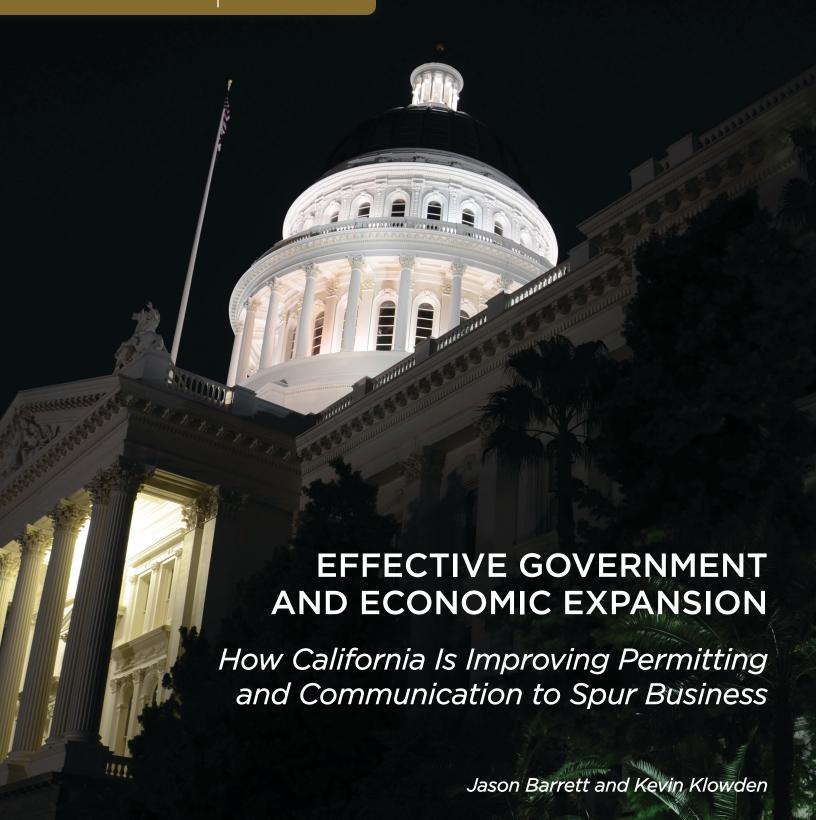
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EFFECTIVE GOVERNMENT AND ECONOMIC EXPANSION

How California Is Improving Permitting and Communication to Spur Business

Jason Barrett and Kevin Klowden

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Introduction

As the nation continues to recover from the recession, states have put a greater focus on attracting and retaining business. Several, including California, are allocating more resources to create streamlined, effective permitting procedures. In this paper, we examine some of the programs and initiatives in other states that have helped business owners navigate the permitting process and created stronger relationships between the business sector and government. We also examine local programs in California that may be used as models for effective government.

In the wake of the downturn, California not only has struggled to attract new businesses but some of its trademark industries are faring poorly. Manufacturing, in particular, has contracted and, unlike other sectors, shown few signs of recovering to the level it held before the recession. Although automation has clearly reduced manufacturing jobs nationally, California has lagged behind the national average in regaining jobs in that sector. Instead, companies have felt the pressure to add manufacturing jobs outside California in locations that are not only more cost-effective, but pose significantly less regulatory uncertainty.

Jurisdictions across California are actively implementing reforms aimed at improving the relationship between government and business. At every level of government, programs aimed at combating the perception that California is "anti-business" are being implemented, with particular emphasis on streamlining permitting. Although permitting is not the only factor involved in whether or not entrepreneurs decide to open their doors in a particular state, it certainly plays a role.

