status	Low (Days)	Median (Days)	High (Days)
Over the Counter	10	3	7	0	5	17
Simple	14	46	122	8	62	539
Regular	28	168	170	13	126	748
Complex	42	299	229	14	196	743
Large New Building	70	14	465	344	449	654

*Includes actual days took for billing and payment steps for plan review fees (before a plan review) and permit fees (after a plan review) in addition to a plan review.

**A value of 0 indicates that the processing was completed on the same day.

TABLE 4: FY2023 Comparison of Plan Review Target and Permit Issue Time Frames

	Plan Review Target (Days)	Number of Permits with "Issued" Status	Average Number of Days Until "Issued" Status	Low (Days)	Median (Days)	High (Days)
Over the Counter	10	22	32	0	28	135
Simple	14	245	69	0	54	364
Regular	28	376	131	0	118	412
Complex	42	265	150	7	140	399
Large New Building	70	N/**A**	N/A	N/A	N/A	N/A

*Includes actual days took for billing and payment steps for plan review fees (before a plan review) and permit fees (after a plan review) in addition to a plan review.

**A value of 0 indicates that the processing was completed on the same day.

Benchmarking and Best Practices

An efficient and effective building permitting process benefits local governments by generating revenue, optimizing resources, and improving their reputation. For communities, it leads to faster services, health, and safety. Economically, it creates jobs, stimulates growth, and increases property values.

Benchmarks and best practices are accessible to local governments, allowing them to compare their processes and performance and identify areas for continuous improvement.

Benchmarking

In 2023, the NAIOP Research Foundation[4] released an updated tool to compare the approval processes in the building permitting process among different jurisdictions. Using some key metrics under the following three categories, the tool focuses on evaluating approval processes, not a direct benchmark of average approval timelines or costs: transparency, accountability, and consistency. The tool was populated with 100 jurisdictions from 30 U.S. states and the Canadian providence to score and rank the relative strengths and weaknesses of approval processes. The following table is an excerpt from the California city data accompanied with the NAIOP June 2023 research brief titled "Examining development Approvals Across North America: An analysis of Site Plan and Building Permit Review Processes"[5].

TABLE 5: NAIOP Research Foundation's Development Approval Index – California Jurisdictions by Rank

City	Transparency (Points)	Accountability (Points)	Consistency (Points)	Weighted Overall Score*	Rank (Among 100 jurisdictions)
San Diego, CA	57	38	40	44	29
San Jose, CA	57	21	45	40	36
Santa Clara, CA	52	36	25	36	48
Jurupa Valley, CA	45	21	35	33	59
Carlsbad, CA	47	10	40	31	64
Palo Alto, CA	52	22	25	31	69
Chino, CA	48	10	30	28	74
Colton, CA	7	9	20	13	96

*Assigned weights for ranking are 25% for Transparency, 35% for Accountability, and 40% for Consistency. The maximum score is 120 points.

The research brief states that, as there is no obvious, significant relationship between population or income variables and scores, further study would be needed to determine if other variables such as leadership, governance structure, growth rates, tax revenues, and available human and financial resources are possible explanatory factors.

Best Practices

The NAIOP June 2023 research brief provides a few examples of best practices. Fairfax County (Virginia), ranked #1, offers applicants the option to elect an expedited review or peer/third-party design review for a project, which allows them to continue moving approvals. Examples of other jurisdictions that have implemented expedited processes for building permitting are as follows:

- Austin (Texas) ranked #5 - The Expedited Building Plan Review program in Austin accelerates the building plan review and permit process by holding a single review session with a full team of experienced plan reviewers and the applicant's design team.
- Salt Lake City (Utah) ranked #20 - Expedited projects in Salt Lake City meet Energy Star Home Energy Rating System (HERS) ratings of 85 or better.

[4] https://www.naiop.org/research-foundation/ The initial funding for the NAIOP Research Foundation was underwritten by NAIOP, the Commercial Real Estate Development Association.

