

COST OF DEVELOPMENT

| May 1, 2018
City of San Jose



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

| May 1, 2018
City of San Jose



Background



SAN JOSÉ

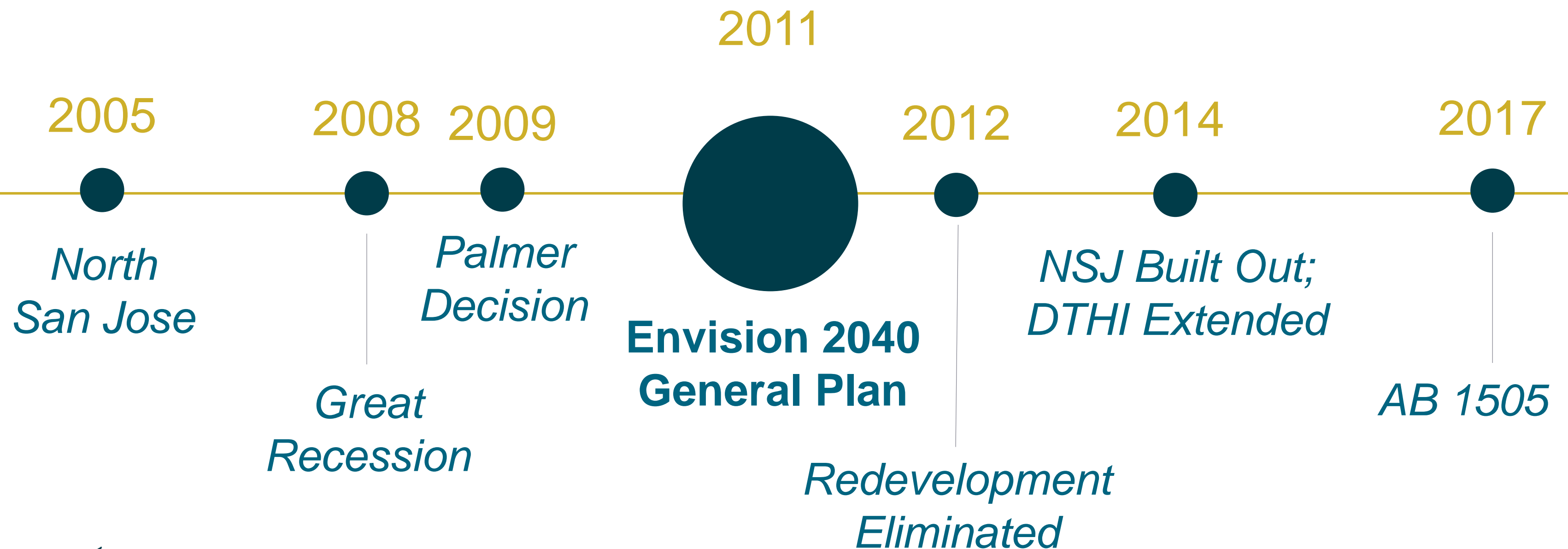
What's Changed – why review now?

