



March 27, 2014

LGVSD Board of Directors
Las Gallinas Valley Sanitary District
300 Smith Ranch Road
San Rafael, CA 94903-1929

Dear Board Members:

HDR Engineering, Inc. (HDR) recently met with the Board to discuss the District's sewer rate structures. While we made significant progress at the meeting, one issue that did arise was the question of accessory dwelling units (ADU). At the present time, ADU's are treated as one single-family dwelling unit. In other words, a customer with an ADU is charged two sewer units for billing purposes. The Board requested that HDR explore this issue in greater detail and provide a recommendation on how to assess an ADU. Provided below is a brief discussion of the process used by HDR to review this issue.

A logical starting point for reviewing the ADU issue is to explore in more detail the District's water consumption records for these customers. In summary form, HDR was unable to reach any conclusions from the review of this data. In this particular case, there is a limited number of ADU's on the District's system, but more importantly, ADUs are not separately metered. Typically an ADU is served through a single meter with the other dwelling. ADU's can also take different forms and be attached or detached from the main dwelling unit. Given that finding, HDR determined that it may be appropriate to research other utilities or data sources to determine whether there was an "industry best practice" as it relates to the handling of ADUs.

In conducting the research, HDR found a paucity of information on ADUs, particularly as it relates to consumption water use or volumetric wastewater contributions. HDR was unable to find any industry literature which provided this type of information. HDR believes the reason for this lack of information may be a function of a couple of different items. First, ADUs are a relatively new concept and there likely has not been much industry research on this issue. Next, on many systems there are a very limited numbers of ADUs, and in some cases ADUs may exist, but are not "legally" licensed or recognized. Finally, ADU's in many cases are viewed through the lens of affordable housing and the focus is often on that aspect of the ADU.

Given limited industry research, HDR then explored various water and sewer utility rates to determine relationships. Again, there was little or no symmetry in the information from various utilities which would lead HDR to a conclusion concerning ADUs.

The final area that HDR explored were the capacity fees for ADUs. In this case, HDR did find data and information, but again the data varied from treating an ADU as .5 units to 1 unit. While the capacity fee data was extremely limited, it did demonstrate that in the instances noted, ADUs were most often treated as something less than a multi-family unit from a capacity fee perspective. However, again, this differential in capacity fees may be a function of the desire of the local community to encourage ADUs for purposes of creating affordable housing or to bring existing ADU's to a legal status.

In summary, the research conducted by HDR did not uncover any specific information on ADUs from the District's consumption data, or from industry research on the topic. HDR did find some very limited information when utility rates were reviewed, but the best available information appeared to be related to capacity fees.

HDR believes that the range of an ADU is likely in the range of 50% of a single-family home, up to the equivalent of a multi-family customer (90% of an SFR). It is also interesting that the data can vary significantly between the various ADU's. As a result, and given the lack of definitive data both industry and District specific, HDR would recommend that the Board develop a policy within the range of 50% to 90% of a single-family unit. The data would lead HDR to the conclusion that an ADU contributes less than a multi-family unit, and it would appear that a value of 70% of a sewer unit would be reasonable. Based on the limited number of customers this may apply to (approximately 44 accounts) this would also have a minimal impact on the development of the sewer rates. It is also important to note that this policy decision may also need to be included within the application of the connection charge.

I hope the above discussion has helped to clarify the discussion of charging ADU's and the review of available information. I appreciate the opportunity to provide clarification of our work.

Sincerely,
HDR ENGINEERING



Tom Gould
Project Manager