Since its creation in 2012, the Governor's Office of Business and Economic Development, or GO-Biz, has improved the environment for economic development. Through concentrated efforts in lean government and permitting reform, GO-Biz is working to bring businesses to California and encourage job growth. The main constraint for GO-Biz and any proposed reforms comes from its relatively small size and portfolio within the vast state government. For significant change to occur, other key agencies must develop their own reform plans or coordinate with GO-Biz, among others. Fortunately, several other state agencies have made efforts to streamline and improve processes, including the Environmental Protection Agency (CalEPA) and the Department of Motor Vehicles. One of the most important measures of success are how widely they are adopted across state and local governments, and the extent to which customers and the employees of each department are supportive of the new improvements.

^{1.} California Forward, 2014 Solar shines while manufacturing needs some polishing in California http://www.caeconomy.org/reporting/entry/solar-shines-while-manufacturing-needs-polishing-in-california (accessed April 25, 2014).

In addition to permitting, business owners also value customer service when working with public agencies. Communication and cooperation between business and government must be a priority so that the effect of new policies and procedures on the business community can be evaluated.

Numerous steps have been taken in California both at the state and local levels to make the process of obtaining a permit more transparent with shorter response times, and enable businesses and individuals to navigate the regulatory environment more easily. This paper illustrates notable efforts being made to spur economic expansion through efficient government, both in California and around the nation.

From the perspective of business

In California, the overly complicated permitting process has been cited as one of the most prevalent obstacles to growing our business base. Owners navigating multiple permitting procedures consistently voice their disapproval of a confusing and lengthy list of procedures. In a 2014 survey of small businesses, California received a "D" grade for licensing processes and fees.²

Permitting red tape affects business of all sizes. The Wall Street Journal recently interviewed CKE Restaurants CEO Andy Puzder, who cited extensive permitting delays as a major reason his company, which operates the Carl's Jr. fast-food chain, is not looking to expand in California, which hosts the company's headquarters as well as nearly 800 of the franchise's restaurants:

"Consider how long it takes for one of his restaurants to get a building permit after signing a lease. It consumes 60 days in Texas, 63 in Shanghai, and 125 in Novosibirsk, Russia. In Los Angeles, it's 285. 'I can open up a restaurant faster on Karl Marx Prospect in Siberia than on Carl Karcher Boulevard in California,' Puzder says. "³

The CKE example demonstrates how the perception of inefficiency can often linger, even as cities and states make procedural and permitting changes. In 2011, Carl's Jr. received significant help from GO-Biz to streamline permits for the installation of new equipment. The project covered more than 300 locations and took only six weeks. Further, in 2010, the city of Los Angeles launched its Restaurant and Hospitality Express program to speed permitting for new restaurants, cutting the time in half. It is worth noting that even with the changes, L.A.'s process dropped from 12 to 18 months to six to nine months— which still leaves it three times slower than Texas.

^{2.} Thumbtack, 2014 California Small Business Friendliness, http://www.thumbtack.com/ca/#/2014/1 (accessed June 25, 2014)

^{3.} Allysia Finley, "Andy Puzder: Of Burgers, Bikinis and ObamaCare," Wall Street Journal, June 14, 2013 http://online.wsj.com/news/articles/SB10001424127887323528404578455253398197208 (accessed May 9, 2014).

^{4.} Governor's Office of Business and Economic Development.

^{5.} Sharon Bernstein, "L.A. makes opening restaurants easier," Los Angeles Times, June 7, 2010 http://articles.latimes.com/2010/jun/07/business/la-fi-0607-restaurants-20100607 (accessed May 9, 2014).

CKE is not the only major company to cite an overly bureaucratic business climate as a cause to discontinue expansion in California. The state has seen high-profile moves from big-name companies such as Campbell's, Occidental, and Toyota in recent months, even as other companies announced new expansions in the state.

In addition to previously choosing to relocate its headquarters from California to Virginia, Northrop Grumman recently expanded its manufacturing base in Florida, a key competitor to California in aerospace industrial production. Florida had been seen as being at a competitive disadvantage. However, defense consultant Loren Thompson told the Orlando Sentinel that "California has become the most expensive place in America to do any kind of manufacturing work," a view shared by many local business owners. Even as the state improves its permitting process and reaches out to local business, the perception that California remains expensive and difficult persists. Combatting the perception of inefficiency requires not only implementing reforms, but developing effective publicity and outreach efforts to make people aware of the changes.

