



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember Johnny Khamis
Councilmember Ash Kalra
Councilmember Kansen Chu
Councilmember Rose Herrera

SUBJECT: 2013-2014 COUNCIL
PRIORITY POLICIES AND
ORDINANCES – REDUCING
THE COST OF HOME
IMPROVEMENT

DATE: September 6, 2013

APPROVED:

DATE: 09/06/13

RECOMMENDATION

Add Councilmember Khamis' proposal to have staff explore a "second tier" Planning, Building, and Code Enforcement (PBCE) fee structure for small, residential improvement projects to the list of future priorities ("next ten") 2013-2014 Council Priority Policies and Ordinances, which are to move to the "top ten" priorities as items on the "top ten" are completed. (Reference: Rules Committee Referral from 8-14-13 meeting, item 20 on list of "Ordinances and Policy Issues to be Prioritized").

BACKGROUND

Much of the existing housing stock in San José is at or approaching 50 years of age. Numerous homeowners have a desire to make improvements and changes to these homes through significant remodeling, small additions, and similar work. At present, the cost of permitting for these projects can reach or exceed 20% of the cost of the actual work. It is estimated that a small, 200-square-foot, project my office researched would cost \$5,000 in permitting fees versus a total construction cost for the project of \$30,000. For many homeowners, these high costs of permitting can mean the difference between moving ahead with a project and foregoing the project altogether.

At present, the permitting for these single-family projects absorb a full pro-rata share of all executive and managerial overheads, even though very little executive or management time would be spent on these types of relatively small projects. Also, the Construction and

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Conveyance Taxes imposed on these projects treat them the same as much larger projects even though these small projects would typically have no impact on, for example, streets within the City.

Reducing the costs to individual homeowners of carrying out improvements, small additions, and the like can achieve a win-win-win-win for the City, the residents, for small business, and for job seekers.

- Residents win by undertaking projects they may not otherwise undertake, improving their home values, enjoying improved or updated living spaces, and ensuring they meet current code requirements such as seismic standards so that they have a safer, legally compliant structure.
- The City wins by achieving an improved inventory of housing within the City, generating additional tax dollars through increased property values, and by improving the chances that residents obtain the proper permits for their projects, reducing code enforcement costs and increasing fee revenues. The added tax dollars generated can, in turn, be used by the City to restore essential City services that had been cut to deal with major deficits in years past.
- Small Business wins as contractors in the building/construction sector, architects, and others get additional work and the revenue that comes with it.
- Job seekers win as small businesses add new employees to handle an increased workload.

CONCLUSION

By developing a “second tier” PBCE fee structure for small residential improvement projects, we can save homeowners money while at the same time improving our housing stock, improving compliance with City code, generating additional general fund property tax revenue, providing additional work to small businesses within San José while creating good-paying jobs in the construction sector.