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*





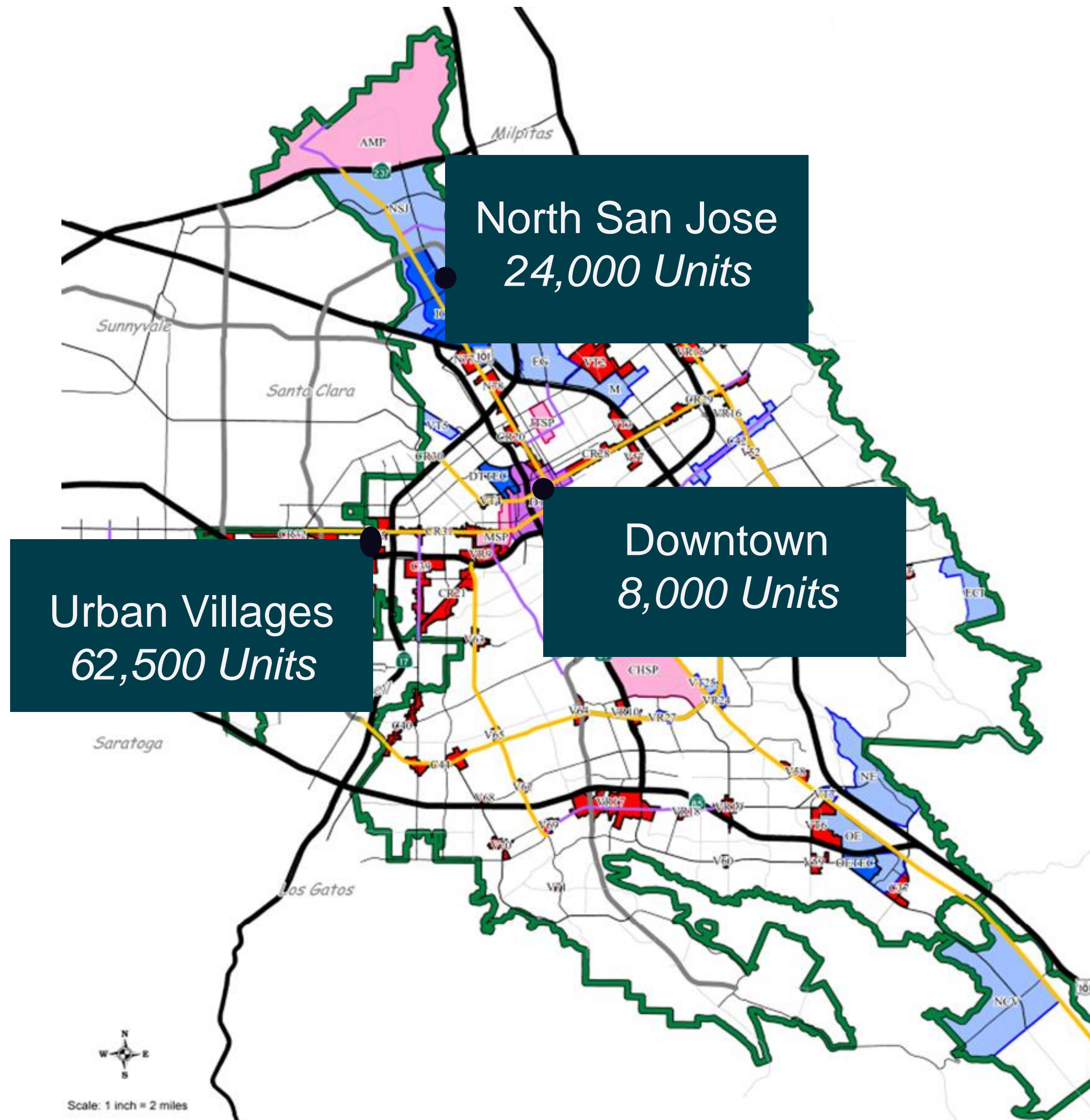
✓ **Mixed-use/multifamily**

✓ **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	Processing & Issuance AO &		
Charge	NR	NPDES (C.3 Review)	Const Tax
	Planning Conformance	General Plan Update Fee	
PD Permit - Res	Review	(PDC, PD, PT)	Residential Const Tax
	FE-Arch Plan Review &	Building Preliminary Review	
PD Permit - Res	Inspection	Fee (PDC, PD, PT)	SMIPA - Commercial
	Fire Variance Fees (Plan	Fire Preliminary Review Fee	
Environmental Clearance	Review only)	(PDC, PD, PT)	BSASRF Fee
Mitigation Monitoring		Geometric Design Review	
Prep//Compliance Review	Fire Sprinkler Permit	Fee (PDC, PD)	CDD Review
			Habitat Conservation Program
Public Noticing	Fire Alarm Permit	Grading Permit	(HCP)
Community Meeting - PD &	Fire		Green Building Deposit -
Tentative Map	Underground/Pump/Standpipe	Erosion/Sediment Control	30,000 + 6,546.90
NOD County Clerk Recording			Parkland Dedication In-Lieu
Charge	General Plan Update Fee	Tract Map	Fees
Permit Recordation PDC, PD,	Bldg Prmt - AO & NR	Construction E&I	Inclusionary Housing
PT			Ordinance In-Lieu Fee

| 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:



