



*"Balboa Village Fun Zone - a unique piece of the heart and soul  
of Newport Beach"*

# **BALBOA VILLAGE IMPLEMENTATION PLAN**

## **Exhibit 2**

### **Keyser Marston Associates Market Analysis and Balboa Village Implementation Strategies**





**KEYSER MARSTON ASSOCIATES™**  
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

## MEMORANDUM

**ADVISORS IN:**

REAL ESTATE  
REDEVELOPMENT  
AFFORDABLE HOUSING  
ECONOMIC DEVELOPMENT

**SAN FRANCISCO**

A. JERRY KEYSER  
TIMOTHY C. KELLY  
KATE EARLE FUNK  
DEBBIE M. KERN  
ROBERT J. WETMORE  
REED T. KAWAHARA

**LOS ANGELES**

KATHLEEN H. HEAD  
JAMES A. RABE  
PAUL C. ANDERSON  
GREGORY D. SOO-HOO  
KEVIN E. ENGSTROM  
JULIE L. ROMEY  
DENISE BICKERSTAFF

**SAN DIEGO**

GERALD M. TRIMBLE  
PAUL C. MARRA

**To:** Kimberly Brandt, Director Community Development Department  
City of Newport Beach

**From:** Kathleen Head  
Kevin Engstrom

**Date:** March 29, 2012

**Subject:** Newport Beach Market Opportunities Analysis

Pursuant to your request, Keyser Marston Associates, Inc. (KMA) evaluated the market conditions for the following three areas in the City of Newport Beach (Study Areas):

- Lido Village
- Balboa Village
- Mariner's Mile

The analysis is summarized in the following sections:

- Socio-Economic Characteristics – Identifying the current and projected socio-economic conditions of the market area residents is required to evaluate potential market opportunities. KMA evaluated the socio-economic characteristics of the market area for the Study Areas, the City of Newport Beach (City) and Orange County (County) based on data provided by Claritas.
- Employment & Business – Provides a summary of existing employment and businesses in the Study Areas.
- Retail Overview - Includes estimates of current retail productivity levels, a surplus / leakage analysis and current real estate market conditions.
- Office Overview - Includes data from regional brokerage houses and current asking rents.

- Residential Overview – Summarizes recent residential sales activity in the market area and the City.
- Hotel Overview – Summarizes recent hotel industry market conditions in Coastal Orange County and the overall County.

## **EXECUTIVE SUMMARY**

Based on the assessment of market conditions KMA identified the strengths, weaknesses and opportunities for each Study Area.

### **Lido Village**

For Lido Village the market strengths, weaknesses and opportunities include the following:

#### ***Market Strengths***

The market strengths for Lido Village include:

1. The income levels of area residents are very high.
2. The area has quick access from Pacific Coast Highway and the mainland.
3. Retail rents in the area can be very high, with newly remodeled centers achieving asking rents that exceed \$4.00 per square foot per month.
4. The nearby Hoag Hospital may provide opportunities for medical office development and leasing.
5. Residential:
  - a. The sales prices for residential units are currently lower than the peak levels. However, the prices are still extremely high and well exceed the County average.
  - b. A very strong market exists for rental residential development. Rents for high-end apartments are very high, particularly for two and three bedroom units.
6. The existing City Hall site offers a great opportunity for catalyzing development opportunities in the area.

### ***Market Weaknesses***

The market weaknesses for Lido Village include:

1. Until consensus is reached on the redevelopment of the existing City Hall site, leasing will likely remain stagnant and development opportunities will remain on hold.
2. A wide range of rents are currently being achieved in the Lido Village Study Area. Rents are very high for projects with good visibility and quality finishes. However, much of the commercial space in this area has limited visibility and poor access; consequently rents are relatively low and vacancies are high.
3. Development opportunities in the area are negatively impacted by ownership patterns and parcelization, including multiple ground leases under Lido Marina Village.
4. The retail development along Newport Boulevard has limited parking. As a result, patrons of these establishments often seek spaces in nearby commercial centers and the City Hall parking lot.
5. Retail tenants in the area do not appear to benefit from the commercial boating enterprises that use the marina. In fact, some tenants believe these uses hinder the retail opportunities due to their heavy use of parking.

### ***Market Opportunities***

Based on the market conditions, KMA summarized the opportunities for retail, office, residential and hotel development in Lido Village.

#### **Retail**

Lido Village is a strong location; with high income levels, good access and waterfront properties. However, the existing development patterns, which include a significant inventory of small shop space, poor circulation patterns and limited visibility have resulted in relatively high vacancy rates and lower than expected rents. Further, the uncertainty over the redevelopment of the City Hall site will continue to limit market opportunities in the near term.

Tenant types that appear to have market support for this area include: quick-service dining, small-scale electronics, bookstores and other miscellaneous retailers. Mixed-use projects with ground-floor retail and residential above would likely have strong support.

In the long-term, larger-scale commercial opportunities could be available assuming access and visibility issues are addressed.

#### Office

Overall, the office market in the region is still recovering from the recession, with vacancy rates remaining relatively high. Lido Village is not viewed as a major office destination, and as such demand will likely be limited. Typically, smaller professional firms, such as attorneys, architects, consultants, and insurance agents are tenants in those secondary locations. However, the area benefits from its proximity to Hoag Hospital, which could be leveraged to attract medical related tenants to the area.

Existing zoning permits offices uses in Lido Village. However, it is important to note that there is a limitation that medical and dental office can only be located above the first floor of any building.

#### Residential

Overall, the residential market in the region is still recovering from the recession. However, Lido Village has significant appeal for residential development. Given the densities along the Peninsula and level of existing development in Lido Village, the area is best suited for multi-family development likely with some ground-floor commercial.

