

CITY OF YUBA CITY
STAFF REPORT

Date: June 18, 2018
To: Honorable Mayor & Members of the City Council
From: Development Services Department
Presentation By: Darin Gale, Interim Development Services Director

Summary:

Subject: Accessory Dwelling Unit fees (ADUs)

Recommendation: Adopt a Resolution waiving all City collected development impact fees for new ADUs.

Fiscal Impact: There will be a loss of development impact fees that would otherwise be collected from new Accessory Dwelling Units. These fees include City Development Impact Fees (\$19,586.37) and the Sutter County Development Impact Fees (\$2,577) totaling \$22,163.37 per ADU.

Purpose:

In order to facilitate the construction of additional affordable housing in the City, this proposal would waive development impact fees for ADU's. New ADUs providing affordable housing with minimal impact on the City's existing infrastructure.

Background:

In compliance with Section 66000 et. seq. of the Government Code the City has collected development impact fees to fund the expansion of infrastructure needed to accommodate new growth. The City has collected these impact fees since 1990. In 2004, the City adopted a general plan that provided for the City's long-term expansion. The general plan established uses and development densities which would guide the growth of the City to over 130,000 residences with additional commercial and industrial development. Development impact fees have been and continue to be utilized to pay for new development's incremental increase (fair share) in the use of City roads, parks, law enforcement, fire department buildings and equipment, libraries, etc. By law, the fees can only be utilized for expansion of infrastructure facilities or additional equipment. The fees cannot be utilized for salaries or ongoing maintenance.

In order to encourage growth, over the years the City has often collected less than 100 percent of the needed impact fees. For example, commercial and industrial fees have been reduced to encourage new job growth. Over time this deficit has caused the City to struggle to maintain its levels of service as other sources of funding have not been adequate to offset the losses in development impact fees. However, the concern today is that the development impact fees are too expensive, causing new residential construction to be too cost prohibitive; specifically, in this case, new ADU construction. Development impact fees paid by new ADU's is a significant portion

of the cost of constructing the units, but a very, very small part of the overall development impact fee program.

Original discussions on this matter also included waiving water and waste water connection fees. However, the City has not in the past been charging those fees, provided the ADU utilizes the existing single-family residence connection. As a result, water and waste water connection fees are not an issue.

Previous Commission/Council Action:

The most recent fee increase took effect in January 1, 2019 to reflect inflationary cost increases. On March 5, 2019 the Council authorized a contract for an update to the City’s travel demand model that is utilized to determine street capacity needs and expansions. This study will be utilized to determine future road development impact fees.

Project Analysis:

What is an Accessory Dwelling Unit, or “Second Residence” as referenced in local Zoning Regulations?

Second residences are permitted by Section 8-5.5001(f) of the City’s Zoning Regulations but are now referred to as Accessory Dwelling Units (ADUs) in State Law. Since the City’s ordinance has not been updated to reflect the more recent changes in State law, the State law supersedes the City code. Based on California law, any lot in the City that is within a Single-Family Residential Zone District or a Multiple-Family Zone District, is permitted to have an ADU in addition to the primary residence.

State law permits ADUs to be attached or detached from the primary residence. It also allows conversion of portions of a residence to an ADU. There are also maximum sizes for ADUs. They cannot exceed 1200 square feet, or, if they are attached to the primary residence, they cannot be in excess of 50% of the size of the primary residence. The law also generally exempts ADUs from meeting parking standards. ADUs are also generally exempted from water and waste water connection fees.

How much are the development impact fees?

