

Enhancing the Palo Alto City Development Center Colleagues Memo

Summary:

Palo Alto residents and business owners seeking to make changes to their real property currently face one of the longest processing times in the state, and this has been true off and on for quite some time. Some of these challenges undoubtedly arise from staff vacancies. However, regardless of the factors driving these outcomes, it is in the best interests of property owners and the city alike to streamline procedures and improve customer service in the Development Center.

Background on Property Owners' Concerns:

In late 2010, during Yvonne Sheets-Saucedo's tenure as System Improvement Manager, the City of Palo Alto Development Center formed a "Customer Advisory Group" of experts in the industry to help redesign the Development Center and building permit process referred to as "DC Blueprint." This initiative was formed to address the reputation that the Palo Alto Building Department had become disorganized and unpredictable. The group included 8 regular members, including architects, contractors, and project managers who regularly worked in Palo Alto.

In 2012, a *Palo Alto Online* article reported on the Development Center's efforts to address its customer service issues. However, reader comments suggest improvement was still needed. While online comments must always be taken with a grain of salt, in the aggregate the degree of dissatisfaction expressed is concerning.

Residents reported still being required to wait for several months for plans to be approved and struggling with implementing simple solar improvements due to vague requirements. Residents reported that the rules for home building lacked clarity, that projects were rejected multiple times without clear instructions, and employees did not facilitate the process. One resident said that some regulations "were so hard to interpret that each person [they] spoke with on subsequent visits interpreted the rules differently!" Another resident stated that "just when you think you are going to get a permit, the plan checker comes up with new obscure items they want and makes them retroactive." Some commenters expressed concern that mistakes were made by employees, costing contractors both time and money. The employees' lack of concern for such mistakes was also noted. One resident stated their opinion that , employees "don't care very much." [1]

In 2013, under Dr. Peter Pirnejad's leadership as the Development Services Director, the Customer Advisory Group effort gained full steam and buy-in at the City-level and in the builder community, resulting in building department process changes. From roughly 2014-2018, projects received permits in a smooth and predictable fashion.

However, Peter Pirnejad left in 2018, and the Development Center (Building Department) was folded into the Planning Department. It appears that Pirnejad's efforts were undone in that Customers report that the Planning Department then became an adversarial and difficult department. So, by putting the Building Department under Planning, it appears Pirnejad's improvements were undone. Customers began reporting that the permitting process was now worse than was the case prior to 2010. The culture of the staff during Dr. Pirnejad's tenure could be summarized as "getting to yes," where the staff provided suggestions on how the project could be approved quickly and with the least friction, and staff members understood that the applicant was the "customer" and good customer service was part of the culture. Subsequent to Dr. Pirnejad's tenure, the culture deteriorated to the level that most inquiries were predictably met with an answer of "no" and without advice on how to move toward a successful outcome. This demonstrates the important role the culture of the staff plays in the Development Center running smoothly and engaging with customers in a way that produces optimal outcomes. One businessperson theorized that the staff are "clearly afraid to sign off on anything because even the most routine applications are rejected or elevated to senior management...."

Recently, tenants in Stanford Research Park shared their slow and frustrating experiences with the Development Center, noting that project fees have risen significantly in recent years with no corresponding level of service improvements. Several tenants stated they would have leased outside of Palo Alto had they known how difficult the process would be. Consultant project managers also reported that Palo Alto's process and timing are "the worst in the Bay Area," and the Palo Alto Development Center is adversarial compared to other jurisdictions that have a customer service approach. One biotech company leader shared that "Palo Alto is the slowest city in my 22 years of running projects" and that "never in my career have I had to interact with such an unresponsive city staff." [2]

The complaints about the City Development Center's customer service are further substantiated by Yelp reviews from as early as 2013, and as recently as 2023. Additional expressions of dissatisfaction with the customer service of the City Development Center can be found in the comments section of a 2022 Palo Alto Weekly article that discusses Palo Alto's permit process. [3] The reviews reveal the difficulty residents face in obtaining building permits, which often require multiple resubmissions. In addition, the reviews show widespread dissatisfaction with the attitude of the employees, who are supposed to assist applicants but appear to do the opposite. As one employee was quoted as saying, "My job is to make sure that rich people don't get away with whatever they want to do." This statement suggests that the employees may not be working in the best interests of the applicants. [4]

