

HOUSING DEPARTMENT

Impact Analysis Report

OVERVIEW

The Housing Department is responsible for the collection of fees related to the Rental Rights and Referrals Program and for the collection of inclusionary in-lieu fees. Faced with limited resources from the State and federal governments, the Housing Department is seeking sources of unrestricted revenue that can fund critical service provision. During the past year, the Department conducted research pertaining to fees charged by other housing agencies and learned that homebuyer subordination fees and multi-family project ownership transfer fees are charged by other jurisdictions providing comparable services. As a result, two new fees were approved to be added in 2009-2010: the Homebuyer Subordination Fee and Multi-Family Project Owner Transfer Fee.

Homebuyer Subordination Fees will be collected from existing homebuyers. These customers have already been assisted by the Housing Department in attaining homeownership. This fee will be charged upon the homebuyers' request to refinance their existing home loan to obtain a lower mortgage interest rate. Refinancing imposes work on City staff to "subordinate" the City loan to a lower repayment position than the first mortgage. This new fee will recover the administrative tasks associated with this subordination transaction. Specific subordination tasks required by City staff include: providing research and underwriting, preparing a due diligence letter to the title company, reviewing the due diligence package, preparing loan documents, preparing and sending an approval letter to

the title company, and finalizing documents once the new senior lender approves the deed of trust with the borrower's signature. The adopted fee of \$280 per subordination transaction is consistent with fees charged by other agencies.

Multi-Family Project Owner Transfer Fees will be collected from the project developers to recover the administrative costs associated with completing and evaluating due diligence packages. These activities include evaluating the capacity, expertise, assets, and property management experience of the developer by researching their organization history, financial statements, and communicating with the firm's legal representation. The adopted fee is \$1,275 per multi-family project ownership transfer transaction.

Inclusionary in-lieu fees for the Inclusionary Housing Program support the production of affordable housing units. Housing developments in Redevelopment Project Areas or other specially-designated areas require a portion of the housing units to be affordable to low- or moderate-income households. In limited circumstances, developers may choose to pay an "in-lieu" fee instead of building the required affordable units in their project. This fee is also paid for fractions of units that must be provided under the development requirement. The inclusionary fee is based on an estimate of the cost to the City to subsidize the construction of an affordable rental/owner unit. Revenue from the Inclusionary Housing Program is not displayed in the Department's fee schedule, as revenue generated from

HOUSING DEPARTMENT (CONT'D.)

OVERVIEW (CONT'D.)

this program is used to build affordable housing in San José. More detail regarding inclusionary in-lieu fee revenue, as displayed in the Multi-Source Housing Fund (Fund 448), can be found in the 2009-2010 Adopted Operating Budget.

The Rental Rights and Referrals Program fees are collected from rental units covered by the Rent Control Ordinance and the Mobilehome Rent Control Ordinance. The fee structure for this Program remains unchanged in 2009-2010. All fees are paid annually on a per-unit basis.

SUMMARY AND IMPACT OF ADOPTED FEE REVISIONS

Existing Fees

As previously discussed, there were no changes to existing fees.

New Fees

As previously discussed, the following two new fees were approved to be added: the Homebuyer Subordination Fee (\$280 per transaction) and the Multi-Family Project Owner Transfer Fee (\$1,275 per transaction).

NOTIFICATION

The Proposed Fees and Charges Report was released on May 1, 2009, allowing for a minimum of 10 days for public review. Public input on fee proposals was heard by the City Council at public hearings held on Tuesday, May 12, 2009 and Monday, June 15, 2009 at 7:00 p.m. in the Council Chambers.

