

## 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 Fees, Rental Mediation Penalty Fees, Homebuyer Subordination Fees, and Multi-Family Project Owner Transfer Fees.

The Rental Rights and Referrals Program (RRRP) fees are collected from rental units covered by the Rent Control Ordinance and the Mobile Home Rent Control Ordinance. The fees were set at an amount to cover the estimated costs of providing the Program, which include mediation services to settle tenant-landlord disputes, information and referral services, and outreach and education services.

Inclusionary in-lieu fees for the Inclusionary Housing Program support the production of affordable housing units. Housing developments in 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. On January 12, 2010, the City Council adopted a city-wide inclusionary housing ordinance to provide additional opportunities for affordable housing in San José. The ordinance will go into effect either when the City issues 2,500 residential permits in a rolling twelve-month period or on January 1, 2013, whichever comes first. However, due to the slowdown in development activity, it is unlikely that 2,500 residential permits will be issued during 2012-2013. As a result, it is expected that the current in-lieu fees will remain in place until January 1,

2013. Staff will alert the City Council via an Informational Memorandum three months prior to the ordinance becoming operative when the City reaches 2,500 building permits or on January 1, 2013, whichever comes first. The ordinance includes changes to the current in-lieu fee structure which will be posted on the Housing Department’s website at <http://www.sjhousing.org>.

#### ***SUMMARY AND IMPACT OF PROPOSED FEE REVISIONS***

##### Existing Fees

In order to maintain full cost recovery for the RRRP, a one-time use of \$145,000 from the Reserve for Rental Rights and Referrals and fee increases for rent-controlled apartments (from \$5.00 to \$6.50) and mobile home units (from \$13.82 to \$16.00) are included. There is currently an estimated \$208,000 in the Reserve for Rental Rights and Referrals in the Multi-Source Housing Fund due to program savings from prior years. The increase in program costs reflects changes in the housing market and in individual mobile home park management decisions which resulted in additional need for services by staff. The Housing Department will continue its thorough review of the Program including staffing, commissions, activities, outreach materials, and other related documents in order to identify opportunities for program improvement.

There are no proposed fee changes to the existing Inclusionary in-lieu fees, the Homebuyer Subordination Fee, or the Multi-Family Project Owner Transfer Fee.

## HOUSING DEPARTMENT

---

### ***SUMMARY AND IMPACT OF PROPOSED FEE REVISIONS***

#### New Fees

The Housing Department has a multi-family loan portfolio of over 179 loans, with a value of \$684 million. Two new fees to cover staff costs for processing loan transactions are included in this document. The Multi-Family Loan Payoff Fee will cover the costs of processing requests from multi-family housing project owners who are refinancing a loan on the property and requesting the City to subordinate its loan to the new loan. Typically, these multi-family projects have multiple loans, with the City's loan in second or lower position. The refinanced loans usually result in lower interest rates and should improve the capacity of the borrower to repay the City's loan. These transactions require significant time from the Housing Department and City Attorney's Office staff and the proposed fee will reimburse the City for these costs. The fee structure will be flexible to account for more labor-intensive transactions. The fee structure for the Multi-Family Loan Subordination Fee is \$368 per standard transaction (includes four hours of Housing staff time and two hours of City Attorney's Office staff time) with an additional \$92 per hour for transactions that take more than four hours for Housing staff and an additional \$83 per hour for transactions that take more than two hours for City Attorney's Office staff.

The second new fee is the Single-Family Loan Payoff Fee, which will reimburse the City for the cost of processing early payoff for single-family loans. The fee is set at \$144 per regular transaction and \$287 per short sale transaction.

#### ***NOTIFICATION***

The Proposed Fees and Charges Report was released on May 4, 2012, allowing for a minimum of 10 days for public review. Public input on fee proposals will be heard by the City Council at public hearings held on Tuesday, May 15, 2012, at 7:00 p.m. and Monday, June 11, 2012, at 7:00 p.m. in the Council Chambers.

