

CITY COUNCIL COMMITTEE

POLICY DEVELOPMENT AND INTERNAL OPERATIONS

Mayor Tim Grayson, Chair
Laura Hoffmeister, Committee Member

5:30 p.m.
Thursday, November 12, 2015

Wing A, Garden Conference Room
1950 Parkside Drive, Concord

ROLL CALL

PUBLIC COMMENT PERIOD

- 1. CONSIDERATION** – Proposed Fee Reduction for Secondary Living Units. Report by Joan Ryan, Principal Planner.
- 2. ADJOURNMENT**

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**REPORT TO COUNCIL COMMITTEE ON
POLICY DEVELOPMENT & INTERNAL OPERATIONS****TO HONORABLE COMMITTEE MEMBERS:**

DATE: November 12, 2015

**SUBJECT: PROPOSED FEE REDUCTION FOR SMALL SECONDARY LIVING UNITS &
CONSIDERATION OF OTHER POSSIBLE PROGRAM CHANGES****Report in Brief**

On January 5, 2015, the Housing Element Update 2014-2022 was adopted by City Council; it included a number of new policies intended to support production of more affordable housing. Since the loss of Redevelopment in 2012 and the elimination of associated affordable housing funding, the creation of new affordable housing units has been more difficult to achieve. One idea for creating additional affordable housing identified in the City's adopted Housing Element Update was to reduce the impediments involved in the construction of secondary living (in-law) units. Housing Element Update Program H-1.4.4 encourages the City to work with the Contra Costa Water District (CCWD), to determine if the fees charged by both jurisdictions for new secondary living units can be reduced to encourage more affordable housing.

As a result, staff encouraged CCWD to study their secondary living unit fees through their current Facility Reserve Charge study. Concurrently, staff also examined the current City charges and impact fees applicable to a new secondary living unit. As a result, staff recommends the goal of the creation of a 2-year Pilot Program to implement Program H-1.4.4:

- Encourage secondary living unit construction to increase the amount of affordable housing units, as one tool to assist the City in meeting its' Regional Housing Needs Allocation; and
- Create an avenue to legalize existing non-permitted secondary units to confirm compliance with building and safety codes.

Staff recommends the Council discuss five possible elements to the proposed pilot program:

1. Reduction in City-charged impact fees for small second units (less than 640 square feet);
2. Removal of the City's requirement for owner occupancy of one of the two units if the property is within the downtown specific plan boundary;
3. Implementation of an amnesty program for any existing second units that were built without benefit of city-review;
4. Development of a cross-marketing program with CCWD; and
5. Implementation of the program as a 2-year pilot program from March 2016 through February 2018, building in a formal evaluation of the program by the Planning Commission before the pilot program expires.

Additionally, staff recommends the Committee discuss the possibility of extending the same fee reduction program to larger secondary living units (greater than 640 square feet but smaller than 1,000 square feet).

Background

The need for affordable housing has been growing in Concord (and State-wide) as prices and rents have increased over the last three years. In particular, there is demand for affordable housing in and near the downtown that is close to transit services. The City's Secondary Living Unit Ordinance provides an opportunity for construction of a secondary living unit on all lots within any single family residential zoning district (RR, RS), as long as the unit can meet certain development standards, including minimum and maximum unit size, setbacks, parking, and design requirements. On parcels less than 12,000 sq. ft. in size, a one-bedroom secondary living unit of up to 640 sq. ft. may be allowed, subject to an Administrative Permit and Building Permit. Parcels greater than 12,000 sq. ft. may construct up to a 2 bedroom, 1,000 sq. ft. secondary living unit, subject to a Minor Use Permit and a Building Permit. In both cases, the secondary units may be attached or detached from the main residence, subject to meeting the required development standards.

Rental rates in Concord have increased substantially over the last 12 months, particularly in the downtown, and demand for affordable housing options has increased as well. A few new multi-family developments have been proposed in the downtown area, but none are currently under construction. The approved Renaissance Phase 2 apartment project is the only substantial multi-family housing project (179 units) within the downtown that could provide new housing within the next year. Other multi-family projects, such as the proposed Concord Village project (230 units) on East/Salvio Streets, are early in the entitlement process. Although just one tool to provide affordable housing, new secondary living units require a relatively short time line to approve and construct.

Development impact fees (for both CCWD and the City) charged for a secondary living unit are not dependent on the size of the unit. City fees for a secondary living unit currently include parkland dedication fees (\$8,345), off-site street improvement program (traffic impact) fees (\$1,626) and sewer connection fees (\$2,774). Such fees are in addition to the cost of an Administrative Permit (or Minor Use Permit) to establish the use, and the cost of a Building Permit/Building Inspection. The largest fee cost is typically charged by CCWD for provision of water service: currently \$24,525 for a detached secondary living unit (Attachment 1).

City Planning staff have had a number of coordination meetings with CCWD Planning staff during the last year to explore the willingness of the District to consider reductions to their water service fees for secondary living units as part of their Facilities Reserve Charge (FRC) review process, currently underway. This began when City staff attended CCWD's initial stakeholder kick-off meeting held on January 9, 2015 to review the scope and schedule for their FRC process. The FRC is a one-time charge for new customers to buy into existing and future CCWD facilities required to provide water service. The current FRC methodology and cost basis was established by their Board of Directors in 1998, with updates in 2003, 2008 and most recently in 2015 that focuses on adjustments related to inflation and administration of the program. A review of the FRC analysis was initiated by CCWD earlier this year to ensure that they appropriately and fully recover the costs associated with serving new connections.

On July 29, 2015, City Planning staff met with CCWD's Director of Planning to review their initial findings from the FRC analysis and was told that their staff would be recommending a 25% reduction in secondary unit fees to a level commensurate with 75% of the FRC for a standard 5/8" water line connection fee. The rationale for the 25% reduction in the FRC fee is that a (detached) secondary living unit is a smaller unit and would result in less water demand than a more "standard" sized single family home. It should be noted that the CCWD water service connection fee is substantially reduced for an attached unit, as opposed to

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a detached unit. CCWD treats “attached” secondary living units more like an addition or enlargement of the existing home, rather than as a completely new living unit.

CCWD’s recent staff report regarding the Draft FRC Study Update, dated October 21, 2015 (Attachment 2, page 3), confirms their approach toward a discount proposal for secondary living units. The recommendation will be formalized and brought to the CCWD Board in January 2016, as part of the annual rate and charges review, and would become effective in April 2016. However, the 25% reduction is for the FRC component only (currently \$18,966) of CCWD’s total new service fee and will be somewhat offset by the increase in FRC overall (4.2% for the Treated Water Service Area where Concord is located), thus, the 25% discount would be taken from this new higher value (\$19,763). The FRC Study Update is scheduled to be brought to the CCWD Board for adoption on November 18, 2015, with updates to the FRC becoming effective April 1, 2016. CCWD’s FRC is subject to annual inflationary adjustments, based on the change in the San Francisco Construction Cost Index.

Discussion

The construction of secondary living units has been difficult over the last ten years due to the increasing costs of development impact fees from local agencies and jurisdictions. A new program, perhaps limited to a 2-year pilot, could be developed by the City to incentivize property owners within the City to increase the amount of affordable housing and encourage infill development of secondary family units in single family neighborhoods. The program would be timed with the reduction in CCWD fees, to encourage owners to gain approval and construct secondary living units throughout the City. The pilot program would provide a substantial reduction in the City’s development impact fees for new second family units.