The City's current zoning guidelines for mixed-use development allows for up to a .50 Floor Area Ratio (FAR) for commercial and up to a 1.0 FAR for residential. This density level is consistent with the surrounding area, and would likely be well received in the market. Current market conditions suggest for-rent residential would be the best suited product type. A review of high end apartments in the City indicates larger units (two and three bedrooms) would have strong support.

#### Hotel

A boutique hotel with fewer than 100 rooms could have market support in the mid-term. A hotel would be best suited for a waterfront location; however, the waterfront land in Lido Village is under private ownership. This is a significant constraint, because hotels are notoriously difficult to finance, so they typically require investment returns that exceed that of other land uses. As a result, hotels typically support land values that are lower than retail, residential or office uses. These lower land values are unlikely to incentivize the owners to redevelop their properties with a hotel use.

## **Balboa Village**

For Balboa Village the market strengths, weaknesses and opportunities include the following:

### ***Market Strengths***

The market strengths for Balboa Village include:

1. The income levels of area residents are very high.
2. Retail spaces with strong visibility characteristics are achieving rents at upwards of \$4 per square foot per month. However, these spaces represent only a small percentage of the retail uses in Balboa Village.
3. The Fun Zone, marine operators and other commercial enterprises take advantage of the waterfront location. This connection and opportunity needs to be strengthened as much as possible to further enhance market opportunities.
4. Residential:
  - a. The sales prices for residential units remain extremely high.
  - b. A strong for-rent residential market exists, as rents are very high, particularly for two- and three-bedroom units.
5. The proposed Balboa Performing Arts Theater and ExplorOcean are uses that can potentially mitigate the seasonal demand exhibited in the Balboa Village Study Area. This may in turn catalyze other development:
  - a. The Balboa Theater operators are currently projecting that the venue will be active over 220 days/nights per year.
  - b. The ExplorOcean project is anticipated to include up to 40,000 square feet of space, including a 10,000 square foot Event Deck.
6. The City owns a 32,000 square foot, surface parking lot at the intersection of Palm Street and Balboa Boulevard. This site offers an excellent opportunity for catalytic development.

### ***Market Weaknesses***

The market weaknesses for Balboa Village include:

1. There are significant access concerns for Balboa Village, including high traffic volumes in the summer, and the long distance down the Peninsula.
2. There are a significant number of competing uses located along the route to Balboa Village. Both Lido Village and McFadden Square are located along the route to Balboa Village, and they currently offer a mix of restaurant and retail uses. It is difficult to entice consumers to drive past these locations to reach Balboa Village.
3. The perception exists that there is too much commercial development towards the end of the Peninsula. The low sales volumes of commercial tenants in Balboa Village support this notion.
4. Parking counts and anecdotal evidence indicate the area is extremely busy during the peak summer months, for the balance of the year, activity is relatively low.
5. A shortage of parking is a significant concern during the peak summer months.
6. The relatively small close-in population base limits potential demand for commercial development. The significant seasonality of the current visitation patterns further impacts the potential for commercial development.

### ***Market Opportunities***

Based on the market conditions, KMA summarized the opportunities for retail, office, residential and hotel development in Balboa Village.

#### **Retail**

Typically, retail demand is primarily driven by residents with support provided by visitors. While the income levels around Balboa Village are healthy, and the area benefits from a spectacular waterfront, there is a limited population base to support significant commercial development. For this reason, retail development will rely on visitors from outside the area to be sustainable.

The demand for retail development is constrained by the fact that drive times to access Balboa Village can be lengthy, and there are a number of intervening commercial opportunities along the way. These issues do not detract visitors in the peak summer months, but do limit opportunities during off-peak times.

The development of the ExplorOcean project and the opening of the Balboa Performing Arts Theater could create visitor demand during the off-peak season. This, in turn, could prove catalytic for commercial development. However, retail opportunities in Balboa Village will likely be limited, with demand focused on small-scale dining (particularly sit-down restaurants), local serving uses, and retailers that can benefit from visitor demand and the development of the catalytic projects. Potential tenancies are sundries shops; beach and sports equipment shops; a small neighborhood hardware store; florists; stationers; etc.

#### Office

Given access issues, Balboa Village is not viewed as an office destination, as such demand will likely be limited. Typically, smaller professional firms, such as attorneys, architects, consultants, insurance agents are tenants in these tertiary locations. However, demand for this type of space is anticipated to be minimal.

#### Residential

Overall, the residential market in the region is still recovering from the recession; however, Balboa Village still has appeal for residential development. Balboa Village includes a significant share of Mixed-Use Vertical zone parcels. These guidelines allow a .35 to .50 FAR for commercial and up to a 1.0 FAR for residential. Given the limited retail demand in Balboa Village, a mixed-use project in this area would likely be developed at a .35 FAR and 1.0 residential FAR. Current market conditions suggest for-rent residential would be the best suited product type for a mixed-use development.

#### Hotel

For Balboa Village, market demand may support a smaller hotel property in the 35 to 45 room range. However, it is important to note that it can be difficult to attract this type of hotel due to economies of scale, marketing and financing issues. Given these factors, it is unlikely that a private property owner would undertake this type of development. As such, this development type may be best suited for the City owned parking lot at Palm Street and Balboa Boulevard.

