



MAYOR & COUNCIL MEMORANDUM

January 5, 2021

Subject: Permitting System Update, Process Improvements, and
Development Fee Restructure (City Wide)

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Issue – The purpose of this study session item is to 1) provide the Mayor and Council an update on the development of the new permitting system, 2) inform the Mayor and Council of recent process improvements based on staff analysis as well as recommendations from the PDSD Working Group convened by Mayor and Council and 3) request authorization to pursue proposed code amendments needed to streamline processes, as well as a restructuring and simplification of the existing development fee table to go into effect in late Spring, 2021. The code amendments and restructuring of the fee tables are necessary for the implementation of the new permitting system and will improve the efficiency and cross-departmental coordination of development related services.

City Manager's Office Recommendation – The City Manager recommends that Mayor and Council authorize staff to proceed with code amendments and restructuring of the development fee tables needed to implement the new permitting system and to improve the efficiency and cross-departmental coordination of development related services. Please note that the fees that are at issue here are not development *impact* fees; they are instead the fees associated with plan and permit reviews, inspections and approvals.

Background – In 2018, the City contracted with Tyler Technologies to build and implement a new permitting system. This was based on the recommendation of the City Information Technology (IT) Department, who warned in June 2017 that the current permitting system, Permits Plus, which was developed and installed in 1995, was obsolete and at risk of failure. To replace Permits Plus, a thorough cross department procurement process was conducted which resulted in the selection of the vendor Tyler Technologies. The system is designed to streamline processes across several departments. including Planning and Development Services Department (PDSD), Tucson Fire, and the Department of Transportation and Mobility (DT&M), and aid in the transition to current technological tools and best practices, such as electronic plan review.

The limitations of our current permitting system were made clear when PDSD, along with other departments, transitioned to remote operations in March, in response to public health guidance. Permits Plus was created in an analog environment to support the processing of paper applications. It does not allow for online submittals or other functions that are needed to support remote operations and meet the evolving needs of our customers. PDSD and IT staff developed a number of workaround solutions, however, our technology was not able to fully support the shift to online operations, leading to a backlog in permit applications. This was compounded by a surge in applications this year as development activity remained strong in Tucson.

A number of industry partners recognized this issue and sent a letter to the Mayor and Council Members in June 2020 expressing their willingness to work collaboratively to identify solutions. Council Members Durham, Lee and Kozachik, with the support of the City Manager, established a working group with PDSD staff and industry leaders to identify the challenges facing the department and develop solutions. Over the past 6 months, this working group has met regularly to review current development activity metrics and brainstorm strategies to improve PDSD operations and capacity.

Present Considerations - Timeline: Typically developing a new permitting system takes a minimum of 18 months but may take up to several years. The work on this new system (Energov) began in earnest in April 2019 and is anticipated to go live in Summer 2021. Please see Attachment A for remaining project timeline.

Process Improvements: Throughout this project, staff has conducted an exhaustive review of our current processes in order to eliminate redundancies and obsolete and unnecessary steps and workflows. The project has brought additional City processes, such as Parks and Recreation's special event applications, Tucson Water's residential water harvesting rebates, incentives through Economic Initiatives, and certain Real Estate services into the permitting system to expand the services that can be provided to customers through the system's online platform.

Bringing these additional processes into one system (Energov) allows consolidation of redundant processes. This will reduce the materials that customers have to submit for review and provide a more transparent view of the approval process. Other benefits are potential elimination of the need for separate special event permits when Fire, Transportation, Parks and Recreation, and PDSO approvals are all required, and the potential to reduce the need for multiple departments to inspect a single project at the same time through inter-departmental cross-training in each other's areas of expertise.

Processes have also been restructured to make them clearer and simpler for staff and customers. Staff expect to find additional process improvements as cross department collaboration continues throughout the configuration and testing phase of the project. Enacting these process improvements, however, will require not only changes to how they are structured within the permitting system, but also policy and procedural changes that impact how departments utilize the new system. Without those changes in policy and procedure, the new system could still be operated in a manner that replicates the current processes. The code changes that are being requested are intended to support improvements on both sides of this equation.

Additional process improvements have been implemented to support PDSO's shift to remote operations as a result of the PDSO Working Group. This includes moving from hard copy to online application submittals and setting up and expanding the use of other technologies needed to go remote; including remote video inspections, an online payment portal, and virtual meetings. PDSO has partnered with Pima County to assist with processing applications and plan reviews to help keep up with the volume of applications. Please see Attachment B for more details on recent process improvements.