The State Department of Housing and Community Development’s (HCD) indicates that a local jurisdiction may receive credit for new second family units as affordable housing that is counted towards the City’s Regional Housing Needs Assessment (RHNA), as long as the jurisdiction can demonstrate the units are affordable based on at least one of the following: 1) subsidies, financing or other mechanisms that ensure affordability, 2) actual rents; or 3) actual sale prices (Attachment 3). A City program to allow a reduction in development impact fees would be considered a local subsidy to attract affordable housing. Staff believes these units could also be tracked by initial rental rates, based on the State Department of Housing and Community Development income and rental guidelines.

Current Impact Fees Proposed for Reduction in the City of Concord

Currently, any secondary living unit, regardless of size, is charged the same development impact fees by the City of Concord. These fees include Parkland Dedication fees (\$8,345), off-site street improvement program (OSIP) or traffic fees (\$1,626) and sewer connection fees (\$2,774), for a total of \$12,745. Such fees are in addition to the Administrative Permit (or Minor Use Permit) to establish the use, and the cost of a building permit. In total, these City administrative, building permit and impact fees can total between \$16,092 and \$18,594.

For the 2-year Pilot Program, staff proposes reducing the City’s development impact fees for smaller (640 sq. ft. or less) secondary living units, to provide a 50% reduction in the Parkland Dedication and OSIP fees, resulting in a fee reduction of \$4,985. The justification for this reduction is based on the minimal impact on parks and traffic anticipated with these additional small units. Many of these units are anticipated to be occupied by seniors and or by extended family members that might otherwise live in the primary home. No

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reduction for sewer fees is proposed since this requires a physical connection and demand on system. Staff proposes retaining the existing fees currently in place for larger secondary units (641-1,000 sq. ft.).

Table 1
Proposed Fee Reductions for Small Secondary Living Units
(640 sq. ft. or less)

| City Development Impact fees | Current | Proposed |
|-------------------------------------|-----------------|-----------------|
| Parkland | \$8,345 | \$4,173 |
| OSIP (traffic) | \$1,626 | \$ 813 |
| Sewer | \$2,774 | \$2,774 |
| | | |
| Total City fees | \$12,745 | \$7,760 |

Administrative Permit (or Minor Use Permit) fees to establish the use are in addition to the building permit, with fees that range from \$1,847 to \$2,174. Building Permit/Inspection fees can range from approximately \$1,500 for conversion to \$2,897-\$3,675 for building a new secondary living unit (600 to 1,000 sq. ft.)

Should the Council wish to consider reduced fees for the larger secondary living units (641-1,000 sq. ft.), staff would recommend a fee at 75% of the current secondary living unit fees. Such impact fees would total \$10,252. Staff has not received a large number of applications for the larger secondary living units to date, and encourages the smaller units simply to keep the potential issues of parking, noise and privacy to a minimum. The larger units are only allowed on lots of 12,000 sq. ft. or greater and staff anticipates the minor reduction in fees will not be a deciding factor in moving forward with construction in such cases.

History of Approved Secondary Living Units

The Concord Secondary Living Units Ordinance was adopted in 1982, consistent with State law requiring Cities to allow secondary living units on lots containing single family homes. The Ordinance has allowed secondary living units of up to 640 sq. ft. since that time. In 2012, the City's Development Code Update provided for larger secondary living units of up to 1,000 sq. ft. on parcels of 12,000 sq. ft. or larger.

Applications for secondary living units are typically tied to supply and demand of housing. As housing prices rise, interest in secondary living units increases. The City's approval process for secondary living units requires two steps: 1) administrative approval; and 2) Building Permit approval. However, some owners do not seek a building permit, once they fully understand the cost of both the City's impact fees and CCWD service connection fees which are collected at the time the building permit is issued.

Most recently, applications to allow secondary living units are increasing, with many owners stating they intend to move their parent or parents onto their property. The City has processed 13 administrative approvals for secondary living units in 2011-2015, with 9 applications made in 2015 alone, as shown in Table 2 below. During that same period, 9 building permits were processed for secondary living units. Staff concludes that the difference between the number of applications and the lower number of actual building permits may be attributed to owners who decide not to move through the building permit process, due to overall cost of the fees, however this is an assumption as no survey of these individuals has occurred.

A few of the building permits during the 2011-2015 period were seeking to legalize existing unpermitted secondary living units. This sometimes occurs when a new owner realizes their unit was built without benefit of permit, or an owner is preparing to sell their property and finds that the lack of an approved

building permit is a deterrent to a sale. There are numerous unpermitted secondary living units in Concord; it is hoped that the proposed fee reduction program would attract those owners to legalize their units during the proposed 2-year program window.

**Table 2
Processing of Secondary Living Units**

| Year | Entitlement | Building Permit |
|--------------|--------------------|------------------------|
| 2011 | 0 | 0 |
| 2012 | 3 | 2 |
| 2013 | 1 | 1 |
| 2014 | 0 | 3 |
| 2015 | 9 to date | 3 |
| Total | 13 | 9 |

Pilot Program Timeline

Staff is recommending a 2-year program to spur the short-term creation of affordable housing while demand is high while also providing adequate time to market the program. The two-year timeline will also allow those with illegal existing units to go through the City’s process, as necessary. Staff proposes examining the success of the program at the one year and 2-year milestones to determine if the program made a difference. At the end of the 2-year Pilot Program timeline, staff proposes to share the outcome, including the number of units approved and constructed with the Planning Commission to determine whether it would be valuable to extend the Pilot Program for another year(s).

Current Ordinance and Deed Restriction

Section 18.200.180(E) of the Development Code – Secondary Living Units (Attachment 4) requires owner occupancy whereby the owner must reside within either the primary or secondary living unit. Evidence of a recorded deed restriction requiring owner occupancy is typically required prior to issuance of the building permit. Staff typically does not monitor occupancy, unless there is some type of a code enforcement issue.

The Committee may wish to consider elimination of the requirement for the deed restriction for those small secondary living units (640 sq. ft. or less) on parcels within the Downtown Specific Plan boundary. During the Downtown Specific Plan process, a number of property owners made this recommendation, as they wanted the option to add secondary living units, but wanted the option to allow both units to be used as rental properties in the future. Some owners believed the owner occupancy restriction was a limitation that was unacceptable to some investors. Should the Committee decide to move forward with removal of the deed occupancy requirement, we may need to modify our current definitions for duplex and secondary living unit. Removal of the occupancy requirement could include the following benefits:

- Increase the amount of affordable housing proximate to the BART station
- Enable owners to be able to rent out both units
- Encourage property owners to re-invest in their properties, based on increased housing demand.

- Retain ability to require for further review by incorporating a condition of approval, similar to the following: *“Should use of the secondary living unit result in conflicts pertaining to parking, traffic, privacy, etc., this permit may be required to be submitted for subsequent review at a public hearing, at the discretion of the Planning Manager and if necessary, the conditions may be modified or new conditions of approval may be added to mitigate such impacts, or this administrative approval may be revoked.”* Once built, if occupancy became an issue, a secondary living unit approval could be amended or revoked such that the unit may only be used as an accessory structure (not a living unit).

