

Special Report

Development Services Follow-Up

December 2023



This is a special report to follow up on six recommendations we issued from two audits of the Development Services Department's permitting process. We found that the DSD has updated its permitting process to be more effective, but key recommendations still have not been addressed. Of the original six recommendations, four have been implemented and two are still underway. DSD has made improvements by digitizing, simplifying, and streamlining the permitting process, and DSD staff report that permits are issued faster than at the time of the initial audits in 2017 and 2019. However, DSD's processes still do not ensure that demolition permits are issued with all of the accompanying reviews, safety measures, and notifications. DSD has also not yet reached a comprehensive coalition agreement with Austin Energy, a key measure for ensuring coordination with the electric utility, which was first recommended by a consultant report in 2015.

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Cover: City of Austin Flickr Account, Accessed September 2023

Objective

The objective of this special report was to follow up on the Development Services Department’s actions to implement two recommendations from the 2017 Demolition Permits Audit and four recommendations from the 2019 Permitting Process Improvements Audit.

Background

The Development Services Department (DSD) is the City department responsible for managing the City’s permitting process, ensuring that business owners, homeowners, and contractors follow relevant City ordinances for all types of construction or demolition projects. For this purpose, DSD conducts plan review and building inspection services, and also accepts, processes, and issues construction permits.

In 2015, Zucker Systems conducted an analysis of the City’s development process and provided recommendations for City consideration. At the time, the permitting process involved many in-person visits to different City offices, had unclear division of responsibilities between departments, and generally led to unsatisfied customers. Our office undertook the Permitting Process Improvements Audit in 2019 to determine if prior audit and consultant work led to improvements in the process. The audit found that while DSD implemented changes to the permitting process, the aspects most important to customers, such as timelines and cost, remained an issue. Additionally, DSD did not proactively track plan review times nor collect data in a way that could identify where specific delays exist. As a result of the audit’s findings, we provided the City with four recommendations:

1. Identify causes behind process delays, engage with stakeholders, track timelines, and enhance cooperation among reviewing departments.
2. Push to simplify development code requirements.
3. Implement new technological solutions to reduce permitting-related visits to City offices.
4. Increase stakeholder education and outreach efforts.

In 2017, we conducted the Demolition Permits Audit to determine if the City's demolition permitting process was effective and efficient. The City of Austin requires property owners to get a permit before demolishing any structure on their property. The audit found that the demolition permitting process was not designed to meet the needs of stakeholders or City departments effectively or efficiently. There was:

- A lack of formal coordination with other City departments.
- Limited verification from the City that tasks for property owners were accomplished.
- A lack of consideration of safety risks.
- Limited or nonexistent notification to nearby property owners about upcoming demolitions.
- Inconsistent collection of required documents on permit applications.

In response to the audit's findings, audit staff provided the City with two recommendations:

1. Organize and hold meetings with stakeholders in order to identify what the demolition permitting process should accomplish.
2. Use stakeholder input to redesign the demolition permitting process, ensuring all appropriate review, safety, and notification requirements were met.

What We Learned

Summary

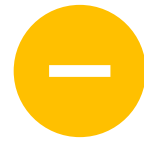
We found that, although the Development Services Department has updated its permitting process to be more effective, key audit recommendations still need to be addressed. DSD has made significant improvements by moving the process online, tracking delays more effectively, advocating for less complex requirements in City code, and expanding customer outreach and resources. These improvements satisfy the requirements for four of the six of the original audit recommendations. However, DSD still does not ensure that demolition permits are issued with all of the accompanying reviews, safety measures, and notifications. Process-level issues for demolition permitting remain, specifically pertaining to the notification process. DSD also does not appear to collect all necessary documentation to verify that appropriate reviews, safety measures, and notifications occur, with DSD staff citing issues with the AMANDA system. DSD has also not yet reached a comprehensive coalition agreement with Austin Energy, a key measure for ensuring coordination. A comprehensive coalition agreement with AE was first recommended by a consultant report in 2015, again by our audit recommendation in 2019, and has not been implemented as of this report.