[5] C. Kat Grimsley, Ph.D., June 2023, https://www.naiop.org/research-and-publications/research-reports/reports/examining-development-approvals-across-north-america/

- Seattle (Washington) ranked #25: Seattle also has an expedited process called Priority Green Expedited.
- San Diego (California) ranked #29: San Diego has a Sustainable Building Expedite Program.

The following key strategies to enhance efficiency, transparency, and overall effectiveness of the building permitting process were compiled from various publications[6] discussing the importance of streamlining the process:

1. Clear Communication and Transparency
   - User-Friendly Information - Provide clear, concise, and user-friendly information about the permitting process. Publish guidelines, FAQs, and step-by-step instructions on the city's website.
   - Transparency in Requirements - Clearly outline the necessary documents, fees, and any special requirements for different types of permits. Transparency helps applicants prepare adequately.
   - Single Point of Contact - Assign a staff person responsible for coordinating activities throughout the process to improve efficiency and consistency.
2. Optimal Use of Technology
   - City's Website - Provide 24/7 access to information on the permitting process, procedures, regulations, notices, documents, and tools to allow applicants to conduct their own research prior to engaging staff.
   - Online Application Portal - Implement an online portal for permit applications. This allows applicants to submit forms, documents, and payments digitally, reducing paperwork and wait times.
   - Automated Workflow - Use workflow automation tools to route applications to the relevant departments for review and approval. Minimize manual handling and delays and enforce deadlines.
3. Standardized Review and Approval Process:
   - Pre-Application Meetings - Encourage pre-application meetings with applicants to discuss project specifics and address potential issues early on.
   - Process documentation - Document the steps, documents, decisions required in the building permitting process. Utilize flow charts, checklists, guidelines, etc. to be part of a comprehensive permitting guide to provide guidance through the permitting process.
   - Uniform Review Criteria - Develop standardized criteria for reviewing permit applications. Ensure consistency across different projects.
   - Tiered Review Process – Establish different levels of review and time frames based on project type, complexity, and other criteria. Create a process for expedited review for projects meeting specified criteria.
4. Effective Resource Management:
   - Adequate Staffing – Identify staffing needs to maintain an acceptable level of services by monitoring workload and performance.
   - Commitment to Training – Provide training on regulatory requirements, permitting procedures, and other relevant topics to improve consistency, knowledge, and performance. Cross-train staff members to reduce bottlenecks caused by staff shortages.

[6] https://www.pvpc.org/sites/default/files/BEST%20PRACTICES%20GUIDE_0.pdf
https://www.gacities.com/getmedia/c35fa795-10c7-4922-9c0b-1da4921a3ef0/Best-Practices-For-Streamlining-the-Permitting-Process.pdf.aspx
https://www.nahb.org/-/media/NAHB/advocacy/docs/top-priorities/housing-affordability/development-process-efficiency.pdf
https://content.aia.org/sites/default/files/2021-05/ADV21_400547_Permit_Streamlining_Component_Resource_Publication_FINAL.pdf
https://www.gfdrr.org/sites/default/files/publication/BRR%20report.pdf

- Third-Party Consultants – Expand staff capacity to meet established timelines by utilizing the expertise of third-party consultants as appropriate.

5. Collaboration and Coordination:
   - Interdepartmental Coordination: Foster collaboration among various departments involved in the permitting process. Streamline communication and decision-making.
6. Performance Metrics and Monitoring:
   - Key Performance Indicators (KPIs): Regularly track KPIs such as processing time, error rates, and customer satisfaction. Use these metrics to identify areas for improvement.
   - Benchmarking: Compare your city's permitting process with other municipalities to identify best practices and areas where adjustments are needed.
7. Customer Service and Support:
   - Dedicated Permit Liaisons: Assign dedicated staff to guide applicants through the process. Provide personalized assistance and address inquiries promptly.
   - Feedback Mechanism: Collect feedback from applicants and adjust processes based on their experiences.