Ways to Streamline Permitting

n this section, we identify efforts, both in California and in other states, which may be used as a model.

Looking elsewhere: Efforts in other states

Washington: Six steps to streamlining

Washington state has made great strides over the last decade in streamlining the business permitting process, starting in 2002 with the creation of an office dedicated to this purpose. Now called the Governor's Office for Regulatory Innovation and Assistance (ORIA), it has reached out to business representatives in the state to collect recommendations for permitting processes. ORIA has identified and implemented six key practices after conducting these interviews.

- Build mutual understanding
 By establishing and maintaining relationships between government representatives
 and businesses, the public may be informed and updated in a timely manner about
 new regulatory and permitting processes.
- Engage reviewers and stakeholders early on
 Through a targeted effort of communication and cooperation early in the permitting process, applicants can receive instruction and identify key hurdles to the success of their application, allowing them additional time to correct errors and obtain missing information.

- Ensure complete applications
 Educating applicants as to what constitutes a complete application establishes early parameters and allows applicants to engage with agency officials and offer input about their specific financial and business needs.
- Analyze process, performance and costs
 Mapping the application process and enhancing ease-of-use for applicants will minimize confusion and improve efficiency.
- Use information technology
 Utilizing online communication tools, geographic information systems (GIS), and
 Internet-based permit tracking will enable applicants to receive updates on potential obstacles and allow them to resolve outstanding issues.
- Implement systems for staffing flexibility
 Practices such as temporary hiring and on-call consultants will allow permitting offices to maintain performance during high-volume work periods.

Washington state has developed a set of metrics by which it measures the success of these and other programs. The *Results Washington* initiative contains a complete list of measurable goals for effective and efficient government operations. Still in its early stages, the program's metrics include customer and employee satisfaction numbers, an increase in the services provided online, and the timely delivery of state services.

The state also maintains a database of action plans undertaken by its agencies to meet the goals set by *Results Washington*. This offers a unique window into state government reform. When the government audits a state agency, the results are posted to the database along with the agency's response to the audit and actions planned to address the issues raised.

Gov. Jay Inslee's office seeks to enhance efficiency by outlining three priorities:

- Empower state employees to find efficiencies through greater use of lean management
- Improve the state procurement process
- Streamline state government with a focus on growing private-sector jobs

Colorado: One-stop shopping

To ease permitting, Colorado set up the Occupational License Database, a user-friendly website containing current federal and state regulations. In just a couple of clicks, this one-stop shop lets entrepreneurs easily find requirements pertaining to their projects. A user who wants to open a bake shop, for example, simply clicks on "Bakery" from the comprehensive menu of industries/occupations and sees regulations and permitting information for the opening and maintenance of such a business.

^{6.} Washington State Governor's Office of Regulatory Assistance, 2014 Local Permitting Best Practices http://www.ora.wa.gov/documents/ENV 014 08.pdf (accessed May 9, 2014).

In addition, based on needs expressed by manufacturing executives, Colorado is creating a portal to connect industry with capital resources. The state is also looking into establishing a fund of private investment capital to be channeled toward high-growth industries, including advanced manufacturing.⁷

Looking within: Efforts in California

In this section, we identify efforts in California—particularly those spearheaded by the California Environmental Protection Agency and the Governor's Office of Business and Economic Development—to ease the permitting application burden.

