

COST OF DEVELOPMENT

| May 1, 2018

| City of San Jose

SANJOSE

Upcoming Items



Cost of Development

4/26



Cost of Development (pt. 2)

5/1



Urban Village Implementation

5/22



**Housing Crisis Workplan Update/
Affordable Housing Investment Plan**

6/5

Study Session Presentations

4/26

5/1



Residential and mixed-use real estate economics

Presentation by ULI

City fees and taxes

Presentation by City Staff

Housing development outlook in San José

Presentation by KMA

Discussion opportunities and options

City Council

CITY FEES & TAXES

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Background



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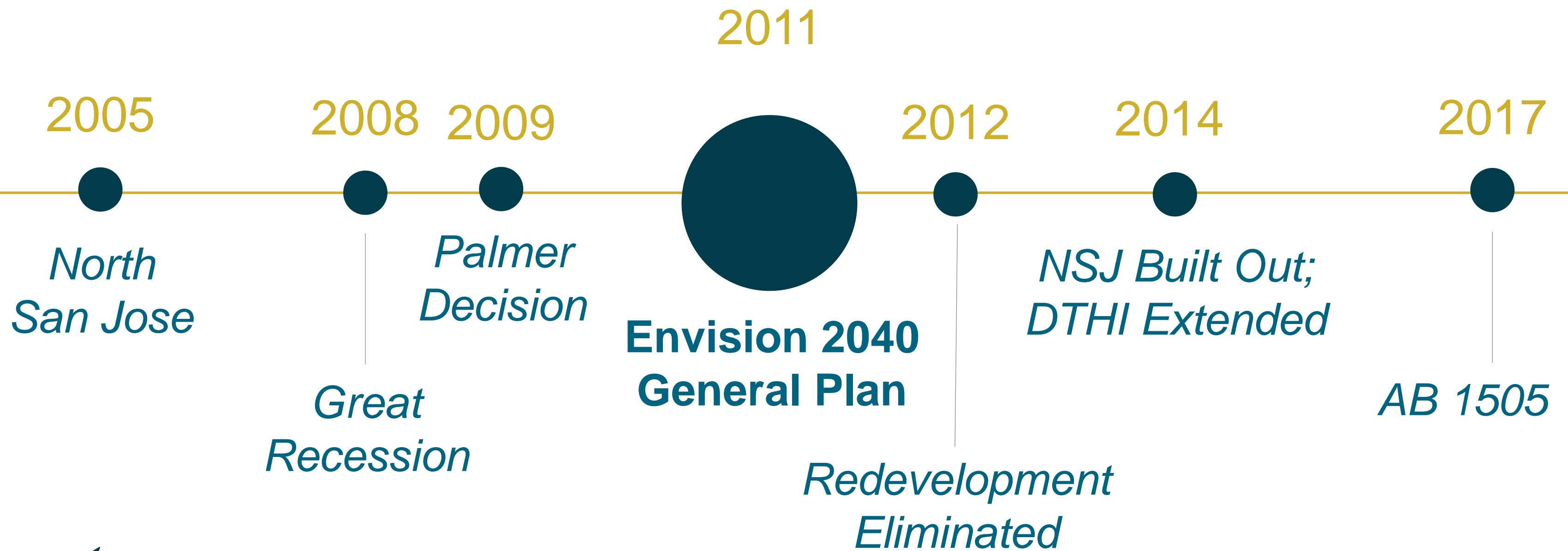
What's Changed – why review now?

Pre-Envision 2040:

- 25-50 DU/A
- Suburban Specific Plans
- Low Density In-Fill

Post-Envision 2040:

- 60+ DU/A
- Urban Villages/Growth Areas
- High Density TOD





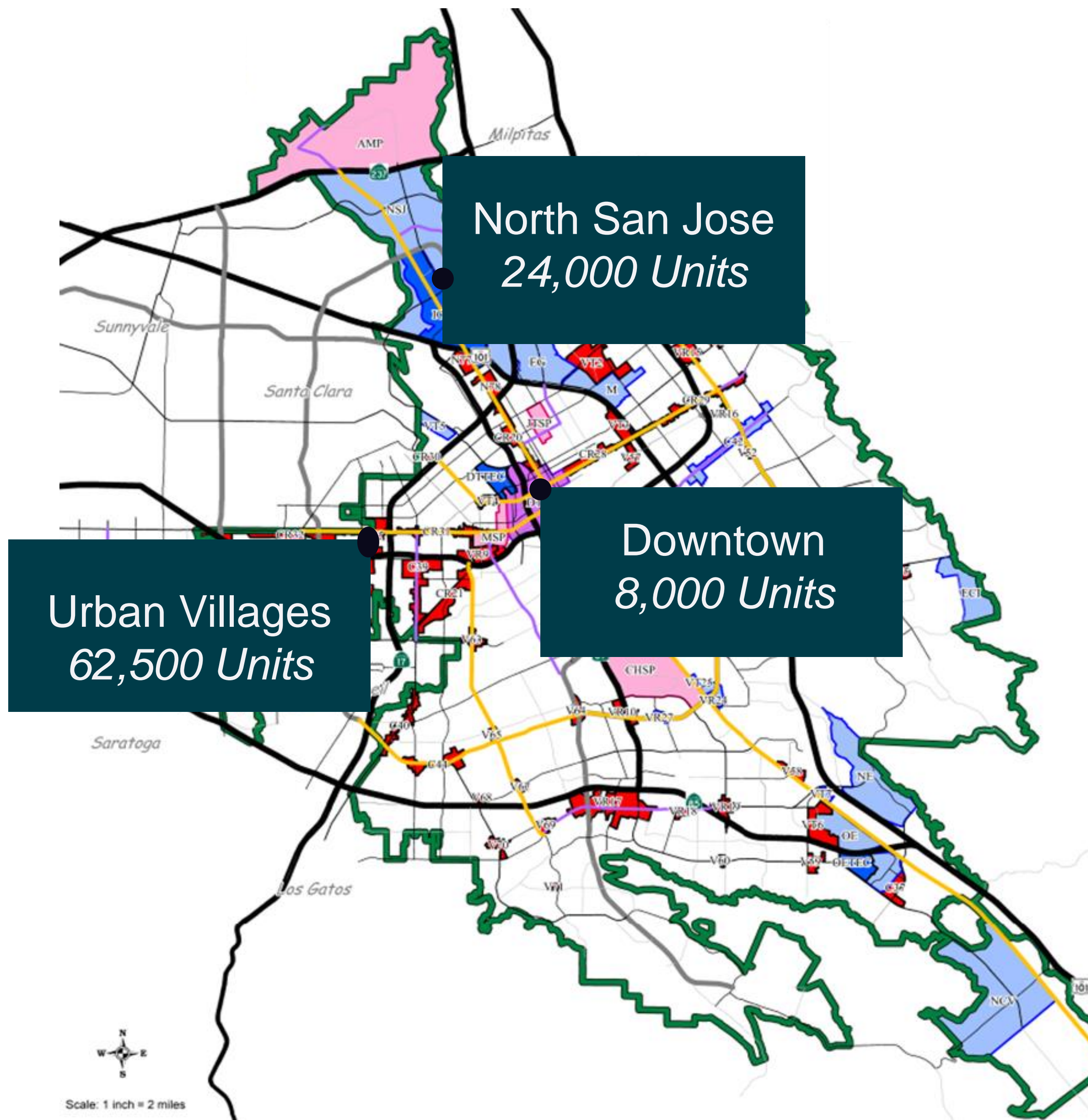
✓ **Mixed-use/multifamily**

✓ **60-90 DU/A**

✓ **Rental vs For-Sale**

✓ **Per Unit Cost**

80% of new home production expected in



City Cost Categories

Category	Description
Entitlement and Permitting Fees	Service fees: Planning, Building, Public Works, Fire
Public Improvement Costs	Public and offsite improvement fees and costs: Storm and Sanitary Sewer, Undergrounding, Street Frontage, and protected intersections
Taxes	Construction Taxes.
Mitigation Fees	CEQA or Mitigation Fee Act fees: HCP, CDDD, TIF
Parks and Housing Fees	Inclusionary Housing and Park In-Lieu fees

Complexity of Predicting and Calculating City Fees:

Zoning (PDC) - Res	T-Map/ VT Amend - Res	Elect Prmt - AO & NR	Stormwater E&I
Zoning (PDC) - NRes	Public Noticing	Mech Prmt - AO & NR	Undergrounding In-Lieu Fee*
Environmental Clearance	Newspaper Noticing	Plbg Prmt - AO & NR	Sanitary Connection Fee
Mitigation Monitoring		PW Planning Permits Review	
Prep//Compliance Review	Bldg PC - AO & NR	(PDC, PD, PT)	STP Connection Fee
Public Noticing	Elect PC - AO & NR	Record Ret/Dup	Storm Connection Fee
Community Meeting - Zoning (PDC)	Mech PC - AO & NR	Traffic Workscope	Bldg & Struct Tax
Newspaper Noticing	Plbg PC - AO & NR	Traffic Report Review Fee	CRMP Tax Commercial
NOD County Clerk Recording Charge	Processing & Issuance AO & NR	NPDES (C.3 Review)	Const Tax
	Planning Conformance Review	General Plan Update Fee (PDC, PD, PT)	Residential Const Tax
PD Permit - Res	FE-Arch Plan Review & Inspection	Building Preliminary Review Fee (PDC, PD, PT)	SMIPA - Commercial
PD Permit - Res	Fire Variance Fees (Plan Review only)	Fire Preliminary Review Fee (PDC, PD, PT)	BSASRF Fee
Environmental Clearance	Fire Sprinkler Permit	Geometric Design Review Fee (PDC, PD)	CDD Review
Mitigation Monitoring			Habitat Conservation Program (HCP)
Prep//Compliance Review	Fire Alarm Permit	Grading Permit	Green Building Deposit - 30,000 + 6,546.90
Public Noticing	Fire	Erosion/Sediment Control	Parkland Dedication In-Lieu Fees
Community Meeting - PD & Tentative Map	Underground/Pump/Standpipe		Inclusionary Housing Ordinance In-Lieu Fee
NOD County Clerk Recording Charge	General Plan Update Fee	Tract Map	
Permit Recordation PDC, PD, PT	Bldg Prmt - AO & NR	Construction E&I	