KPIs that can provide valuable insights to be considered are listed below. An organization should use only the most appropriate metrics that provide useful insights based on its specific goals and objectives.

1. Timeliness of Permit Issuance:
   - Percentage of Permits Issued Within Estimated Timeframe: This KPI measures the efficiency of the permitting process by tracking the percentage of permits issued within the expected time frame.
   - Average Permit Processing Time: Calculate the average time it takes to process a permit from application submission to issuance.
2. Quality and Accuracy:
   - Percentage of Error-Free Permits: Monitor the accuracy of permit approvals by measuring the percentage of permits issued without errors or corrections.
   - Customer Satisfaction Survey Results: Conduct surveys with applicants to assess their satisfaction with the permitting process.
3. Quantity and Volume:
   - Number of Permits Issued: Track the total number of permits issued over a specific period.
   - Permit Volume Trends: Analyze trends in permit volume (e.g., seasonal variations, growth patterns).
4. Process Complexity:
   - Average Number of Review Steps: Count the number of review steps required for each permit application.
   - Complexity Index: Develop an index that quantifies the complexity of different permit types.
5. Cost Efficiency:
   - Cost per Permit Issued: Calculate the total cost of administering the permitting process divided by the number of permits issued.
   - Cost Reduction Initiatives: Identify cost-saving measures and track their impact on overall process expenses.
6. Outputs and Compliance:

- Percentage of Inspections Completed: Measure the rate of completed inspections relative to the total number scheduled.
- Percentage of Permits Closed Out Successfully: Assess how many permits are successfully closed out after construction or project completion.

7. System Impacts:
   - Technology Adoption Rate: Evaluate the adoption of digital tools and systems for permit applications and tracking.
   - System Downtime: Monitor any disruptions in the permitting system due to maintenance or technical issues.

Audit Results

Finding 1: Policies and Procedures

Although the BD has some written P&P, they are informal and fragmentary. Comprehensive P&P have not been formally established for the building permitting process, which is essential to guide the BD staff in decision-making and to communicate management's expectations. According to BD management, they needed to prioritize maintaining daily operations over developing formal P&P. Management has also dealt with a permitting system change and plan review process changes during our two-year audit period.

P&P play a crucial role in the City's building permitting process for the following reasons: consistency and transparency, efficiency, risk mitigation, legal compliance, accountability, and quality control. Standardization is one strategy to improve the City's building permitting process, enhancing the overall experience for applicants, fostering better relationships between the public and the City.

Without formally establishing comprehensive P&P, the BD cannot ensure efficient and effective permit issuance, as well as accurate billing. Our testing of selected permit applications received in FY2022 and FY2023 revealed longer processing time than management's expectations and some discrepancies in permit fee calculations.

Recommendation

Management should establish and implement comprehensive P&P for the BD's critical processes, including:

- Application Processing
- Plan Review
- Permitting Fee Billing and Collection
- Permit Issuance
- Performance Monitoring

The P&P should include the components that ensure clear, efficient, and transparent building permitting processes to improve the overall experience for applicants while maintaining safety and regulatory standards. For example, the P&P should identify clear staff roles and responsibilities, technologies to maximize efficiency, as well as flowcharts and checklists to illustrate the steps in the permitting process and descriptions of the mandatory steps and required documents.

Management Response

Responsible Department(s): Building Official; CDD-Building Division

Action Plan:

The Building Division (BD) acknowledges a need for comprehensive internal business operations that result in external improvements. The BD acknowledges that it does not have a comprehensive Policies & Procedures Manual for internal building permitting process to guide the BD staff in decision-making, workflow process and to communicate management's expectations. The BD will work with the Technology and Communication group within CDD to establish and track permitting processes. Management will ensure that such a manual is developed and believes that doing so will result in transparency and efficiencies in the work that BD and other city departments/division perform to process building permit applications.