Code Amendments: In order to implement some of the process improvements discussed above, text amendments to the Unified Development Code (UDC) will be needed. Some of these changes have already been initiated by Mayor and Council or are currently in process, but others have not. Those amendments that have been adopted are as follows:

- Notification Text Amendment – This amendment to the UDC was adopted by Mayor and Council on February 19, 2020 and became effective on March 20, 2020. This amendment changed the notification distance and measurement method to allow for the automation of mailing labels for mailed notification.
- Sign Code Amendment – Staff reviewed changes to the Sign Code in advance of its sunset date and proposed a set of amendments, including process changes related to the permitting system, such as standardizing the time frames for temporary signs. These amendments were adopted by Mayor and Council on December 8, 2020.

In addition to these amendments, staff have identified other changes to the UDC that need to be made prior to the new permitting system going live, namely the standardization of timeframes in the UDC and its supplements to utilize calendar days instead of both calendar days and business days. Staff requests authorization from Mayor & Council to proceed with this text amendment, in addition to other minor amendments that could arise during the implementation process.

Development Fee restructure: As part of the permit system upgrade staff has identified that the current permit fee structure is overly complex and inconsistent, with development related fees scattered through multiple sections of code. For example, building fees are currently assessed using a complicated calculation based on counts of minute components, such as number of outlets, lighting fixtures, or appliances. This approach to calculating permits fees is cumbersome and can only be done after the plans have been finalized, making it difficult to estimate the customer's cost up front.

Customers are also challenged to understand the extent of fees associated with review and approval of their projects since Fire, Transportation, and PDSD fees are found in different places in the code, even though a single project may require a permit from all three departments. The integration of permitting processes described in the previous section will also help with the merging of fees, however, co-locating all development related fees into a single location is seen as the most customer-friendly approach.

In order to streamline and improve the fee structure, staff assessed the cost components of the services provided as part of our permitting process. Those costs can be broken into four categories:

1. Staff or plan review costs: Staff review of submitted plans and documentation takes time, and is variable depending on the complexity of the application and review materials. The preliminary proposal for a revised fee table would assess staff review fees according to the type of application:
 - a. For simple applications where costs are very similar across submittals, such as a Peddler permit, a flat fee is proposed.
 - b. For projects where there is a clear delineation between “easier” and “more difficult” reviews, Minor and Major categories are proposed.
 - c. Rezoning, development packages, and building permit fees, which have a range of complexity that varies widely, are proposed to be assessed on quantitative, but streamlined, criteria that best capture the variability in City costs. Those criteria are proposed to include valuation, acreage, or intensity of resulting land use.
2. Inspection costs: Permitted projects require inspections to ensure conformance of construction with approved plans. To the extent possible, these costs are proposed to be linked to a consistent and predictable factor, such as valuation, linear feet of impact, or size of facility.
3. Public review and notification: For discretionary processes, there are costs associated with requirements for notification and review by Boards, Committees, and Commissions, such as printing mailing labels, mailing out notification letters, and legal advertisements.
4. Technology fee: PDSD and Fire have, for many years, assessed a technology fee to help fund the investment in implementing technological advancements. These investments are necessary to replace obsolete software, such as moving to EnerGov, as well as tools needed to provide the best service to customers.

Staff proposes a revised fee table in which fees would be assessed according to the categories described above. The revised table would consolidate fees from three permitting agencies (Fire, DT&M and PDSO) into a single location according to this structure. The intended outcome is not an increase in fees, but a new structure that is more consistent and transparent for all development related processes.

Next Steps: With authorization to restructure fees and pursue supporting code changes, the three departments will begin working with stakeholders such as Arizona Chapter of the American Institute of Architects, Arizona Builders Alliance, Arizona Multihousing Association, Metropolitan Pima Alliance, Southern Arizona Home Builders Association, and the Tucson Metro Chamber to vet the proposed code changes and develop a simplified fee structure that is fair and reasonable. Staff would return to Mayor & Council in Spring 2021 with the proposed code amendments and a revised fee table.

Plan Tucson Consideration(s) – This item relates to the Governance & Participation as well as Business Climate elements, specifically the following two policies:

Coordinate consistent and integrated policy, program, and project planning across City departments (G9)

Recognize that government plays an instrumental role in creating a business supportive climate through investment in public infrastructure and services, through its regulations and policies, and in building public-private partnerships (BC1)

Financial Considerations – The restructuring of fees should improve the development community's ability to estimate permitting fees and also the City's ability to predict department revenues.

Operating Cost and Maintenance Input – N/A

Legal Considerations – The City Attorney's Office has reviewed and approved this Memorandum.

Respectfully submitted,



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Attachments: A: Remaining EnerGov Project Timeline
B: PDSO Working Group Results and Recommendations