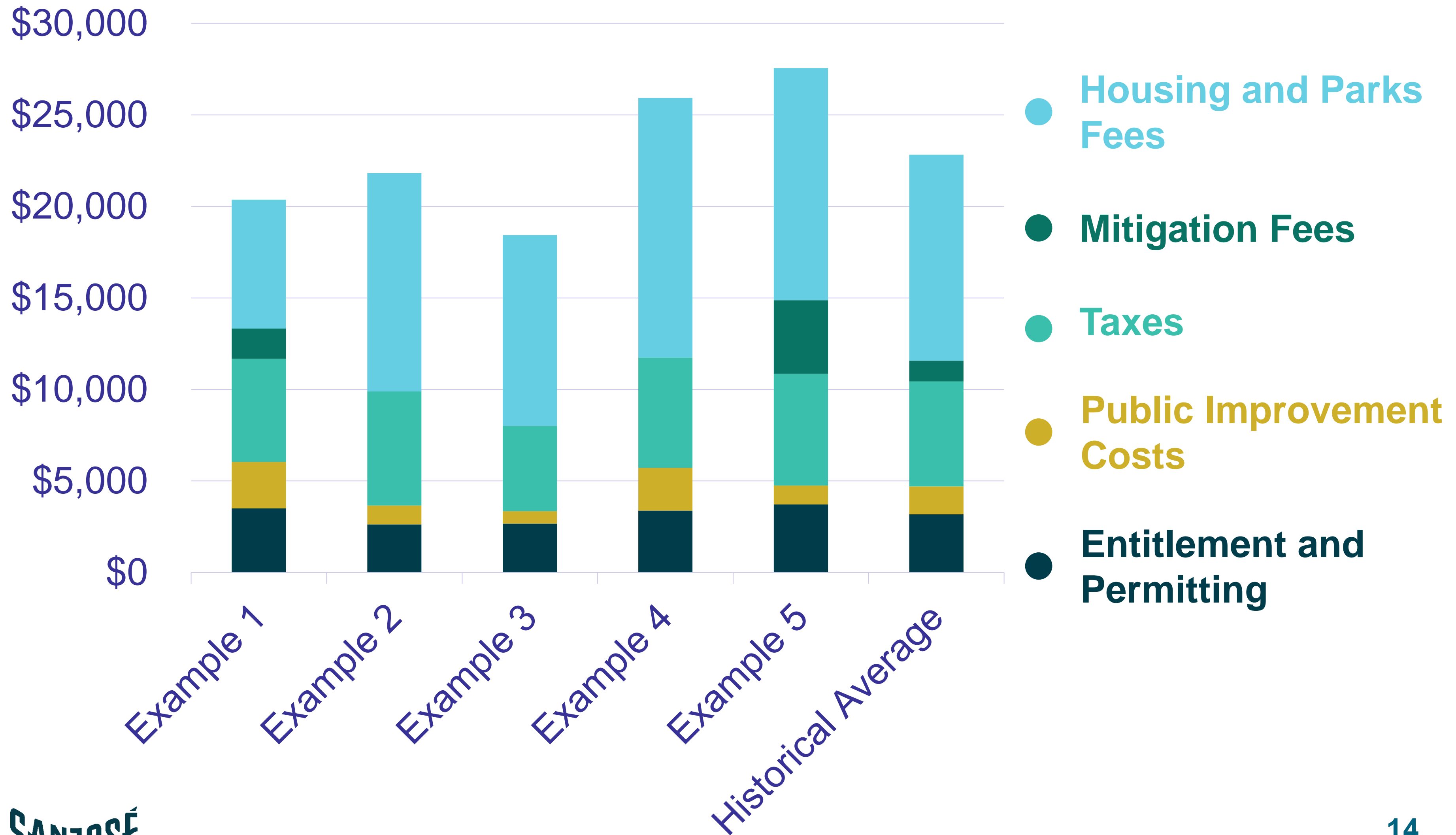
Recent Examples

SANJOSE

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



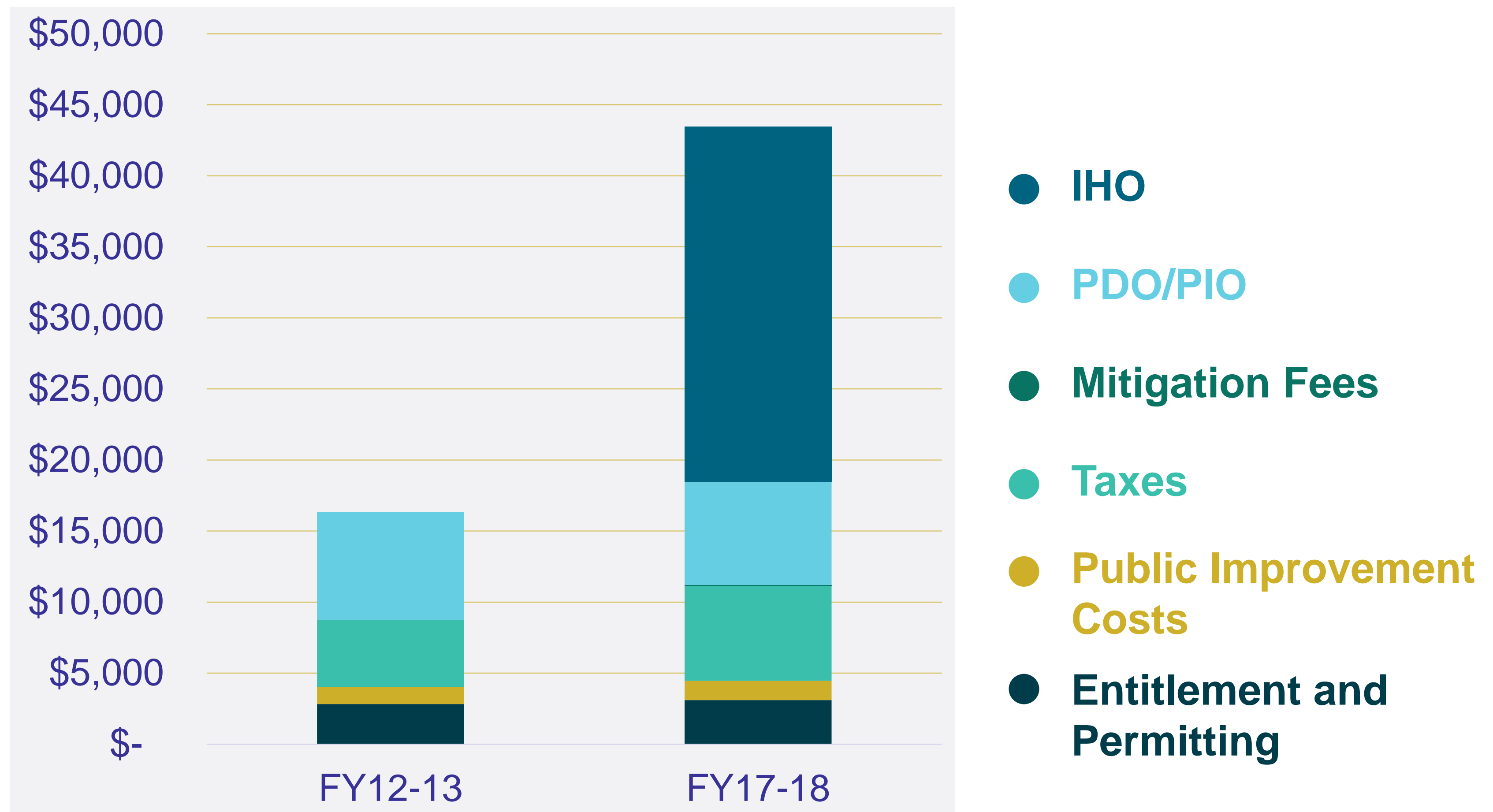


Development Prototypes

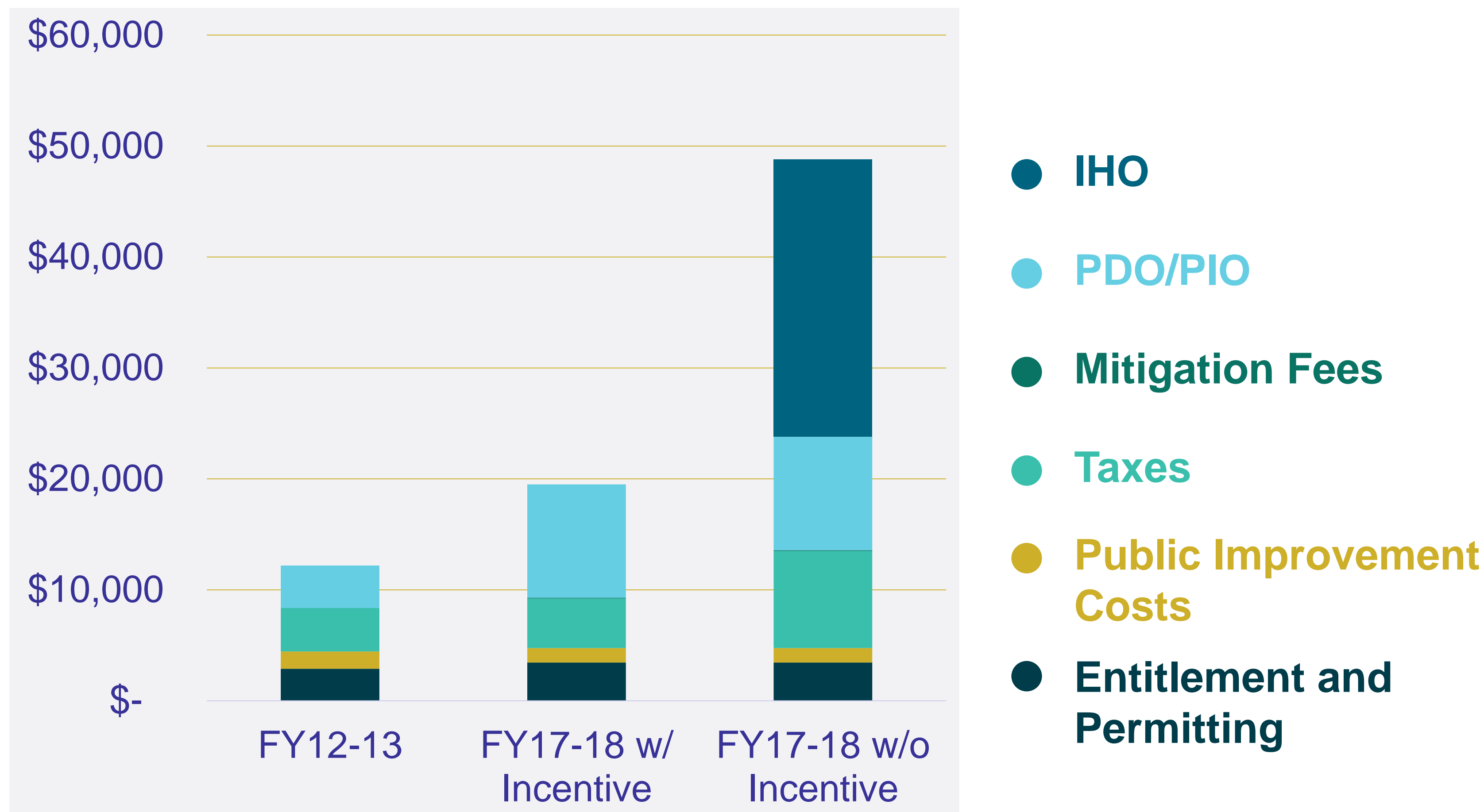