Additionally, it is important to note that the BD has developed a library related to the services that permit technician and plan check teams perform on a daily basis; permit application processing and routing for plan review and issuance as part of our Accela Permitting Software Implementation. The Division has developed

several templates for typical plan review comments including code reference sections for different project types, these are guides that are utilized during our plan review to ensure that all permit applications comply with all applicable codes, regulations, local ordinances and resolutions. This interactive digital library is regularly maintained and referenced by all of our permit technicians and plan review staff and is available to all City users of Accela. The library is also used to train staff. Expanding this guide and incorporating the various handouts and CBO Directives and policies that have already been established to develop a comprehensive P&P manual for use by all BD staff will be a valuable step for the Division.

The Building Division will prioritize establishing comprehensive business operations and the utilization of technology tools to track and monitor performance metrics. Together, this will enable an improved and transparent process.

Estimated Completion Date: Initial draft by December 2025, completion by June 2026

Finding 2: Timeliness of Permitting Process

Baker Tilly reviewed 45 applications selected from the permit applications that were submitted in FY2022 and FY2023 for which permits were issued[7] as of September 2023. Based on our test results listed below, the plan review process is not consistently completed within the target time frames established by the City.

- 23 of 45 initial plan reviews did not meet target time frames.
- 35 of 45 applications required additional plan reviews. 29 of 35 applications did not meet target time frames established for additional plan reviews.

Additionally, we performed high-level data analysis to determine the average number of days taken to issue permits using the list of the permit applications submitted in FY2022 and FY2023 (see Plan Review Time Frame Data Analysis section above).

Positive Observations of Note:

- For FY 2022/23, the average number of days until applications reached “Issued” status decreased across most permit types compared to FY 2021/22.
- The median days to issue generally improved from FY 2021/2022 to FY 2022/23, indicating a faster processing time.

However, the results also show that average number of days until applications reached “Issued” status are notably higher than the plan review target time frames, indicating the existence of considerable delays in the permitting process. It is worth noting that some delays may be due to extenuating circumstances that are outside of the Building Division’s control, such as delayed plan review by other City stakeholders (Planning, Fire, Engineering and Utilities), customer application omissions, customer requests, or continued plan reviews for resubmitted applications.

We also analyzed a sample of applications to determine the duration of key process steps, including those before and after plan review (Appendix A). The following was noted:

- Two applications were not routed for a plan review over a week after a plan check fee was paid.
- Permit fees for five applications were invoiced over a week after a plan review was completed.
- A permit was not issued for two applications over one week after permit fees were paid.

Though delays in the permitting process can result from various factors, it is clear that there are opportunities for improvement. Performance monitoring by management is crucial to identify the cause of a delay and improve the timeliness of plan reviews. The BD has two key performance measures and reports the actuals against target time frames in the City’s annual operating budget document (Table 1). However, the BD does not have a

[7] Permit applications for which permits were issued consisted of permit applications with “Issued” or “Finaled” status.

formal, ongoing monitoring process used to identify inefficiencies in the permitting processes and optimize resource allocation.

A delayed building permitting process can have far-reaching consequences and could impact an applicant's project timelines, costs, and customer experience, while also potentially affecting the City's economic development. The City's high quality and efficient services are essential for timely and effective construction and development in the community.

Recommendation

Management should strengthen its performance monitoring of the building permitting process, reevaluate its use of department metrics and system capabilities, and leverage those tools to identify areas for improvement. Regularly assessing the process against these metrics throughout the year allows timely action to enhance efficiency. Additionally, maximizing the use of the City's permitting system reporting function enables effective tracking, measurement, and performance analysis.

Furthermore, Management should gain an understanding and formally document the reasons behind applicants' resubmissions, particularly when additional information is provided. By updating permitting process information or conducting pre-application meetings, local authorities could potentially reduce the frequency of resubmissions.

Management Response

Responsible Department(s): CDD-Building Division, CDD-Planning Division, SCFD-Community Risk Reduction Division, DPW, Solid Waste, Traffic, Stormwater, Water & Sewer, Environmental FOG, Recycled Water, SVP and Parks & Rec.