No Fee Reduction Retroactivity

Fee reductions would be planned to be effective March 1, 2015 to coincide with CCWDs new reduction in April 2016 (pending approved of their Board), such that the City’s program could be implemented as soon as possible to take advantage of CCWD discounts and cross-marketed together. Staff would begin marketing in mid-February so that those applicants currently considering submittal of applications for entitlement could take advantage of the new program when submitting for their building permits. The proposed fee reductions are not proposed to be retroactive – meaning that those applicants who have already received building permit approval for a new second family unit and paid the full fees in place at that time would not be eligible for a refund or reimbursement. However, anyone in the process that had not yet paid the fee and pulled their building permits would be eligible for the reduction.

Secondary Living Unit Amnesty Program

In addition to the fee reduction, staff recommends that there be an amnesty program available during the 2-year program to encourage property owners with unpermitted secondary living units to bring those units into compliance through application for legalization via the building permit process. Staff believes it would be beneficial to the City as well as to occupants of those units for health and safety reasons to ensure these units are compliant with existing building codes and are properly constructed and inspected. Staff would recommend that the Committee consider waiving any penalties that would normally be charged for unpermitted construction, as part of the program.

However, it should be noted that when an owner of an existing unpermitted structure seeks building permit approval retroactively, that existing structure must be constructed (or renovated) to meet current Building Code standards, regardless of when it might have been originally constructed. This is a requirement of the State law, and is intended to ensure current construction meets the most current health and safety provisions. It is also true that a certain amount of the existing structure would likely need to be opened up and exposed for inspection to ensure the original construction of the unit was done properly, and this frequently limits interest in such a program.

Summary

In summary, benefits of a 2-Year Pilot Program to encourage secondary living unit construction include:

- Increasing the number of affordable (by design) living units within the City;
- Improving the number of units counted toward meeting the City’s RHNA;

- Encouraging owners to bring un-permitted living units into compliance with current Building Codes, while fees are lower;
- Motivating property owners proximate to transit to reinvest in their properties
- Creating a cross-marketing program with CCWD; and
- Fulfilling Program H-1.4.4 within the City’s Housing Element Update: to encourage the City to work with CCWD and internally at the City to “scale” fees for secondary units.

Next Steps

Based on the Committee’s direction, staff would incorporate comments and move the proposed Pilot Program forward to City Council for consideration. If the program is ultimately adopted modifications would be needed to the City’s Fee Schedule and standard conditions of approval for secondary living units, to implement the provisions of the program.

Recommendation

Staff recommends the following elements for proposed fee reduction for small secondary living units and incorporation of other program changes:

- Two-year Pilot Program extending from March 2016 to February 2018—with Planning Commission review before the expiration of the program;
- Citywide application: open to all property owners;
- Provision of a 50% reduction to existing fees for the Parkland and OSIP (traffic) fees for small (up to 640 square feet in size) second units;
- Provision of no fee reduction retroactivity
- Establishment of an early marketing program prior to effective date; and
- Incorporation of an amnesty program to increase the number of legal second units.

Other items staff recommends the Council Committee consider for potential inclusion within the Pilot Program:

- 1) Removal of the requirement that one of the two units be owner occupied if second units are developed within the Downtown Specific Plan area.
- 2) Fee reduction for larger secondary living units (641 sq. ft. to 1,000 sq. ft.)

Public Contact

The agenda item was posted.

FEE REDUCTION FOR SECONDARY LIVING UNITS

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- Attachment 1 – CCWD New Service Fees
- Attachment 2 – Draft FRC Study Update Staff Report, CCWD, dated Oct. 21, 2015
- Attachment 3 – Affordable Housing Guidelines
- Attachment 4 – Secondary Living Unit ordinance

CONTRA COSTA WATER DISTRICT

NEW SERVICE FEES

Effective from February 1, 2015

Walk-In Charges:

| Meter Size | Facility Reserve Chg | Service Line | Meter Charge | Sub-Total | BPD Charge | BPD Install | Total | Total |
|----------------|----------------------|------------------|--------------|-------------|------------|-------------|-------|-------------|
| 5/8" 20 GPM | \$18,966 | \$5,100 | \$70.00 | \$24,136.00 | \$254 | \$135 | \$389 | \$24,525.00 |
| 3/4" 30 GPM | \$28,450 | \$5,100 | \$130.00 | \$33,680.00 | \$254 | \$135 | \$389 | \$34,069.00 |
| 1" 50 GPM | \$47,416 | \$5,100 | \$170.00 | \$52,686.00 | \$291 | \$135 | \$426 | \$53,112.00 |
| 1" * 50 GPM | \$18,966 | \$5,100 | \$170.00 | n/a | \$291 | \$135 | \$426 | \$24,662.00 |
| 1-1/2" 100 GPM | \$94,832 | See Note 5 below | | | | | | |
| 2" 160 GPM | \$151,732 | See Note 5 below | | | | | | |

| HYDRANT METER - Deposit | WATER COST | STANDARD MEASUREMENTS |
|-------------------------|---------------------------------------|---|
| 3" \$700.00 | \$3.1574 Per Hundred Cubic Feet (HCF) | 325, 851 gals. = 1 acre foot 7.4805 gals.=one cubic foot (CF) 748.05 gals.=100 cubic feet (HCF) |

1. A charge of \$44.00 will be made for each meter installation (regardless of size) made at any time other than when the service line is installed (Regulation 5.08.040C).
2. Upgrading a meter (to a larger meter), there will be a \$100.00 replacement charge, plus the difference of Facilities Reserve Charge (FRC) and Meter Charge over current charges, and District's costs in making any necessary modifications or replacements of the service line from the main to the meter (Regulation 5.32.050A).
3. FRC credit will be allowed for the difference between larger and smaller meters. The credit received is based on the actual date of the last payment made on the existing meter.
4. Relocation or abandonment of a service connection will be actual cost but not less than \$90.00 (Regulation 5.08.050C).
5. Construction costs determined by actual costs of design, materials, installation, and overhead. (Regulation 5.08.040B and C).
- 6.* Single Family Residential unit with inside sprinkler system. Sprinklered systems require written confirmation from the local fire district. Effective January 1, 2011, all new residential construction will require a residential fire sprinkler system, per the 2010 California Building Code.

NORMAL RATES CHARGE PER DAY

METER SIZE

| | |
|---------|-----------|
| 5/8" | \$0.5707 |
| 3/4" | \$0.8560 |
| 3/4"*** | \$0.6106 |
| 1" | \$1.4266 |
| 1"*** | \$0.6163 |
| 1 1/2" | \$2.8533 |
| 2" | \$4.5652 |
| 3" | \$9.1304 |
| 4" | \$14.2663 |

Quantity Charge per 100 cubic feet = \$3.4513***

* Single Family Residential unit w/inside sprinkler system required by local fire district. Necessity of sprinkler systems require written confirmation from the local fire Protection District.