The issues with the City Development Center's customer service have become particularly notable since the onset of the COVID-19 pandemic in 2020, as noted by home builder and contractor, Dr. David Medwed. Dr. Medwed encountered difficulties in scheduling in-person and video inspections, leading to significant delays. Furthermore, attempts to contact the planners handling applications often went unanswered for several weeks. Dr. Medwed was compelled to "beg" for assistance from employees. According to Dr. Medwed's observations, the workers do not seem to prioritize customer

satisfaction. He explains that even though “the workers are well paid ... we don’t see the customer satisfaction in return.” [5]

During an office hours session with Councilmember Tanaka in February of this year, Dean Rubinson, the owner of Town and Country Village, shared his experience with the Development Center. Rubinson expressed frustration with the slow and difficult nature of the process, stating that the Development Center employees kept coming up with new obstacles and requirements. He cited a specific example from the fourth round of plan check comments for a new store, where a requirement was added for a full analysis of indoor air quality standards during construction, despite it not being mentioned in the first three rounds. Rubinson found this lack of clear standards and incremental requirements to be particularly frustrating. Having worked in other cities, he claimed that Palo Alto is “by far the most difficult city” to work with. Rubinson likened the process to a “slow-motion game of ping pong” and stated that each check takes multiple months to complete. [6]

The Development Center's apparent lack of thoroughness seems to be an area that needs improvement, as illustrated by an experience highlighted in a 2023 article published by *Palo Alto Weekly*. In 2019, Nitin Handa purchased a piece of land adjacent to Highline Park with the intention of building a single-family home on the property. The Development Center approved the plans without realizing that the land was not zoned for residential use because the zoning maps hadn’t been updated to reflect a zoning change made in the 1970s. According to Handa, “It’s pretty shocking that the Development Center would make such a mistake. It just shows a lack of attention to detail and disregard for the community.” Handa added, “This situation could have been easily avoided if the Development Center had done their due diligence and thoroughly checked the ownership of the land before approving the plans.” Handa has had multiple conversations with the city about his plans and feels frustrated with this outcome. This situation highlights a concerning lack of thoroughness on the part of the Development Center. Such oversights can have significant consequences for both individuals and the community. [7]

Between 2021 and 2023, property owners continued to struggle to obtain permit approvals. One resident has been trying to get plans approved for the construction of their new house while living in a separate home. They had expected the process to take less than a year upon purchasing the property and, as a result, didn't rent out the existing house. However, the process has been underway for over two years with no clear end in sight. The property owner is doing everything they can to speed up the process and prevent further delays. The architects working on the house were aware of the struggles of obtaining a building permit in Palo Alto, but did not anticipate such difficulty. When they interacted with Planning and Development staff to receive approval, they learned to “nod along and agree to the ever-changing regulations” to obtain their building permit as quickly as possible. [8]

The Baker Tilly audit, which included a survey of customers and contractors, highlighted various issues that have caused delays and frustrations. It also included several recommendations for improving Palo Alto's permitting process. The audit found that more than 4,000 inspections were requested and canceled in 2021, with another 800 scheduled and then deemed “not ready”. This data reveals that 22% of the total inspections requested in 2021 did not occur. Although this is a slight

improvement from 2020's percentage (25%), this number still represents one of the largest obstacles for homeowners trying to obtain a permit. [9]

During one of Councilmember Tanaka's office hours in May 2023, homeowners Michelle and Rachel Wu shared their frustrating experience with a seemingly simple address change request. Despite the city website stating that such a request does not require a permit, the Wus were subjected to a lengthy application process involving multiple departments, including the police, fire, and planning departments. After several emails and meetings, their project coordinator, Henry Rafael, assured them that everything was in order, pending payment and consultation with Russ Reich. However, when they reached out to Reich, they faced weeks of unresponsiveness. Eventually, Reich informed them that the address change would not be approved until they had "clear access" to their house from the road, a requirement never mentioned during their previous interactions. In an effort to comply, they made significant changes to their property, such as removing a fireplace and creating a new driveway. However, they were then told that this work violated code and received a stop work order from city code enforcement. From there, the Wus encountered a series of additional requirements and rejections, with each staff member listing different issues and causing further delays. Reich insisted on more work and suggested hiring an architect designer, which the Wus complied with, along with hiring inspectors and providing requested documentation. The process continued with multiple coordinators, repeated redone drawings, and additional requirements, adding to their financial and emotional stress. Despite reaching out for clarification on the requirements, the Wus did not receive a clear list of what needed to be resolved. This lengthy process left their house sitting empty, with a leaking roof causing further damage that they were unable to repair due to the stop work order. The experience has taken a toll on the family's finances, emotions, and time. Although the Wus recognize that the difficulties and miscommunication they encountered were not entirely anyone's fault, what they found "most intolerable" was the "city's lack of management and respect for the homeowner." [10]