CalGOLD

In 1998, the Environmental Protection Agency created CalGOLD as an information resource to support business development and expansion in the Golden State. Since the website was taken over by GO-Biz, it has evolved to serve as a one-stop for permits required to open or expand operations. The website allows users to select from 150 business categories and the jurisdiction where the business will be located. The user is then given a list of necessary permits at the city, county, regional, state and federal levels that match the categories and jurisdictions selected. The site also offers additional information, guidance, and applications. The site mobile version provides directions to agencies where applications may be filed.⁸

CalGOLD incorporates and expands on many of the state programs previously mentioned in this paper, including Colorado's "one-stop shopping" system. The site received 202,000 hits from 99,000 unique visitors in 2013. From January to March of this year, 164 businesses received direct interaction and support from GO-Biz based on their inquiries on the CalGOLD site. Many cities and counties also link to CalGOLD from their own sites.

Under provisions in California Public Resources Code § 71020 et seq. and the California Code of Regulations Title 27 §10200 et seq., CalEPA has the authority to consolidate multiple state environmental permit applications into one process. This reduces the need to submit duplicate information to multiple agencies and provides applicants with a single point of contact for permitting needs. While this process has not been fully implemented, cooperation between CalEPA and Go-Biz is an encouraging sign.

Lean Six Sigma Pilot Program

GO-Biz is implementing reforms revolving around the Lean Six Sigma strategy, a philosophy designed to identify solutions to organizational issues using a focused, data-driven approach.

^{7.} National Governor's Association, 2013 National Governors Association Policy Academy Report http://www.nga.org/files/live/sites/NGA/files/pdf/2013/1301NGAManufacturingReportWeb.pdf (accessed May 8, 2014).

8. Governor's Office of Business and Economic Development, 2014 CalGOLD, http://www.calgold.ca.gov/ (accessed June 25, 2014).

^{9.} California Environmental Protection Agency, 2012 CAL/EPA Consolidated Permit Fact Sheet http://www.calepa.ca.gov/digester/Documents/2012/PermitFacts.pdf (accessed May 25, 2014).

GO-Biz officials have received commitments from agencies around the state to apply the Lean Six Sigma approach to their own offices after extensive training. These agencies, including CalEPA and the Government Operations Agency, will work this year as part of the pilot program to complete proposed projects within the scope of Lean Six Sigma and obtain certification.

Back-End Technology Providing Front-End Solutions

A s analytical software such as GIS creates opportunities for precision permit tracking, new online programs have been developed to facilitate opening businesses in California. Here we examine promising software innovations.

Agencies around the nation are always looking for ways technology can improve the user experience. As citizens become more tech-savvy, governments are forced to adapt to meet increased demands for information via the Internet. In this section, we highlight a few of the more popular platforms agencies employ to organize large amounts of permitting and licensing information into easy-to-read online resources.

Procured through a partnership between Code for America and the city of Santa Cruz, Calif., **Open Counter** acts as a roadmap to guide small-business owners through every aspect of the permitting process. Users may access information regarding zoning, permit applications, licensing, and fees relevant to opening their business. Once a user submits information, an alert is sent to economic and city developers, who are then able to follow up directly with the applicant and provide guidance through the process.¹⁰

Santa Cruz adopted City Counter in April 2013, and early results indicate a more efficient permitting process for both users and officials. "Open Counter is providing an easy and quick way for people to navigate the essential government steps in starting a business in Santa Cruz," said Bonnie Lipscomb, the city's executive director of economic development. More than 100 applications have been submitted since the program's implementation.

Several cities in California, including Napa, Vallejo, and San Clemente, offer the **eTRAKIT** platform. ETRAKIT users may access online permits/projects to find up-to-date property record information, including building and trade permits, inspection results and scheduling, rental property information, site plan/annexations/zoning, and civil engineering plans. Current California clients of eTRAKit include the cities of Oceanside, Milpitas, Rocklin, Napa, Vallejo and San Clemente, as well as Yolo County. With a better sense of permit application requirements, users can gather information in advance and expedite approvals.