Three Largest City Line-items

Inclusionary Housing Ordinance

Ensures new restricted affordable housing development

Park Impact and Park Dedication Ordinances

Development and rehabilitation of parks, trails, and community centers.

Construction Taxes

Develop and maintain City's transportation network:

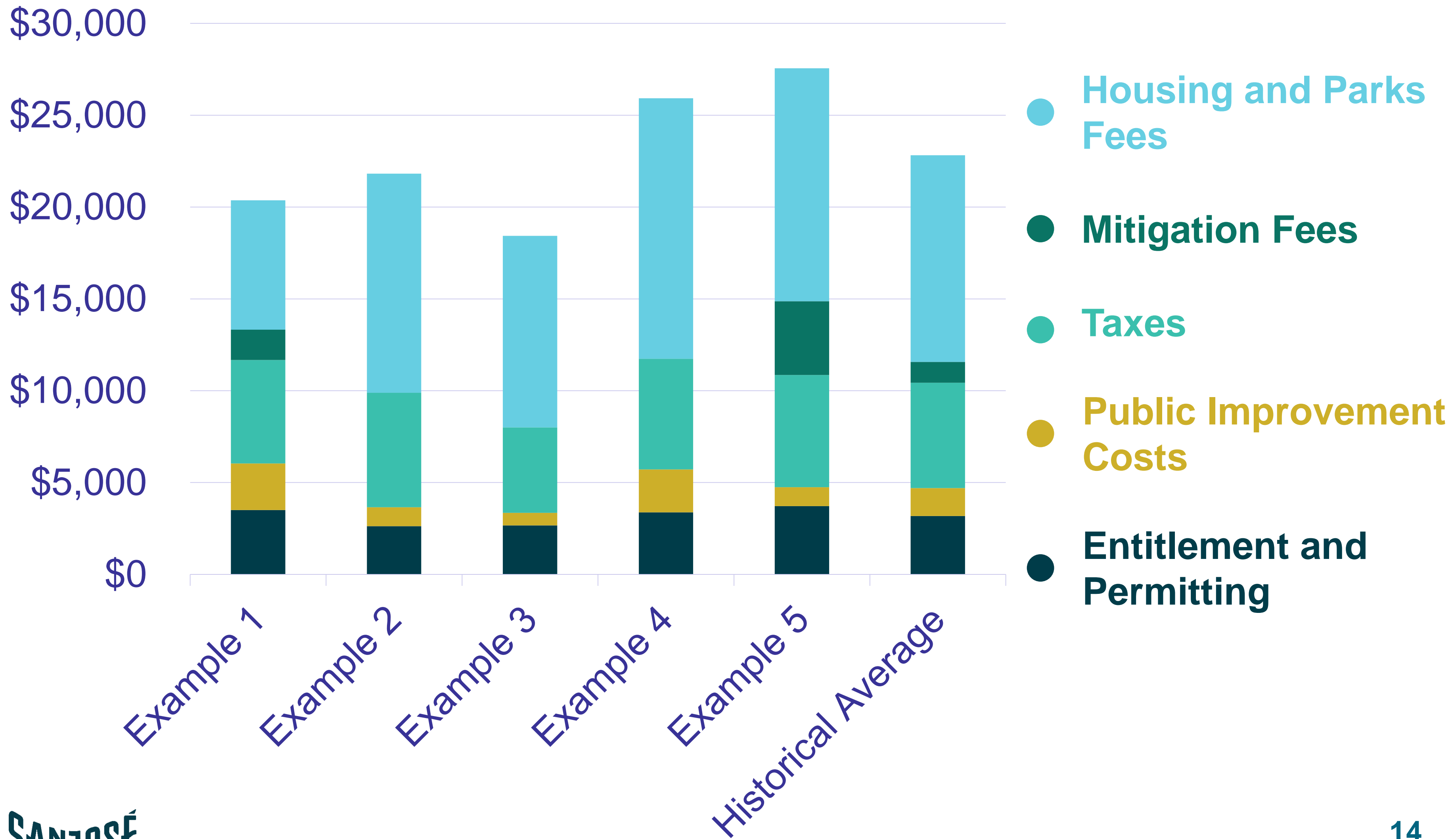
Recent Examples

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Development Examples From This Market Cycle