**Residential sprinkler rate.

***Energy surcharge will be added to each connection based on Zone connection location.



Agenda Item No. _____
 Meeting Date: 4.
October 21, 2015
 Resolution: () Yes (X) No

AGENDA DOCKET FORM

SUBJECT: DRAFT FACILITY RESERVE CHARGE STUDY UPDATE

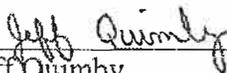
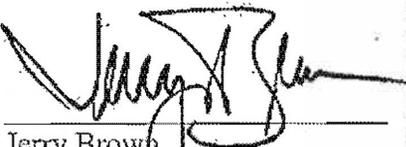
SUMMARY: The Contra Costa Water District's (District) Facility Reserve Charge (FRC) is a one-time charge that ensures new customers pay their share of costs for existing and future facilities required to provide new water service. The District established its current FRC program in 1998 with minor updates in 2003 and 2008, which focused on adjustments related to inflation and administration of the program. A full scale analysis, similar to what was done in 1998, was conducted this year to incorporate the results of the most recent master plans and to ensure the FRC appropriately recovers the costs associated with serving new connections. All new customers within the service area pay the untreated water FRC and only those within the treated water service area pay the treated water FRC (Attachment 1). A Draft FRC Study Update report has been prepared and is being presented to the Board of Directors (Board) for review and input.

The methodology used in the District's FRC consists of two components: 1) A buy-in or reimbursement component that recovers a share of the cost of the available capacity in the existing system, and 2) an expansion or future facilities component that recovers the costs of the District's planned projects that will provide additional service capacity. The FRC Study Update does not assess facility or water supply needs, but incorporates projects identified in the District's master plans including the Treated Water Master Plan, Ten-Year Capital Improvement Program, and Future Water Supply Study (FWSS). The Draft FRC Study Update follows the same methodology used in the 1998 FRC and incorporates changes in land use and demand projections and facilities constructed since 1998.

(Continued on Page 2)

FISCAL IMPACT: The impact of the proposed FRC adjustments depends on the level of development. The reallocation of FRC shares going to existing and future facilities can impact reserve balances and will be addressed in the update of the 2017-2026 Capital Improvement Program and Financial Plan. The total cost for the Facility Reserve Charge Study Update, including District labor and consulting services, is projected to be \$250,000. There are adequate funds in the Planning Department's adopted FY16 budget to fund this project.

RECOMMENDED ACTION: Receive and comment on the Draft Facility Reserve Charge Study Update.

| | | |
|--|--|---|
|  Jeff Quimby Director of Planning |  Stephen J. Welch Assistant General Manager |  Jerry Brown General Manager |
|--|--|---|

JQ/rlr

Attachments: 1) Service Area Map; 2) Draft Facility Reserve Charge Summary; 3) Draft Facility Reserve Charge Study Update Executive Summary

AGENDA DOCKET FORM

SUMMARY (Continued from Page 1):

A summary of the draft untreated and treated water FRCs with a comparison to the 1998 FRC is provided as Attachment 2 and the Executive Summary of the Draft FRC Study Update is provided as Attachment 3. A copy of the complete Draft FRC Study Update is available from the District Secretary or at www.ccwater.com/drafftfrstudy.

Untreated Water - The overall cost to serve the estimated 63,900 future connections in the untreated water service area, both for their share of available capacity and for future facility requirements, totals \$340.1 million. The breakdown of these costs by component and per equivalent connection is summarized in Attachment 2. Each equivalent connection would be required to pay \$5,371 for full cost recovery based upon October 2014 dollars. This represents a nine percent increase from the District's existing untreated water FRC of \$4,936.

Treated Water - The overall cost to serve the estimated 11,500 future connections in the treated water service area (TWSA), both for their share of available capacity and for future facility requirements, totals \$164.4 million. The breakdown of these costs by component is summarized in Attachment 2. Each equivalent treated water connection would need to pay \$14,392 for full cost recovery based upon October 2014 dollars. This represents a three percent increase from the District's existing fee of \$14,030. New connections in the TWSA pay both the untreated and treated water FRC components. The resulting draft total FRC for new treated water customers would be \$19,763, compared to the existing FRC of \$18,966 (four percent increase).

Stakeholder and Board Review - The District conducted an initial stakeholder meeting in January 2015 prior to beginning the analysis to get input from stakeholders on issues that should be considered in this update. The stakeholder group included the District's municipal customers, developers who were involved in the 1998 Update, the Building Industry Association, and cities served by the District. A second workshop was conducted in June 2015 to review the preliminary FRC calculations and results. There were no substantive comments. An Administrative Draft of the FRC Study Update was released for comment in August 2015 and no comments were received. The Board received updates and provided input on the direction for the FRC Study Update during the April 2015 Board Study Session and reviewed preliminary results at the May 2015 Finance Committee meeting. The FRC Study Update is scheduled to be brought to the Board for potential adoption on November 18, 2015. Changes to the District's FRC would be considered by the Board as part of the annual review of rates and charges in January 2016 with any changes to the FRC becoming effective April 1, 2016.

FRC Annual Escalation - Since 2003, the District has adjusted the FRC annually based on the change in the Engineering News Records Construction Cost Index (ENR CCI) for the San Francisco Bay Area. This escalation is done to ensure the FRC maintains pace with construction inflation to adequately fund identified program costs. The District's current FRC and Draft FRC Update are presented in October 2014 dollars. The FRC will be updated based on the October 2015 change in the ENR CCI when it is available. If adopted next month, the new FRC amounts would be increased by the index as part of the Board's review of rate and charges in January 2016. This was made clear to the stakeholder groups and no objections were raised.

Concord Naval Weapons Station - The City of Concord General Plan amendment includes conceptual plans for redevelopment of the Concord Naval Weapons Station (CNWS). The City of Concord is currently working toward initial land transfers and selecting a master developer. Similar to new connections in the TWSA, new connections for the CNWS will utilize available capacity in the District's existing distribution system. The value of available capacity (the buy-in component of the FRC) within the District's system has been allocated between the CNWS and the remainder of the TWSA in proportion to the respective increases in water demands (after deducting for anticipated recycled water deliveries to CNWS), however, a full FRC that includes future facilities cannot be developed until more specific land development plans are completed which will enable future CNWS facilities to be better defined. A specific FRC for the CNWS will be brought to the Board for consideration at a later date.

FRCs for Secondary Units - The District reviewed its policies and FRCs for secondary units in response to comments received from the stakeholder group in January 2015. Secondary unit definitions vary from City to City, but they are generally defined as a secondary premise on a residential parcel that is limited to no more than one bedroom. The District Code of Regulations currently requires that all secondary residential units have a separate water service connection, and that each premise pay the full treated water FRC. The requirement for a separate connection and meter ensures safe drinking water quality and addresses the demand the additional dwelling unit places on the water system. After considering the stakeholders arguments for a change in our policy, an FRC equal to 75% of a standard 5/8-inch connection will be recommended for secondary units under the condition that the residential parcel could never be subdivided (i.e. making the secondary dwelling an independent parcel separate from the main house) as prohibited by the governing city ordinance. The lower FRC reflects the following considerations:

- Reduced water usage. It is estimated that capacity requirements for secondary units are approximately 50% of a standard connection. This estimate is based on reduced plumbing fixtures and occupancy.
- Fire Protection. Approximately 15% of the treated water system is designed and constructed to provide fire protection. Fire protection includes water storage facilities and oversizing of transmission and distribution pipelines. An allocation of 15% of the connection fee is included in the secondary unit FRC for fire protection and suppression.
- Additional Landscaping. Plans for secondary units often include additional landscaped areas including small lawns, gardens, and planter beds. An additional allocation of 10% of a connection fee has been included to account for the potential to install additional landscaped areas.