Accela, used in Sacramento and several other California cities and by state governments in Oregon and New York, puts government functions related to permitting and licensing online,

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^{10.} J.M. Brown, "Santa Cruz launches new online business site: OpenCounter designed to make entrepreneurship easier," Santa Cruz Sentinel, January 9, 2013 http://www.santacruzsentinel.com/ci22343124/santa-cruz-launches-new-online-business-site-opencounter (accessed June 25, 2014).

providing greater accessibility and transparency to government officials as well as local citizens. The Accela software is deployed by each client agency, custom-built to their needs, to provide accurate information to stakeholders pertaining to all aspects of government service using mobile and Web-based platforms. With online access to a variety of services provided by municipalities, users are able to locate and obtain the resources they need to run their businesses effectively.

Buildingeye Citizen Platform is an Accela add-on that employs open permit tracking and geographical data to capture public permitting information and offers that information at no cost. In cities like San Francisco, Alameda, and Palo Alto, users can retrieve permit information for virtually any location in their cities.

Why Relationships Matter

In addition to enhancing permitting processes, California must look to strengthen the relationship between government agencies and business owners. By reaching out to entrepreneurs, collecting feedback and implementing policies based on consumer needs, agencies across all levels of government can encourage owners to open their doors in California. Further, by actually demonstrating not only the processes but their results, California can work to change the widely held perception that the state is unresponsive to the needs of businesses and employers.

In an index produced by the CNBC cable TV channel last year, California ranked 48th in business friendliness and 47th overall in a ranking of states in which to do business. ¹¹ The rankings evaluated several criteria including the regulatory environment and business litigation. In this section, we examine programs in Oregon, Colorado, and Washington. These states all rank significantly higher than California in business friendliness (25th, 17th and 23rd, respectively), and can serve as examples for programs that have a positive impact on the business climate.

Efforts in other states

Oregon: Enterprise Leadership Team/Oregon Business Plan

In 2011, Oregon Gov. John Kitzhaber empaneled an Enterprise Leadership Team to help transform government at the agency level by providing a forum where department leaders can work together. The governor also established a Committee on Performance Excellence, bringing

^{11.} CNBC, 2013 America's Top States for Business, http://www.cnbc.com/id/100727942 (accessed May 25, 2014).

together a diverse group of thought leaders from the public and private sectors. Their goal is to develop ideas for improving processes with the aim of achieving better outcomes. ¹²

To generate citizen support for these efforts, Kitzhaber actively engages with business leaders through a unique organization called the Oregon Business Plan (OBP). The OBP is designed to drive consensus around a common long-term stakeholder vision for Oregon's economic future. This partnership creates private-sector foot soldiers who are motivated to work with state agencies to improve their relationships with business owners. The organization held its 11th annual summit in December with a focus on Oregon's tax code, infrastructure financing, and poverty reduction.

Colorado: Collaborative economic development plan

In 2011, Colorado Gov. John Hickenlooper released the "Colorado Blueprint: A Bottom-up Approach to Economic Development"—an economic development plan based on feedback from 13,000 interviews and surveys. The state has created regional councils, which are made up of members of the business community as well as state officials, to implement the plan. ¹³ It focuses on six key goals.

- Build a business-friendly environment
- Retain, grow, and recruit companies
- Increase access to capital
- Create and market a stronger Colorado brand
- Educate and train the workforce of the future
- Cultivate innovation and technology¹⁴

Washington: Official customer service standards

The city of Arlington, Wash., has published customer service standards for city employees. The document offers guidance on customer interactions related to:

- Telephone/voicemail
- Meetings and open houses
- Written correspondence
- In-person contacts with field personnel ¹⁵

^{12.} Oregon Department of Administrative Services, 2011 Committee on Performance Excellence http://www.oregon.gov/DAS/CFO/cpe/archive/cpe0810augustnotes approved.pdf (accessed May 25, 2014).

http://www.oregon.gov/DAS/CFO/cpe/archive/cpe0810augustnotes_approved.pdf (accessed May 25, 13. National Governors Association, 2013 Top Trends in State Economic Development

http://www.nga.org/files/live/sites/NGA/files/pdf/2013/1308TopTrendsinStateEconDevPaper.pdf (accessed May 19, 2014). 14. Colorado Office of Economic Development and International Trade, 2011 Colorado Blueprint

http://www.advancecolorado.com/sites/default/files/908_424_Colorado%20Blueprint_11_7_no_jump_8.5_0.pdf (accessed May 25, 2014).

