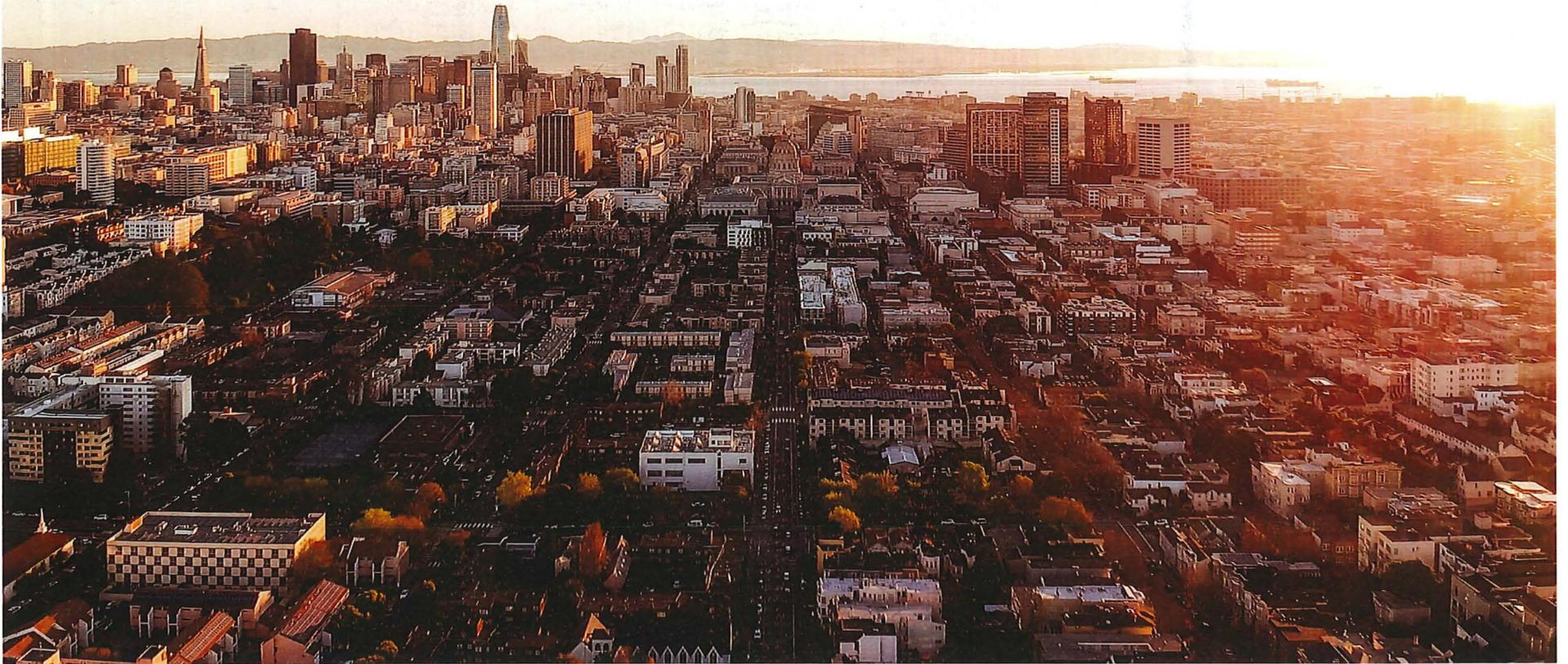


Permitting Fee Waivers and Accessory Dwelling Units

Civil Grand Jury Response
San Francisco Budget and Legislative Analyst's Office



Civil Grand Jury Report

▶ Recommendation No. R2:

- ▶ “Recommends the Board of Supervisors amend existing City codes and ordinances, before June 30, 2019, to waive or reduce ADU permit fees, with the understanding that reduced departmental revenues would be made up from the City’s general fund.”

▶ Recommendation No. R3:

- ▶ “Recommends the Board of Supervisors structure fees separately for ADUs in single family residences and ADUs in multi-unit buildings, specifically designed to ease the permitting costs for single family homeowners.”

