



# Memorandum

**TO: THE HONORABLE MAYOR AND  
CITY COUNCIL**

**FROM:** Sara L. Hensley  
Leslye Krutko  
Joseph Horwedel

**SUBJECT: PARK IMPACT FEE SUSPENSION  
FOR SECONDARY UNITS**

**DATE:** February 24, 2006

Approved

Date

3/1/06

Council District: All  
SNI: All

## RECOMMENDATION

It is recommended that the City Council approve an ordinance suspending the collection of Park Impact fees required by Chapter 14.25 of the San Jose Municipal Code for secondary units permitted under the current one-year Second Unit Pilot Program, to be effective retroactive to January 1, 2006, the date the pilot program commenced, and to expire on December 31, 2006 or upon the issuance of 100 second unit permits, whichever occurs first, consistent with the terms of the Second Unit Pilot Program Ordinance, unless Council by further action amends or extends the proposed ordinance.

## BACKGROUND

In November 2005, the City Council approved a pilot program allowing the limited development of secondary residential units. Under the pilot program, secondary units are ancillary to the primary unit and located on the same parcel. Secondary units are allowed only in the R-1 Zoning District or Planned Development (PD) Zoning District that are subject to the standards of the R-1 Zoning District. The pilot program describes the parameters for approval of a secondary unit. The secondary unit pilot program allows for either the development of up to 100 new units or the termination of the program on December 31, 2006, whichever comes first.

On January 9, 2006, the City first began accepting appointments and applications for the development of secondary units. One of the first concerns to arise in this process is the applicability of Park Impact Fees. Park Impact Fees are levied at the time of Building Permit issuance for the construction of new homes and under the City's existing Municipal Code the Park Impact Fees do apply to secondary units.

In the approval of the pilot program, there was not a thorough discussion of fees that would apply to secondary units. The intent of the Administration, however, was to ensure that fees were reasonable and that they wouldn't discourage participation in the pilot program. The Administration did not intend for the Park Impact Fees to apply in order to keep the costs in

balance with the type of housing we were proposing to allow. Secondary units are different than most other types of developments currently allowed in San José. Second units under the pilot program are unique not only because of their small size, but also because they are built individually and not as larger development like a Single Room Occupancy (SRO) project, single-family home or duplex. Even when comparing secondary units to a similarly sized unit like a SRO, which is assessed a Park Impact Fee, there is a significant difference in their scope and density. An SRO development can consist of a 50 – 100 units in a complex whereas a secondary unit is a stand alone development on a single lot, representing a very different impact on a neighborhood.

**ANALYSIS**

Park Impact Fees are assessed when new housing is constructed throughout the City of San José. These fees are assessed for the construction of single-family homes, duplexes, and multi-family housing. Currently, units affordable to low-income households are exempt from paying Park Impact Fees.

The Park Impact Fee for a new residential unit is established by the City Council. It is based on a formula derived from State law (the Quimby Act), and is calculated differently depending upon the number of units in the development, the persons per household (which is based on U.S. Census data for the number of persons per dwelling type), and location of the development. Currently, the fees range from \$3,950 to \$13,250 per unit.

The cost of developing a secondary unit can vary greatly, depending on the choice of materials and amenities. Roughly, construction costs are estimated between \$76,000 to \$100,000. In addition to the construction cost, the following table provides an estimate of the fees and taxes that are being assessed for a 600 sq. ft. detached secondary unit. The figure below of \$4,851.55 does not include the Park Impact Fee, which is assessed in addition to this amount.

<u>Type of Fee</u>	<u>Cost based on a 600 Sq. Ft. Detached Unit</u>
Planning Second Unit Clearance	\$ 250.00
General Plan Update	\$ 13.00
Building Permit	\$ 522.90
Electrical Permit	\$ 174.30
Mechanical Permit	\$ 171.86
Building Plan Check	\$ 697.00
Plumbing Permit	\$ 174.30
Record Retention	\$ 104.34
Building Permit Processing	\$ 27.50
Plumbing Permit Processing	\$ 27.50
Mechanical Permit Processing	\$ 27.50
Electrical Permit Processing	\$ 27.50
CDDD (Construction Demolition and Diversion Deposit)	\$ 696.00
Building & Structure Tax	\$ 623.70
Construction Tax	\$ 150.00
CRMP (Commercial Residential Mobile Home Park) Tax	\$ 980.10
Residential Construction Tax	\$ 180.00
SMIPA (Strong Motion Instrumentation Program Assessment)	<u>\$ 4.05</u>
	\$ 4,851.55

The Administration is concerned that assessing the Park Impact Fees on secondary units, in addition to the other fees and taxes, will have the effect of discouraging participation in the pilot secondary unit program. For one, the secondary unit, when compared to single-family home, duplex, or multifamily development, is very different with considerably less density than those currently being assessed the fee. Secondly, typical secondary units developed in other parts of the State are considered subordinate to the existing single-family residences and provide affordable housing options for elderly family members, caregivers, or low-income tenants. San Jose's pilot program seeks to provide a similar affordable housing option. Therefore, a suspension of the fee for the duration of the pilot is intended to facilitate more participation in the program and allow for a more complete evaluation of any secondary unit impacts at the end of the pilot program.

As of the date of this memorandum, there are six applications pending in the Department of Planning, Building and Code Enforcement, with one building permit issued. There are currently three applications that have expressed disapproval with the Parks Impact Fee requirement and have placed their applications on hold (pending resolution of this issue). One of the applications currently pending was assessed a Park Impact Fee of \$11,000. The proposed ordinance will make the fee suspension retroactive to the start of the program, so that the property owner with an issued permit receives the same treatment as other property owners in the pilot program under the proposed ordinance.

**PUBLIC OUTREACH**

Staff is planning on receiving input on this proposal from the Parks Commission at their March 1, 2006 meeting. This meeting would take place between the first and second reading of the proposed fee suspension ordinance. City staff will also be discussing the issue with the Housing Advisory Commission on March 9, 2006.

**COORDINATION**

The development of this memorandum was coordinated with the City Attorney's Office.

  
SARA L. HENSLEY  
Director of Parks, Recreation  
and Neighborhood Services

  
LESLYE KRUTKO  
Director of Housing

  
JOSEPH HORWEDEL  
Acting Director of Planning,  
Building, and Code Enforcement