^{15.} City of Arlington, WA, 2014 Customer Service Standards,

http://www.arlingtonwa.gov/Modules/ShowDocument.aspx?documentID=1245 (accessed May 12, 2014).

Noteworthy California projects

There are several efforts in California to create more business-friendly environments for potential entrepreneurs by promoting and implementing best practices.

Orange County: Red Tape to Red Carpet awards

A strong example of recognizing best practices in collaboration can be found in Orange County. The Orange County Business Council awards its annual Red Tape to Red Carpet honor to agencies that facilitate efficient processes encouraging business growth. In 2013, an award was given to the city of Orange for streamlining entitlements and introducing a citywide sales-tax-sharing program to encourage Volkswagen to open a dealership in the city. Other winners included Stanton for its Business Appreciation, Expansion and Retention Program, which works directly with businesses to navigate the regulatory process, and Fullerton for its strategy of cooperation with the Korean Trade Investment Promotional Agency of Los Angeles to market the city as a desirable location to do business.

Los Angeles County Economic Development Corp.

Every year, the Los Angeles Economic Development Corp. (LAEDC) hands out the Eddy Award to the most business-friendly cities in Los Angeles County. Two prizes are given each year, one to a city of under 50,000 residents and one to a city with a larger population.

2013 Winner: La Mirada¹⁶

An annual finalist since 2008, La Mirada's low-hassle permitting and high-quality customer service finally earned an Eddy in 2013. The city has developed a strategic plan with a strong economic development element, which guides city officials' priorities in regard to the challenges faced by the business community. The LAEDC lauded La Mirada for these examples of pro-business leadership:

- Business licenses completed online
- City Council and staff conduct business visits
- Shop Local program, encouraging B2B and rewards for residents
- Annual Business Forum
- Business recognition events including Spring Beautification Awards
- Real estate brokers breakfast where the city and brokers discuss the business and the real estate climate

2013 Winner/2006 Winner: Lancaster 17

The Eddy Award's first repeat winner, Lancaster has taken the initiative in developing local business. A program encouraging consumers to buy local helped the city survive the recession.

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^{16.} Los Angeles County Economic Development Corporation, 2013 Eddy Awards http://laedc.org/2013-eddy-awards-great-evening/ (accessed June 25, 2014).

^{17.} Ibid.

That along with expedited permitting and constant contact with local business leaders have contributed to Lancaster's success. Other factors cited by the LAEDC:

- Building permits and development fees discounted to spur development
- Same-Day business licenses
- Businesses evaluated on benefit they bring to the city
- Periodic Mayor's Business Roundtables with local stakeholders and business leaders to discuss and leverage opportunities to strengthen the community's economic future.
- Online permit processing
- Business surveys to gauge public sentiment

2013 Finalist/2006 Winner: El Segundo 18

Second only to San Francisco, El Segundo boasts the highest concentration of Fortune 500 companies in the state. This fact, coupled with the city's business-friendly policies, led the LAEDC to name El Segundo as the most business-friendly city in the county in 2006. The city has been consistently named as a finalist as recently as 2013. Factors cited in El Segundo's success are:

- Speedy permit and plan check process
- 24-hour average turnaround time for issuing business licenses
- Modest fee structures for low business, commercial utility users and
- Innovative business tax credit programs
- Implementation of customer service surveys
- Incorporation of an economic development strategy in the city's general plan

Fresno: Agency staff involvement and unified efforts to assist businesses

The city of Fresno is working to enhance interdepartmental procedures through staff surveys and reviews. The city has also implemented fee adjustments to ease the financial burden of starting a business and emphasized information technology improvements in city offices.