Background on ADUs

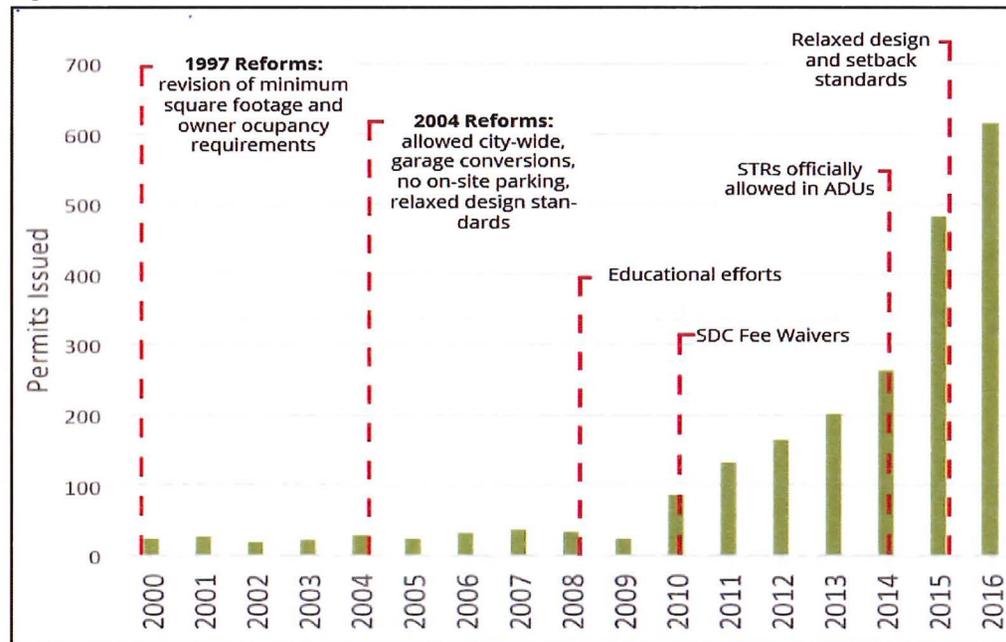
- ▶ **Accessory dwelling unit (ADU): residential unit added to an existing housing lot**
 - ▶ In-law units, granny flats, secondary units
 - ▶ Independent living units with separate kitchens, bathrooms, and living areas
 - ▶ Small-scale residential infill strategy

- ▶ **Ordinance No. 162-16 (adopted July 2016) amended the Planning Code to allow the construction of ADUs on all lots that allow for residential use**

Portland and Seattle Case Studies

- ▶ Portland: zoning changes, development impact fee waivers - correlated with an increase in the number of ADU authorizations

Figure 1: ADU authorizations, Portland, 2000-2016³

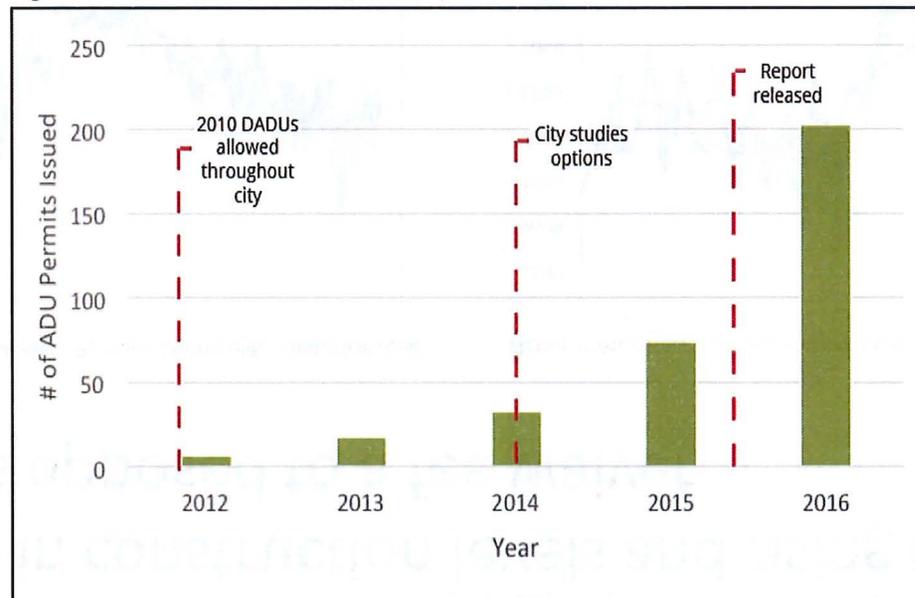


Source: Chapple, et al, 2016.

Portland and Seattle Experience

- ▶ Seattle increased public awareness but did not make zoning changes or waive permitting fees

Figure 4: ADU Authorizations, Seattle, 2012-2016

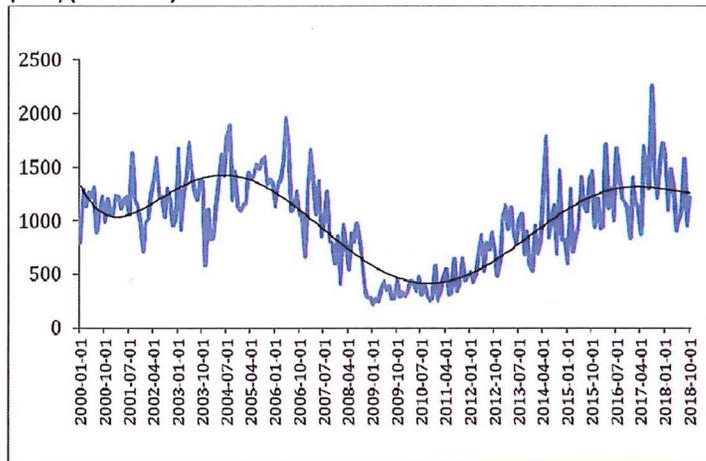


Source: Chapple, et al, 2016.