The AMANDA system is an internal software the City uses to manage data. The City is considering replacing it in the future.

What has the City done to address the issues we identified?



=implemented



=underway



Implementation of recommendation #1 of the 2017 Demolition Permits audit: Implemented

This recommendation requires the following actions:

1. Organize meetings with stakeholders in the City's demolition process to identify what the demolition permitting process should accomplish.
2. Include property owners; tenants; neighborhood, real estate, and historic groups; construction contracts; relevant City staff.

In response to the recommendation, Council passed Resolution No. 20171214-066, requiring that DSD hold stakeholder meetings and redesign the demolition permitting process in accordance with audit recommendations. DSD conducted outreach to advertise the meetings, then held six stakeholder meetings, both online and in-person, to gather input. DSD then held follow-up meetings to gather feedback to proposed implementation strategies.



Implementation of recommendation #2 of the 2017 Demolition Permits audit: Underway

This recommendation requires the following actions:

1. Redesign the demolition permitting process based on outcomes of the stakeholder meetings.
2. Ensure that appropriate reviews, safety measures, and notifications occur prior to demolition activities.

Though they have updated the demolition permitting process, DSD's processes still do not ensure that appropriate reviews, safety measures, and notifications take place prior to demolition activities

DSD uses a database called AMANDA to manage its data pertaining to demolition permits, and we found inconsistencies in the documentation of the necessary reviews, safety measures, and required notifications.

None of the nine sample permits we analyzed had evidence of an environmental inspection, which is required of all demolitions. Three of the nine sample permits did not have verification of a plumbing disconnect, which verifies that there is no running water on the property. There were also several other components that were not documented across the sample, including lead paint reviews, asbestos reviews, and City Arborist reviews.

Exhibit 1: We were unable to verify components of the demolition permit

Selected Items	Count in Sample
Reviews	
Environmental Inspection	0/9
City Arborist Review	0/9
Safety Measures	
Asbestos Compliance Notification Form	1/7*
Lead Paint Review	1/9
Plumbing Folder	6/9
Notifications	
Demolition Notification Acknowledgement Form	3/9

*The Asbestos Form figure is calculated out of seven because two of the sample permits did not require collection of the form.

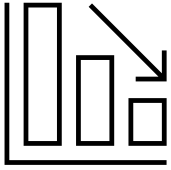
Source: Auditor analysis of sample of 9 permits provided by DSD staff, October 2023

DSD does not currently have an effective process in place to organize documentation of all of the appropriate reviews, safety measures, and notifications for each demolition permit. As such, we cannot determine if these requirements were or were not met, and according to DSD staff, the department cannot verify their compliance with these requirements either. The requirements may have all been met, but it is difficult to consistently verify compliance or noncompliance with the available information.

DSD has, however, changed the demolition permitting process, creating several items that did not exist previously, including a notification compliance form on the permit application, a new refrigerant disposal acknowledgement form, and a new pre-construction inspection process. The new pre-construction inspection process is notable because, as the last inspection conducted prior to demolition, it mandates verification of environmental protections, utility caps, and the disbursement of demolition notification materials. The demolition permitting process also has a new notification requirement, which includes a Demolition Notification Acknowledgement form, which verifies that relevant nearby property owners were notified of the demolition. It is difficult to verify how widespread the use of the Demolition Notification Acknowledgement form is, as most of our sample (six out of nine) did not have a copy, but the form is also not required if there are no nearby property owners. The presence of nearby property owners is not tracked by DSD.

Despite the new requirements, DSD inspection officials intentionally fail the pre-construction inspection to allow time for adjacent property owners to be notified of the impending demolition. It does not matter whether the building meets the pre-construction inspection requirements or not, DSD fails the inspections automatically in order to allow five days for notification materials to be received and passed out. Because the building inspector delivers the notification materials at the same time as they conduct their initial Pre-Construction Inspection, it is necessary for them to fail the inspection, and wait five days so that the contractor can adequately notify adjacent property owners. The intentional fails required in this process could allow room for error and inconsistency.