In another office hours meeting with Councilmember Tanaka in June 2023, residents Juergen and Mariana relayed their predicament regarding the approval process of a home remodeling project. Their issue primarily revolved around an unclear residential fire code requirement, specifically the installation of fire sprinklers. Initially, their project plans, vetted by structural engineers and architects, were submitted in January and were approved by the city. However, confusion arose when the city's fire department indicated that their project required the installation of fire sprinklers. Despite their willingness to comply, the ambiguity of the guidelines left them, and their designers, perplexed. Further complicating matters, the city staff member initially overseeing their project became unavailable. The subsequent staff member assigned to them didn't provide clear guidance, further intensifying the confusion surrounding the requirements. Juergen and Mariana felt that the fire code requirements were subjectively interpreted by city staff, leading to inconsistent and contradictory feedback. For instance, a staff member told the homeowners that they "felt they needed fire sprinklers in a certain area, rather than referencing clear rules." This lack of clear guidelines and the subjective nature of the advice they received created significant roadblocks in their project's progress. It resulted in unexpected changes and requirements, making the process more time-consuming and expensive. Juergen and Mariana are eager to move forward but are struggling due to the lack of clear direction and objective interpretation of the rules. [11]

In the Spring of 2023, Councilmember Lythcott-Haims heard from a residential property owner who was seeking to build an ADU on their Palo Alto lot, just as they had done on their properties in a number of other municipalities in California including Fairfax, Pacific Grove, and Seaside, all designed and built by a company called Houseable. Patrick Collins, the co-founder of Houseable, has offered insightful observations on the permit review process in Palo Alto compared to other municipalities in California. [12] He noted that despite the introduction of state laws aimed at simplifying the permitting process for ADUs, the city has paradoxically complicated certain aspects. Collins pointed out that projects which previously received approval in Palo Alto would now fail to pass due to recent changes in rules and regulations governing the review process. This, he believes, indicates a disconnect in departmental interests when it comes to issuing permits more efficiently. He pointed out that other cities have adopted a more streamlined process with fewer steps: a building review, a planning review, and a check for any additional clearances that might be required from engineering or historical departments, without necessitating a full review process. Larger, multi-family developments, such as those adding 50 units to a parcel of land, do indeed require a full review. However, for significantly smaller projects, not all of these reviews are necessary. This approach ensures that only the relevant departments participate in the review process. The crux of Collins' argument is that some cities have successfully transformed their permitting process by fully digitizing it, hiring additional staff to meet demand, and creating a predictable process. These changes, he suggests, are worth considering for Palo Alto and other cities in California. Collins also shared the impacts of a cumbersome permitting process: negative experiences, even if they are few, will deter others. If the city continues to make a negative reputation for itself, it will stop people from starting their own projects.

The California Department of Housing and Community Development published data showing the average duration of various stages of housing development in California cities from 2021 to 2022. In Palo Alto, the time between submission and entitlement averaged around 183 days, compared to the state median which was approximately 90 days. Additionally, the number of days between entitlement and permitting was approximately 345, putting the city at 7th longest in the state. It is noteworthy that the timeline data for the city demonstrates that all processes are slow, unlike other cities where only specific stages are delayed. However, it is important to keep in mind that the city deals with many larger, multi-unit projects that take more time to approve. [13]