### **Mariner's Mile**

For Mariner's Mile the market strengths, weaknesses and opportunities include the following:

#### ***Market Strengths***

The market strengths for Mariner's Mile include:



1. The income levels of area residents are very high.
2. Retail and Restaurant Uses:
  - a. Retail rents in the area can be high for shops with good visibility. Overall, rents in the area are starting to increase again after having fallen during 2008 and 2009.
  - b. A new two-story commercial development is currently being constructed in the Study Area.
  - c. The recent opening of Pizzeria Mozza demonstrates the Study Area's attractiveness for restaurants.
3. A vertical mixed-use project that includes ground-floor retail with residential above is in the planning stages. This demonstrates that there are mixed-use development opportunities in the Study Area.
4. As is the case with the other Study Areas strong market opportunities exist for both high-end apartment development and for-sale residential products.
5. Support has been identified for maintaining a place for marine uses in Newport Beach, and the Mariner's Mile Study Area is suited for these uses.

### ***Market Weaknesses***

The market weaknesses for Mariner's Mile include:

1. Physical constraints to development include height limits and narrow parcel depths.
2. High traffic volumes along Pacific Coast Highway limit the ability to provide on-street parking, and also make building ingress and egress challenging.
3. There is significant retail and office competition in the market area (e.g. Newport Center).

### ***Market Opportunities***

Based on the market conditions, KMA summarized the opportunities for retail, office, residential and hotel development in Mariner's Mile.

### Retail

The recently proposed commercial project at Dover Drive and Pacific Coast Highway is projecting rents that are nearing \$5.00 per square foot. Achievable rents of this magnitude clearly support new construction. Tenant types that appear to have market support for this area include: restaurants, additional high-end auto dealerships and retailers such as jewelry stores, small-scale electronics, etc.

It is also anticipated that retail in a mixed-use configuration with residential above would have strong support. The area could also continue to offer a home for marine related retail; however, the perception exists that this type of development is not compatible with other tenant types already in the area.

### Office

Overall, the office market in the region is still recovering from the recession, with vacancy rates remaining relatively high. Similar to Lido Village, Mariner's Mile could be well suited for medical office development due to its proximity to Hoag Hospital. Overall, Mariner's Mile is not viewed as a major office destination, as such demand will likely be limited. Typically, smaller professional firms, such as attorneys, architects, consultants, insurance agents are tenants in these secondary locations.

### Residential

Overall, the residential market in the region is still recovering from the recession; however, Mariner's Mile has some appeal for residential development. Given the densities along the Pacific Coast Highway, the area is only suited for rental or condominium development. The area could be particularly well suited for condominium development, as sales prices exceeding \$1,500 per square foot were identified as potentially having market support.

### Hotel

The Balboa Bay Club demonstrates the viability of hotel development in Mariner's Mile. However, other land uses will support higher land values, and therefore private property owners are unlikely to pursue hotel development absent the provision of public financial incentives. The opportunity for hotel development may be stronger in the other two Study Areas given the availability of publicly owned land that can be used to incentivize development.

## **SOCIO-ECONOMIC CHARACTERISTICS**

Attachment 1 - Tables 1A, 1B and 1C provide summaries of the salient socio-economic characteristics for one-half mile, one-mile and three-mile market areas surrounding each of the Study Areas; the City; and the County.<sup>1</sup> These socio-economic characteristics are summarized in this section of the analysis.

### **Population**

The City's 2011 population totals 72,500 persons. For the one-half mile market areas the population levels are:

- Lido Village – 4,600
- Balboa Village – 3,100
- Mariner's Mile – 3,500

The population density for the market areas is relatively low due to the overall development patterns, as well as the existence of ocean and the bay. In particular the population levels for Balboa Village are very low.

### **Households**

There are 33,400 households in the City, with an average household size of 2.1 persons. This is much smaller than the County average of 3.1 persons per household. Given the relatively low population base, the number of households in the one-half mile market area for the Study Areas is also relatively low:

- Lido Village – 2,200 households (2.0 persons per household)
- Balboa Village – 1,600 households (1.9 persons per household)
- Mariner's Mile – 1,500 households (2.3 persons per household)

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<sup>1</sup> The following locations were utilized for the market areas: City Hall site for Lido Village, intersection of Palm Street and Balboa Boulevard for Balboa Village and the intersection of Tustin Avenue and Pacific Coast Highway for Mariner's Mile.

## **Income**

Incomes in the City average \$67,400 per person, and \$145,300 per household. For reference purposes, the household income in the City is 52% higher than the County average of \$95,400. Given that the Orange County average income falls within the top 2% of the counties in the United States, it can be concluded that the Newport Beach population exhibits very-high incomes.

For the one-half mile ring around the Study Areas, the incomes levels are also relatively high:

- Lido Village - \$58,400 per capita, \$119,500 per household
- Balboa Village - \$62,600 per capita, \$116,600 per household
- Mariner's Mile - \$65,400 per capita, \$151,000 per household

As can be seen above, the per capita incomes in the market areas are lower than the City average, but are still significantly higher than the County average. In addition, in both Lido Village and Balboa Village, the household income levels are significantly lower than the City average. Comparatively, for Mariner's Mile the household income levels are comparable to the City; however, when the market area is expanded to one-mile, then Mariner's Mile is more consistent with Lido Village and Balboa Village.

