

(d) 3. ADU Amnesty Update

ADU Amnesty Background

Council Direction on September 24, 2019

1. Additional Analysis and return to Ad-hoc Committee:
 - a. Assess Costs of:
 - i. Waiving business tax
 - ii. Reducing or waiving permit/impact fees
 - b. Explore:
 - i. Third-party inspectors
 - ii. Limit inspectors to ADU only
 - c. Identify most hazardous health and safety code violations
 - d. Identify state, federal and non-profit resources loans/grants
 - e. Zoning requirements that can be waived
2. Self-Assessment Checklist
3. Allow Junior ADUs



Assess Costs of Waiving Business Tax

Recommend not waiving Business Tax for Amnesty Units, instead encourage applicants to apply for the existing Financial Hardship Exemption

Business Tax for Residential Landlords: \$200.85/year
(1-2 residential units)

Current Financial Hardship Exemption provides waiver of business tax for those who meet either of the following criteria:

- (1) Low revenue generating business with gross receipts below two times the poverty level
- (2) Limited household income with adjusted gross income below four times the poverty level

Typical rents for ADU units would qualify for Financial Hardship Exemption:

2x Poverty \$24,980

Max Rent Per Month to Qualify	\$2,081
-------------------------------	---------

Average ADU Rents in South Bay ~\$1,850*

*Analysis of Craigslist posts for ADU ("In-Law") units on October 28, 2019

Assess Costs of Reducing or Waiving Permit/Impact Fees

ADU Fees (for new units, after Jan 1, 2020)				<u>Average Waivable Fees</u>		<u>Potential Amnesty Units</u>	<u>Cost of Waiving Fees</u>
<i>Fee Category</i>	<i><500 SF</i>	<i>500-750 SF</i>	<i>>750 SF</i>				
Plan Review Fee	\$1,850	\$1,850	\$1,850	\$8,960	X	100	\$896,000
Permit Fee	\$2,315	\$2,315	\$2,315			200	\$1,792,000
Taxes	\$2,763	\$3,372	\$3,980			300	\$2,688,000
Other Permit Fee	\$1,424	\$1,424	\$1,424			400	\$3,584,000
Park Fees (median)*			\$2,800			500	\$4,480,000
School Fees (approx.)†			\$2,700				
Total	\$8,352	\$8,961	\$15,069				

*Impact fees are waived for ADUs less than 750 SF by SB 13

† School fees not controlled by City and may be exempted by SB 13

Additional Analysis

(1) Third Party Inspectors

- City has the ability to hire Third Party Inspectors
- Inspectors must report Health and Safety concerns only
- Inspectors can support other phases of program (e.g. pre-applications, plan review)

(2) ADU Inspection Only

- May instruct inspectors to focus on ADU only (with exception of Life and Safety)

(3) Financial Resources

- No Federal, state or non-profit resources for Amnesty Units
- Programs target other reconstructions needs (e.g. post disaster, elderly or low income)
- Other municipalities suggest existing financial instruments (renovation loan, home equity, etc.)

(4) Building Code “Eras”

- 1952 Uniform Building Code (UBC) - built up to 1964
- 1973 UBC - built up to 1975
- 2001 California Building Code (CBC)- built until 2007
- 2019 California Residential Code (CRC)