CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 8, 2021

Royal Oak Village, located at 15440 Monterey Road in Morgan Hill, requested and is being recommended for a reservation of $2,226,596 in annual federal tax credits and $6,422,875 in total state tax credits to finance the new construction of 72 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by A0702 Morgan Hill Development LLC and will be located in Senate District 17 and Assembly District 30.

 The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number   CA-21-742

Project Name   Royal Oak Village
   Site Address: 15440 Monterey Road
                                      Morgan Hill, CA 95037   County: Santa Clara
   Census Tract: 5123.07

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	$2,226,596	$6,422,875
Recommended:	$2,226,596	$6,422,875

* The applicant made an election not to sell (Certificate) any portion of the state credits.

Applicant Information
   Applicant: A0702 Morgan Hill, L.P.
   Contact: John F. Bigley
   Address: 2000 E. 4th St, Suite 205
                                 Santa Ana, CA 92705
   Phone: 714 835-3955
   Email: jbigley@uhcllc.net

   General Partner(s) or Principal Owner(s):   A0702 Morgan Hill Holdings LLC
                                                            A0702 Morgan Hill Admin Holdings LLC
   General Partner Type: Joint Venture
   Parent Company(ies):   Ikaika Ohana
                                    Blieu Companies LLC
   Developer: A0702 Morgan Hill Development LLC
   Bond Issuer: CSCDA
   Investor/Consultant: Red Stone Equity Partners
   Management Agent: Hyder & Company

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	3
Total # of Units:	73
No. / % of Low Income Units:	72 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (22 - Units 30%)

Information

Housing Type:	Large Family
Geographic Area:	South and West Bay Region
TCAC Project Analyst:	Janice Corbin

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	48	67%
50% AMI:	22	31%
60% AMI:	2	3%

Unit Mix

6	1-Bedroom Units
38	2-Bedroom Units
29	3-Bedroom Units
73	Total Units

Unit Type & Number		2021 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
6	1 Bedroom	30%	$932
23	2 Bedrooms	30%	$1,119
12	2 Bedrooms	50%	$1,865
2	2 Bedrooms	60%	$2,238
19	3 Bedrooms	30%	$1,292
10	3 Bedrooms	50%	$2,154
1	2 Bedrooms	Manager's Unit	$0

Project Cost Summary at Application

Land and Acquisition	$7,049,713
Construction Costs	$26,293,052
Construction Hard Cost Contingency	$1,425,165
Soft Cost Contingency	$454,469
Architectural/Engineering	$1,160,700
Const. Interest, Perm. Financing	$3,794,517
Legal Fees	$345,000
Reserves	$336,000
Other Costs	$4,570,716
Developer Fee	$4,000,000
Commercial Costs	$0
Total	**$49,429,332**

Residential

Construction Cost Per Square Foot:	$275
Per Unit Cost:	$677,114
True Cash Per Unit Cost*:	$649,052

Construction Financing

Source	Amount
Citibank	$26,000,000
Citibank	$4,900,000
Santa Clara County	$9,891,000
City of Morgan Hill	$400,000
Operating Reserves	$336,000
Deferred Developer Fee	$3,213,416
Tax Credit Equity	$4,688,916

Permanent Financing

Source	Amount
Citibank	$12,259,000
Santa Clara County	$9,891,000
City of Morgan Hill	$400,000
Deferred Developer Fee	$2,048,503
Tax Credit Equity	$24,830,829
TOTAL	**$49,429,332**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	$42,819,157
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$55,664,904
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	$2,226,596
Total State Credit:	$6,422,875
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,000,000
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	$0.87000
State Tax Credit Factor:	$0.85000

Except as allowed for projects basing cost on assumed third party debt, the "as if vacant" land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Significant Information / Additional Conditions: Staff noted a per unit cost of $649,052. The applicant contributed the per unit cost to the project paying prevailing wage, soil remediation, demolition costs, and impact fees.

Resyndication and Resyndication Transfer Event None.

Standard Conditions
If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions
The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.