Inspectors wait five days because that is the minimum amount of time allowed between a failed inspection and the next inspection.



Implementation of recommendation #1 of the 2019 Permitting Process Improvements audit: Underway

This recommendation requires the following actions:

1. Engaging with repeat and occasional customers on a regular basis to ensure DSD understands their expectations and concerns.
2. Ensuring that the permitting process timelines are being tracked electronically at each stage of the review process.
3. Finalizing or revising coalition agreements with each department involved in the permitting process.

DSD has engaged with repeat and occasional customers on a regular basis

DSD has conducted a variety of outreach meetings with stakeholders at various levels. Since the audit recommendation, DSD has hosted 280 development-related outreach events, many of which pertained to permitting. These events included internal and external stakeholder meetings, including DSD staff, homeowners, contractors, and realty groups. These meetings were held to collect feedback, conduct outreach about a specific tool or process, and develop new permitting process ideas.

DSD has ensured that the permitting process timelines are being tracked electronically

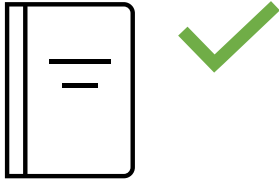
DSD has developed the capability to track and record analytics about the permitting process. Using data analytics software, DSD collects aggregate data about permitting timelines and converts it into a variety of metrics. These metrics include review times both internally at DSD and review times for other departments involved in parts of the permitting process. As such, DSD is now tracking delays electronically. Using aggregate data, monthly reports are compiled and sent to DSD management detailing the timeliness of teams in DSD and across all other departments involved in the permitting process. There are also DSD staff dedicated to ongoing improvements of the department's data analytics infrastructure.

DSD has not finalized a coalition agreement with Austin Energy, though it has with others

DSD has not yet executed a comprehensive coalition agreement with Austin Energy (AE) despite being recommended to by the 2015 Zucker report and re-emphasized in the 2019 audit. Coalition agreements were an important part of the 2019 audit's recommendations because coordination between departments was identified as an area of needed improvement. Coalition agreements are intended to "ensure that service level expectations, corrective actions, and accountability are clearly established, understood, and implemented." AE is notable amongst partner departments in the permitting process due to the importance of coordinating electric utility related matters in construction and demolition permitting.

DSD has reached coalition agreements with several other departments involved in the permitting process, including Austin Public Health, Austin Transportation and Public Works, and Austin Water, among several others.

Additionally, DSD has a goal to annually update these coalition agreements, although these updates have not yet happened. DSD staff cited a recent director retirement and ongoing consulting work as deferring factors in implementing a comprehensive coalition agreement with AE.



Implementation of recommendation #2 of the 2019 Permitting Process Improvements audit: Implemented

This recommendation requires the following actions:

1. Identify helpful code changes and ensure they are reflected in the new land development code draft.
2. Present all other proposed code changes to the City Council or other appropriate entity for consideration.

DSD identified code changes that would improve customer service outcomes

The 2019 audit identified a complex Land Development Code (LDC) as an obstacle to a clear and efficient permitting process. Because DSD does not directly have authority over the contents of the LDC, the 2019 audit recommendation suggested that DSD identify code changes that would improve customer service outcomes and present all other changes to the City Council or appropriate entity for consideration.

In response to the recommendation, the City Manager's Office created a Land Development Code Revision Team, with participation from DSD, to identify changes in the LDC that would ease the permitting process. The Team was comprised of three smaller teams, the Leadership Team, the Core Team, and the Auxiliary Team. The Team succeeded in identifying a series of code changes to be included in the LDC re-write.