The City’s adopted development impact fees do not contain a separate category for ADUs (called second residences in Yuba City’s code). The closest category utilized to assess fees for ADU’s are those that apply to multiple-family residences. The development impact fees for individual multi-family residential units are:

SECOND RESIDENCE DEVELOPMENT IMPACT FEES.¹		
CITY SERVICE	IMPACT FEE (Effective Jan 1, 2019)	Percent of Total (for City fees)
Parks and Recreation	\$5,349.48	28.06
Animal Control	\$84.44	.44
Fire Protection	\$1,181.37	6.2
Library Services	\$792.43	4.2

Police Protection	\$1,039.60	5.45
Roads	\$6,367.27	33.403
Civic Center	\$448.31	2.35
Corporation Yard	\$706.40	3.71
Flood Protection Fee	\$2,711.61	14.23
Administration	\$381.24	2.0
City Sub-Total	\$19,062.16	100%
SUTTER COUNTY		
County General Government	\$830	
Courts and Criminal Justice	\$787	
Health & Social Services	\$960	
County Sub-Total	\$2,577	
Total	\$22,163.37	

¹This does not include school impacts fees.

As shown in the chart above, 75 percent of City development impact fees goes towards the most basic infrastructure needs - streets, flood protection and parks. Just over 11 percent of development impact fees go to Sutter County.

What would the financial impact be on local government if the ADU fee is eliminated?

The fee loss per new second residence is \$22,163. If it is assumed that an average of three new second residences are constructed in the City annually, this would translate to an annual loss of \$66,490 per annum. If the trend was consistent over a 10-year period, the loss in fees dedicated to new infrastructure would be \$664,901.

What are the real impacts on the City if the fees are eliminated?

A significant factor discouraging the construction of new second residences is the \$22,000+ in fees charged for new ADUs.

In reviewing this issue, ADUs do not create the same impacts as a new single-family residence or multiple-family residential unit. Development impact fees in Yuba City are charged per residence, regardless of the size of the home; a three-bedroom home pays the same as a five-bedroom home.

Since regulations limit the size of an ADU, an argument similar to that made above development impact fees in that the impact of an ADU versus a standard residence is not significantly different than comparing the impacts of a large family versus a smaller family. While we do not have a study to confirm it, practically, many ADUs are occupied by senior

citizens or a single moderate to low income individuals. Under normal conditions it would seem atypical to have a large family utilize a second residence.

City Council policy towards new housing:

The Council has been consistently supportive of providing a diversity of housing types within its jurisdiction including “affordable housing.” The City’s adopted Housing Element, an element of the General Plan, contains numerous policies and programs supporting affordable housing. The City Council, along with the Sutter County Board of Supervisors, have also supported feasible methods to address our community’s homeless issues. The most recent City Council action supporting affordable housing is the approval of the Housing Authority’s entitlement request, as well as providing some financial support, to construct New Haven Court, a 40-room publicly owned apartment facility for homeless and mentally disabled individuals, to be located on Housing Authority property on Garden Highway.

The City Council also recently approved the preparation and distribution of a document titled *Future Foundations – Residential Building Guide* to housing developers. This document provides housing developers with information about City of Yuba City policies, infrastructure availability, land availability, and financing methods in order to encourage more housing construction within the City.

Future ADU impact fees?

State law allows a city or county to charge development impact fees for new ADUs. This is because every new resident inevitably creates some impact, small as it may be. However, that fee must be based, like all other development fees, on a nexus study which demonstrates the connection between new development and new infrastructure, services, and amenities. When the fees are updated with a new study, the Council can determine whether to include a fee for ADUs in that study. This means if the Council would like to waive the fees now, it can add the fees back in the future if it wants to.

Recommendation:

Adopt the Resolution waiving Accessory Dwelling Units from all City collected development impact fees.

Fiscal Impact:

There will be a loss of development impact fees that would otherwise be collected from new Accessory Dwelling Units. These fees include City Development Impact Fees (\$19,586.37) and the Sutter County Development Impact Fees (\$2,577) totaling \$22,163.37 per ADU.

Alternative:

Continue to collect development impact fees for each new ADU.

