

## HOUSING DEVELOPMENT PROJECT REVIEW

**Application Review:** The Magnolias  
**Borrower:** The Magnolias, LP  
**Address:** 17965 Monterey Road, Morgan Hill, CA 95037  
**Census Tract:** 5123.05 **San Jose Council District:** N/A **Supervisorial District:** 1  
**Developer/Sponsor:** First Community Housing  
**Residential sq. ft.:** 73,840 **Commercial/Office sq. ft.:** 15,960  
**Construction Type:** Type 1A ground floor, 4 floors of Type VA above

The Magnolias



17965 Monterey Road, Morgan Hill, CA 95037

**Project Summary:** The Magnolias is an affordable housing development consisting of 66 units on a 1.5-acre site and is being developed by First Community Housing (FCH). The project is located at 17965 Monterey Road in Morgan Hill. The proposed development consists of 65 affordable apartments, comprised of 16 studios, 16 one-bedrooms, 17 two-bedrooms, and 16 three-bedrooms (plus one manager's unit). The project includes 7 permanent supportive housing (PSH) units to help homeless individuals and families with special needs obtain and maintain permanent housing, 10 Rapid Rehousing (RRH) units for homeless individuals and families with special needs, 28 units for farmworker households earning up to 50% area median income (AMI), and 4 units for households earning up to 60% AMI. The apartment building will be five stories and employ modular construction. Common areas will include the Property Management and Social Service Coordinator's offices, open lounge/seating areas, a central laundry facility, indoor and outdoor play spaces, secured bicycle storage, pet wash station, and a community garden area.

**Existing Conditions:** The proposed development will replace two vacant storage buildings.

**Land Use:** The proposed site is located at 17965 Monterey Road in Morgan Hill and covers 1.5 acres. The site is in a Mixed Use Flex (MU-F) Zoning District combined with a Planned Development (PD) zoning and has a Morgan Hill 2035 General Plan land use designation of Mixed Use Flex (7-24 du/ac). Because the proposed project would develop 100 percent affordable housing for low-income households, the proposed project was approved for an 80% density bonus and would include multi-family residential uses at a density of 44 du/ac. Although a Block Level Master Plan, PD master plan and a Conditional Use Permit for the site are required by the Morgan Hill Zoning Code, California Senate Bill 330 (SB 330) established the "Housing Crisis Act of 2019", effective January 1, 2020, supersedes these requirements and only a Design Permit is required. On November 23, 2021, the City of Morgan Hill adopted Resolution NO. 21-17 to grant a design permit for the proposed development.

**Green Building:** The proposed development will be designed as an LEED Platinum project. Sustainable features include sustainable building materials, water and energy efficiency measures, a vegetated building roof, several

electric vehicle charging stations, parking lot PV arrays, and VTA eco passes for each household.

**Environmental Review:** In accordance with the California Environmental Quality Act (CEQA), the City of Morgan Hill completed an Initial Study—as referenced in Resolution No. 21-17-- and found the project can be considered exempt from CEQA on the basis that it meets the criteria for the Infill Development Project Exemption (CEQA Guidelines Section 15332, Class 32).

**Project-Based Vouchers (PBV's):** FCH has received seven (7) Housing and Urban Development Veterans Affairs Supportive Housing (“HUD-VASH”) and will be requesting an additional 16 PBVs from the Santa Clara County Housing Authority.

**Services:** FCH will deliver on-site resident services to all future tenants. The County will be responsible for coordinating supportive services for the 10 RRH units at a cost of \$75,000 per year. The SCCHA Veterans Affairs Program for Homeless Veterans will be responsible for providing services for the 7 VASH units.

**Project Schedule and Financing:**

Milestone	Date of Completion
1. Site Control	September 2019
2. Community Engagement (continuous and ongoing)	September 2020
3. Planning Commission Land Use Approval	November 2021
4. Submit 4% Tax Credit Application	January 2023
5. Receive reservation of tax credit award	April 2023
6. Construction finance closing	September 2023
7. Begin Construction	September 2023
8. Start of Lease-Up Activities	December 2024
<b>9. Complete Construction</b>	May 2025
10. 100% Occupancy	July 2025
11. Permanent Loan Conversion	May 2026

**Permanent Source of Funds**

Permanent Loan	\$9,340,758
County of Santa Clara	\$13,200,000
Tax Credit Equity	\$28,621,196
HCD – Joe Serna	\$13,200,000
Other Sources	\$6,568
<b>Total Permanent Source of Funds</b>	<b>\$64,368,522</b>

**Use of Funds**

Acquisition	\$2,750,000
New Construction	\$44,206,064
Construction Contingency	\$4,420,606
Const. Interest and Fees	\$3,284,982
Soft Cost Subtotal	\$6,483,950
Capitalized Operating Reserve	\$322,920
Soft Cost Contingency	\$400,000
Developer Fee	\$2,500,000
<b>Total Use of Funds</b>	<b>\$64,368,522</b>