DSD continues pushing to simplify the City's Land Development Code

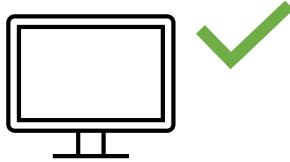
When the original audit recommendations were issued, there was an ongoing community-based process to update the LDC, in part, so that it could be simplified and applied in a consistent manner. This process was discontinued in 2020. Despite the discontinuation, DSD continued to push for code simplifications in the spirit of the 2019 audit's recommendation.

DSD participated in two bodies that were created in March of 2023 to advise and assist in code simplification efforts. The first, the Land Development Code Cabinet (LDCC), was established by the City Manager's Office. The LDCC is a group of subject matter experts charged with developing recommendations in response to proposed amendments to the LDC, as well as serving as a resource for code-related matters. The second body, the Technical Advisory Review Panel (TARP), was created by City Council resolution. TARP reviews the City's technical manuals with the intention of identifying challenging provisions and suggesting improvements. TARP also ensures that there are opportunities for stakeholders and the public to provide input. Both TARP and the LDCC are composed of staff from several City departments involved in the permitting process.

Local code amendments are sections of code that are unique to a jurisdiction and distinct from the code in other jurisdictions.

In addition to assisting with the LDCC and TARP, DSD has been involved in the removal of several local code amendments to streamline development and code interpretation in Austin. By pushing for their removal, DSD staff report that they aim to standardize the construction process and ensure that contractors do not run into unexpected code challenges when building in Austin.

Despite the discontinuation of the original LDC re-write effort, we have determined that DSD's efforts in identifying opportunities to streamline the code, creating bodies to assist in those efforts, and removing local code amendments address the spirit of the recommendation.



Implementation of recommendation #3 of the 2019 Permitting Process Improvements audit: Implemented

This recommendation requires the following actions:

1. Implement key technology solutions as soon as possible to reduce the number of physical interactions customers have with the City permitting process.

DSD has digitized the permitting process, significantly reducing the number of physical interactions customers have with the City of Austin

The permitting process once required several in-person visits to deliver paper copies of materials to a variety of different locations around the City. As outlined in the audit recommendation, DSD has since implemented technology solutions to successfully digitize the process, eliminating the need for customers to have physical interactions with the City.

DSD moved the permitting process online at the onset of the COVID-19 pandemic in the spring of 2020. Customers can now apply for permits and submit materials electronically through the Austin Build + Connect portal. Customers can also communicate with DSD through a variety of online resources, including an online chat function, and schedule in-person or virtual consultations with DSD staff. With these changes, no more physical interactions are necessary. DSD does, however, still allow people to visit DSD facilities in-person and submit their documentation that way, if they prefer, in order to accommodate accessibility needs and personal preference.

DSD has also advocated for code simplifications and instituted electronic timeline monitoring, which works with the redesigned process to remove the need for an in-person, paper-only process.



Implementation of recommendation #4 of the 2019 Permitting Process Improvements audit: Implemented

This recommendation requires the following actions:

1. Ensure that outreach and education efforts target people that may ignore or be unaware of the permitting process requirements.
2. Make the process simpler to understand.
3. Work with 311 and Austin Code to identify specific processes and stakeholders that may benefit from targeted outreach.

DSD has undertaken wide-ranging outreach and education efforts

There are a large number of resources available to DSD customers to inform their understanding of the permitting process. DSD customers have access to:

- The ability to schedule in-person or virtual consultations with DSD staff to discuss permitting matters.
- Several online wizards that assist in clarifying permitting requirements on a case-by-case basis.
- All forms and applications available online.
- Numerous reference materials which define concepts and terms pertaining to the City's code and DSD's permitting process.

A wizard is a type of program that guides users through a digital process.

DSD also hosts several outreach events for different interest groups, including homeowners, realtors, contractors, and City staff.

Customers who are unfamiliar with the permitting process can engage with DSD staff through the Development Process Team, the Neighborhood Assistance Center, and an online chat feature. These resources can answer questions and provide guidance through permitting-related matters such as applying for a permit or resolving code violations.