All Housing in Seattle & Portland

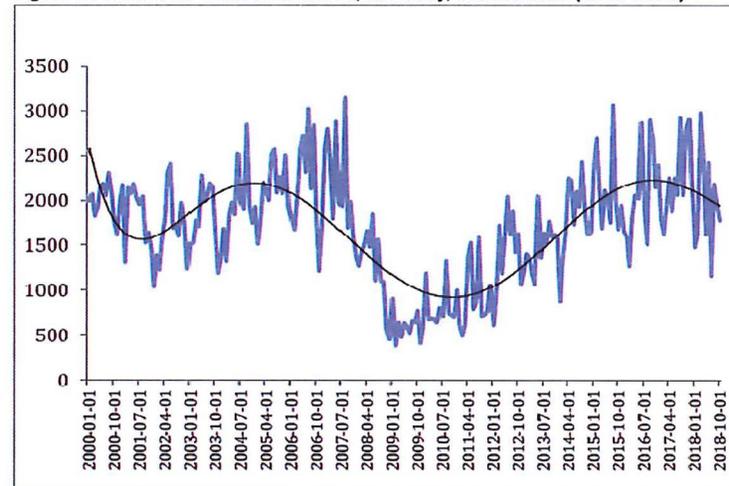
- ▶ However, some of the increase may be due to cyclical increases in construction levels and rising property values, as opposed to a fee waiver

Figure 2: New Units Authorized, Monthly, Portland Metropolitan Statistical Area (MSA) (2000-2018)



Source: St. Louis Federal Reserve FRED.

Figure 5: Total New Units Authorized, Monthly, Seattle MSA (2000-2018)



Source: St. Louis Federal Reserve FRED.

Fee Impact on Property Owners

- ▶ San Francisco assesses planning and building permit fees, service and capacity charges, and development impact fees
- ▶ On average fees account for nearly 8% total project costs
- ▶ Fee impact is similar for single family and multi-unit projects

Figure 9: Average Permit Value and Fee Overall and by Residence Type

| | Single-family | Multi-unit | Other ^a | Total |
|-----------------------------------|---------------|------------|--------------------|------------------|
| Number of permits | 64 | 199 | 12 | 275 |
| Average permit fee | \$9,199 | \$15,345 | \$9,011 | \$13,638 |
| Average project cost ^b | \$127,133 | \$193,798 | \$123,112 | \$175,199 |
| Permit fee as % of project cost | 7.24% | 7.92% | 7.32% | 7.78% |

Source: Department of Building Inspection.

Fiscal Impact of Waiving Fees

- ▶ The Planning Department, the Department of Building Inspection, and the Fire Department are the three main City departments that always charge fees on an ADU project and receive most of the fee revenue
- ▶ SFPUC, the Department of Public Works, and SFUSD may charge fees depending on the parameters of the ADU project
- ▶ Waiving fees prevents the City from recovering costs associated with monitoring permitted projects and mitigating the effects of development on City public services

Fiscal Impact of Waiving Fees

- ▶ Costs to City departments of approximately \$2 million a year would be spread across permitting departments (DBI, Planning, Fire)
- ▶ Waiving fees would reduce ADU project costs to property owners by about 8%
- ▶ The cost to City departments will be higher if there is an increase in annual permit issuances

General Conclusions

- ▶ A fee waiver reduces ADU project costs by an average of 8 percent and could encourage property owners to construct ADUs
- ▶ The cost to City departments – based on \$2 million per year in permit fees – would not be significant and would be spread across more than one department
- ▶ Other factors, such as cycles in the construction market and interest rates, may also affect the public's interest in ADUs

Policy Considerations

- ▶ **Program duration**
 - ▶ Possibility of a pilot program to assess outcomes and costs
- ▶ **Selection of fees to waive**
 - ▶ The Board of Supervisors could decide to only waive certain fees or to exclude certain fees from the waiver
 - ▶ Limiting fees waived would decrease cost savings to property owners but would allow the City to continue to recover certain costs or mitigate the impact of development on City services
- ▶ **Single-family focus**
- ▶ **Update: On February 11, Mayor Breed announced a proposal to eliminate DBI permitting fees for ADUs and 100% affordable housing projects**

Questions

Credits

Project staff: Severin Campbell, Linden Bairey, Monica Balanoff, Karl Beitel

Portland and Seattle studies: Urban Land Institute, The Turner Center for Housing Innovation, and the Center for Community Innovation, (2017), “Jumpstarting the Market for Accessory Dwelling Units: Lessons Learned from Portland, Seattle and Vancouver”, Karen Chapple, Jake Wegmann, Farzad Mashhood, and Rebecca Coleman.

Cover image: Robert Bye, Unsplash