



CITY OF FORT BRAGG

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COUNCIL COMMITTEE ITEM SUMMARY REPORT

MEETING DATE: February 1, 2017

TO: Finance & Administration Committee

FROM: Linda Ruffing, City Manager
Tom Varga, Public Works Director
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AGENDA ITEM TITLE: **Receive Report and Make Recommendation to City Council Regarding Water and Sewer Capacity Charges/Connection Fees in Response to New State Laws for Accessory Dwelling Units**

ISSUE:

On August 30, 2016, the California State Legislature passed SB 1069 which became effective January 1, 2017. The legislation renames second residential units as Accessory Dwelling Units (ADUs) and limits the types of restrictions cities and other local agencies may impose on them. The intent of the legislation is to make it easier for residential property owners to add ADUs to their lots thereby increasing the rental housing supply throughout the state.

An ADU is a dwelling unit that is located on a residentially-zoned parcel in addition to one existing single-family dwelling. An ADU is defined in the City's Land Use and Development Code as follows:

“Accessory dwelling unit” means an attached or a detached residential dwelling unit which provides complete independent living facilities for one or more persons. It shall include permanent provisions for living, sleeping, eating, cooking, and sanitation on the same parcel as the single-family dwelling is situated.

According to SB 1069, an ADU is not intended for sale separate from the primary residence; and it may be rented. It can be: 1) established within an existing primary dwelling unit or accessory structure; 2) attached to a primary dwelling unit; 3) one of the units of a duplex; or 4) a detached unit. An ADU may also be an efficiency unit (Section 17958.1 of Health and Safety Code) or a manufactured home (Section 18007 of the Health and Safety Code). An ADU must have independent exterior access from the existing residence. Furthermore, an ADU shall be exempted from the calculation of the maximum allowable density for the lot on which it is located, and shall be deemed to be a residential use that is consistent with the existing general plan and zoning designation for the lot. It should be noted that there can only be one ADU on a

parcel. If subsequent units are permitted due to zoning restrictions, those units would be addressed through the normal fee structure.

SB 1069 restricts a local agency's ability to impose requirements on ADUs. With regard to water and sewer connections—

- A local agency may not require a separate utility connection between an ADU and a water or sewer main in the street if the ADU is located within an existing residential unit or accessory structure. However, a property owner may choose to install a separate utility connection, in which case a connection fee would be charged.
- For ADUs that involve an addition to an existing structure or a new structure (i.e., not located within an existing structure), the local agency may require a separate utility connection and may charge a connection fee.
- The City's water and sewer connection fees are based on the actual cost of providing service and are consistent with SB 1069.
- With regard to water and sewer capacity fees, a local agency may not charge a capacity fee for an ADU that is located within an existing dwelling or accessory structure.
- Water and sewer capacity fees may be charged for an ADU that involves an addition to an existing structure or a new structure. In this case, the fee must be proportional to the impact of the ADU.

SB 1069 requires that capacity fees for ADUs proportionally account for the lesser impact of an ADU on services based on the size of the ADU or the number of plumbing fixtures. The logic is that, for example, a 700 square foot ADU with one bathroom should be charged proportionately less than a 2,000 square foot home with three bathrooms. The intent of the legislation is that fees for ADUs should be significantly less and should account for the lesser impact that ADUs have on the City's water and sewer infrastructure.

SUMMARY:

The City Council will need to make a number of policy decisions regarding water and sewer connection for ADUs, as follows:

1. **Under what circumstances should the City require a separate utility connection for an ADU that is an addition to an existing structure or a new structure?** Staff recommends that the City continue its existing policy of requiring separate utility connections for ADUs whenever legally permissible. This policy was established in acknowledgement that ADUs are typically rented as separate dwelling units. For utility billing purposes, it is preferable for each unit to receive its own bill. That way each party is responsible for paying their own bill thus avoiding the conflict that arises when one party doesn't pay their bill resulting in the water being shut off for both units.
2. **Should the City charge a capacity fee for an ADU that involves an addition to an existing structure or a new structure?** This is a policy call. Capacity fees are charged for new users to "buy into" the existing utility infrastructure that has been funded by past rate-payers. The argument for charging a capacity fee is financial- capacity fees are an important source of revenue for improvements to the City's water and wastewater infrastructure. The argument against charging a capacity fee is that the goal is to encourage ADUs as a way of increasing low-cost rental housing and, increased fees make projects less feasible and/or result in the need for higher rents.
3. **In circumstances where a capacity fee is charged, how should that fee amount be established?** Staff recommends that the capacity fee be charged on a per square foot

basis as this is the fairest and easiest way to proportionally ascribe cost. The average residential home in Fort Bragg is about 1,200 square feet and, therefore, the new ADU capacity fee could be based on the following equation:

ADU Capacity Fee = Single Family Residential Capacity Fee X (ADU SF/1,200 SF)

Staff does not recommend charging capacity fees on the basis of the number of plumbing fixtures, as some people would minimize the number of plumbing fixtures in their new ADU applications, and come back later to add a bathroom or two. This would result in extra and unneeded tracking. Plus, we do not have a rational basis to determine the incremental cost of a half bath, a bath, a hot tub, a wet bar, etc..

RECOMMENDATION:

Forward a recommendation to the City Council to adopt the proposed revisions to the Fee Schedule.

ATTACHMENTS:

1. 2017 Fee Schedule - "Water Capacity Charge & Connection Fees"
2. 2017 Fee Schedule - "Sewer Capacity Charge & Connection Fees"