



Legislation Details (With Text)

File #:	19-208	Version:	1	Name:	ADU Fee (SR)
Type:	Staff Report	Status:	Filed	In control:	City Council
On agenda:	5/6/2019	Final action:	5/6/2019		
Enactment date:		Enactment #:			
Title:	Staff Report for a Resolution of the City of San Leandro City Council to Amend Title 6, Chapter 4 and Title 8, Chapter 8 of the City of San Leandro Administrative Code to Create a New Park Facilities Development Impact Fee Category for Accessory Dwelling Units and to Modify the Definition of Special Unit				
Sponsors:	Keith Cooke				
Indexes:					
Code sections:					
Attachments:	1. Hausrath Economics Group Study Jan 2000				

Date	Ver.	Action By	Action	Result
5/6/2019	1	City Council	Received and Filed	

Staff Report for a Resolution of the City of San Leandro City Council to Amend Title 6, Chapter 4 and Title 8, Chapter 8 of the City of San Leandro Administrative Code to Create a New Park Facilities Development Impact Fee Category for Accessory Dwelling Units and to Modify the Definition of Special Unit

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council consider and approve the proposed resolution to amend the City of San Leandro Administrative Code to add a Park Facilities Development Impact Fee category for Accessory Dwelling Unit (ADU) and to modify the definition of Special Unit to exclude ADUs. ADUs are typically small residential units constructed on an existing residential parcel, often in the rear yard or as a second-story addition with a separate entrance.

BACKGROUND AND ANALYSIS

The Engineering and Transportation Department collects a Park Facilities Development Impact Fee (PFDI) when issuing permits for residential development projects within San Leandro. The fee was created to finance the purchase of land and the construction of park facilities in-lieu of land dedication as described in San Leandro Municipal Code Chapter (SLMC) 7-1, Article 8, "Dedications and Reservations. The PFDI fee is currently assessed at three different rates according to the following land use categories:

- Single-Family,
- Multi-Family, and
- Special Unit (defined as any dwelling unit that is neither Single-Family nor Multi-Family; also includes Secondary Dwelling Unit as well as Senior Housing)

ADUs have historically been benchmarked at the Special Unit fee rate since their size is typically equivalent to Secondary Dwelling and Senior Housing units.

In recent years, the California Legislature has been active in easing regulations to encourage the development of ADUs to address housing needs. Section 65852.2 of the California Government Code was amended by Senate Bill 1069 (Wieckowski), Assembly Bill 2299 (Bloom), and Assembly Bill 2406 (Thurmond) to streamline the permitting of ADUs by removing regulatory barriers. In response, the City enacted Ordinance 2017-003 to amend the Zoning Code to achieve the goals of the Housing Element and the corresponding Regional Housing Needs Allocation. As a result, the number of ADU applications in San Leandro has increased substantially.

In comparison to other impact fees assessed in San Leandro, the PFDI fee is the highest for residential development. Although fee amounts vary from case to case, the total fee burden for new ADUs in San Leandro have often been around \$15,000, with the PFDI fee comprising about half. Therefore, as the City seeks opportunities to support ADU development, while also ensuring that fees are assessed fairly and that revenues are sufficient to cover associated costs, it makes sense to evaluate the PFDI fee amount.

The PFDI fee methodology was developed by Hausrath Economics Group in January 2000, adopted by Resolution No. 2000-064, and amended by Resolution No. 2005-069. The methodology was based on several factors including the assumed occupancy of each type of dwelling unit and SLMC section 7-1-820 Standards and Formula for Dedication of Land. The assumed occupancy currently ranges from 2.76 occupants per Single Family dwelling unit to 1.24 occupants per Special Unit. If one assumes 1.00 occupant per dwelling unit for an ADU, the corresponding PFDI fee would reduce proportionately. The FY 19-20 PFDI fee would therefore reduce from \$8,508.00 per unit (Special Unit rate) to \$7,374.00 (proposed ADU rate), a reduction of more than 13%.

Other City departments have also re-evaluated their fees with respect to the development of ADUs. Although not part of this action, the Water Pollution Control Plant (WPCP) recommends a reduction of fees associated with residential connections to the City's sanitary sewer system to account for the lower flow of modern plumbing fixtures. Under the new fee structure intended to take effect on January 1, 2020, ADU sewer connection fees will fall from \$3,664.00 to \$3,270.00, a nearly 11% reduction. Additionally, the Community Development Department is considering a reduction or elimination of the Community Planning Fee for ADU's.

Combined, these efforts are intended to incentivize ADU development in the City, based on reasonable nexus analyses that maintain compliance with applicable regulations and City policies.

Current Agency Policies

- Advance projects and programs promoting sustainable economic development, including transforming San Leandro into a center for innovation.

Previous Actions

- Ordinance No. 2000-07 - “An Ordinance adding Chapter 13 to Title VII of the San Leandro Municipal Code relating to maps, building, and subdivisions, and establishing Park Development Impact Fees for Park Acquisition and Construction”.
- Ordinance No. 2000-08 - “An Ordinance amending Chapter 1 of Title VII of the City of San Leandro Municipal Code relating to maps, buildings, and subdivisions, and revising park land dedication requirements to more accurately reflect existing standards for developed park land”.
- Resolution No. 2000-064 - “Resolution Amending Title 6, Chapter 4 of the San Leandro Administrative Code related to fees and adopting a Park Facilities Development Impact Fee for future development within the City of San Leandro”.
- Resolution No. 2005-069 - “Resolution Amending Title 6, Chapter 4 of the San Leandro Administrative Code related to fees and adopting a Park Facilities Development Impact Fee for future development within the City of San Leandro”.
- Ordinance No. 2017-003 - “Ordinance Amending San Leandro Zoning code Article 5, Section 2-576, “Secondary Dwelling Units”, and Related Conforming Amendments to Respond to New State of California Mandates for Accessory Dwelling Units.

Applicable General Plan Policies

- Policy LU-3.1 - Mix of Unit Types. Encourage a mix of residential development types in the city, including single-family homes on a variety of lot sizes, as well as townhomes, row houses, live-work units, planned unit developments, garden apartments and medium to high-density multi-family housing.
- Policy LU-4.2 - Fair Share Contributions. Require new residential development to pay its fair share of the cost of capital improvements needed to serve that development.
- Action LU-4.2A: Impact Fee Revisions - Review the City’s impact fees on a periodic basis and revise them as needed in response to changing costs.

Legal Analysis

The Resolution and Staff Report to amend Title 6, Chapter 4, and Title 8, Chapter 8, of the City of San Leandro Administrative Code were drafted by the Engineering and Transportation Department, and approved as to form by the City Attorney.

Fiscal Impacts

The reduction in the PFDI Fee for a proposed ADU land use category will result in a reduction of the Fee from \$8,508.00 per unit to \$7,374.00. It is expected that this reduction will result in approximately \$50,000 less revenue generated annually for park acquisition and facilities.

Attachment to Staff Report

- Hausrath Economics Groups, City of San Leandro Park Impact Fee Study, January 2000

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