Attachments:

Resolution

Prepared by:

/s/ Vicrim Chima

Vicrim Chima
Planning Manager

Submitted by:

/s/ Diana Langley

Diana Langley
Interim City Manager

Reviewed By:

Finance

City Attorney

DG

SLC by email

ATTACHMENT 1

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
CONFIRMING NO CONNECTION OR CAPACITY CHARGES, OR DEVELOPMENT
IMPACT FEES, FOR ACCESSORY DWELLING UNITS CREATED THROUGH THE
CONVERSION OF EXISTING RESIDENTIAL FLOOR AREA, ADDITION TO THE
PRIMARY DWELLING, OR AS A DETACHED UNIT CONSTRUCTED IN SINGLE
FAMILY AND MULTIFAMILY ZONES**

WHEREAS, the California legislature found and declared that, among other things, allowing accessory dwelling units (ADUs) in single family and multifamily zones provides additional rental housing and are an essential component in addressing housing needs in California; and

WHEREAS, due to the Camp Fire and other factors, the City is suffering from a critical shortage of available housing; and

WHEREAS, ADUs serve an important role in providing shelter and more quickly increasing available housing stock; and

WHEREAS, there are a variety of ADUs the City generally refers to as follows:

- Junior ADUs (no more than 500 square feet in size and contained entirely within an existing single-family structure);
- Existing or new addition ADUs (typically over 500 square feet and either repurposing, or adding to, an existing space of a single-family residence or accessory structure (such as a detached garage), and connecting to the existing utility connections); and
- New detached ADUs (entirely new construction, with separate utility connections from the primary residence).

;and

WHEREAS, certain types of new residential development would typically be subject to connection fees and development impact fees; and

WHEREAS, the City Council desires to clarify that ADUs within an existing space of a single-family residences or accessory structure are not currently considered new residential uses for the purpose of calculating utility connection fees or capacity charges, including water and sewer service; and

WHEREAS, the City further desires to extend this consideration to all other qualified ADUs, blue such that they would also not be considered new residential uses for the purpose of calculating utility connection fees or capacity charges, including water and sewer service; and

WHEREAS, as such, new detached ADUs will also not be subject to connection fees unless existing services are inadequate to serve the ADU; in which case the City may charge the reasonable cost of providing utility services for said ADU; and

WHEREAS, the City Council also desires to clarify that if a residential development fee has already paid development impact fees, subsequent development of any type of ADU would not be required to pay said fees.

NOW, THEREFORE, be it resolved by the City Council of Yuba City as follows:

1. The City Council finds that waiver of connection fees, capacity charges, or development fees for ADUs serves a public purpose, and is a reasonable measure to increase available housing stock in Yuba City. California's housing production is not keeping pace with demand. In the last decade, less than half of the housing needed by state residents was built. This lack of housing impacts affordability with average housing costs in California exceeding the rest of the nation. Demand is even more acute in Yuba City, as limited housing stock has been further depleted to provide shelter for displaced families and individuals from the Camp Fire which almost entirely burned the nearby community of Paradise. ADU's serve as a low impact, affordable alternative to address the housing supply in Yuba City. Due to their size and location on existing residential sites, ADUs can provide more readily available housing that is generally quicker to build and less expensive. ADUs give homeowners the flexibility to share independent living areas with family members and others, allowing seniors to age in place as they require more care and helping extended families be near one another while maintaining privacy. Reduced regulations and the cost to build an ADU make it a very feasible affordable housing option. As connection fees, capacity charges, or development fees can increase the cost of construction, and thereby either discourage development or construction of ADUs, waiver of these fees will promote available housing stock in Yuba City in a timely and efficient manner.

2. The City Council affirms and directs that the City is not to charge new utility connection fees or capacity charges for all types of constructed in single family and multifamily zones.

3. The City Council affirms and directs that if a residential development has already paid development impact fees, subsequent development of an ADU in an existing structure on a residentially-zoned property would not be required to pay said fees.

4. Nothing in this Resolution shall authorize construction of an ADU inconsistent with local, State or federal law.

5. This Resolution shall immediately take effect upon passage.

The foregoing resolution was duly and regularly introduced, passed, and adopted by the City Council of the City of Yuba City at a regular meeting thereof held on the 18th day of June 2019.

AYES:

NOES:

ABSENT:

ATTEST

Shon Harris, Mayor

Patricia Buckland, City Clerk

APPROVED AS TO FORM
COUNSEL FOR YUBA CITY:

Shannon Chaffin, City Attorney
Aleshire & Wynder, LLP