Nearly 50% of the households in the City have household incomes over \$100,000, compared to one-third of the households in the County. For the one-half mile ring around the Study Areas, the share of households earning over \$100,000 is also very high:

- Lido Village – 41.8%
- Balboa Village – 39.0%
- Mariner's Mile – 48.6%

## **Demographic Characteristics**

Key demographic characteristics affecting market conditions include age, education and race. The results of the KMA analysis are summarized as follows:

### ***Age***

The distribution of residents by age indicates a concentration of persons over the age of 65 in the City (19.8%) as compared to the County (11.8%). Given the larger share of older residents, the City also has a smaller share of residents under the age of 18 (15.3%) when compared to the County (24.8%). For the one-half mile ring around the Study Areas, the mix of residents differs depending on location:

1. Lido Village – This market area has a significant concentration of residents between 18 and 34 (36.0%) compared to the City (19.4%) and County (23.7%)
2. Balboa Village – The market area has very few residents under 18 (approximately 10%) and a concentration of residents over 65 (approximately 20%).
3. Mariner's Mile – The one-half mile market area has a slight concentration of residents under 18, and between 55 and 64. Comparatively, the one-mile market area shows concentrations of residents over 65, and residents between 18 and 34.

### ***Education***

Residents of the City are highly educated, as 62% of the residents over the age of 25 are college graduates, compared to 35% within the County. Within a one-half mile ring of the Study Areas, the residents are also highly educated:

1. Lido Village – 60% college graduates
2. Balboa Village – 57% college graduates
3. Mariner's Mile – 60% college graduates

### ***Race***

The population of Newport Beach is relatively homogeneous, as 89.8% of the residents are White, compared to 59.5% within the County. The populations within the one-half mile market area for the Study Areas, are generally consistent with the City:

1. Lido Village – 91% White
2. Balboa Village – 93% White
3. Mariner's Mile – 89% White

## **Population, Household and Employment Projections**

Attachment 1 - Table 2 provides Southern California Association of Governments (SCAG) population, household and employment projections for the region.<sup>2</sup> As shown in the table, key SCAG projections are:

### ***Population***

1. In 2010, Newport Beach represented approximately 2.6% of the total County population, and 12.9% of the population in the five city region.
2. Between 2010 and 2015, the population growth in the City is projected at 3.4%. Comparatively, the growth in the region is estimated at 4.6% and the growth in the County is estimated at 4.1%.
3. The rate of population growth is expected to slowly decrease over time. By 2035, the annual growth is projected at approximately .5% per year for the region, .7% per year for the County and .9% per year for the City.
4. Between 2003 and 2035, the City's population is projected to increase by 19.6%, while the regional growth is estimated at 26%, and the County growth is estimated at 21.8%.

### ***Employment***

1. In 2010, Newport Beach currently represented 4.4% of the employment in the County and 14.5% of the employment in the five city region.
2. Between 2010 and 2015, employment in the City is projected to grow by .8%. During the same period the growth in the region is estimated at 5.9% and the growth in the County is estimated at 4.7%.
3. Between 2003 and 2035, employment is estimated to grow by 5.4%, while employment in the region is estimated to grow by 37.8%, and the County growth is estimated at 26.4%.

## **Employment and Business**

Attachment 1 - Tables 3 and 4 provide a KMA review of the employment and business patterns in the one-mile ring around each of the Study Areas, the City and County. The results are summarized in the following sections of this analysis:

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<sup>2</sup> The region includes Newport Beach, Costa Mesa, Huntington Beach, Irvine and Laguna Beach.

### ***Lido Village***

Employment within the Lido Village market area can be summarized as follows:

1. The share of retail trade and finance, insurance and real estate (FIRE) employment is generally consistent with the Countywide distribution.
2. Service sectors include health services, personal services, business services and legal services. The share of employment in service sectors in Lido Village is significantly higher than the County average (64% compared to 39%). This is largely attributable to health and business services that draw support from Hoag Hospital. The balance of the service business areas are actually relatively underrepresented in Lido Village.
3. Given the development patterns in the area, there are relatively few manufacturing jobs.
4. Overall, the market exhibits a relatively high ratio of jobs to population as compared to the County average (.9 residents per employee versus 2.1 residents per employee.)

The distribution of businesses within the Lido Village market area can be summarized as follows:

1. The share of retail and FIRE businesses in the market area is lower than the County average.
2. The share of service businesses in the market area is substantial (54% compared 46% in the County).
3. Overall, the number of employees per business in the market area is slightly smaller than the County (9.7 employees and 10.3 employees respectively).
4. Overall, there is a significant concentration of businesses in the market area, as there are 8.6 residents per business compared to 21.5 residents per business in the County.

### ***Balboa Village***

Employment within the Balboa Village market area can be summarized as follows:

1. The share of retail trade and FIRE employment is higher than the County.

2. There are relatively few employees in the service sector when compared to the County. The service sector includes health services, personal services, business services and legal services.
3. Balboa Village is dominated by residential uses. The ratio of the residential population to the employment population is 3:1 in Balboa Village, while the ratio in the County is 2.1:1.

The distribution of businesses within the Balboa Village market area can be summarized as follows:

1. Approximately 36% of the businesses in Balboa Village fall within the retail trade category. Comparatively, 14% of the businesses in the City are in this category, and 20% of the businesses in the County are in this category. In particular, there is a significant concentration of dining establishments and miscellaneous retail stores. These stores include sports and surf shops; souvenir shops; and stores that carry a variety of goods including sundries, accessories and apparel.
2. The share of service businesses in the market area is lower than the County (35% versus 46%).
3. The businesses in the market area are much smaller than the County (6.2 employees and 10.3 employees respectively).
4. The number of businesses in the market area is generally consistent with the County; there are 18.4 residents per business compared to 21.5 in the County.

### ***Mariner's Mile***

Employment within the Mariner's Mile market area can be summarized as follows:

1. The share of retail trade employment is generally consistent with the County.
2. Services businesses, such as health, business, legal and personal services, represent 60% of the businesses in Mariner's Mile. This is significantly higher than the 39% share exhibited in the County. In particular, Mariner's Mile has concentrations of health services employment in businesses that benefit from the proximity of Hoag Hospital.
3. Overall, there are a relatively high number of jobs to residents in the market area. There are 1.0 residents per job in the market area, compared to the County average of 2.1 residents per job.