Development Examples From This Market Cycle

	Multi-family Mixed Use (4 over 1) Prototype 12		Downtown Highrise Prototype 6			Multi-family Mixed Use (5 over 2) Prototype 13
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
	FY 12-13	FY 17-18	FY 12-13 (with incentive)	FY 17-18 (with incentive)	FY 17-18 (without incentive)	FY 17-18
Total Fees and Taxes	\$3,562,273	\$9,477,282	\$4,023,529	\$6,437,209	\$16,100,826	\$8,943,492

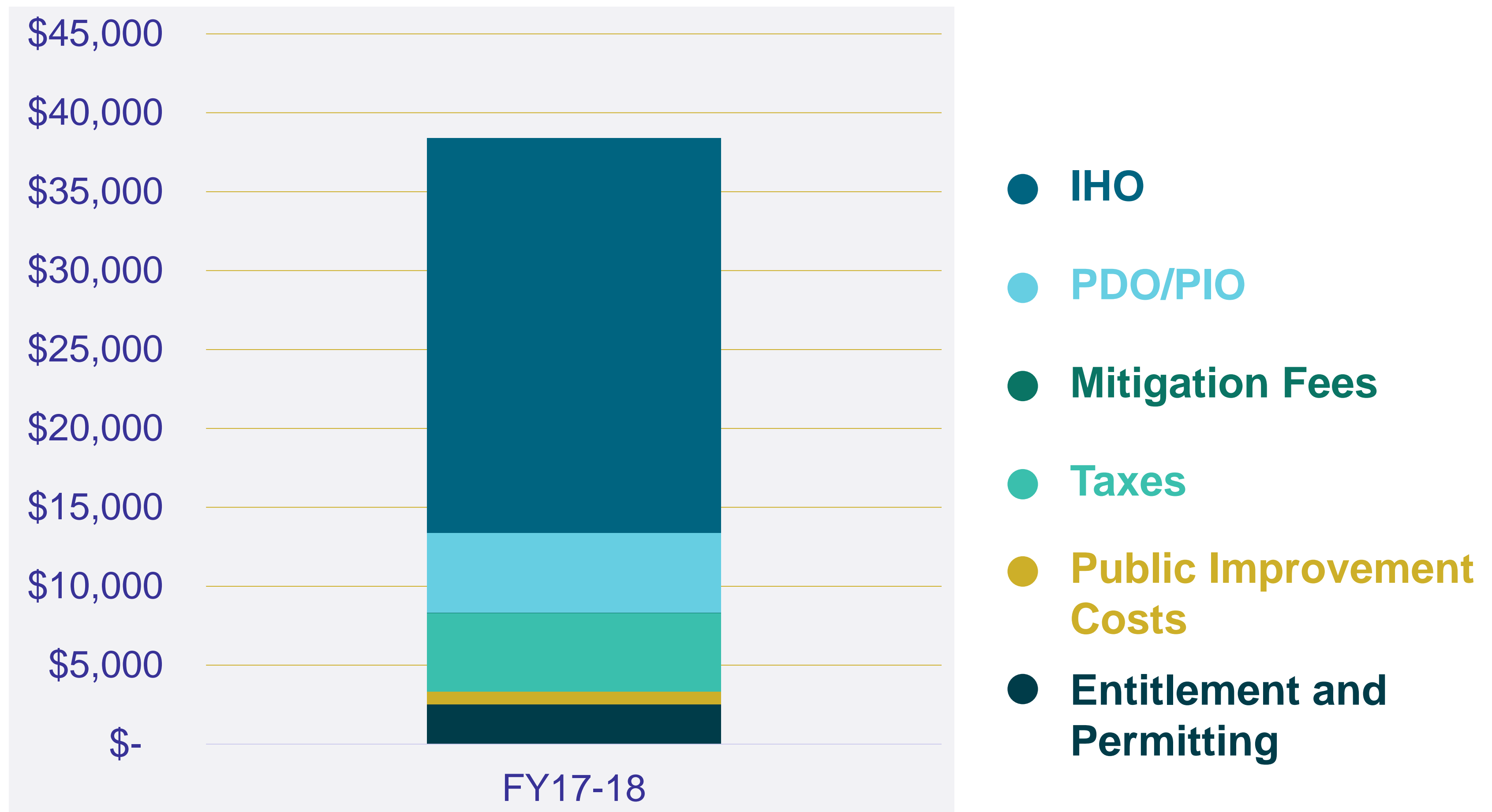
Multi-family (Prototype 12) Per Unit Permitting Costs