Action Plan:

Management acknowledges room for improvement, particularly in achieving the stated target plan review timelines specified for each group of project types. However, it is important to note that the processing timeframes cited within this report include the time that the applicant took to respond to the City's comments. As such, the data does not solely reflect the City's processing timeframe. The lack of segmented data is a reflection of the City's current permit tracking system and unfortunately, discrete data could not be provided to Baker Tilly to fully access the staffs' processing time. This a limitation of how the permit tracking system was configured and the City will work with IT to correct the issue.

The BD will take steps to modify our process and policy in an effort to reduce any delays in the resubmission process that the City can control. BD will continue to update permitting process information and offer pre-application meetings for a broader group of project types. In addition, after the second round of review, BD plancheck staff will offer to meet the applicant and design team on coordinated plan review comments and responses required. Together, these steps will aim to resolve confusion or misunderstandings between the applicant and the City.

BD will also work with key City stakeholders to evaluate and develop comprehensive programs to meet the specific needs of the Santa Clara's Development Community; concepts including but not limited to, One Stop Permit Shop, Tenant Improvement (TI) Tuesdays, Residential Remodels OTC, etc. It should be noted that a One Stop Permit Shop will require significant operational changes and capital investment. Such a project is a multi-year effort.

The following items will be implemented expeditiously:

1. Beginning in June 2024, after learning of this report's preliminary findings, our Permit Tech Team began sending out an active review tasks report on a weekly basis to all City stakeholder plan reviewers.

2. BD created detailed submittal requirements handouts for different type of project such as Single-Family Dwelling, Duplex, ADU, Multifamily, Mixed Use, etc. and made them available on the BD website in May 2024 to assist applicants in preparing a complete permit submittal.
3. Streamline and expand Over The Counter (OTC) and simple permit type applications by June 2025.BD already offers a streamlined building permitting processes for limited residential projects (Simple Building Permits and SolarApp+). With these Simple Building Permits and SolarApp+, the applicant can typically receive approval for your building permit within 1-2 business days.
4. Developed a pre-approved ADU Plan Program to reduce the time required for plan check resulting in faster permit issuance. This pre-approved ADU plan program was made available on BD website in August 2024. The BD will monitor the effectiveness of the program.
5. BD launched a "Plan Check Dashboard" in August 2024, showing active review tasks for all Building plan reviewers and consultants with target due dates. The Plan Review manager uses this Dashboard twice a week to monitor the plan reviewer's workload and any potential overdue Building review tasks.
6. BD has developed two new reports to monitor the performance of Building review tasks for different review types (OTC, Simple, Regular, Complex and Large New Building) Prior to the release of this audit, the Plan Review manager would run these reports quarterly, effective July 2024 these performance reports will be run on a monthly basis.
7. BD has developed a new report, monitoring the performance of the review tasks of all other stakeholders participating in the Building Permit review process. This performance report is run on a weekly basis and distributed to all plan review stakeholders.
8. The Building Official will work with the CDD Director and Directors of other departments to see if the target review timeframe can be reduced for some review types.

Estimated Completion Date: August 2025

Finding 3: Permit Fees

The City of Santa Clara Municipal Fee Schedule is approved by the City Council annually and incorporated in the fee calculation formula in the City's permitting system. Permit fees are calculated and invoiced to an applicant before and after a plan review as follows:

1. After receiving a building permit application and ensuring the completeness of the application, a Permit Technician assigns plan review fees to the application in the City's permitting system based on the information provided by the applicant. The City's permitting system calculates a total fee and generates an invoice to an applicant.
2. When the plan review is completed by all required departments, a Permit Technician assigns fees for permit issuance to the application in the City's permitting system. Again, the system calculates a total fee and generates an invoice to the applicant.