The distribution of businesses within the Mariner's Mile market area can be summarized as follows:

1. The share of retail and FIRE businesses in the market area is consistent with the County average.
2. There is a healthy share of service businesses in the market area, due primarily to Hoag Hospital and its related ventures.
3. Overall, the businesses in the market area are slightly smaller than the County (9.1 employees and 10.3 employees, respectively).
4. There is a significant concentration of businesses in the market area, as there are 8.9 residents per business compared to 21.5 in the County.

## **RETAIL OVERVIEW**

The following section of this analysis describes the various issues that influence the demand for retail development.

### **Retail Sales**

As shown in Attachment 2 – Table 1, the taxable retail store sales in the City are much higher than the sales at the County and the State. In addition, the sales are higher than all the cities in the five city region except Costa Mesa. Within the City, the per capita taxable sales are particularly high for the following establishment types:

- Food & Beverage Stores
- Clothing & Clothing Accessories Stores
- General Merchandise Stores
- Food Services & Drinking Places
- Other Retail Group (e.g. florists, bookstores, stationers, sporting goods stores, etc.)

As shown in Attachment 2 – Table 2, the taxable sales per permit for all retail stores in the City are generally consistent with the County and State, but are higher than all the cities in the five city region except Irvine.

## **Surplus/Leakage Analysis**

Attachment 2 - Tables 3 and 4 estimate the retail surplus/leakage for the City in 2011 and 2016, respectively. The projections are based on the following:

1. The base year for the projections is 2009, and the data source is the taxable sales recorded by the State Board of Equalization (SBE).
2. The taxable sales are adjusted to reflect the non-taxable nature of some sales.
3. The resulting sales are adjusted at an inflationary rate to estimate the 2011 and 2016 productivity levels.
4. The estimated retail potential is estimated based on the assumption that the residents exhibit expenditure patterns consistent with Countywide expenditures patterns.

The analysis indicates the following establishment types are leaking sales to the surrounding region:

- Home furnishings & supplies
- Building materials & garden equipment
- General merchandise stores
- Other retail stores

Attachment 2 – Table 5 provides estimates of the surplus/leakage for the City and the one-mile market areas around the Study Areas based on data supplied by Claritas. As shown in the table, the following establishment types demonstrate potential demand:

- For Lido Village the establishment types include: furniture & home furnishings, electronic & appliances, building materials, food & beverage, health & personal care, clothing, sporting goods, general merchandise and miscellaneous retailers.
- For Balboa Village the establishment types include: furniture & home furnishings, electronics & appliances, building materials, health and personal care, sporting goods, general merchandise and miscellaneous retailers.
- For Mariner's Mile the establishment types include: furniture & home furnishings, electronics & appliances, building materials, food & beverage, clothing, sporting goods and general merchandise.

All of the Study Areas demonstrate potential demand for the following tenant types: home furnishings, electronics & appliances, building materials, sporting goods and general merchandise.

## **Retail Rents**

As shown in Attachment 2 – Table 6, the asking rents for retail shop space in the market area are relatively high. The list of comparables includes listings on the Newport Beach Peninsula and along Mariner's Mile. For this area, the rents range from \$1.75 to \$4.50 per square foot per month on a triple net (NNN) basis. The average rent in the market area is \$2.65 per square foot per month.

- Lido Village - For space along Via Oporto in the Lido Village area, the asking rents are \$2.00 per square foot per month and less. Comparatively, some of the highest asking rents in the area are for the Landing project at Newport and 30<sup>th</sup> (\$4.25 per square foot per month). The significant range in rents for this area reflects importance of quality finishes, good visibility and easy access.
- Balboa Village – Only two current listings were identified for retail space in the Balboa Village area. The asking rents for space at 514 Oceanfront are \$2.95 to \$4.50 per square foot per month, with the high end of the range being charged for space with boardwalk frontage. The asking rent for 705 Balboa is \$2.50 per square foot per month.
- Mariner's Mile – The asking rents in this area range between \$1.75 and \$3.50 per square foot per month depending on location, visibility and building quality.

## **Retail Building Sales**

As shown in Attachment 2 – Table 7, the average sales price for retail buildings in the market area ranges considerably, from \$400 to \$1,000 per square foot, depending on location, quality of the building and the tenants. The average price for these buildings is \$600 per square foot.

## **Retail Sales Volumes**

To better understand the retail real estate conditions in Balboa Village, KMA reviewed the sales productivity levels being achieved by establishments in the Study Area. Specifically, the sales per square foot for retail establishments in the area were compared to regional and national norms. Sales per square foot that are higher than the norm indicate that additional development can potentially be supported. When sales are below the norms, there may be too many tenants vying for limited demand.

To conduct this analysis, the City provided sales tax and square footage data for Balboa Village businesses, KMA then conducted a site visit to confirm these assumptions. Due to confidentiality issues, KMA has not presented any numbers when discussing the sales volumes in Balboa Village. The analysis found the following:

1. There is significant seasonality in the sales; area wide sales in the peak season are nearly double the sales in the low season.
2. The average sales per square foot for clothing stores and miscellaneous retail stores in Balboa Village are very low when compared to regional and national norms.
3. The average sales per square foot for dining establishments in the area are much higher than the sales generated by clothing and miscellaneous retail stores. This is consistent with national and regional trends, where restaurant sales typically range from \$400 to \$500 per square foot, while the sales for most retail tenant types range from \$250 to \$350 per square foot.
4. While the restaurant productivity levels are relatively higher than other retailers in Balboa Village, the average sales per square foot are still lower than regional and national norms.
5. A small number of restaurants and retail shops in Balboa Village generate sales that meet or exceed regional and national averages. This illustrates the potential for well executed concepts in the area.
6. Overall, the commercial square footage in the area is generating sales that are significantly below what would be considered healthy for retail centers in Southern California and the nation.

