

HOUSING DEVELOPMENT PROJECT REVIEW

Application Review: Royal Oak Village
Borrower: A0702 Morgan Hill, L.P.
Address: 15440 Monterey Road, Morgan Hill, CA 95037
Census Tract: 5123.07 **San Jose Council District:** N/A **Supervisory District:** 1
Developer/Sponsor: UHC H4 / Ikaika Ohana
Residential sq. ft.: 79,172 **Commercial/Office sq. ft.:** 0
Construction Type: Type V

Royal Oak Village



15440 Monterey Road, Morgan Hill

Project Summary:

Royal Oak Village is an affordable housing development consisting of 73 units on a 3.7-acre site and is being developed by co-developers UHC H4 and Ikaika Ohana. The project is located at 15440 Monterey Road in Morgan Hill. The proposed development will consist of 72 affordable apartments, comprised of six one-bedrooms, 37 two-bedrooms (plus one manager's unit), and 29 three-bedrooms. 18 units will be set aside as Rapid Rehousing (RRH) units for homeless individuals and families. 30 units will be set aside for agricultural worker households earning up to 30% of the area median income (AMI). The remaining 24 units will accommodate individuals and families earning up to 50% of AMI. The residential apartments will be constructed in three three-story buildings. A fourth two-story building will contain the two-bedroom manager's unit above a community center, which will house residential amenities, including a clubhouse, property management office, social services room, computer room, central laundry facilities, and a patio. Outdoor features will include two play lawns, a tot-lot, and a dog park.

Existing Conditions: The proposed development will replace six vacant structures.

Land Use: The proposed site is located in Morgan Hill along Watsonville Road, south of Monterey Road, and covers 3.7 net acres of a gross land area of 7.64 acres on what was previously a mushroom farm. The site is in the 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). The project, as proposed, is consistent with the General Plan and meets the base zoning standards. 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. The entitlement process is expected to be completed in August 2021.

Green Building: The proposed development will include sustainable features such as a solar photovoltaic system, Energy Star appliances, ceiling fans, hard surface flooring, high-efficiency air conditioning units, as well as low-emissivity windows to reduce infrared and ultraviolet light that enters the apartment homes.

Environmental Review: The County’s commitment to fund will be contingent upon the project obtaining necessary entitlements and California Environmental Quality Act (CEQA) clearance. As part of the entitlement process, the City of Morgan Hill will also be considering adoption of a Mitigated Negative Declaration (MND) and Mitigation Monitoring and Reporting Program for the project.

Project-Based Vouchers (PBVs): UHC is requesting a reservation of 24 Section 8 PBVs from the Santa Clara County Housing Authority.

Services: Ikaika Ohana will deliver on-site resident services to the 72 restricted units. The County will be responsible for coordinating services for 18 RRH units at a cost of \$135,000 per year.

Project Schedule and Financing:

Milestone	Date of Completion
1. Site Control	June 2018
2. Community Engagement (continuous and ongoing)	January 2020
3. Entitlements/Land Use Approval	August 2021
4. Submit 4% Tax Credit Application	September 2021
5. Receive Reservation of Tax Credit Award	December 2021
6. Construction Finance Closing	May 2022
7. Begin Construction	May 2022
8. Start of Lease-Up Activities	February 2023
9. Complete Construction	August 2023
10. 100% Occupancy	September 2023
11. Permanent Loan Conversion	February 2024

Permanent Source of Funds

Conventional Loan	\$12,481,000
County of Santa Clara	\$9,891,000
City of Morgan Hill	\$400,000
Deferred Developer Fee	\$1,835,503
Tax Credit Equity	\$24,830,830
Total Permanent Source of Funds	\$49,438,333

Use of Funds

Acquisition	\$4,935,169
New Construction	\$29,928,473
Architecture and Engineering	\$1,043,900
Financing Fees	\$3,692,518
Legal Fees	\$210,000
Soft and Other Costs	\$5,283,273
Reserves	\$345,000
Developer Fee	\$4,000,000
Total Use of Funds	\$49,438,333