In addition, Fresno has created the Fresno4biz program, a unified effort by several public and private organizations to offer information and resources to businesses at no cost. The program's website acts as a roadmap for business owners to research a wide range of issues such as loan acquisition, educational opportunities, and marketing advice.

GO-Biz: Streamlining Superstars

Through its Streamlining Superstars program, GO-Biz identifies successful agency efforts around California that ease the burdens on business owners. By offering official recognition to agencies that endorse and exercise best practices in government streamlining, GO-Biz is creating a platform to enable these efforts to be promoted and replicated elsewhere in the state.

^{18.} Brian Simon, "Most Business Friendly City," El Segundo Herald, October 12, 2006 http://www.elsegundobusiness.com/PDFs/Herald 10 12 06.pdf (accessed June 25, 2014).

In March, GO-Biz recognized the California Department of Industrial Relations, Division of Labor Standards Enforcement, for creating an online system designed to expedite farm labor contractor licensing. Through that system as well as efforts by Labor Commissioner Julie A. Su, the agency reduced application processing times from 60 days in 2010 to 20 days in 2013.

GO-Biz also recognized the city of Anaheim last year for its online portal allowing businesses to submit plans to construct or improve structures. Since the project went live last year, customers have reported improvements in the permitting process and overall satisfaction with the idea of having a single point of contact rather than working with each agency separately. ¹⁹

Permitting in Los Angeles

Los Angeles Mayor Eric Garcetti has taken up the cause of streamlining permitting in Los Angeles, an effort that has seen progress ebb and flow in recent years. By ordering the consolidation of key functions of several city departments, including Building and Safety and the Planning Department, Garcetti hopes to speed approval for development projects and avoid conflicting interpretations of city codes. He's hoping to succeed where previous attempts have failed. Indeed, his effort takes a more targeted approach to the strategy employed by Antonio Villaraigosa, Garcetti's predecessor.²⁰

Conclusion

any hold the perception that California is an anti-business state, which has damaged its ability to recover from the recession. But, as we have outlined, there are many efforts underway to improve the overall business climate and draw more jobs to the state.

Further, we have outlined efforts in other states that state and local officials are adapting to fit California's unique needs. By implementing proven strategies pertaining to lean government (i.e. GO-Biz's Six Sigma projects), officials are better equipped to handle the onslaught of permit requests necessary for economic expansion.

To be clear, streamlining the permitting process is not an effort to diminish or reform actual regulations. Instead, permitting and regulatory administration are improved by focusing on areas in which public agencies can develop relatively low-cost measures by making use of technology, well-defined lines of authority, and more efficient approval processes.

It is essential that state and local officials not only recognize the need to make improvements, but effectively publicize the changes and how they work. As the number of agencies that can

^{19.} Governor's Office of Business and Economic Development, 2013 GO-Biz Recognizes the City of Anaheim, http://www.business.ca.gov/Home/StreamliningNews.aspx (accessed June 25, 2014).

^{20.} Howard Fine, "Mayor to Take Run at Speeding Permit Process," Los Angeles Business Journal, February 24, 2014 http://www.agd-landuse.com/documents/LABJ-Mayor-to-Take-Run-at-Speeding-Permit-Process-2-24-14.pdf (accessed June 25, 2014).

show improvements in their processes reaches a critical mass, they must demonstrate the economic benefits of such changes to employees as well as the public.

By examining programs already in place in California and other states, we can begin to formulate a broader strategy to stimulate business in the Golden State. Economic development goes hand in hand with government efficiency. As efforts to improve the latter gain traction, the former becomes much a more viable prospect. There is still work to be done, but it is encouraging to know that officials are aware of issues that hold back growth and are working to solve them.

About the Authors

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