The current sales volumes in Balboa Village suggest that there is a surplus of commercial space in Balboa Village. This can lead to property owners being forced to accept less desirable tenants, at lower rents, in order to keep the space occupied. This, in turn, can create to cash flow shortfalls that lead to owners deferring maintenance on the properties.

Typically, areas with low sales volumes also have low rental rates. Within Balboa Village current asking rents are still healthy, with owners seeking rates that exceed \$2.50 per square foot, per month. However, these high rental rates coupled with the low sales volumes, will have a significant impact on retail feasibility, as tenants will struggle to remain viable.

## **Real Estate Professionals**

KMA contacted a number of real estate professionals active in the Study Areas. Their general comments can be summarized as follows:

1. The Peninsula and Mariner's Mile are perceived as desirable locations.
2. Market conditions are improving as potential tenants are becoming more active.
3. There appears to be demand for both quick serve and sit-down restaurants in all three Study Areas.
4. City Constraints:
  - a. The City's parking requirements make development difficult.
  - b. There is a significant amount of public oversight for development projects, which makes development difficult.

The professionals contacted by KMA offered a variety of comments directly related to each Study Area. The range of comments can be summarized as follows:

### ***Lido Village***

1. Rents:
  - a. Rents range significantly in the area, from less than \$2.00 per square foot per month to over \$4.00 per square foot per month.
  - b. Rents are low and vacancies are high for Lido Marina Village because of visibility and access issues.
  - c. The high rents and success of the repositioning of the Landing project at Newport Boulevard and 30<sup>th</sup> Street demonstrates the viability of commercial in the Lido Village area.
2. Development Constraints:
  - a. Limited parking for retail space along Newport Boulevard strains shopping center parking lots in Lido Village area.
  - b. Diverse ownership and ground lease restrictions inhibit redevelopment opportunities in Lido Village.

- c. The party boats do not have a positive impact on commercial activities in Lido Village. Patrons embark and disembark without shopping. Further, the boats utilize a significant amount of parking.
- 3. Development Opportunities:
  - a. Residential and lodging uses could benefit commercial development in Lido Village.
  - b. Some tenants are in a holding pattern until the City decides what to do with the existing City Hall site.
  - c. Anchor space in Via Lido Plaza likely to be filled in the next 12 to 18 months.

***Balboa Village***

- 1. Commercial space can generate rents of up to \$3.00 per square foot per month.
- 2. Development Constraints:
  - a. Access issues for Balboa Village will continue to inhibit commercial opportunities.
  - b. Relatively small population base will limit commercial demand in Balboa Village.
  - c. Balboa Village is difficult to redevelop. It works decently as it is now, but long-term opportunities are limited.
- 3. Development Opportunities:
- 4. Balboa Theater and ExplorOcean may act as catalytic developments for Balboa Village.
- 5. A public parking structure on the City lot located at Palm Street and Balboa Boulevard could enhance development opportunities.
- 6. Waterfront activities and accessibility can promote opportunities in Balboa Village.
- 7. Sprucing up existing Balboa Village retail would make the area more attractive.
- 8. Potential tenancies:

- a. Outdoor dining;
- b. Small retailers such as sundries shops, florists, stationers, etc.; and
- c. A small, neighborhood serving, hardware store.

***Mariner's Mile***

- 1. Rents:
  - a. Rents along Mariner's Mile have declined by 20% from their peak in 2007 and 2008.
  - b. Rents for existing space range from \$3.00 to \$4.00 per square foot per month.
  - c. New retail projects are asking rents near \$5.00 per square foot per month.
- 2. Development Constraints:
  - a. Parking is an issue along Mariner's Mile, particularly as there is a limited amount of peripheral parking along Pacific Coast Highway.
  - b. High traffic speeds on Pacific Coast Highway adds to ingress and egress difficulty.
  - c. The multiple boatyards in Mariner's Mile can make development difficult. There are also a lot of small users and to redevelop the area will be difficult.
- 3. Development Opportunities:
  - a. Healthy interest from restaurants still exists for Mariner's Mile. In addition, demand appears to exist from small-scale electronic stores (e.g. mobile devices) personal trainers/gyms and fast-food restaurant tenants.
  - b. There is potential demand for medical office space.
  - c. Eclectic mix of tenant types along Mariner's Mile is likely to continue (e.g. automotive, marine, restaurants).

## **Retail Summary**

Overall, the retail market can be characterized as follows:

1. Newport Beach is exporting sales in the following retail categories: home furnishings, building materials, general merchandise and miscellaneous retail.
2. Opportunities for retail development in the Study Areas, include: home furnishings, electronics, building materials, sporting goods and general merchandise.
3. A wide range of retail rents are being achieved in the Study Areas (\$1.75 to \$5.00 per square foot). The rent range reflects variations in location, visibility, access and building condition. New and updated projects with convenient location and good visibility can achieve very strong rents.
4. Retail building sales prices vary considerably (\$400 to \$1,000 per square foot). There have been relatively few sales, with prices varying based on location, tenancies and building quality.