Review of the FRC for secondary units was completed in response to stakeholder comments and is outside of the scope for the FRC Study Update. Recommendations to establish a reduced FRC for secondary units and changes to the Code of Regulations to reflect this change will be brought to the Board for consideration in January 2016 as part of the annual rate and charges review.



Service Area Map

DRAFT
Untreated Water Facility Reserve Charge Summary

| Component | 1998 Study, \$/Connection | Draft 2015 Study, \$/Connection |
|--|------------------------------|------------------------------------|
| Buy-In | | |
| Los Vaqueros Debt | \$334 | \$2,126 |
| Rate Stabilization Fund | \$104 | \$69 |
| Los Vaqueros Expansion | -- | \$577 |
| Multi-Purpose Pipeline - Built | -- | \$1,102 |
| Middle River Intake | -- | \$326 |
| Canal Replacement Project - Built | -- | \$15 |
| Subtotal Buy-In | \$438 | \$4,214 |
| Future Facilities | | |
| FWSS Implementation | \$1,478 | \$797 |
| Multi-Purpose Pipeline – Planned | \$1,409 | \$279 |
| Old River Upstream Improvements | \$421 | -- |
| Share of Existing Old River | \$926 | -- |
| Rock Slough Improvements | -- | \$25 |
| Canal Replacement Project - Planned | -- | \$30 |
| CIP Studies | \$9 | \$27 |
| Subtotal Future Facilities | \$4,243 | \$1,810 |
| Untreated Water Component (1998 \$) | \$4,681 | |
| Untreated Water Component (2014 \$) | \$4,936^(a) | \$5,371 |

(a) Current FRC is based on the 1998 FRC Study and reflects annual inflationary adjustments that have been implemented since 2003.

Treated Water Facility Reserve Charge Summary

| Component | 1998 Study, \$/Connection | Draft 2015 Study, \$/Connection |
|--|-------------------------------|------------------------------------|
| Buy-In | | |
| Distribution (storage, pumping, pipelines) | \$3,005 | \$2,635 |
| Treatment Capacity (Randall-Bold) | \$2,510 | \$1,818 |
| Rate Stabilization Fund | \$183 | \$124 |
| Subtotal Buy-In | \$5,701 | \$4,577 |
| Future Facilities | | |
| Distribution (storage, pumping, pipelines) | \$4,374 | \$8,814 |
| Treatment Capacity (expansion) | -- | \$907 |
| Planning Studies | \$66 | \$94 |
| Subtotal Future Facilities | \$4,440 | \$9,815 |
| TW FRC (1998 \$) | \$10,141 | |
| TW FRC (2014 \$) | \$14,030^(a) | \$14,392 |

(a) Current FRC is based on the 1998 FRC Study and reflects annual inflationary adjustments that have been implemented since 2003.

CONTRA COSTA WATER DISTRICT
2015 FACILITY RESERVE CHARGE UPDATE STUDY
DRAFT REPORT

DRAFT
OCTOBER 2015



CONTRA COSTA WATER DISTRICT

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1.1. INTRODUCTION

Contra Costa Water District (CCWD or District) was formed in 1936 and now provides water service to approximately 500,000 customers in central and eastern Contra Costa County. In performing this service, the District operates and maintains a complex system of water transmission, treatment, and storage facilities to supply both treated and untreated (raw) water to its customers. The District has a comprehensive financing plan process for constructing, maintaining, and operating water facilities. Although the District funds its operations and capital program with assessments, fees, and other revenue sources, the primary source of revenue is collected through rates. Capital expenditures in particular are funded through rates, assessments, and the District's Facility Reserve Charge (FRC).

The District's FRC fulfills two purposes. First, the fee recovers the costs that existing customers have paid to provide capacity for new customers through existing facilities. Second, the fee provides that future facilities built in order to serve new connections are paid for by the new connections. The FRC is a mechanism through which growth pays for the facilities needed to serve growth. The FRC is a fee imposed on new development wishing to connect to the District's system as well as existing customers that upsize their reserved capacity in the system. The FRC is designed to equitably recover a proportionate share of available capacity in the existing water system and for the cost to expand system capacity necessary to meet the demands of future development.

The objective of this study is to review the District's current FRC methodology and update the FRCs based on current costs and demand projections. In order to comply with industry standards and principles, legal requirements, and CCWD Board policy, the following criteria were used in evaluating the validity of the FRC process:

- Does the FRC represent a reasonable nexus between the benefits and the costs incurred by existing customers on behalf of future customers and the costs necessary for future improvements to serve growth?
- Is the allocation approach consistent with industry practices and California Government Codes §54999.7 and §66013?
- Is it likely that the allocation will be appropriate for use by the District in the future?

The District contracted with Carollo Engineers Inc. (Carollo) to review and update the methodology used to calculate the FRC. The FRC analysis is based upon a point in time calculation incorporating the District's Fiscal Year (FY) 2015 Fixed Asset schedules, Ten Year Capital Improvement Plan (CIP), projected demands, and other data.

1.2. METHODOLOGY

There are a number of approaches to calculating a connection fee, or FRC, that would appropriately recover the cost of providing service to future connections. In order to establish a FRC that would adequately address the unique characteristics of the District's system and benefits received by new customers connecting to the system, the charge accounts for two components:

- A recovery of expenditures made by existing customers that benefit new, future connections.
- An allocation of costs for future improvements necessary to serve new connections.

This methodology was used to calculate both the Treated and Untreated Water FRCs as both systems have available capacity within the existing system as well as the need to fund future infrastructure required to serve growth.

1.3. TREATED WATER FRC SUMMARY

As part of the 2015 Treated Water Master Plan (TWMP) process, the District developed an extensive analysis to determine the existing and projected treated water demand by build-out. This analysis accounted for conservation, growth, land use, unaccounted for water, economic and weather effects. The TWMP projected that treated water demand would increase by about 7,100 acre-feet (AF) by build-out, which translates into approximately 11,500 new connections that will benefit from the treated water system.

The overall cost to serve the additional 11,500 treated water connections in the District's treated water service area (TWSA), both for their share of available capacity and for future facility requirements, totals \$164.4 million. The breakdown of these costs and the corresponding FRC per equivalent connection are summarized in Table 1.1. Each equivalent treated water connection would need to pay \$14,392 dollars (plus the Untreated Water FRC) for full cost recovery based upon October 2014 dollars. This represents a 3 percent increase from the District's existing fee of \$14,030.

| Table 1.1 Summary Treated Water FRC Calculation for the TWSA 2015 Facility Reserve Charge Update Contra Costa Water District | | | |
|---|--|-------------------------------------|--------------------------|
| Buy-In Component | Capacity Allocable to Growth, \$M | New Connections that Benefit | \$ per Connection |
| Storage | \$0.1 | 11,500 | \$6 |
| Pumping | \$1.2 | 11,500 | \$103 |
| Pipelines | \$29.1 | 11,500 | \$2,526 |
| TWSA Share of Randall-Bold (including expansions) | \$20.9 | 11,500 | \$1,818 |
| TW Rate Stabilization Fund | \$0.3 | 2,200 ⁽¹⁾ | \$124 |
| Buy-In Component | | | \$4,577 |
| Future Facilities Component | Capacity Allocable to Growth, \$M | New Connections that Benefit | \$ per Connection |
| Storage | \$44.1 | 11,500 | \$3,833 |
| Pumping | \$9.6 | 11,500 | \$834 |
| Pipelines | \$47.7 | 11,500 | \$4,147 |
| Bollman WTP Expansion | \$10.4 | 11,500 | \$907 |
| Planning Studies | \$1.1 | 11,500 | \$94 |
| Future Facilities Component | | | \$9,815 |
| Total TWSA Facility Reserve Charge | | | \$14,392 |
| (1) Not all projected future treated water customers will benefit from the TW Rate Stabilization Fund. Calculation of 2,200 discussed in Section 3.1. | | | |

1.4. UNTREATED WATER FRC SUMMARY

Customers that benefit from both treated and untreated water systems will be required to pay a separate FRC to connect to both systems. In conjunction with the TWMP analysis, the District also reviewed the requirements of the untreated water system with respect to growth. The District's Future Water Supply Study (FWSS) projected that the District's untreated water demand would increase by about 36,700 AF by build-out, adding approximately 63,900 new connections that will benefit from the untreated water system.