Baker Tilly tested permit fee calculations for 45 applications (for which the total job value was $334M and fees totaled over $3M) selected from all applications the City received in FY2022 and FY2023 and noted that building permit fees were not always calculated accurately in accordance with the applicable Municipal Fee Schedules.

The invoices for seven out of 45 applications reviewed had discrepancies due to the following reasons:

- Overridden fee calculations
- Wrongly added fees
- Lack of supporting documentation/ explanation for the information used for invoice calculation

Regarding some of the discrepancies noted above, the BD management explained that the issues had been identified soon after implementing the new permitting system, along with additional issues created by the workaround used. According to the BD management, although the issues were resolved over two years, no

refund was processed for overcharges, nor were additional fees collected for undercharges related to these issues.

Additionally, the BD has not implemented formal procedures to ensure the accuracy of the fee calculations during or after the permit fee billing process although the BD management stated that an informal spot check of certain types of permits had been done. As fee calculations can be prone to errors for complex or unique plans/circumstances when a Permit Technician is assigning fee items to an application, it is important to implement mechanisms to check the accuracy and correct errors in a timely manner. Without recurring formal procedures in place to check the appropriateness of the fee items assigned, the validity of overridden fee calculation, and the use of correct Municipal Fee Schedules, the City cannot ensure that permit fees are accurately charged to every applicant in accordance with the approved Municipal Fee Schedules.

The purpose of building permit fees is to cover the costs associated with the permit application review process, inspections, administrative overhead, and other expenses incurred by the City to ensure compliance with building codes and regulations. Inaccurate building permit fees can result in either overcharging applicants or undercharging applicants in relation to the approved Municipal Fee Schedules. Accurate permit fees are crucial for the City to maintain financial stability, operational efficiency, and public trust.

Recommendation

Management should implement the following mechanisms to ensure the accuracy of building permit fees charged to applicants:

- Comprehensive Manuals and Training – Provide comprehensive manual (including exceptions for special instances, approval for overrides) and training to Permit Technicians.
- Testing of Fee Correctness, Completeness and Calculation - After a new approved Municipal Fee Schedule is loaded in the permitting system each year, conduct testing of fee calculations to verify the accuracy and completeness of a new fee schedule in the system and the accuracy of calculations performed by the system.
- Timely Secondary Reviews of Invoices - Before permit issuance, perform timely secondary review of invoices for certain applications that are prone to errors. Additionally, conduct periodic spot checks of fee calculations for a sample of applications if secondary reviews are not performed for all invoices. Timely action is necessary to address identified errors and issues.
- Refresher Training for Permit Technicians – Provide refresher training to Permit Technicians to share information about errors, issues, and resolutions identified through secondary reviews and spot checks.

Management Response

Responsible Department(s): Permit Center Supervisor; CDD-Building Division

Action Plan:

Management acknowledges that a more formal review process of permit fee invoices should be implemented. As such, a review process by the Senior Permit Technicians has already been implemented to review all fee invoices prior to their release. A formal tracking process has been instituted, and those findings will be reviewed and analyzed on a monthly, quarterly, and annual basis to identify any potential trends or issues that need to be resolved.

The BD will develop a comprehensive P&P to improve the accuracy of fee invoicing within the Building permitting process.

1. Further develop an interactive digital P&P manual, referenced in finding #1, to include a section on the assessment of fees.

2. In May 2024 BD implemented a standardized review process for all Building permit fee invoices performed by the Senior Permit Techs and/or the Permit Center Supervisor to identify any reoccurring errors and provide real-time training and updates.
3. In January 2024 the Permit Tech workgroup instituted a regular weekly meeting program to provide training and review daily operating procedures to ensure consistent application of the Divisional P&P.

Department management will also consult with the City Attorney's Office and the Finance Department regarding the fee refunds for known instances when customers were overcharged.

Estimated Completion Date: June 30, 2025

Finding 4: Performance Monitoring and Process Improvement

While the City utilizes two key performance measures to track the timeliness of plan reviews as part of its annual budget reporting (Table 1), the BD does not have a robust, formal mechanism that utilizes additional performance metrics for monitoring building permitting processes to track progress, identify areas for improvement, and make informed decisions.