## **OFFICE OVERVIEW**

### **Market Conditions**

A summary of the current office market conditions follows:

1. As shown in Attachment 3 – Table 1, CB Richard Ellis survey information indicates that the average rent for office space in the Greater Airport market area is \$2.00 per square foot per month on a full-service gross (FSG) basis.
2. Attachment 3 – Table 2 presents Cushman and Wakefield's summary of office market conditions for the City. According to their report, the average monthly rent is \$2.30 per square foot per month, with an overall vacancy rate of 15.1%.
3. Attachment 3 – Table 3 shows office asking rents for space on the Newport Peninsula and Mariner's Mile. Rents range from \$1.85 to \$3.50 per square foot per month. The weighted average is \$2.55 per square foot per month<sup>3</sup> These rents are generally higher the City average.

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<sup>3</sup> Some of the rents are NNN, which means that the expenses are passed on to the tenant.



4. Attachment 3 – Table 4 shows a summary of recent office building sales in the market area, with five transfers occurring during in the last two years. The sales prices average \$340 per square foot of building area.

### **Office Summary**

In general, the office market can be characterized as follows:

1. Vacancy rates in the market are still relatively high, but are decreasing.
2. The rents being achieved in the market area are relatively high.
3. Little new office development is currently occurring in the region.

Both the Lido Village and Mariner's Mile Study Areas have the potential to capitalize on the demand for medical office space created by Hoag Hospital. The balance of the office development potential is likely to be focused on small professional spaces; this type of development may be supported in each of the Study Areas. However, given location and accessibility issues, it is likely that the demand for office development will very limited in the Balboa Village area.

## **RESIDENTIAL OVERVIEW**

Over the last decade, the region experienced significant residential price increases, followed by a decelerating and depreciating market during the past three plus years. A review of the existing residential market follows.

### **Housing Stock**

A review of the City's housing stock is shown in Attachment 4 – Tables 1 and 2. Since 2000, the number of residential units in the City increased at a faster rate (16.7%) than both the State (11.3%) and the County (7.3%). In addition, the housing stock in the City has a smaller share of detached single-family homes (46%) when compared to the County (52%) and State (60%).

## **For-Sale Residential**

### ***Detached Units***

Recent residential sales prices for detached units in the Peninsula market area are shown in Attachment 4 – Table 3.<sup>4</sup> As shown in the table, the median sales price, and the average price per square foot for the unit types are as follows:

Number of Bedrooms	Median Sales Price	Average Price Per Square Foot
One Bedroom <sup>5</sup>	\$1,200,000	\$2,400
Two Bedrooms	\$950,000	\$1,170
Three Bedrooms	\$1,100,000	\$660
Four Bedrooms	\$1,400,000	\$1,000

### ***Attached Units***

Recent residential sales prices for attached units in the Peninsula market area are shown in Attachment 4 – Table 4. As shown in the table, the median sales price and average price per square foot for the unit types are as follows:

Number of Bedrooms	Median Sales Price	Average Price Per Square Foot
One Bedroom	\$259,000	\$340
Two Bedrooms	\$460,000	\$500
Three Bedrooms	\$555,000	\$330
Four Bedrooms	\$570,000	\$300

### ***Sales Price Trends***

Attachment 4 – Table 5 shows the sales activity for single-family homes and condominium units in the City during 2008 and 2010. The following summarizes the changes in the single-family home prices in the 92663 zip code between 2008 and 2010:

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<sup>4</sup> Data is from November 2010 to November 2011.

<sup>5</sup> The sample only includes six sales.

Year	Median Sales Price	Average Price Per Square Foot	Number of Units in the Sample
2008	\$2,000,000	\$1,170	99
2010	\$1,300,000	\$858	136
Change		27% decrease	37% increase

The following summarizes the changes in single-family home prices in the 92661 zip code between 2008 and 2010:

Year	Median Sales Price	Average Price Per Square Foot	Number of Units in the Sample
2008	\$2,000,000	\$1,747	27
2010	\$2,000,000	\$1,233	48
Change		29% decrease	78% increase

### **For-Rent Residential**

Based on data supplied by RealFacts, Attachment 4 – Table 6 presents the trend of rents and occupancy levels from 2003 through 2011. In 2011, the average asking rent was \$1,950 per month, and the average occupancy rate was 96%. Attachment 4 – Table 7 shows the average asking rents for the various unit configurations in the City.

In addition, to the collecting data from RealFacts, KMA also conducted a survey of high-end apartment projects in the City. The results of this survey are summarized in Attachment 4 – Table 8. As shown in the following table, the average rental rate and price per square foot for the unit types are:

Number of Bedrooms	Average Rental Rate	Average Rent Per Square Foot
Studio	\$2,100	\$2.90
One Bedroom	\$2,280	\$2.70
Two Bedrooms	\$2,270	\$2.40
Three Bedrooms	\$5,000	\$2.70

The rents being achieved in the high-end projects are very strong. In addition, an extraordinary premium is being achieved for large three-bedroom units.

## **Residential Summary**

The for-sale housing market within Southern California and Orange County is currently in a state of retrenchment. The for-sale housing market within the City began weakening in the beginning of 2008, and the per square foot sales prices have declined in much of the City. However, the currently achievable sales prices are potentially high enough to attract new development.

The achievable apartment rents at projects in the City are very strong. In particular the rents generated at projects such as The Colony, Promontory Point and The Terrace Apartments at Balboa Bay Club are very high. Given these rents, and occupancy levels, luxury apartment projects in the Study Areas would likely demonstrate healthy market support.

