

INCLUSIONARY HOUSING: IN-LIEU FEE HANDOUT

Effective July 1, 2007, the City Council adopted a resolution amending the annual Fee Resolution to increase the in-lieu fees applicable to the Inclusionary Housing Policy, as follows: (1) \$17.00 per net square foot of market-rate housing with a maximum fee of \$85,500 for rental units, \$90,000 for for-sale units in low-rise condominium/stacked flat projects, \$120,000 for for-sale units in townhouse/row-house projects, \$200,000 for single-family detached units, and \$200,000 for high-rise units not located in the Downtown High-Rise Incentive Area; and (2) \$8.50 per net square foot of market-rate high-rise units located in a Downtown High-Rise Incentive Area, up to a maximum fee of \$65,000 per unit.

In-lieu fee option is based on the total average net living area of market-rate units in the project up to a fixed maximum fee. In this context “net living area” means the average square footage of all of the units in the project, exclusive of balconies, common corridors & stairs, recreation rooms, fitness centers, garages, and other common interior areas.

IN-LIEU FEES as of July 1, 2007

Product Type	Fee Per Net Square Foot of Living Area	Not to Exceed, Per Affordable Unit
Rental Units	\$17.00	\$85,500
For-Sale – Low-Rise Condominium/Stacked Flat Units	\$17.00	\$90,000
For-Sale – Townhouse/Row-House Units	\$17.00	\$120,000
For Sale – Single-Family Detached Units	\$17.00	\$200,000
For-Sale – High Rise not in “High-Rise Incentive Area”	\$17.00	\$200,000
For-Sale – In Downtown “High-Rise Incentive Area”	\$8.50	\$65,000

The proposed \$17.00-per-square-foot in-lieu fee and the maximum fee per unit are calculated based on the requirement that 20% of the total units in the project are required to be affordable. For example a 300 unit for-sale condominium project with a total net living area of 300,000 square feet would have a total in lieu fee payment of \$5,100,000 (300,000 x \$17). The total fee shall not exceed the per-unit cap of \$90,000. The per unit in-lieu fee of \$85,000 in this example, (300,000/300/.2 x \$17), does not exceed the per unit cap. .

High-rise developments (defined as a project with at least 10 floors of exclusive residential units), located in the High Rise Incentive Area are allowed to pay a lower in-lieu fee to encourage high-rise development in downtown San Jose. The incentive in-lieu fee is currently \$8.50 per net square foot of living area up to a maximum of \$65,000 per required affordable unit. The incentive high-rise in-lieu fee will be re-visited and possibly modified or rescinded after building permits or foundation permits for 2,500 downtown high-rise units have been issued.

Definition of In-lieu Fee Product Types

Rental Units - residential dwelling units in projects that are developed to standards that would **not** allow, under current laws, for the units to be sold to individual buyers.

For-Sale Units – residential dwelling units in projects that are mapped and developed to standards that would allow, under current laws, for the units to be sold to individual buyers. Developer will be charged the for-sale in-lieu fees for these units regardless if the developer rents the units upon completion of the project.