DSD has simplified the permitting process and created numerous resources for understanding and engagement

Overall, DSD has simplified the permitting process both in terms of the process itself and resources dedicated to demystifying and expediting the process. DSD has made the permitting process simpler for customers by:

- Moving the process online, with no in-person steps necessary.
- Pushing for simpler code with fewer local amendments.
- Increasing the number of resources available to customers.

DSD has worked with 311 and Austin Code on outreach efforts

DSD has worked with both 311 and Austin Code to improve its outreach and engagement efforts. DSD held meetings with 311 and produced new 311 scripts about a variety of permit issues. Now, if customers have questions about the permitting process, they can call and ask 311.

DSD also conducted several outreach-oriented activities with Austin Code (which has since been absorbed into DSD). These activities mostly centered around expanded meetings with other City and community stakeholders to gather and process their input.

Management Response



MEMORANDUM

TO: Corrie Stokes, City Auditor

FROM: José G. Roig, Director, Development Services Department

DATE: December 1, 2023

SUBJECT: **Response to Development Services Follow-Up Report**

A handwritten signature in blue ink, appearing to read 'J. G. Roig'.

The purpose of this memorandum is to provide a response to the follow-up report on the 2017 Demolition Permits Audit and the 2019 Permitting Process Improvements Audit for the Development Services Department (DSD). We appreciate the opportunity to work with the Office of the City Auditor to evaluate the department's progress in implementing the six recommendations issued with these audits.

We have reviewed the follow-up report and concur with the assessment and findings from the Auditor's team. As presented in the report, two recommendations remain to be fully implemented and work is underway on both.

Demolition Permits Audit, Recommendation #2

The Development Services Department Director should redesign the demolition permitting process based on outcomes of stakeholder meetings and ensure it is implemented and working as intended.

Follow-up Response:

Limitations of the current permitting software have had an impact on the department's ability to consistently document the demolition permitting process and ensure effective notice. A city-wide process is underway to identify, procure, and implement a new Enterprise Case Management system that will provide enhanced capabilities. Until this project is complete, staff are working to design an interim solution.

Permitting Process Improvements Audit, Recommendation #1(c)

In order to address issues identified in the permitting process and meet customer expectations, the Director of the Development Services Department should identify specific causes for plan review processing delays and work with stakeholders to ensure services are delivered in a timely manner and meet customer expectations. These efforts should include, but not be limited to:

- c. finalizing or revising coalition agreements with each department involved in the permitting process to ensure that service level expectations, corrective actions, and accountability are clearly established, understood, and implemented.

Management Response

Follow-up Response:

Between 2016 – 2018, DSD executed coalition agreements with 12 partner departments. There was an extensive effort to update the terms of each executed agreement that was completed in early 2023, but execution was suspended pending the onboarding of a new department director and the outcome of the assessment work performed by consulting firm McKinsey & Co.

DSD has engaged McKinsey & Co. to implement a series of initiatives that aim to improve how departments involved in the development process work together. McKinsey's work will enable the departments to align on shared vision and priorities and, as part of this alignment, establish comprehensive agreements that meet the intent of this recommendation.

We thank the Office of the City Auditor for their assessment and will continue concerted efforts to complete the work that remains. Should you have further questions, please contact me at (512) 974-1605.

Cc: Veronica Briseño, Assistant City Manager
Robert Goode, Interim Assistant City Manager
Bob Kahn, General Manager, Austin Energy

Appendix A: Issued Findings

Audit	Finding
Demolition Permits Audit 2017	Finding: Austin's demolition permitting process is not designed to efficiently and effectively meet City or stakeholder needs.
Permitting Process Improvements Audit 2019	Finding: The Development Services Department has implemented changes to the permitting process, but aspects of the process most important to customers, including timelines and cost, remain an issue.