The overall cost to serve the additional 63,900 untreated water connections in the untreated water service area (UWSA), both for their share of available capacity and for future facility requirements, totals \$340.1 million. The breakdown of these costs and the corresponding FRC per equivalent connection are summarized in Table 1.2. Each equivalent connection would be required to pay \$5,371 dollars for full cost recovery based upon October 2014 dollars. This represents a 9 percent increase from the District's existing fee of \$4,936.

| Table 1.2 Summary Untreated Water FRC Calculation for the UWSA 2015 Facility Reserve Charge Update Contra Costa Water District | | | |
|--|------------|---|------------------------------|
| Buy-In Component | \$M | New Connections that Benefit | \$ per Connection |
| Los Vaqueros Reservoir | \$135.9 | 63,900 | \$2,126 |
| Los Vaqueros Expansion | \$36.8 | 63,900 | \$577 |
| Multi-Purpose Pipeline | \$70.4 | 63,900 | \$1,102 |
| Middle River Intake | \$20.8 | 63,900 | \$326 |
| UW Rate Stabilization Fund | \$1.3 | 18,600 ⁽¹⁾ | \$69 |
| Canal Replacement, Built | \$0.9 | 63,900 | \$15 |
| Buy-In | | | \$4,214 |
| Future Facilities Component | \$M | New Connections that Benefit | \$ per Connection |
| FWSS Implementation | \$50.9 | 63,900 | \$797 |
| Rock Slough Upstream Improvements | \$1.6 | 63,900 | \$25 |
| UW Pipeline | \$17.8 | 63,900 | \$279 |
| Planning Studies | \$1.8 | 63,900 | \$27 |
| Canal Replacement, Planned | \$1.9 | 63,900 | \$30 |
| Future Facilities Component | | | \$1,158 |
| Total UWSA Facility Reserve Charge | | | \$5,371 |
| (1) Not all projected future untreated water customers will benefit from the UW Rate Stabilization Fund. Calculation of 18,600 discussed in Section 4.1. | | | |

1.5. SPECIAL ISSUES

A portion of Contra Costa County known as the Concord Naval Weapons Station will be redeveloped in the coming years as a primarily residential and commercial area. This report refers to the redevelopment area as the Concord Reuse Plan (CRP) Area. As the projected customers within the CRP Area will, for the most part, benefit from CRP designated

infrastructure, future CRP Area customers are excluded from the District customer base and a separate and specific FRC will be calculated for the CRP Area connections. As a result, the FRCs charged to customers within the District's TWSA and UWSA will exclude the value of infrastructure and other system costs that is projected to be allocated to serve future CRP Area customers.

1.6. IMPLEMENTATION

The proposed fees to be adopted by the Board will be based on October 1, 2015 dollars. While the asset and capital values listed within this report are provided in October 2014 dollars, the proposed Treated and Untreated Water FRCs will be escalated to October 2015 dollars. Each subsequent year, the FRC will be escalated according to the Engineering News Records Construction Cost Index (ENR CCI) for the San Francisco Bay Area based on the change in the October ENR CCI. This escalation will provide that the FRC maintains pace with construction inflation to adequately fund identified program costs.



Regional Housing Needs Assessment (RHNA)

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Last Updated 5/6/2010

The element shall contain an analysis of population and employment trends and documentation of projections and quantification of the locality's existing and projected housing needs for all income levels. These projected needs shall include the locality's share of the regional housing need in accordance with Section 65584 (Government Code Section 65583(a)(1)).

HCD is required to allocate the region's share of the statewide housing need to Councils of Governments (COG) based on Department of Finance population projections and regional population forecasts used in preparing regional transportation plans. The COG develops a Regional Housing Need Allocation Plan (RHNA-Plan) allocating the region's share of the statewide need to cities and counties within the region. The RHNA-Plan should promote the following objectives:

- increase the housing supply and the mix of housing types, tenure and affordability in all cities and counties within the region in an equitable manner;
- promote infill development and socioeconomic equity, the protection of environmental and agricultural resources, and the encouragement of efficient development patterns; and
- promote an improved intraregional relationship between jobs and housing.



Housing element law recognizes the most critical decisions regarding housing development occur at the local level within the context of the periodically updated general plan. The RHNA-Plan component of the general plan requires local governments to balance the need for growth, including the need for additional housing, against other competing local interests. The RHNA-Plan process of housing element law promotes the state's interest in encouraging open markets and providing opportunities for the private sector to address the State's housing demand, while leaving the ultimate decision about how and where to plan for growth at the regional and local levels. The process maintains local control over where and what type of development should occur in local communities while providing the opportunity for the private sector to meet market demand. While land-use planning is fundamentally a local issue, the availability of housing is a matter of statewide importance. The RHNA-Plan process requires local governments to be accountable for ensuring that projected housing needs can be accommodated and provides a benchmark for evaluating the adequacy of local zoning and regulatory actions to ensure each local government is providing sufficient appropriately designated land and opportunities for housing development to address population growth and job generation.

REQUISITE ANALYSIS

Regional Housing Needs Assessment

Housing element law requires a quantification of each jurisdiction's share of the regional housing need as established in the RHNA-Plan prepared by the COG.

The Regional Housing Need Assessment (RHNA) is a minimum projection of additional housing units needed to accommodate projected household growth of all income levels by the end of the housing element's statutory planning period. Each locality's RHNA is distributed among four income categories to address the required provision for planning for all income levels. The distributed RHNA should be addressed in the housing element as follows:

| REGIONAL HOUSING NEED ALLOCATION | |
|---|------------------------------|
| Income Category | New Construction Need |
| Very Low (0-50% of AMI) | |
| Low (51-80% of AMI) | |
| Moderate (81-120% of AMI) | |
| Above Moderate (over 120% of AMI) | |
| TOTAL UNITS | |

Jurisdiction RHNA Credit for New Housing Units Since Start Date of RHNA Projection Period

The jurisdiction authorized to permit a particular residential development may take RHNA credit for new units approved, permitted, and/or built since the start date of the RHNA projection period. Information on the RHNA projection period for each region can be found at http://www.hcd.ca.gov/hpd/hrc/plan/he/he_time.htm

A jurisdiction may take RHNA credit for units built on sites controlled by an exempt State, Federal, or Tribal Nation entity (e.g. College/University, Military, recognized Tribe) when the local government is the appropriate jurisdiction to report the new units to State Department of Finance when annually completing DOF's housing unit survey. (See section: "Inventory of Land Suitable for Residential Development" under Site Suitability http://www.hcd.ca.gov/hpd/housing_element2/SIA_land.php ([/hpd/housing_element2/SIA_land.php](http://www.hcd.ca.gov/hpd/housing_element2/SIA_land.php)))

To credit units affordable to very-low, low-, and moderate-income households toward the RHNA, a jurisdiction must demonstrate the units are affordable based on at least one of the following:

- ✱ • subsidies, financing or other mechanisms that ensure affordability (e.g., MHP, HOME, or LIHTC financed projects, inclusionary units or RDA requirements);
- actual rents; and
- actual sales prices.