Additionally, although the BD conducted a customer survey for the Building Permitting Online Portal in the past and can receive feedback online and in person, the BD does not have a formal process for receiving, tracking, and responding to customer feedback in a manner that allows for analyses and subsequent improvements to the building permitting process. Customer feedback is essential for improving customer satisfaction, identifying areas for improvement, fostering transparency and accountability and enhancing the organization's reputation. Without analyzing and addressing customer feedback, the City cannot continue to improve the building permitting services effectively.

According to the BD management, they have utilized the ad hoc reporting tools in the permitting system to monitor the status of plan reviews and overall building permitting activity only sporadically. The BD management has prioritized department services and maintaining daily operations due to limited resources and workload, rather than developing mechanisms for documenting and monitoring division performance.

We noted that the permitting system, which includes the fee payment status, was effectively utilized to ensure that a permit was not issued before both the plan review fees and the permit fees were paid. However, without periodically monitoring performance against well-defined key performance metrics based on the BD's goals and objectives, the BD cannot identify problematic areas related to the efficiency, quality, accuracy, compliance, and resource allocation in the building permitting process.

Recommendation

The BD management should establish formal mechanisms for periodically monitoring building permitting processes to evaluate performance and identify areas of improvement in efficiency, effectiveness, compliance, and accountability. In doing so, the BD should define appropriate performance metrics aligned with its goals to drive continuous improvement and utilize the reporting capabilities of the permitting system.

Additionally, the BD should implement a systematic approach for collecting customer feedback. This approach should allow for effective tracking, timely responses, and informed decision-making to enhance the quality of services provided to customers.

Management Response

Responsible Department(s): Building Official; CDD-Building Division

Action Plan:

Department management will ensure that a process to collect and analyze customer feedback is implemented.

A. The BD will create two customer satisfaction surveys—one that is short that tracks general level of satisfaction of service, and another that allows for longer evaluation/comments.

a. Develop a customer feedback database to effectively track issues, responses, identify common or ongoing challenges, etc. Regularly review the feedback on a monthly, quarterly and annual basis with staff to improve overall customer service and the customer experience with the BD.

B. The BD will develop the following reports and performance metrics to support all City Stakeholders in the Building Permit review process. This information, data and analytics will assist in the oversight and management of the plan review process and improved overall performance.

1. A report showing all active review tasks and their due dates for all City stakeholders involved in the Building permit review process. The BD will utilize this information in a quarterly report to all City stakeholders identifying areas improvement and tracking progress.

Modify performance measures not just of the whole process ex. current performance measure is “percent of regular cycle plan checks performed within target dates at 4, 6, 8,10 weeks” but rather also include individual measures for all the Departments participating in the Building Permit review process.

2. The Performance Measure would written instead as

i. “percent of regular cycle plan checks performed within target dates at 4, 6, 8, 10 weeks”

ii. “percent of regular cycle plan checks performed within target dates at 4, 6, 8, 10 weeks by Building”

iii. “percent of regular cycle plan checks performed within target dates at 4, 6, 8, 10 weeks by Fire”

iv. “percent of regular cycle plan checks performed within target dates at 4, 6, 8, 10 weeks by Public Works

v. “percent of regular cycle plan checks performed within target dates at 4, 6, 8, 10 weeks by Water & Sewer

vi. “percent of regular cycle plan checks performed within target dates at 4, 6, 8, 10 weeks by Parks”

vii. “percent of regular cycle plan checks performed within target dates at 4, 6, 8, 10 weeks by SVP”

Estimated Completion Date: June 30, 2025

Appendix

Appendix A: Permitting Process Timeline

Baker Tilly analyzed the process steps and the time taken for each step for 45 permit applications selected as described in the Methodology section.