# DEPARTMENTAL FEES AND CHARGES

# HOUSING

Service	2011-2012 Adopted Fee	2011-2012 % Cost Recovery	2012-2013 Proposed Fee	2012-2013 Estimated Cost	2012-2013 Estimated Revenue		2012-2013 % Cost Recovery		
					Current Fee	Proposed Fee	Current Fee	Proposed Fee	
<b>AFFORDABLE HOUSING INVESTMENT FD - CATEGORY I</b>									
<b>1. Homebuyer Subordination Fee</b>									
1 Homebuyer Subordination Fee	\$280 per transaction		No Change						
<b>Sub-total Homebuyer Subordination Fee</b>		<b>100.0%</b>		<b>4,200</b>	<b>4,200</b>	<b>4,200</b>	<b>100.0%</b>	<b>100.0%</b>	
<b>2. Multi-Family Loan Payoff Fee</b>									
1 City Attorney Staff Time			\$83/hr in excess of 2 hours						
2 City Housing Staff Time			\$92/hr in excess of 4 hours						
3 Standard Transaction			\$368 each						
<b>Sub-total Multi-Family Loan Payoff Fee</b>				<b>1,629</b>	<b>1,629</b>	<b>1,629</b>	<b>100.0%</b>	<b>100.0%</b>	
<b>3. Multi-Family Project Owner Transfer Fee</b>									
1 Multi-Family Project Owner Transfer Fee	\$1,275 per transaction		No Change						
<b>Sub-total Multi-Family Project Owner Transfer Fee</b>		<b>100.0%</b>		<b>2,550</b>	<b>2,550</b>	<b>2,550</b>	<b>100.0%</b>	<b>100.0%</b>	
<b>4. Single-Family Loan Payoff Fee</b>									
1 Short Sale Loan Payoff Fee			\$287 per transaction						
2 Single-Family Loan Payoff Fee			\$144 per transaction						
<b>Sub-total Single-Family Loan Payoff Fee</b>				<b>2,155</b>	<b>2,155</b>	<b>2,155</b>	<b>100.0%</b>	<b>100.0%</b>	
<b>SUB-TOTAL AFFORDABLE HOUSING INVESTMENT FD - CATEGORY I</b>		<b>100.0%</b>		<b>10,534</b>	<b>10,534</b>	<b>10,534</b>	<b>100.0%</b>	<b>100.0%</b>	

## MULTI-SOURCE HOUSING FD - CATEGORY I

### 1. Rental Rights and Referrals Program

Note: Fee increases and one-time use of \$145,069 from the Reserve for Rental Rights and Referrals will bring the 77.0% cost recovery to 100%.

# DEPARTMENTAL FEES AND CHARGES

# HOUSING

Service	2011-2012 Adopted Fee	2011-2012 % Cost Recovery	2012-2013 Proposed Fee	2012-2013 Estimated Cost	2012-2013 Estimated Revenue		2012-2013 % Cost Recovery		
					Current Fee	Proposed Fee	Current Fee	Proposed Fee	
<b>MULTI-SOURCE HOUSING FD - CATEGORY I</b>									
<b>1. Rental Rights and Referrals Program</b>									
1 Apartment Unit	\$5.00 annually	60.7%	\$6.50 annually	405,224	271,817	271,817	67.1%	67.1%	
2 Mobile Home Unit	\$13.82 annually	80.5%	\$16.00 annually	199,334	172,304	172,304	86.4%	86.4%	
3 Non-Rent-Controlled Apartments	\$1.00 annually	84.0%	No Change	25,757	41,125	41,125	159.7%	159.7%	
<b>Sub-total Rental Rights and Referrals Program</b>		<b>68.9%</b>		<b>630,315</b>	<b>485,246</b>	<b>485,246</b>	<b>77.0%</b>	<b>77.0%</b>	
<b>SUB-TOTAL MULTI-SOURCE HOUSING FD - CATEGORY I</b>		<b>68.9%</b>		<b>630,315</b>	<b>485,246</b>	<b>485,246</b>	<b>77.0%</b>	<b>77.0%</b>	
<b>MULTI-SOURCE HOUSING FD - CATEGORY II</b>									
<b>1. Inclusionary Fees</b>									
1 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						
2 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						
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						

# DEPARTMENTAL FEES AND CHARGES

# HOUSING

Service	2011-2012 Adopted Fee	2011-2012 % Cost Recovery	2012-2013 Proposed Fee	2012-2013 Estimated Cost	2012-2013 Estimated Revenue		2012-2013 % Cost Recovery		
					Current Fee	Proposed Fee	Current Fee	Proposed Fee	
<b>MULTI-SOURCE HOUSING FD - CATEGORY II</b>									
<b>1. Inclusionary Fees</b>									
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						
<b>2. Rental Mediation Penalty: Apartments</b>									
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						
<b>3. Rental Mediation Penalty: Mobile Homes</b>									
1 30 days past due = 10% of the amount of the fee	Penalties and interest assessed for delinquent permit payment		No Change						
<b>SUB-TOTAL MULTI-SOURCE HOUSING FD - CATEGORY II</b>									
<b>TOTAL DEPARTMENT - NON-GENERAL FUND</b>				640,849	495,780	495,780	77.4%	77.4%	
<b>TOTAL DEPARTMENT - Category I</b>				640,849	495,780	495,780	77.4%	77.4%	
<b>TOTAL DEPARTMENT - Category II</b>									
<b>TOTAL DEPARTMENT</b>				640,849	495,780	495,780	77.4%	77.4%	