Densities of housing developments do not describe affordability for the purposes of crediting units against the jurisdiction's RHNA. For projects approved but not yet built, the jurisdiction must demonstrate the units can be built within the remaining planning period and demonstrate affordability to very low- or low-income households as follows:

| UNITS APPROVED, PERMITTED, AND/OR BUILT | | | | | | | |
|--|---------------------------------|-------------|-----------------------|---|---|----|--|
| Project Name | Status Approved/Permitted/Built | Total Units | Units by Income Level | | | | Methodology of Affordability Determination (1) Sales price (2) Rent price (3) Type of Subsidy |
| | | | VL | L | M | AM | |
| | | | | | | | |
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| REMAINING NEED BASED ON UNITS BUILT/UNDER CONSTRUCTION | | | |
|---|----------------------------|--|-----------------------|
| Income Category | A New Construction Need | B Units Built, Under Construction or Approved | A-B Remaining Need |
| Very Low (0-50% of AMI) | | | |
| Low (51-80% of AMI) | | | |
| Moderate (81-120% of AMI) | | | |
| Above Moderate (over 120% of AMI) | | | |
| TOTAL UNITS | | | |

SAMPLE ANALYSES

- Highlighted Jurisdiction- City of Richmond
(/hpd/housing_element2/examples/screen14richmond.pdf)

LINKS

The following links can assist in the preparation of the housing element:

- [HCD: Housing Element Update Schedule \(/hpd/hrc/plan/he/he_time.htm\)](/hpd/hrc/plan/he/he_time.htm)
- [HCD: Official State Income Limits \(/hpd/hrc/rep/state/incNote.html\)](/hpd/hrc/rep/state/incNote.html)
- [Listing of Councils of Governments websites \(/hpd/hrc/plan/he/\)](/hpd/hrc/plan/he/)
- [California Housing Finance Agency's Current Sales Price Limit Bulletins \(http://www.calhfa.ca.gov/homeownership/bulletins/index.htm\)](http://www.calhfa.ca.gov/homeownership/bulletins/index.htm)

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TABLE HE-50 RESIDENTIAL PROJECTS SINCE 2000 - AS OF JUNE 2005

| Name | Type | Funding | Total | Income Range | | | | Status |
|--|---------------|--|-------------|--------------|------------|------------|------------|----------------------------|
| | | | | Above | Moderate | Low | Very | |
| Metrowalk at Transit Village, Phase I | Townhomes | RDA; LMIHF | 132 | 66 | 66 | 0 | 0 | Cplt. 2005 |
| Metrowalk at Transit Village, Phase II | Townhomes | RDA; LMIHF | 99 | 50 | 49 | 0 | 0 | Awarded Local Subsidy; ??? |
| Seacliff Estates | Single family | Private | 140 | 140 | 0 | 0 | 0 | Complete |
| Bayfront | Single family | LMIHF | 162 | 142 | 20 | 0 | 0 | Cplt. 2000 |
| Heritage Park | Apartments | LMIHF; LIHTC | 192 | 0 | 0 | 192 | 0 | Cplt. 2001 |
| City Center Apartments | Apartments | RDA; LIHTC | 64 | 0 | 0 | 24 | 40 | Cplt. 2001 |
| Parkway Estates | Single family | LMIHF; HOME; CDBG; CCC RDA, CDBG & HOME | 90 | 0 | 62 | 28 | 0 | Cplt. 2001 |
| Woods Estates | Single family | LMIHF; HOME; CDBG | 18 | 0 | 7 | 11 | 0 | Cplt. 2001 |
| Jelani Park, Phase I | Ownership | HOME; LMIHF | 5 | 0 | 0 | 5 | 0 | Cplt. 2000 |
| Jelani Park, Phase II | Ownership | HOME; LMIHF | 8 | 0 | 4 | 4 | 0 | Cplt. 2004 |
| Chesley Mutual Hsg 802 Chelsley Ave | Rental Co-op | CDBG; LMIHF; Bonds; LIHTC | 30 | 0 | 0 | 0 | 30 | Cplt. 2006 |
| Scattered Infill Housing Program Sites | Ownership | HOME; LMIHF; CalHFA; Bonds | 66 | 23 | 1 | 42 | 0 | Awarded Local Subsidy |
| Scattered Infill Housing Program Sites | Ownership | HOME; LMIHF; CalHFA; Bonds | 100 | 50 | 20 | 20 | 10 | By 6/30/2007 |
| Community Heritage Senior | Rental | HUD 202; LMIHF; HOME; CDBG; CCC RDA, CDBG & HOME | 52 | 1 | 0 | 0 | 51 | Cplt. 2000 |
| On-site Easter Hill HOPE VI, Rehab | Rental | HOPE VI; HA | 36 | 0 | 0 | 0 | 36 | Cplt. 2000 |
| On-site Easter Hill HOPE VI, Phase I & II* | Rental | HOPE VI; CalHFA; LMIHF; Bonds; LIHTC; HA | 240 | 0 | 0 | 0 | 240 | under construction |
| On-site Easter Hill Homeownership* | Ownership | HOPE VI; CalHFA; LMIHF; Bonds; HA | 40 | 22 | 7 | 11 | 0 | under construction |
| Hoffman Estates | Single family | LMIHF; HOME; CDBG | 23 | 5 | 7 | 11 | 0 | Cplt. 2001 |
| Total Complete | | | 1497 | 499 | 243 | 348 | 407 | |

Note: *On-site Easter Hill HOPE VI, Phase I & II and On-site Easter Hill Homeownership are replacement units.

TABLE HE-50 RESIDENTIAL PROJECTS SINCE 2000 - AS OF JUNE 2005 (CONT.)