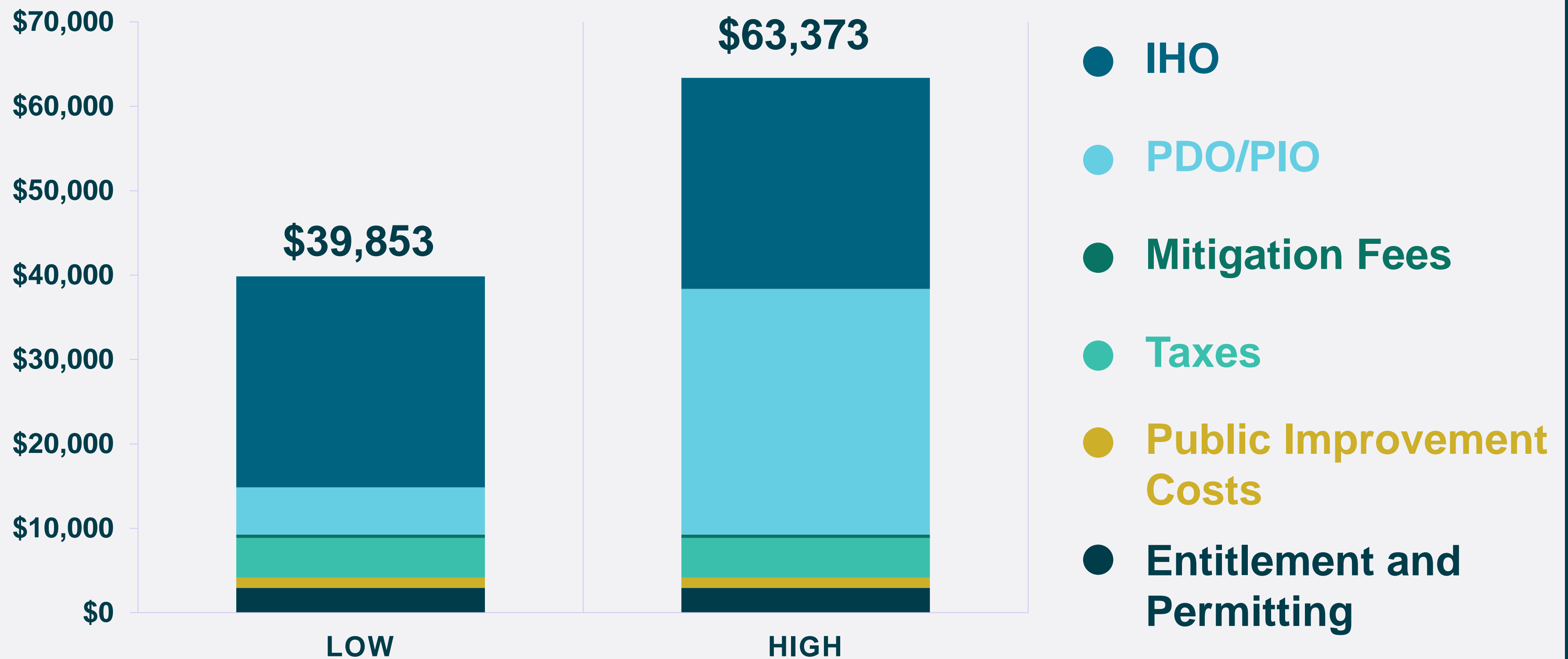
Downtown Highrise (Prototype 6) Per Unit Permitting Costs