	Example 1	Example 2	Example 3	Example 4	Example 5
Site Area	3.28	3.59	4.97	2.01	3.16
Number of Units	166	218	242	103	183
Sq. Ft.	168,645	240,547	333,249	123,464	215,586
Year Built	2016	2015	2009	2015	2014
Number of Stories	3	5	4	4	4
Total Fees and Taxes	\$3,381,281	\$4,756,930	\$4,459,969	\$2,670,213	\$5,042,738

Constructed Multi-family Per Unit Permitting Costs

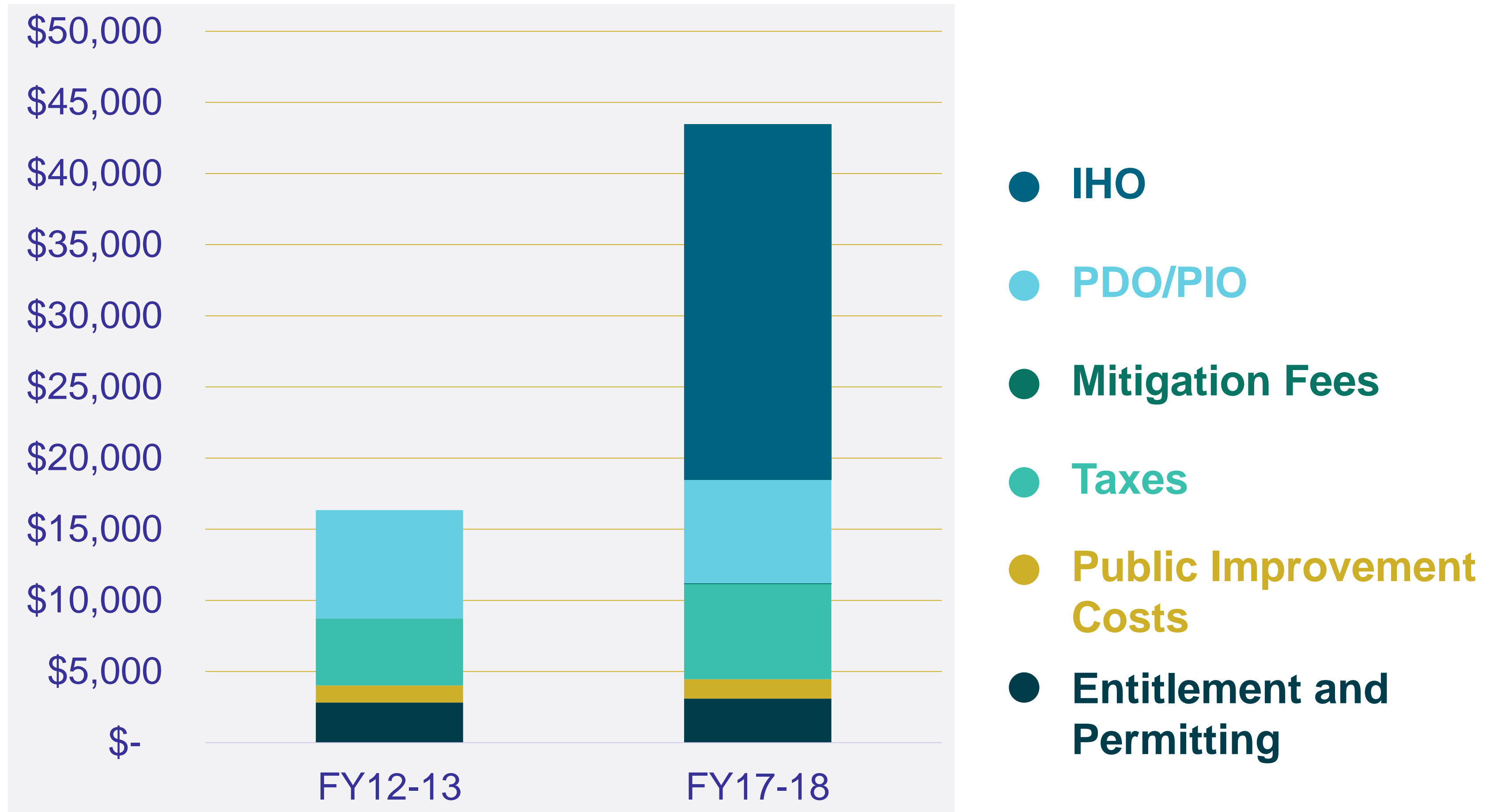


Development Prototypes

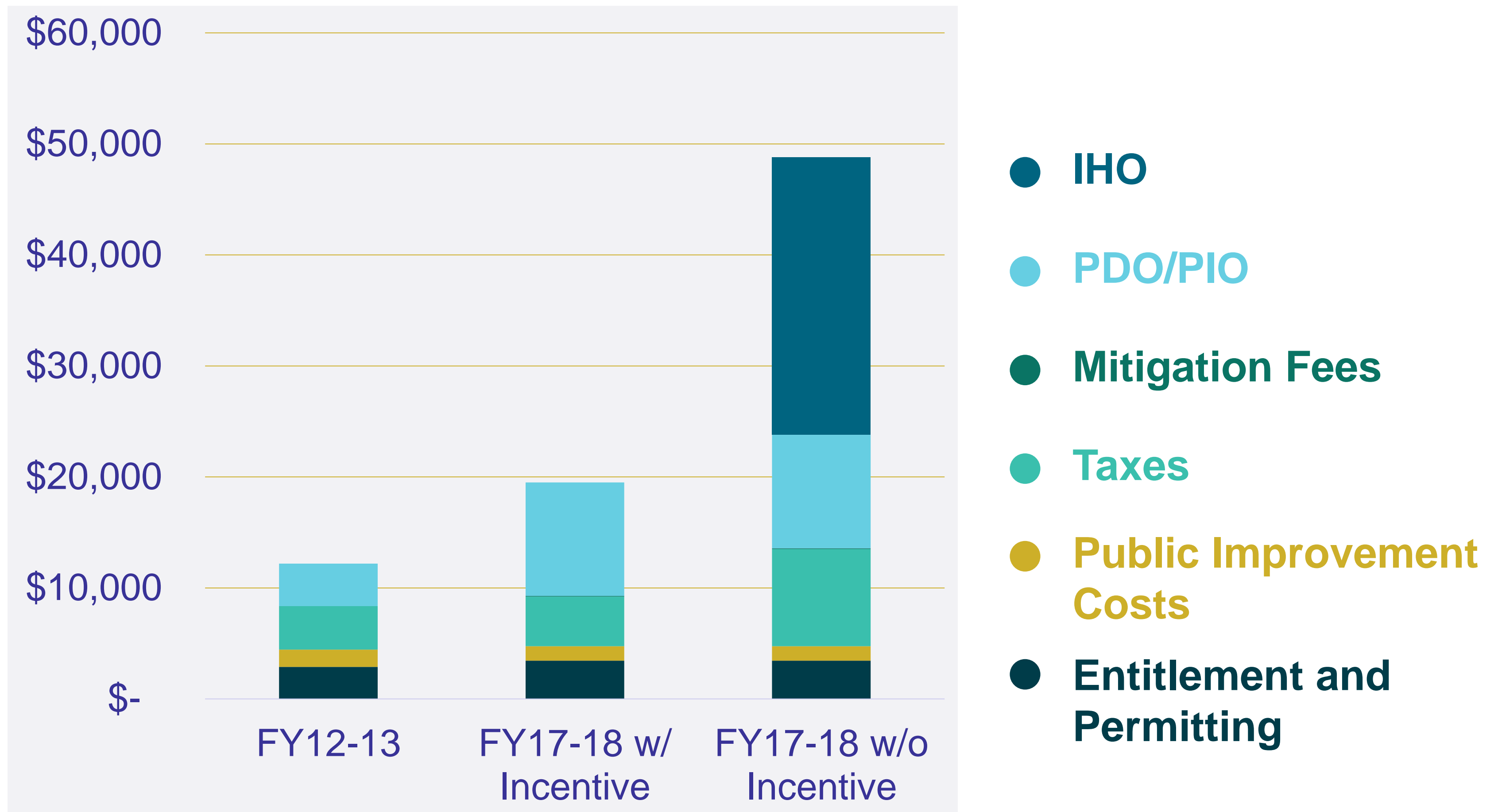
Development Examples From This Market Cycle

	Multi-family Mixed Use (4 over 1) Prototype 12		Downtown Highrise Prototype 6			Multi-family Mixed Use (5 over 2) Prototype 13
	FY 12-13	FY 17-18	FY 12-13 (with incentive)	FY 17-18 (with incentive)	FY 17-18 (without incentive)	FY 17-18
Number of Units	218		330			230
Sq. Ft.	240,547		584,837			168,883
Construction Type	Type III		Type I			Type V
Number of Stories	5		22			7
Total Fees and Taxes	\$3,562,273	\$9,477,282	\$4,023,529	\$6,437,209	\$16,100,826	\$8,943,492