During the City Council Meeting on April 10th (7:05:50), Councilmember Tanaka brought up the topic of permitting streamlining. Jonathan Lait, Director of Planning and Development Services, responded that there were “a number of streamlining initiatives currently underway based on an audit the City had endorsed.” However, Councilmember Tanaka spoke to the city auditor the following day, who was unaware of any such streamlining initiatives in the current work plan for Planning and Development Services. The lack of clarity and action on the part of the Planning and Development Center shows the need for this Memo. [14]

In Conclusion

For many years, residents, business owners, contractors, and project managers have found it more challenging to work with the Palo Alto City Development Center as compared to other cities. While the Development Center staff have worked diligently to meet the needs of the community while understaffed, there appear to be other systemic problems not entirely attributable to understaffing and therefore meriting review. Such concerns include satisfactory, predictable customer service, timely processing of building permits, a lack of consistency in the application of rules and guidelines, lack of responsiveness and accountability, all resulting in increased costs and delays in completing projects, and leaving property owners and contractors dissatisfied with their experience which threatens the city's reputation and marketplace value. Therefore, urgent action is needed to address these issues to restore trust among residents and businesses, enhance marketplace value, and promote overall city satisfaction.

Recommendations

After a careful analysis of the situation and consultations with residents and contractors, we propose a detailed, prioritized implementation plan that we believe would hold employees accountable and significantly improve the customer service experience at the Development Center. To enhance comprehensiveness, the recommendations are organized by both specific objectives they aim to facilitate, and their timeline association.

Immediate Actions:

Improving Internal Communication and Employee Engagement:

1. Seek ideas for improvement from Development and Planning Staff: There is no doubt that the staff have ideas they would like to implement, if given the chance. It would be productive to have an expansive conversation about what is working and what is not, and then to harness and prioritize the staffs' ideas for improving the functionality and overall delivery of services provided by their department.
2. 'Employee of the month' system: Establishing an 'employee of the month' system could provide incentive for employees to go above and beyond in helping residents. This could be based on factors such as customer feedback, number of permits processed, or time taken to resolve customer issues. Recognizing employees who provide exceptional customer service could motivate other employees to strive for excellence and help to build a culture of accountability and excellence.

Enhancing Customer Service Quality

3. Customer service charter: A customer service charter would hold employees accountable for adhering to it and establish a clear standard for providing excellent customer service. The City staff values include quality of services and efficiency. Staff aim to work collaboratively with residents to provide information and resolve issues, and by prioritizing the satisfaction

of residents through efficiency and clear communication, the charter would ensure that their expectations are met as they guide the permit through to completion.

4. Helpdesk software: Helpdesk software is a tool used by many organizations to manage customer inquiries and support requests. The City Development Center could use a Helpdesk software to provide more efficient support to residents. This would allow residents to submit support tickets or inquiries online and receive updates on the status of their requests. It would also allow employees to manage and prioritize support requests more effectively, reducing response times and improving customer satisfaction.
5. Net promoter scores: Net promoter scores (NPS) are a metric used to measure customer loyalty and satisfaction with a company or organization. The City Development Center could use NPS to evaluate residents' experiences with the center and identify areas for improvement. After every interaction, residents could be asked to rate their experience on a scale of 0-10. These scores could be used to determine the overall satisfaction level of residents and to provide employees with immediate feedback on their performance. This could help employees understand where they need to improve and work to provide better customer service.

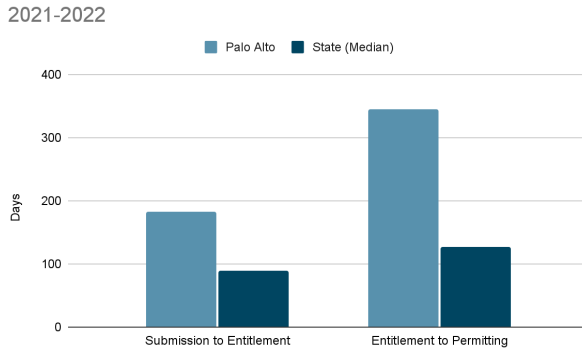
Leveraging Technology for Improved Efficiency and Accessibility

6. Online tracking: Leveraging technology and digital platforms would allow residents to conveniently schedule appointments, track their permit application status, and submit required documents electronically. Additionally, this approach can ensure consistency in interpreting guidelines by enabling tracking and verification of information provided by employees across multiple interactions.
7. Helpdesk Software: On top of improving customer service, this tool can enhance internal workflow by enabling effective management and prioritization of support requests.

