

Smart Permitting for Regional Competitiveness

Seth G. Fearey

Silicon Valley has long been an expensive place to do business. Housing is scarce, salaries are lofty, real estate and utility costs are high, and everyone complains about taxes.

In 1992, companies felt they could not stay competitive if they remained in the Valley. One of the reasons was the construction permitting process. Global pressures force Valley companies to release new products every 12 to 18 months. A serious delay in a building permit can mean missing a product cycle and a brush with collapse. Silicon Valley companies were opening plants in Austin and Seattle in less time, for less money.

Since 1992, Silicon Valley has added 190,000 jobs. Technology-based companies are again choosing to locate and expand in Silicon Valley. It is still the most expensive technology-based regional economy in the United States, according to a recent study by Ernst & Young.¹ But a study by Sprint Business found that San Jose, Silicon Valley's largest city, is the most productive city in the nation.²

The challenge facing regions like Silicon Valley is to reduce the cost of transactions, so that the high cost of living and doing business does not cripple competitiveness. The Smart Permitting initiative is just such a program. Its goal is to reduce the cost and time needed to complete transactions with local governments and agencies, without compromising public safety or the environment.

Defining the Problem

City planners and town councils have long used the building code to protect public safety and support their community's "special character." One result is a permit review process that stacks layer upon layer of review and inspection, routing original paper documents through a maze of departments and officials. Another result is a uniform building code that is no longer uniform. Silicon Valley cities added over 400 special amendments that turned permit applications into a nightmare for the inexperienced.

These strictures add costs to construction projects. By one estimate, delayed permits for major commercial projects cost \$400,000 a day. For a new home, costs go up \$500 a month. Industry was frustrated in 1992. They did not need changes to the building code or relaxation of environmental standards. They needed a process that worked, a process that provided timely reviews of applications and quick resolution of discrepancies.

Issuing a Challenge

Turning the situation around required breakthrough thinking. The process began with meetings organized by Joint Venture: Silicon Valley Network, a regional economic development initiative, and the Santa Clara

Valley Manufacturing Group. Local companies convinced city managers they were serious about leaving the region because of the high cost of doing business. City managers responded by challenging the companies to work with the cities and jointly develop better permit processes. Business accepted the challenge.³ Industry process experts worked with building officials to map out the process flow and find opportunities for streamlining. The pilot city, Milpitas, found ways to cut cycle times for many permits from weeks to just hours.

Other cities joined the program and city after city found ways to streamline permit procedures. The City of San Carlos, for example, was able to reduce the time to process a business registration from three weeks to 10 minutes.

Tackling the Uniform Building Code

The success of the streamlining project helped build trust between business and government. A second project was started. The goal was to cut down on the number of special amendments to the Uniform Building Code. Like the streamlining project, the work started on a city by city basis. The breakthrough came when Andrew Adleman, San Jose's building official, realized that by getting all the cities to work together, virtually all of the amendments could be eliminated.

Peer pressure, and the fear of being left out of a major standards initiative, brought more cities to the table. In the end, the 27 cities and 2 counties cut the number of special amendments from 400 to just 14. Industry and the community were so grateful that Joint Venture: Silicon Valley Network awarded the team top honors at its annual recognition event.

Going Paperless

In early 1994, Smart Valley,⁴ the electronic community initiative spawned by

Joint Venture: Silicon Valley Network, developed a vision of an all-electronic permitting process. Andersen Consulting created a demonstration of the vision to help building officials and council members see how it would work.

Leveraging the momentum of the earlier projects, 18 cities and two counties collaborated on the development of a systems requirements specification for permit tracking software.⁵ The group then broke into two teams. Cities with strong information technology departments are working with the City of Sunnyvale on an inhouse-developed system solution. In November 1997, Sunnyvale launched its test phase by accepting electronic applications and drawings from Lockheed-Martin and Amdahl Computer Company.

Cities that prefer to use vendor solutions used a competitive process to select Tide-mark Computer Systems of Seattle to develop a complete solution. Ten cities are sharing the cost of an estimated \$60,000 in enhancements. The City of San Carlos will pilot the system in the spring of 1998.⁶ Brian Moura, San Carlos' assistant city manager, believes collaboration with the other cities is saving his city \$150,000 in software and consulting fees.

Remarkably, the city building officials have also agreed to standardize on just eight permit forms covering building, planning, public works, and the fire department. Building contractors will not have to learn the special nuances of each city's forms, error rates will decline, and customer satisfaction will jump.

The Smart Permitting steering committee pressed local software companies to develop better tools. Autodesk agreed to develop enhancements to its architectural design software to support sending electronic drawings over the Internet. Another company is creating an electronic whiteboard⁷ that can be shared by building offi-

cials and architects over the Internet. These companies can justify the risk of these investments because they are partnering with a group of customers. If it works with these cities they should be able to sell the features all over the world.