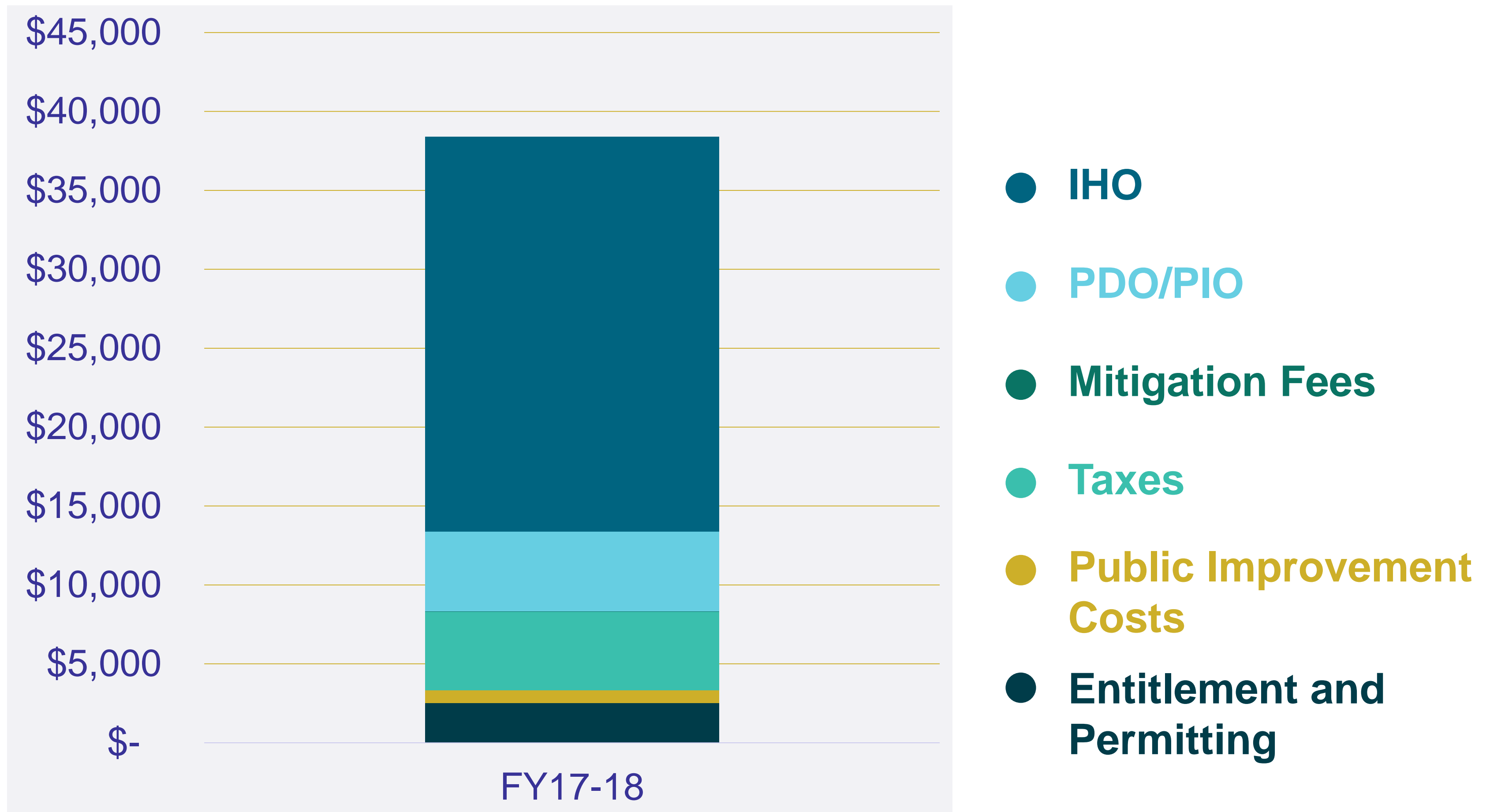
Multi-family (Prototype 12) Per Unit Permitting Costs



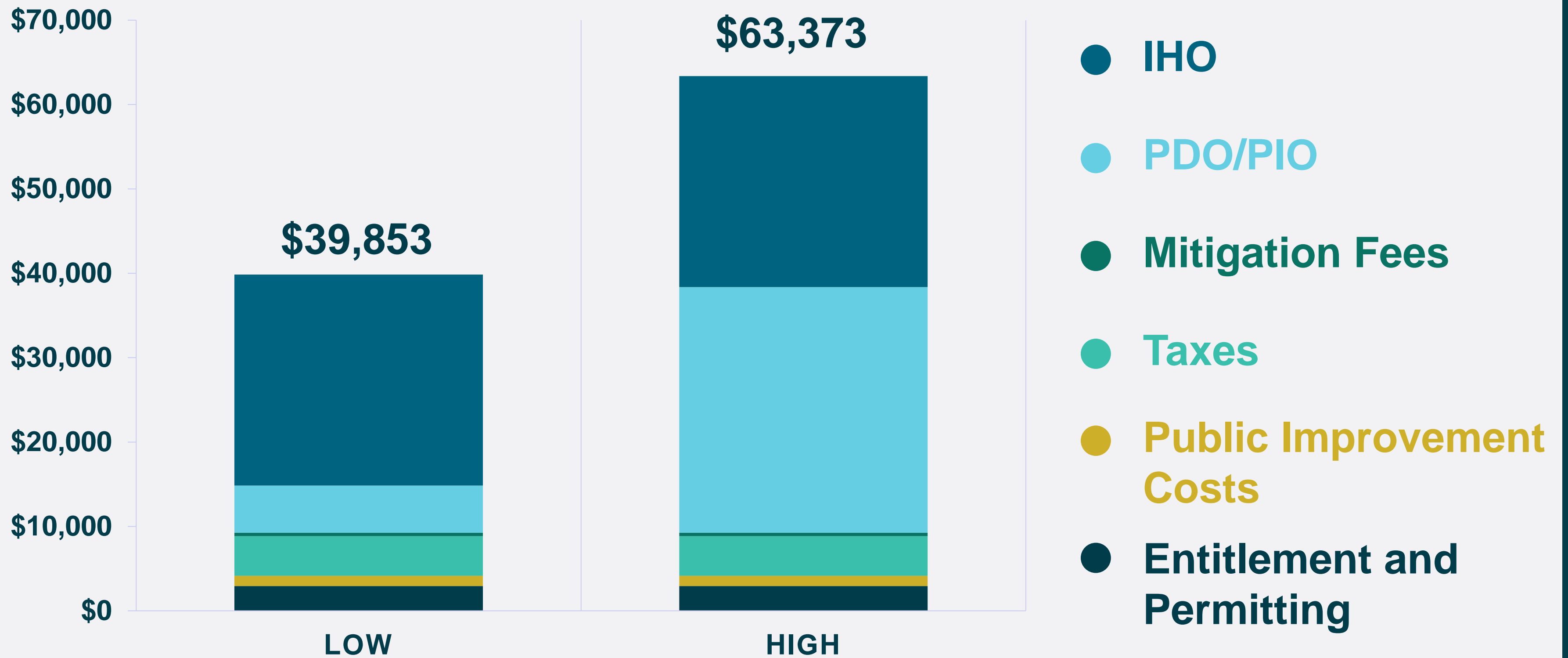
Downtown Highrise (Prototype 6) Per Unit Permitting Costs