DEPARTMENTAL FEES AND CHARGES

HOUSING

Service	2008-2009 Adopted Fee	2008-2009 % Cost Recovery	2009-2010 Adopted Fee	2009-2010 Estimated Cost	2009-2010 Estimated Revenue		2009-2010 % Cost Recovery		
					Current Fee	Adopted Fee	Current Fee	Adopted Fee	
LOW AND MODERATE INCOME HOUSING FD - CATEGORY I									
1. Homebuyer Subordination Fee									
1 Homebuyer Subordination Fee			\$280 per transaction						
Sub-total Homebuyer Subordination Fee				4,200		4,200		100.0%	
2. Multi-Family Project Owner Transfer Fee									
1 Multi-Family Project Owner Transfer Fee			\$1,275 per transaction						
Sub-total Multi-Family Project Owner Transfer Fee				2,550		2,550		100.0%	
SUB-TOTAL LOW AND MODERATE INCOME HOUSING FD - CATEGORY I				6,750		6,750		100.0%	
MULTI-SOURCE HOUSING FD - CATEGORY I									
1. Rental Rights and Referrals Program									
1 Apartment Unit	\$7.26 annually	100.0%	No Change	318,390	318,390	318,390	100.0%	100.0%	
2 Mobile Home Unit	\$13.82 annually	100.0%	No Change	147,416	147,416	147,416	100.0%	100.0%	
3 Non-Rent Controlled Apartments	\$0.80 annually	100.0%	No Change	19,392	19,392	19,392	100.0%	100.0%	
Sub-total Rental Rights and Referrals Program		100.0%		485,198	485,198	485,198	100.0%	100.0%	
SUB-TOTAL MULTI-SOURCE HOUSING FD - CATEGORY I		100.0%		485,198	485,198	485,198	100.0%	100.0%	
MULTI-SOURCE HOUSING FD - CATEGORY II									
1. Inclusionary Fees									
1 For-Sale - High Rise in Downtown High-Rise Incentive Area	\$8.50 per square foot of total living space in entire development. Maximum per affordable unit: \$65,000		No Change						

DEPARTMENTAL FEES AND CHARGES

HOUSING

Service	2008-2009 Adopted Fee	2008-2009 % Cost Recovery	2009-2010 Adopted Fee	2009-2010 Estimated Cost	2009-2010 Estimated Revenue		2009-2010 % Cost Recovery	
					Current Fee	Adopted Fee	Current Fee	Adopted Fee
MULTI-SOURCE HOUSING FD - CATEGORY II								
1. Inclusionary Fees								
2 For-Sale - High Rise not in Downtown Core	\$17.00 per square foot of total living space in entire development. Maximum per affordable unit: \$200,200		No Change					
3 For-Sale - Low-Rise Condominium/Stacked Flat Units	\$17.00 per square foot of total living space in entire development. Maximum per affordable unit: \$90,000		No Change					
4 For-Sale - Single-Family Detached Units	\$17.00 per square foot of total living space in entire development. Maximum per affordable unit: \$200,000		No Change					
5 For-Sale - Townhouse/Row- House Units	\$17.00 per square foot of total living space in entire development. Maximum per affordable unit: \$120,000		No Change					
6 Rental Units	\$17.00 per square foot of total living space in entire development. Maximum per affordable unit: \$85,500		No Change					
2. Rental Mediation Penalty: Apartments								
1 30 days past due = 25% of principal	Penalties and interest assessed for delinquent permit payment		No Change					
2 60 days past due = 50% of principal	Penalties and interest assessed for delinquent permit payment		No Change					

DEPARTMENTAL FEES AND CHARGES

HOUSING

Service	2008-2009 Adopted Fee	2008-2009 % Cost Recovery	2009-2010 Adopted Fee	2009-2010 Estimated Cost	2009-2010 Estimated Revenue		2009-2010 % Cost Recovery	
					Current Fee	Adopted Fee	Current Fee	Adopted Fee

MULTI-SOURCE HOUSING FD - CATEGORY II

3. Rental Mediation Penalty:

Mobile Homes

1 30 days past due = 10% of the amount of the fee	Penalties and interest assessed for delinquent permit payment	No Change
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SUB-TOTAL MULTI-SOURCE HOUSING FD - CATEGORY II

TOTAL DEPARTMENT - NON-GENERAL FUND				491,948	485,198	491,948	98.6%	100.0%
TOTAL DEPARTMENT - Category I				491,948	485,198	491,948	98.6%	100.0%
TOTAL DEPARTMENT - Category II								
TOTAL DEPARTMENT				491,948	485,198	491,948	98.6%	100.0%