

# Exhibit A: Accessory Dwelling Unit Development Impact Fee Methodology

Vacaville Community Development Department - December 23, 2019

## **PURPOSE**

This purpose of this study is to explain the City's methodology for assessing development impact fees to accessory dwelling units in compliance with California SB 13, Wieckowski, passed in 2019.

## **STATE LEGISLATIVE BACKGROUND**

Cities are allowed to charge and collect development impact fees under the Mitigation Fee Act (Government Code 66000, et seq.). Development impact fees are designed so that new development pays a proportionate share for infrastructure and facilities required to serve that development.

When establishing a development impact fee, cities must demonstrate a reasonable relationship between the amount of the fee and the cost of public facility or portion of public facility attributable to the development on which the fee is imposed (Government Code 66001(a)(4)(b)).

The State of California mandates that cities allow accessory dwelling units (ADUs) in certain areas. Cities are allowed to charge development impact fees to mitigate the impacts ADUs place on City infrastructure and facilities. SB 13 passed by the 2019 Legislature modified requirements and added restrictions on how cities can charge impact fees for ADUs. Under that bill Government Code (f)(3) was amended to read:

*65852.2. (3) (A) A local agency, special district, or water corporation shall not impose any impact fee upon the development of an accessory dwelling unit less than 750 square feet. Any impact fees charged for an accessory dwelling unit of 750 square feet or more shall be charged proportionately in relation to the square footage of the primary dwelling unit.*

*(B) For purposes of this paragraph, "impact fee" has the same meaning as the term "fee" is defined in subdivision (b) of Section 66000, except that it also includes fees specified in Section 66477. "Impact fee" does not include any connection fee or capacity charge charged by a local agency, special district, or water corporation.*

Thus, while cities may charge impact fees for creation of ADUs, they must do three main things:

- (1) Exempt accessory dwelling units under 750 square feet floor area from the impact fee.
- (2) Establish a reasonable nexus between the fee charged and the impact caused by the ADU.
- (3) Demonstrate how the fee is proportional to the floor area of the primary dwelling unit.

It is unclear what the purpose is for this new third requirement. Cities will need to use caution in creating impact fees that comply with this third requirement without violating the second.

## **CITY LEGISLATIVE BACKGROUND**

The City of Vacaville allows ADUs in various zones. The City is currently updating its ADU ordinances to conform to changes in state ADU law adopted in 2019.

The City of Vacaville charges development impact fees for the following infrastructure and services:

- Water
- Sewer
- Parks and Recreation
- Greenbelt Preservation
- General City Facilities
- Police
- Fire
- Traffic
- Drainage

On May 13, 2008, the City of Vacaville City Council adopted Resolution 2008-52 to establish a methodology for charging impact fees for ADUs. At that time ADUs were limited to studio or one bedroom units with the owner living on site. The resolution determined that development impact fees for detached ADUs be set at the same rate as senior multi-family residential units and determining that this rate was proportional to the impacts such units place on the public infrastructure.

In 2017, the State adopted limits on “connection fees” that cities can charge for ADUs. The laws were vague as to whether “connection fees” included development impact fees. As a precautionary measure, the City of Vacaville City Council adopted Resolution 2017-126 on December 12, 2017. That resolution modified the methodology for charging impact fees for ADUs to comply with the state law changes on the assumption that “connection fees” included impact fees. SB 13 adopted in 2019 clarified that “connection fees” do not include development impact fees, so the changes made by Resolution 2017-126 may be reversed.

For residential uses, the methodologies for determining these fees typically are based on an estimate of the population housed in the residential use. Many fees are assessed using an equivalent dwelling unit (EDU) methodology. With this method, the City determines the cost of providing facilities to serve one typical single family dwelling unit. Other residential uses are then assessed estimated in relation to a single family dwelling unit. For example for Park and Recreation Fees, one multi-family dwelling unit is estimated to be about 0.7 EDU, based on an estimate that multi-family units generally have about 70 percent of the occupants that a single family dwelling unit would have.

## **DETERMING PROPORTIONATE SHARE DIFS FOR ADUS**

One possible method for determining the DIF fees for ADUs would be to consider the total expected population housed in the combined primary dwelling and the ADU. For example, a 2,500 square foot home with an 800 square foot ADU would likely have more total occupants than a 1,600 square foot home with the same 800 square foot ADU. More total occupants

would result in greater burdens on the infrastructure and thus justify a higher DIF. Until the State gives more guidance, this appears to be a method that complies as best as possible with the existing nexus law and the new proportionality law.

An estimate of the average number of occupants by floor area is found in *Impact Fees and Housing Affordability: A Guidebook for Practitioners*, prepared for the U.S. Department of Housing and Urban Development (2008). While this is a national study based on 2003 data, it should be a fair representation of occupancy rates of Vacaville.

**TABLE 4-3. OCCUPANCY BY UNIT SIZE BASED ON UNIT TYPE FOR ALL UNITS**

Unit Type	Square Foot Range	Persons Per Unit	Change in Persons Per 1,000 Square Feet	Percent Change in Persons Per 1,000 Square Feet
Detached	<500	2.01		
	500-1,000	2.15	0.14	7.0%
	1,000-1,500	2.44	0.29	13.5%
	1,500-2,000	2.60	0.16	6.6%
	2,000-2,500	2.77	0.17	6.5%
	2,500-3,000	2.86	0.09	3.2%
	3,000-3,500	2.94	0.08	2.8%
Attached	3,500+	3.02	0.08	2.7%
	<500	1.36		
	500-1,000	1.61	0.25	18.4%
	1,000-1,500	1.95	0.34	21.1%
	1,500-2,000	2.20	0.25	12.8%
	2,000-2,500	2.21	0.01	0.5%
	2,500+	2.29	0.08	3.6%

Source: Weighted-unit analysis of *American Housing Survey for the United States in 2003*, based on number of non-seasonal occupants per unit by unit type and size, including vacant units.