Multi-family (Prototype 13) Per Unit Permitting Costs



FY17/18 Average Per Unit Permitting Costs: *Marked Difference Between Geographies*

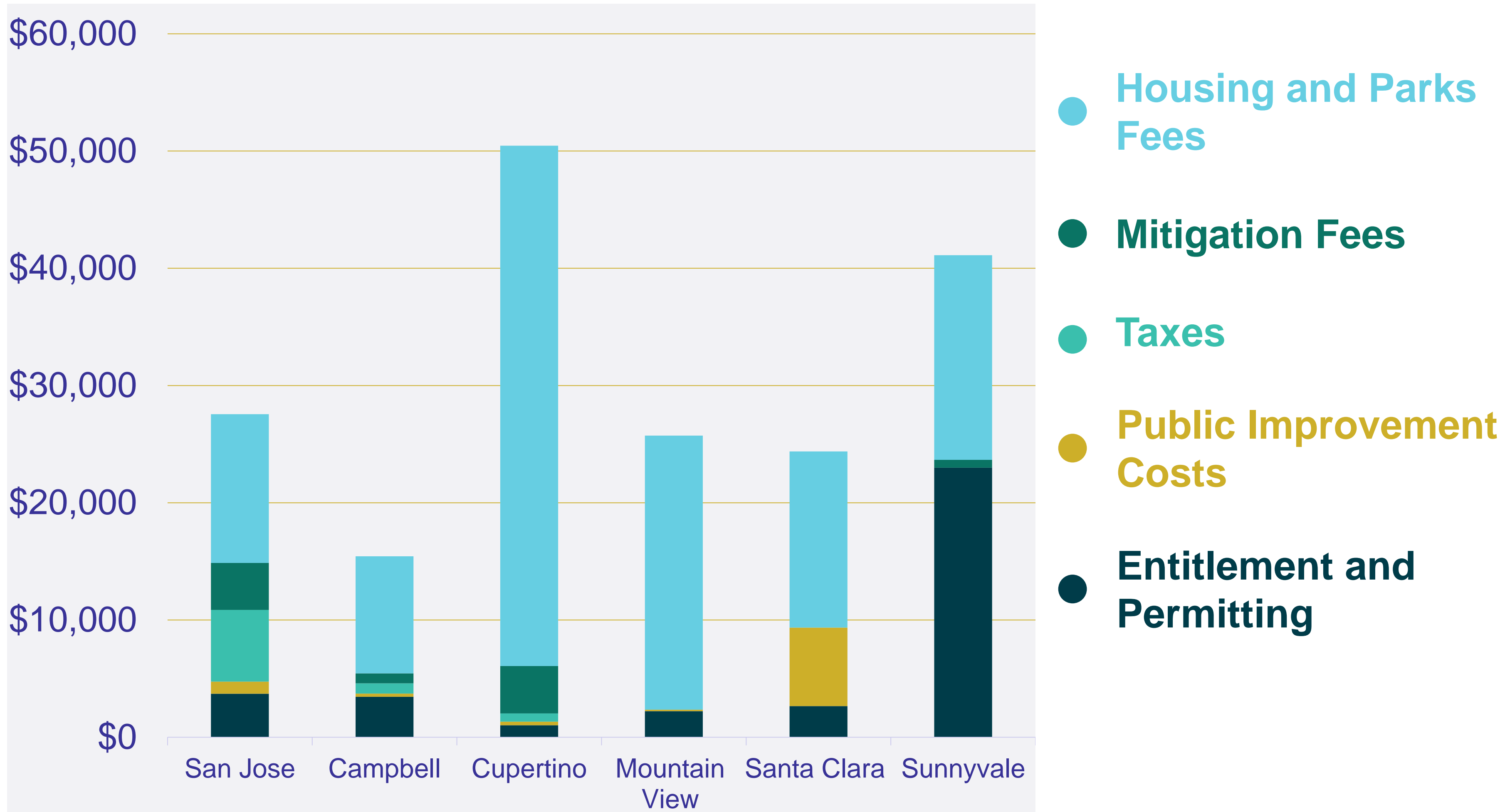


Nearby Cities

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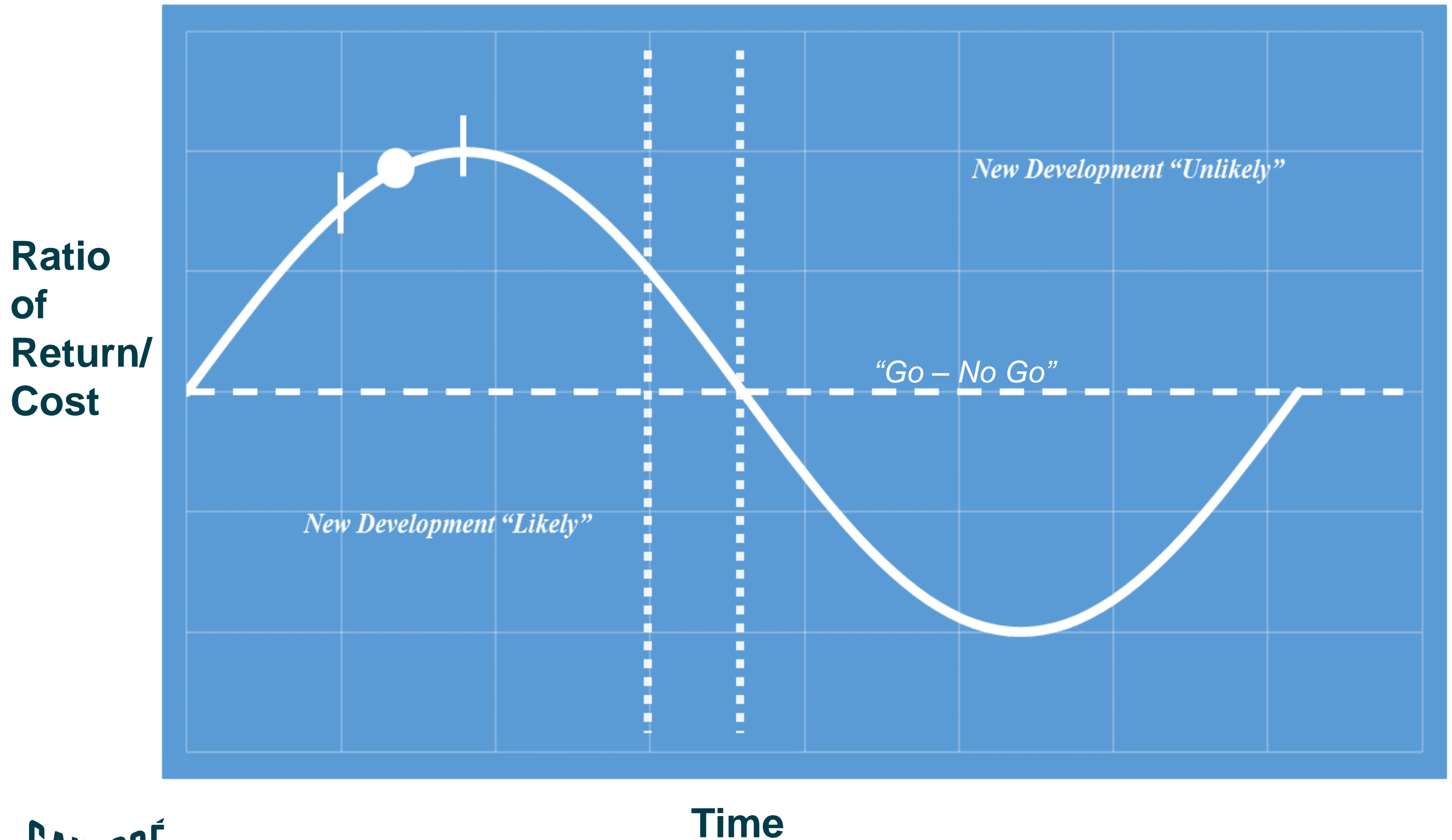


Per Unit Permitting Costs Across Nearby Cities: *A shifting landscape*



Impact of City Fees and Taxes

Impact of Fees and Taxes On Market Cycle: *A Real but Marginal Impact on Development*



Questions?

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