Long-term actions:

Improving Efficiency and Streamlining Processes

1. Performance metrics/goal setting: The City would monitor and evaluate the Center's customer service. Metrics would include tracking average wait times, the number of processed permit applications, time taken for project submission to entitlement to permitting, as well as customer satisfaction ratings. Between 2021-2022, the average time between submission and entitlement was approximately 183 days, compared to the state median of approximately 90 days. Additionally, the time between entitlement and permitting averaged approximately 345 days, compared to the state median of approximately 127 days. The Development Center should aim to reduce wait times to levels closer to the state median by the year 2025. This would give the staff clear direction and standards to meet.



2. Bringing in experts to revamp the Development Center and its process: As seen in the past, the Customer Advisory Group brought in external expertise to advise the City Development Center. Experts could assess the current processes and procedures, identify inefficiencies and gaps, and provide recommendations for improvement. By doing so, the City could gain valuable insights from someone with an outside perspective and implement changes to improve customer service delivery. This could lead to a more streamlined process, reduced wait times, increased consistency, and a higher level of customer satisfaction.
3. Economic development manager: This position used to help applicants, particularly small businesses, navigate application processes. Reinstating this position would give applicants more guidance, and be a positive step towards streamlining applications.
4. Refining the Scope of Departmental Involvement in Permit Reviews: Typically, a city's permit review process involves 2-5 departments at various stages of the cycle. However, Patrick Collins, the co-founder of Housable, has noted an over-involvement of departments in relatively straightforward projects, which often exceeds what is relevant or necessary. To enhance efficiency and respect the valuable time of staff members, it is recommended that only those departments directly pertinent to the project be engaged in the permit process. This strategic approach will not only simplify the process but also facilitate a smoother experience for both the customers and the staff.

Enhancing Clarity and Communication

5. Review of requirements/regulations: The City could review its regulations and inspection guidelines to ensure they are up-to-date and clearly communicated. This could help avoid confusion among residents and employees and could reduce the likelihood of errors and misunderstandings, and eliminate the possibility of subjective guidelines that can be interpreted differently. Meetings would be more efficient, and all requirements to obtain a permit would be clearly understood from the beginning of the process.
6. In-depth Assessment of the Development Center: Identifying the underlying issues at the Palo Alto Development Center poses a significant challenge. An independent evaluation conducted by an external expert or consultant could shed light on the areas in dire need of improvement, thus optimizing the overall outcomes.

Conclusion

In conclusion, these proposed actions, both immediate and long term, will create a system of accountability, streamlined processes, and heightened customer service standards that ultimately foster an environment of efficiency and satisfaction for those who work with the City Development Center. It will likely also improve the morale and loyalty felt by the staff who work in this department, which is extremely important, and will benefit everyone involved.

[1]<https://www.paloaltoonline.com/news/2012/08/26/at-development-center-palo-alto-quietly-unrattles-its-bureaucracy>

[2] Tenant in Stanford Research Park who requested anonymity.

[3]<https://www.paloaltoonline.com/news/2022/05/06/audit-scrutinizes-palo-altos-frustrating-permit-process>

[4] <https://www.yelp.com/biz/city-of-palo-alto-development-center-palo-alto>

[5] <https://www.facebook.com/GregLinTanaka/videos/560901981255177>

[6] <https://www.facebook.com/100058262940911/videos/587280242836349>

[7]<https://www.paloaltoonline.com/news/2023/03/15/midtown-zoning-dispute-puts-city-council-in-a-bind>

[8] Palo Alto homeowner who requested anonymity.

[9]<https://www.paloaltoonline.com/news/2022/05/06/audit-scrutinizes-palo-altos-frustrating-permit-process>

[10] <https://fb.watch/lq-U0KDIVP/>

[11] <https://fb.watch/lrsP-bQeO5/>

[12] <https://www.housable.com/>

[13]<https://www.hcd.ca.gov/planning-and-community-development/housing-open-data-tools/housing-element-implementation-and-apr-dashboard>

[14] <https://www.youtube.com/watch?v=xO-5KA3pBGI>