The median size for a single family detached dwelling constructed in Vacaville between 2000 and 2019 fell in the 2,000 – 2,500 square foot cohort. In Vacaville, the average household size for single-family dwellings in 2.79, which very close to the 2,000-2,500 square foot rate of 2.77 persons per unit shown above. Therefore, a primary dwelling unit in the 2,000 – 2,500 square foot range can be assumed to be one EDU with an average of 2.77 persons per unit.

All ADUs that would be subject to payment of DIF would be in the 750 – 1,200 square foot range. Smaller ADU are exempt from paying DIFs per state law, and larger ADUs are not allowed by City law. Using the lower “attached” rates above, the number of occupants in these sized ADUs can be estimated by the average of the 500 – 1,000 square foot and the 1,000 – 1,500 square foot cohorts above. This results in an average occupancy of 1.78 persons per ADU.

Using this occupancy, the estimated average total number of occupants of both the primary dwelling and the ADU by floor area range is shown in Table 1 below. The table also calculates the resulting equivalent dwelling units for the new EDU, assuming 2.77 persons per dwelling is 1.0 EDU.

Table 1: Calculation of EDU factors for new accessory dwelling units

Floor area range (square feet)	Persons Per Unit - Primary	Persons Per Unit - ADU	Total Occupants	Total EDUs	EDU per new ADU
<500	2.01	1.78	3.79	1.4	0.4
500-999	2.15	1.78	3.93	1.4	0.4
1,000-1,499	2.44	1.78	4.22	1.5	0.5
1,500-1,999	2.60	1.78	4.38	1.6	0.6
2,000-2,499	2.77	1.78	4.55	1.6	0.6
2,500-2,999	2.86	1.78	4.64	1.7	0.7
3,000-3,499	2.94	1.78	4.72	1.7	0.7
3,500+	3.02	1.78	4.80	1.7	0.7

This results in a general policy as follows:

For accessory dwelling units 750 square feet or larger, development impacts fees shall calculated based on the floor area of the primary dwelling unit and as a percentage of the impact fees for a typical new single family detached dwelling unit per the table below.

Table 2: General development impact fees for ADUs

Primary dwelling floor area (square feet)	Percent of Single Family Rate
< 1,000	40%
1,000 - 1,499	50%
1,500 - 2,499	60%
2500 +	70%

This general policy works for most impact fees. Some adjustments based on particular impact fees are as follows:

**Sewer impact fees**

The City currently charges sewer impact fees on a per bedroom basis as follows:

- 1 bedroom – 0.6 EDU
- 2 bedroom – 0.8 EDU
- 3 bedroom - 1.0 EDU
- 4+ bedrooms – 1.2 EDU

An argument could be made that for a 4+ bedroom primary dwelling unit, the owner already paid 0.2 EDUs worth of DIF above a typical single family home and thus should have a 0.2 EDU credit for the ADU. To test whether this is the case, this study examined the typical number of bedrooms for dwelling of various floor areas and using online real estate listings<sup>1</sup>. It then calculated what those units typically would have paid in sewer EDUs for that number of

<sup>1</sup> Zillow.com listings for Vacaville, CA as of 12-23-2019.

bedrooms. Then it added the EDU for a typical ADU (1.78 persons/dwelling unit for an ADU / 2.77 persons per dwelling unit for a typical single family dwelling = 0.64 EDU). Adding these together shows what could be charged for ADUs. See Table 3 below.

Table 3: Calculation of Sewer DIF for ADUs

Primary dwelling floor area (square feet)	Typical # of Bedrooms	Assumed EDU	EDU for ADU	Total EDUs	EDU per new ADU	Standard Methodology
500-999	2.0	0.80	0.64	1.44	0.44	0.40
1,000-1,499	3.0	1.00	0.64	1.64	0.64	0.60
1,500-1,999	3.5	1.10	0.64	1.74	0.74	0.60
2,000-2,499	4.0	1.20	0.64	1.84	0.84	0.60
2,500-2,999	4.0	1.20	0.64	1.84	0.84	0.70
3,000-3,499	4.0	1.20	0.64	1.84	0.84	0.70
3,500+	4.0	1.20	0.64	1.84	0.84	0.70

The net result is that in all cases sewer impact fees would be higher for ADUs using this methodology. For simplicity sake, it is recommended that the standard policy be used for sewer, which results in a slightly lower DIF.

### Water impact fees

The City currently charges DIF based on meter size. The fee for a ¾” meter and 1” is the same. City policy does not allow a separate meter for an ADU. In most cases, a standard ¾” meter is sufficient to serve both the primary dwelling and the ADU. Even if this were increased to a 1” meter, the DIF is the same. In rare cases creating ADUs would require upsizing the meter to a 1 ½” meter, requiring an additional impact fee. It is recommended that in these rare cases that the impact fee be charged to the primary dwelling unit and not the ADU.

### Drainage impact fees

Unlike other fees, drainage impact fees are based on lot coverage and not population served. Lot coverage is currently estimated based on number of dwelling units.

ADUs are currently exempt from paying drainage DIFs. This is based on the fact that many ADUs are created from or in the same location as existing structures, so no additional lot coverage warranting DIF is created. The City could justify imposing a small drainage DIF on new ADUs that add impervious surface, particularly those that exceed site coverage maximums.

Ultimately, drainage impact fees should be charged based on impervious surface and not a per unit basis. The City is currently updating its AB1600 impact fee study and may adopt an impervious surface based DIF. It is recommended that at that time the City consider charging ADUs the same amount it would charge for adding a garage or building addition. Until then, it is recommended that the existing exemption remain in place.