| Proposed Projects | | | | | | | | |
|---------------------------|---|-----------------------------------|--------------|--------------|------------|-----------|------------|--|
| Name | Type | Funding | Total | Income Range | | | | Status |
| | | | | Above | Moderate | Low | Very | |
| Macdonald Mixed-Use | Condos | CalHFA; LMIHF | 3 | 0 | 0 | 3 | 0 | Site Purchased; Awarded Local Subsidy; Concept |
| Vernon-Castro | Ownership | Bonds | 50 | 25 | 0 | 5 | 20 | Site Purchased; Awarded Local Subsidy; Concept |
| Parkway Transit Village | Townhomes Live-work Single Family | Private | 1,000 | 700 | 200 | 50 | 50 | Initial Study Prep |
| Total Proposed | | | 1,053 | 725 | 200 | 58 | 70 | |
| Under Construction | | | | | | | | |
| Name | Type | Funding | Total | Income Range | | | | Status |
| | | | | Above | Moderate | Low | Very | |
| Acacia | Apartments | Private | 504 | 504 | 0 | 0 | 0 | Under Const. |
| Brickyard | Condos | Private | 69 | 69 | 0 | 0 | 0 | Under Const. |
| Country Club Vista | Single Family | Private | 645 | 645 | 0 | 0 | 0 | Under Const. |
| Fairfield Communities | Apartments | Private; In-lieu | 200 | 166 | 34 | 0 | 0 | Cplt. 2005 |
| The Villas at Hilltop | Single family | Private | 172 | 172 | 0 | 0 | 0 | Under Const. |
| Pinole Pointe | Single family | Private | 211 | 211 | 0 | 0 | 0 | Under Const. |
| Cortez Homeownership | Ownership | HOPE VI; CalHFA; LMIHF; Bonds; HA | 40 | 24 | 10 | 6 | 0 | Under Const. |
| Anchor Cove | Townhomes | Private | 138 | 138 | 0 | 0 | 0 | Under const. |
| Ford Assembly Plant | Live/work | Private | 29 | 15 | 14 | 0 | 0 | Under const. |
| Pullman Pointe* | Rentals | LMIHF; Bonds; LIHTC | 199 | 1 | 0 | 67 | 131 | Cplt. 2005. |
| Total Under Const. | | | 2207 | 1945 | 58 | 73 | 131 | |

Note: *Pullman Pointe are affordable units preserved in part with City funding which underwent substantial rehabilitated. See Appendix A-4 for SB 438 evaluation.

Attachment 4

18.200.180 Secondary living units.

Where allowed by Division II of this title (Zoning Districts – Uses and Standards), secondary living units shall comply with the requirements of this section.

A. Applicability. Secondary living units are allowed in all single-family residential (RR, RS) districts, low density residential districts (RL), and in other districts where single-family uses are allowed.

B. Limitation. No more than one principal single-family dwelling and one secondary living unit shall be allowed on any parcel in a single-family residential (RR, RS) district.

C. Compliance with City Ordinances. The principal single-family dwelling and the secondary living unit shall meet all provisions of the district in which they are located, including setbacks, height, lot coverage, and parking requirements and other applicable provisions of the development code, except as allowed by this section.

D. Location.

1. The secondary living unit shall be located within the area of the lot allowed for the principal dwelling and shall not be located within any required setback area.

2. The secondary living unit may be established through:

- a. Conversion of existing floor space in an existing single-family dwelling;
- b. An addition to an existing single-family dwelling;
- c. Conversion of an existing accessory structure; provided, that it is located within the area allowed for principal single-family dwelling;
- d. Construction of a new detached structure; provided, that it is located behind and within the area allowed for principal single-family dwelling;
- e. On a vacant lot when a new single-family dwelling and the secondary living unit are approved and constructed at the same time, subject to:
 - i. A deed restriction, pursuant to subsection (C) of this section, recorded prior to issuance of any building permit; and
 - ii. Occupancy approval for the principal single-family dwelling is granted prior to occupancy approval for the secondary living unit.

E. Owner Occupancy.

1. Both units shall be occupied as separate single-family dwellings only if the legal owner occupies one of the units; otherwise, the two units shall be occupied as if they were one single-family dwelling. Nothing in this section prohibits one or both of the dwelling units from remaining vacant.

2. The city shall require recordation of a deed restriction setting forth this occupancy requirement. The deed restriction shall require that the legal owner of the property must occupy either the principal single-family dwelling or the secondary living unit.

F. General Requirements.

1. Size.

a. On a lot less than 12,000 square feet in net area, the total floor area of the secondary living unit shall be no less than 275 square feet or more than 640 square feet, exclusive of the carport or garage. The secondary living unit shall have no more than one bedroom.

b. On a lot 12,000 square feet or greater in net area, the total floor area of the secondary living unit may increase to a maximum of 1,000 square feet, exclusive of the carport or garage. The secondary living unit shall have no more than two bedrooms in addition to the following requirements:

i. If an attached garage or carport is proposed for the secondary living unit as an accessory structure provided for in CDC 18.200.030, the maximum floor area for both structures combined shall be subordinate to the primary single-family dwelling and shall not exceed 75 percent of the area of the primary dwelling.

ii. If a garage or carport is proposed to be attached to the secondary living unit as an accessory structure provided for in CDC 18.200.030, the maximum size of the accessory structure shall be 460 square feet.

iii. No other accessory structure, as provided for in CDC 18.200.030, shall be allowed to be attached to the secondary living unit.

c. No more than 25 percent of the existing floor area of a principal residence may be converted into a secondary living unit. This 25 percent limitation applies only to conversions, which take place within existing principal dwelling unit.

2. Design.

- a. The secondary living unit and any attached covered parking shall be clearly subordinate to the principal single-family dwelling by size, location, and appearance.
- b. The exterior appearance and character of the secondary living unit shall replicate the principal single-family dwelling in architectural style, roof and siding materials, and colors.
- c. Outside stairways leading to a second-story secondary living unit shall not be in front of the principal single-family dwelling or in an exterior side yard if visible from a public or private street. Access to a single story unit by stairs or an ADA accessible ramp may be permitted at the front of the principal dwelling.
- d. A secondary living unit attached to the principal single-family dwelling shall not have a separate entrance located on the same side as the entrance for the principal dwelling.
- e. Detached secondary living units shall be located behind the principal dwelling and shall be substantially screened from view to neighbors and adjoining streets by landscaping.

3. Parking. The parking required for a secondary living unit is in addition to the required off-street parking for the principal dwelling unit.

- a. One-Bedroom Secondary Units. One off-street parking space on site, as follows:
 - i. The parking space may be an uncovered space or a tandem space.
 - ii. The parking space may be located in the front yard setback if contained within the space of an existing paved driveway.
 - iii. If the subject site only has a single-car garage serviced by a single-car driveway (12-foot width), the driveway pavement may be widened up to an additional nine feet to provide one parking space for the secondary living unit.
- b. Two-Bedroom Secondary Units. Two parking spaces on site, as follows:
 - i. At least one space shall be covered in a carport or garage.

ii. The covered space may be located in a three car garage that provides parking for both the principal single-family dwelling and secondary living unit.

iii. The uncovered parking may be a tandem space to the covered space for the secondary living unit if not located within the front yard setback.

G. Subdivision. No subdivision of land or air rights shall be allowed.

H. Permit Requirements. Secondary living units shall be subject to the following permits in accordance with Division VII of this title (Permits and Permit Procedures). Secondary living units constructed without the benefit of a permit shall obtain approval pursuant to the requirements of this section.

1. Administrative Permit. An administrative permit shall be required for any secondary living unit that meets all of the requirements of this section and does not exceed 640 square feet or more than one bedroom.

2. Minor Use Permit. A minor use permit shall be required for any secondary living unit that does not meet all of the provisions of this section and for any secondary living unit that is over 640 square feet up to 1,000 square feet and has a maximum of two bedrooms.

I. Appeals.

1. Administrative permits that meet all of the requirements of this section shall not be subject to an appeal. If an appeal is filed due to noncompliance with this section, the planning division shall review the appeal. If the planning division determines that the application complies with all of the requirements of this section, the appeal shall be denied, and that decision shall be final and no further appeals shall be made.

2. Minor use permit approvals shall be appealed in accordance with the provisions in Chapter 18.510 CDC (Appeals and Calls for Review). [Ord. 13-5; Ord. 12-4. DC 2012 § 122-631].