AMG & ASSOCIATES

PO Box 260770 | Encino, CA 91426
Land Planning, Finance & Development
Tel. 818-380-2600

November 1, 2022

Gina Paolini
Development Services Department
City of Morgan Hill
17575 Peak Ave
Morgan Hill, CA 95037-4128

Re: **Development Incentives Memo**
17910 & 17920 Monterey Road, Morgan Hill, CA| APN: 726-25-001 & 726-25-002

Dear Ms. Paolini,

Pursuant to State Density Bonus Law, AMG & Associates, LLC (the "Applicant") wishes to pursue concessions from the City's development standards and receive relieve from maximum controls on density.

The project is submitted under a Site Development Permit Application and is eligible for the Streamlined Ministerial Approval process also known as Senate Bill 35 ("SB35"), which does not require parking because it is located within one-half mile of transit, however, 47 parking spaces are currently proposed.

The project is located within one-half mile of a major transit stop, as defined in subdivision (b) of Section 21155 of the Public Resources Code, the city, county, or city and county shall not impose any maximum controls on density and the applicant shall also receive a height increase of up to three additional stories, or 33 feet. The property is within one-half mile from the Morgan Hill Caltrain Station as defined by Government Code Section 65915(o)(2). Please see Exhibit A for further details on HCD's technical memo.

AMG & Associates, LLC (the "Applicant") proposes a project consisting of 199 units with 196 of those units dedicated as affordable as detailed in the following table.

Bedroom Size	Managers' Units	Very Low Income 50% AMI	Low Income Units – 80% AMI	Moderate Income Units – 110% AMI	Total Units
0		1	11	3	15
1		13	119	33	165
2	3	1	12	3	19
Total	3	15	135	39	199

The distribution of affordability levels will comply with the following:

- Inclusionary Housing Requirements: Section 14.04.040 of Morgan Hill's Municipal Code requires all new rental residential projects consisting of two or more dwelling units located within the city but outside of downtown are required to restrict fifteen percent of the dwelling units to low-income and very low-income households. At least one-half of the required inclusionary units shall be for very low-income households.

For this project, 15 percent of the total unit count exclusive of the manager's units is 30. Of those affordable units, one-half must be set aside for very low-income households and the other half must be set aside for low-income households. 15 of the affordable units will be designated for those earning 50% of the area median income (AMI) and 15 of the affordable units will be designated for those earning up to 80% AMI.

- Density Bonus Law [Government Code Section 65915(b)(1)(G)]: Density Bonus Law states that one hundred percent of the total units, exclusive of a manager's unit or units will be for lower income households (includes 7.5 percent to lower income for Inclusionary Housing), as defined by Section 50079.5 of the Health and Safety Code, except that up to 20 percent of the total units in the development may be for moderate-income households, as defined in Section 50053 of the Health and Safety Code.

  Please note that projects that conform with (b)(1)(G) are subject to the following rents which are laid out in (c)(1)(B)(ii):

  - (i) The rent for at least 20 percent of the units in the development shall be set at an affordable rent, as defined in Section 50053 of the Health and Safety Code.

  - (ii) The rent for the remaining units in the development shall be set at an amount consistent with the maximum rent levels for a housing development that receives an allocation of state or federal low-income housing tax credits from the California Tax Credit Allocation Committee.

Morgan Hill's Zoning Code ("Zoning Code") imposes specific development standards depending on the project's location. Pursuant to State Density Bonus Law, an eligible housing development shall be entitled to four concessions for projects meeting the criteria of subparagraph (G) of paragraph (1) of subdivision (b). Therefore, please see below details on each of our four concessions being requested, which are based on the current plan and the standards set forth in the Zoning Code:

1. Front Setback: Section 18.22.040 of the Zoning Code requires a front setback of 15 feet. Increasing the front setback would translate in a loss of 40 units.

   This would be an actual, identifiable cost reduction because if the Applicant complied with this then units would be eliminated translating to an increase in land and soft costs per unit. The difference between land cost per unit at 159 units (without the concession) and at 199 units (with the concession) is approximately $4,931 per unit. These numbers were calculated based on a land purchase price of $3,900,000. A concession for this development standard results in an "actual and identifiable cost reduction" for the construction of this affordable housing project.

2. Private Open Space: Section 18.40.060 of the Zoning Code requires that multifamily dwellings provide a minimum of 48 square feet per unit to a minimum of 50 percent of the units in the development. This would require balconies for 105 units.

   This standard is eligible as a concession because it would result in "identifiable and actual cost reductions" for the construction of this affordable housing project. These balconies will have high construction costs in regards to structural support, waterproofing, railings, special annual inspections, etc. We estimate that this can cost approximately $15,000 to $30,000 per unit. If we incorporated private open space for all the units then we could expect an increase in the construction budget of approximately $1,575,000 to $ 3,150,000.

3. Balconies: 25 percent of homes facing a street, alley or common interior courtyard include a balcony overlooking common area with a minimum size of 6 feet by 4 feet.

   This would require balconies for 50 units. This standard is eligible as a concession because it would result in "identifiable and actual cost reductions" for the construction of this affordable housing project. These balconies will have high construction costs in regards to structural support, waterproofing, railings, special annual inspections, etc. We estimate that this can cost approximately $15,000 to $30,000 per unit. If we incorporated private open space for all the units then we could expect an increase in the construction budget of approximately $750,000 to $1,500,000.

4. Exterior Treatments and Materials: At least two materials shall be used on any building facade, in addition to glazing and railings. Any one material must comprise at least 20% of any building facade, excluding windows and railings. A change in material must be offset by a minimum of six inches in depth. Exterior finish materials should be chosen and applied to not appear artificial as in the case of brick veneer applied on a single building face so that it is obviously ¼ inch thick when viewed from the side, or in the case of a trellis made of 2 inch x 2 inch or 2 inch x 4 inch members. Veneers are required to turn corners, avoiding exposed edges.

   This standard is eligible as a concession because it would result in "identifiable and actual cost reductions" for the construction of this affordable housing project. The Applicant is proposing the use of two materials on the façades. In order to meet this standard, the Applicant will need increase the brick veneers on all facades. We estimate that this will cost an estimated $15 per square foot. There will be an increase in the construction budget of $31,620 at minimum.

Granting these concessions allows the Applicant to develop the project at the density permitted by the State Density Bonus Law. The Applicant reserves the right to amend this request or add concessions, should such be required during staff's review or the public hearing phase of the project and the requested entitlements. Should you have any questions on the project, please contact me at: 818-697-4919 / kcalica@amgland.com.

Sincerely,

Kimberly Calica