Return on Investment

The streamlining and building code projects have reduced permit processing time for major projects from two to three months to less than a week. Smaller projects have been cut from six to eight weeks to a matter of hours. Going on the Internet will cut out more processing time at City Hall, and it will eliminate the time architects and facilities engineers spend driving to city offices, standing in line, printing multiple copies of forms and drawings, and sitting on the phone checking on the application's status.

The paperwork for a new commercial building costs on the order of \$10,000 to print, copy, and distribute. With electronic processing, that cost will approach zero.

The bottom line is tens of millions of dollars in savings, with no reduction in public safety. By working together, the cities are sharing the costs of new software, and conserving scarce public funds. Cities are already touting their permit-processing speeds to recruit higher quality businesses to their communities.

As cities link their permitting systems to their geographic information systems there will be further savings. Creating a mailing list to notify neighbors about a project will take just a few mouse clicks. The fire department will be able to call up hazardous material permits for a building as they race to the scene of a fire. They will be better prepared to find and handle the chemicals the moment they arrive on the scene.

Eventually the cities, counties, and special districts will share digital maps on the Internet, allowing planners to see what is

happening in neighboring jurisdictions and plan ahead to avoid problems.

Going National

The Association of Bay Area Governments is helping spread the word about Smart Permitting to the rest of the 100 cities and 9 counties of the San Francisco Bay Area. Silicon Valley companies are taking Smart Permitting to other communities where they have operations. Cisco Systems will talk to officials in the Research Triangle Park area in North Carolina. Hewlett-Packard will present it to leaders in communities where it operates across the country. Kit Tuveson, HP's worldwide manager of facilities operations, is also the chairman of the International Facility Management Association (IFMA). Tuveson plans to work with the IFMA to promote the Smart Permitting concept in other regions.

In 1992, Silicon Valley was a more a tag line for the media than a real community. The cities and counties competed against each other, and they saw business primarily in terms of the tax revenues it could generate. It took several breakthroughs to develop a regional permitting strategy:

- Business just wanted the process to work faster. They were not challenging to community safety or environmental standards.
- Business was willing to share responsibility for finding solutions.
- Building trust builds momentum. Momentum brings in more communities and resources.
- By working together as a region, cities and businesses gained leverage. One solution for all cities is more efficient than a separate solution for each city.

While a smart permitting project in a single community would pay dividends, a regional program bringing together multiple jurisdictions will generate much greater returns. When an economy spans multiple

jurisdictions, the problem is more difficult and the rewards of collaboration much greater. The new permitting processes in Silicon Valley are reducing the costs of transactions and helping the community compete more successfully in the new global economy. ■

Seth Fearey is a consultant with Collaborative Economics, Inc. Prior to joining CEI, Seth spent 20 years with Hewlett-Packard, working in a variety of positions including marketing, strategic planning, finance, and technology policy. He is a founding director of Smart Valley, Inc., a nonprofit organization providing leadership to Silicon Valley for the development of its information infrastructure. He also is chairman of the board of the Bay Area Shared Information Consortium which is a nonprofit GIS service, and director of Cable Co-op, a cable television service for Palo Alto and the neighboring cities.

Notes

1. Muto, Sheila. 1997. "High Costs in the Valley." Wall Street Journal. November 12.
2. "San Jose Named 'Most Productive City.'" 1997, *United Press International*. October 24.
3. Regulatory Streamlining Council, Joint Venture Silicon Valley, <http://www.jointventure.org/initiatives/reg/reg.html>
4. Smart Valley, Inc. is a nonprofit organization providing leadership to Silicon Valley for the development of its information infrastructure. SVI accomplishments include building telecommuting, connecting 10,500 K-12 classrooms to the internet, donating 3,000 new computers to schools, forming an electronic commerce technology group, and establishing online resources to help citizens get voting information and find government services. SVI has a small staff and is funded by membership fees from local organizations. The board of directors includes public and private sector representatives. For more information, see <http://www.svi.org>.
5. *Systems Requirements for Smart Permitting*. Smart Valley Inc. <http://www.svi.org/projects/PERMIT/>
6. Bell, Amy, 1997. "SC Smart Permit Program Honored." *Inquirer Bulletin*. November 5.
7. An electronic whiteboard is a window on a computer that two people in different places can share. The whiteboard can display, for example, an architectural drawing and each person can use drawing tools to mark up the drawing. Each person sees the other's markings on their screen. When combined with a telephone call, electronic whiteboards can greatly facilitate remote collaborations.