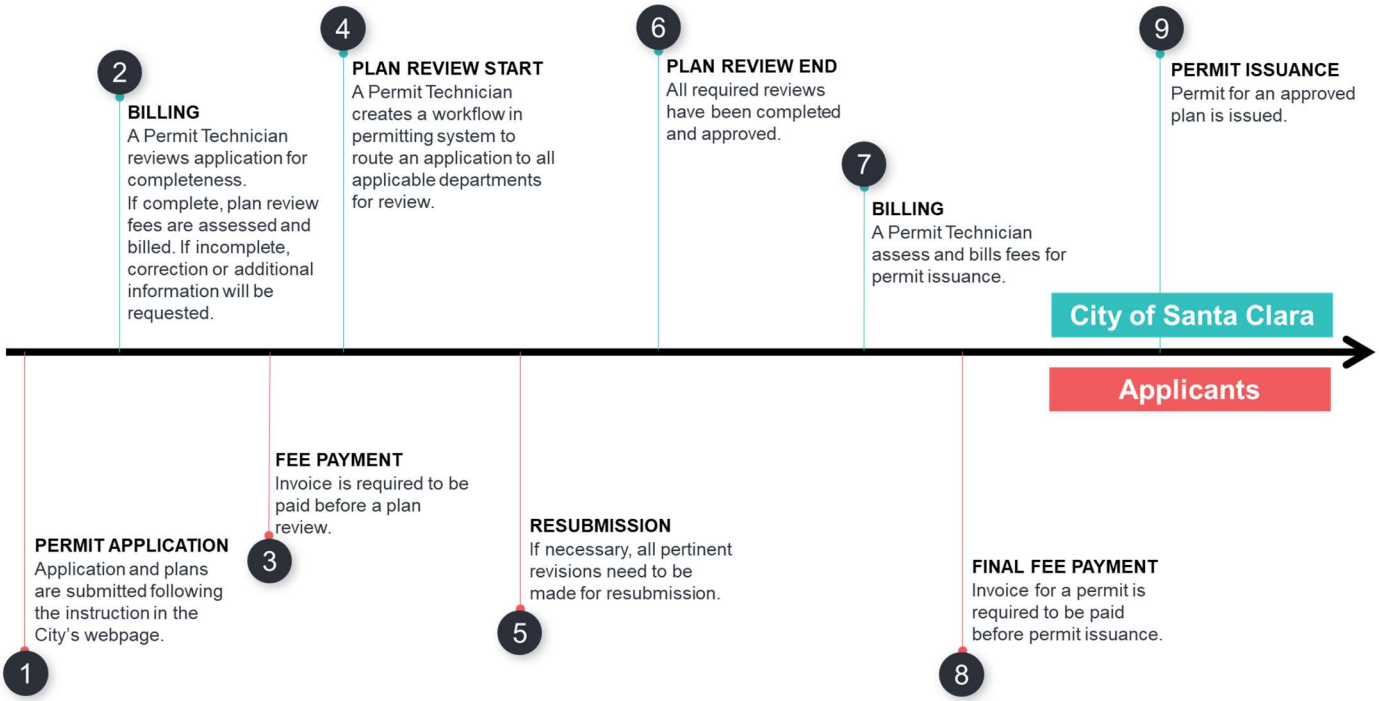


TABLE 6: Duration of Permitting Process Steps

Process Duration (Days)	❶ to ❷	❸ to ❹	Application to Review Start (❶ thru ❹)	❹ to ❻	❻ to ❼*	❽ to ❾	Review End to Issuance** (❻ thru ❾)
Average	9.6	2.1	16.5	136.1	5.9	2.3	11
Median	2	0	8	90	0	0	2
Longest	217	49	100	553	78	21	81
Shortest	0	0	0	1	0	0	0

*The duration was considered to be 0 days when billing (❼) occurred before a plan review completion date (❻).

** The duration from a plan review end date (❻) to a permit issuance date (❾) is shown when the final fee billing was paid before a plan review end date.