Multi-family (Prototype 13) Per Unit Permitting Costs



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



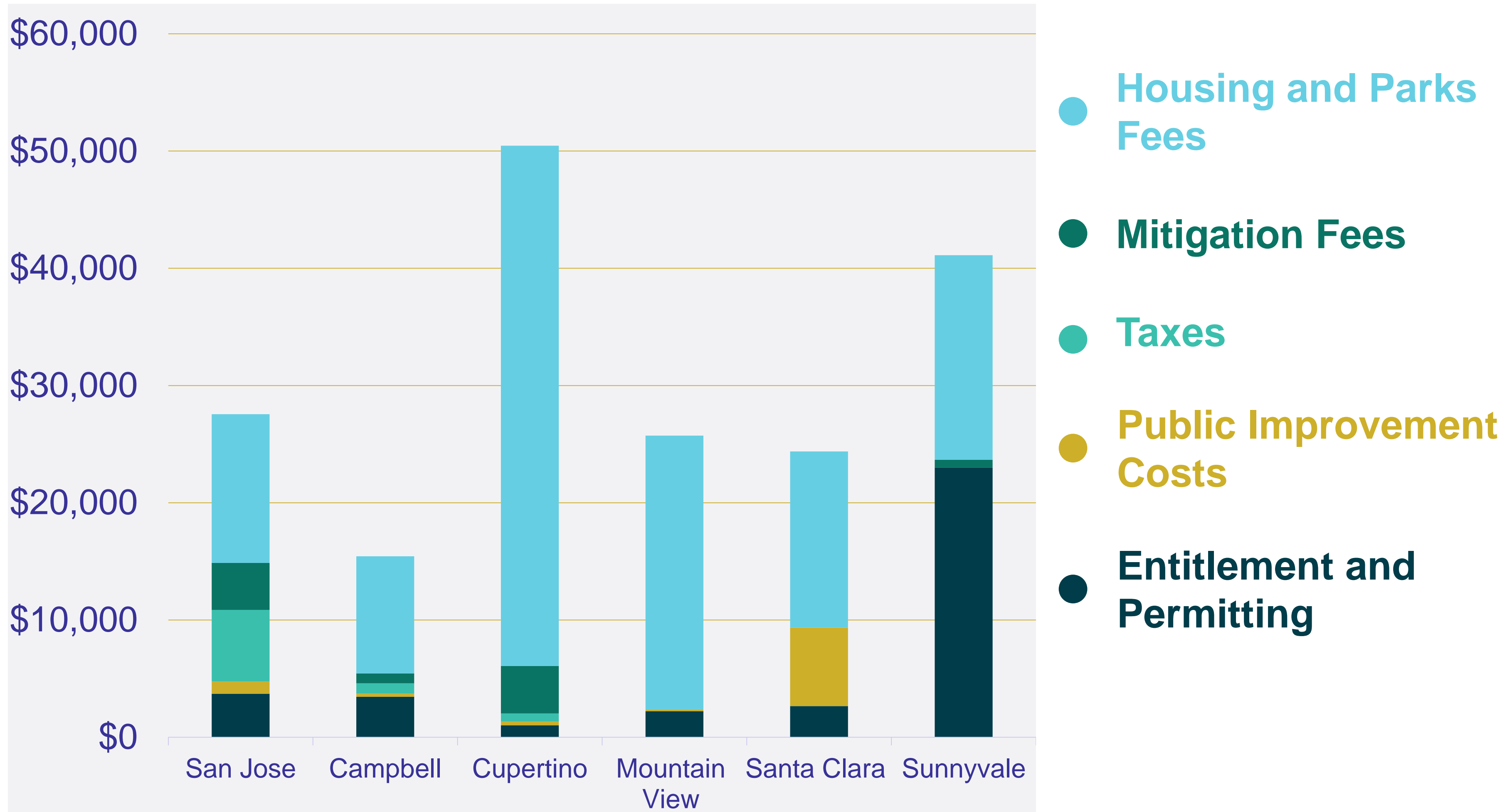


Nearby Cities

SAN JOSE

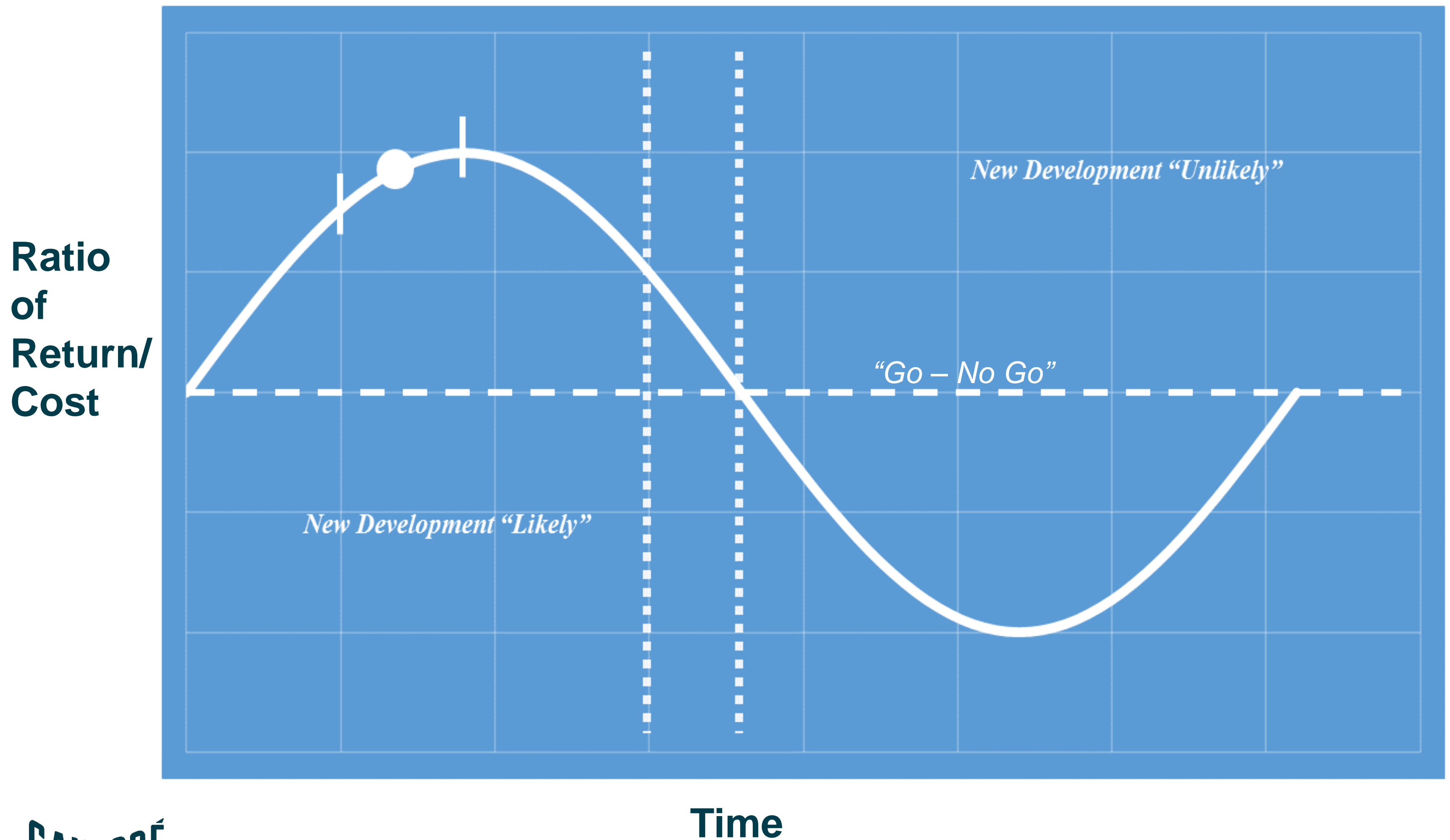
Per Unit Permitting Costs Across Nearby Cities:

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?

Chris Burton

Deputy Director

Office of Economic Development

City of San Jose

Chris.Burton@sanjoseca.gov