Appendix B: Recommendation Status

Audit	Recommendation	Implementation Status
Demolition Permits Audit 2017	<p>Recommendation #1: The Development Services Department Director should organize and hold meetings with stakeholders in the City’s demolition process in order to identify what the demolition permitting process should accomplish. Stakeholders should include, but not be limited to:</p> <ul style="list-style-type: none"> • Property owners and tenants; • Neighborhood, real estate, and historic landmark groups; • Building and demolition contractors; and • City staff from the Development Services Department, Planning and Zoning Department (including the Historic Preservation Office), Austin Resource Recovery, Austin Energy, Austin Water, and the City Arborist. 	Implemented
Demolition Permits Audit 2017	<p>Recommendation #2: The Development Services Department Director should redesign the demolition permitting process based on outcomes of stakeholder meetings and ensure it is implemented and working as intended. At a minimum, the new process should ensure that:</p> <ul style="list-style-type: none"> • Appropriate reviews take place prior to demolition activities. • Appropriate safety measures are in place prior to demolition activities. • Adequate and appropriate notice is given to interested parties. 	Underway
Permitting Process Improvements Audit 2019	<p>Recommendation #1: In order to address issues identified in the permitting process and meet customer expectations, the Director of the Development Services Department should identify specific causes for plan review processing delays and work with stakeholders to ensure services are delivered in a timely manner and meet customer expectations. These efforts should include, but not be limited to:</p> <ul style="list-style-type: none"> • Engaging with both repeat and occasional customers on a regular basis to ensure City management has a current understanding of their expectations and concerns with the process. • Ensuring that information in the electronic system can be and is used to track expected timelines at each stage of the review process. • Finalizing or revising coalition agreements with each department involved in the permitting process to ensure that service level expectations, corrective actions, and accountability are clearly established, understood, and implemented. 	Underway
Permitting Process Improvements Audit 2019	<p>Recommendation #2: In order to address structural issues with the City Code and other applicable codes, the Director of the Development Services Department should identify changes that would improve customer service outcomes without affecting health and safety. The Director should:</p> <ul style="list-style-type: none"> • Ensure applicable changes are reflected in the new land development code draft being developed for City Council consideration. • Present all other changes to the City Council or other appropriate entity for their consideration. 	Implemented

Audit	Recommendation	Implementation Status
Permitting Process Improvements Audit 2019	<p>Recommendation #3: In order to address process workflow and timeline issues, the Director of the Development Services Department should implement the use of key technology solutions as soon as possible to further reduce the number of physical interactions customers have with the City permitting process.</p>	Implemented
Permitting Process Improvements Audit 2019	<p>Recommendation #4: In order to address participation levels with the permitting process, the Director of the Development Services Department should ensure that departmental outreach and education efforts target people that ignore or may not be aware of permitting process requirements. These efforts may include:</p> <ul style="list-style-type: none"> • Making the process simpler to understand and follow so it is clear why the requirements are needed to ensure that health and safety issues are addressed. • Working with 311 and the Austin Code Department to identify specific processes and stakeholders that may benefit from targeted outreach and education. 	Implemented

Scope

The audit scope included actions taken by the Development Services Department to respond to the selected recommendations in audits related to permitting including:

- Demolition Permits Audit (August 2017)
- Permitting Process Improvements Audit (August 2019)

Methodology

To complete this audit, we performed the following steps:

- Reviewed recommendations from the 2017 Demolition Permits Audit and the 2019 Permitting Process Improvements Audit.
- Interviewed Development Services Department staff.
- Compared online resources before and after recommendations were issued.
- Analyzed the Development Services Department's MicroStrategy reports and related management summaries.
- Analyzed a sample of demolition permits and related documentation.
- Documented a list of coalition agreements with Development Services Department and other departments.
- Assessed DSD outreach efforts and stakeholder resources.
- Assessed parts of the recommendations to verify their implementation status.

Audit Standards

This project is considered a non-audit project under the Government Auditing Standards and was conducted in accordance with the ethics and general standards (Chapters 1-5).

The Office of the City Auditor was created by the Austin City Charter as an independent office reporting to City Council to help establish accountability and improve City services. Special requests are designed to answer specific questions to assist Council in decision-making. We do not draw conclusions or make recommendations in these reports.

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