## **HOTEL OVERVIEW**

### **Market Conditions**

The market conditions for hotels can be summarized as follows:

1. Attachment 5 – Table 1, presents the occupancy levels for Coastal Orange County hotels between 2005 and 2011:
  - a. Both Coastal Orange County and Orange County hotels reached peak occupancy levels during 2007. The occupancy rates declined in 2008 and 2009, and began rebounding in 2010.
  - b. The current occupancy rates in Coastal Orange County are estimated at 67%. The occupancy rate for Orange County is approximately 70%.
2. Attachment 5 – Table 2 shows the changes in Average Daily Rate (ADR) for hotels between 2005 and 2011:
  - a. As was the case with the occupancy levels, both Coastal Orange County and Orange County reached peak ADR's in 2007.
  - b. For Coastal Orange County, the 2011 ADR is estimated at \$230, which is higher than 2005, but lower than the peak year of 2007. The Countywide pattern is similar, with a 2011 ADR of \$120, which is lower than the peak year of 2007.

3. To assess a hotel's cash flow, the occupancy rates and the achievable room rates are combined to arrive at the Revenue per Available Room (RevPAR). Attachment 5 – Table 3 shows the changes in RevPAR) during this period. RevPAR between 2005 and 2011:
  - a. For Coastal Orange County, the RevPAR reached its height in 2007 (\$180) and its nadir in 2009 (\$130). The pattern was similar for the County, which exhibited its lowest RevPAR in 2009.
  - b. For 2011, RevPAR is projected at \$160 for Coastal Orange County and \$80 in the County.
  - c. These trends follow much of the nation, which saw a slowing in the hotel industry beginning in 2007 and continuing through 2010. Since 2010, the hotel industry has demonstrated signs of improvement.
4. Attachment 5 - Table 4 summarizes much of the information presented in the previous tables. In addition, these tables show the annual number of room nights occupied in each area:
  - a. For Coastal Orange County, the number of occupied room nights reached its lowest point in 2009 at 1.1 million room nights.
  - b. Between 2009 and 2011, the number of occupied room nights is projected to increase 18% to 1.3 million.
  - c. The healthy increase in occupied room nights, in conjunction with the RevPAR, indicates a healthier hotel market for Coastal Orange County.

## **Hotel Summary**

The lodging market can be summarized as follows:

1. The ADR and RevPAR numbers for Coastal Orange County significantly exceed the County.
2. The hotel market fluctuated between 2005 and 2011, with high RevPARs achieved in 2006 and 2007 followed by two declining years.
3. Since 2009, the hotel market has begun to stabilize, with occupied room nights and RevPAR increasing for both Coastal Orange County and Orange County.

The hotel market in the five city region is currently improving. For Coastal Orange County, occupancy levels and ADRs have increased since 2009. Given these improvements, the possibility of hotel development is improving.

## **LIMITING CONDITIONS**

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.
2. The analysis assumes that neither the local nor national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.
3. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
4. Market feasibility is not equivalent to financial feasibility; other factors apart from the level of demand for a land use are of crucial importance in determining feasibility. These factors include the cost of acquiring sites, relocation burdens, traffic impacts, remediation of toxics (if any), and mitigation measures required through the approval process.
5. Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity.
6. The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

**ATTACHMENT 1**

**DEMOGRAPHIC INFORMATION**

# ATTACHMENT 1 - TABLE 1A

## 2011 SOCIO-ECONOMIC CHARACTERISTICS

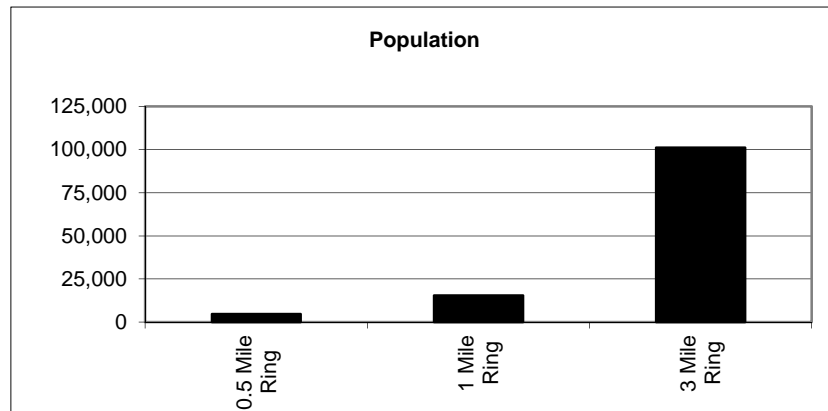
### LIDO VILLAGE

### LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY

### NEWPORT BEACH, CALIFORNIA

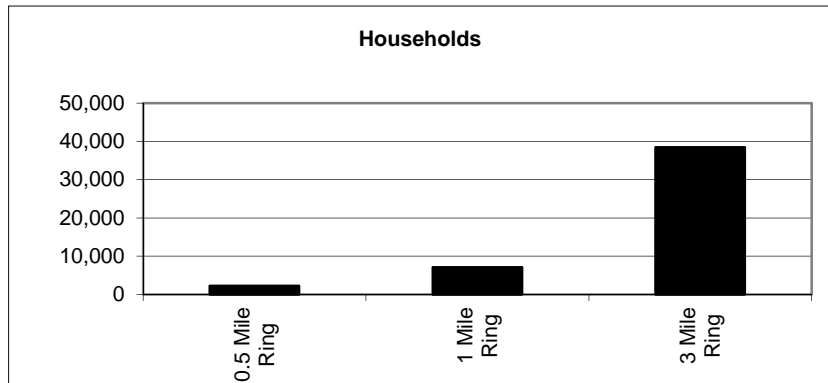
#### Population

0.5 Mile Ring	4,600
1 Mile Ring	15,400
3 Mile Ring	101,100
Newport Beach	72,500
Orange County	3,063,500



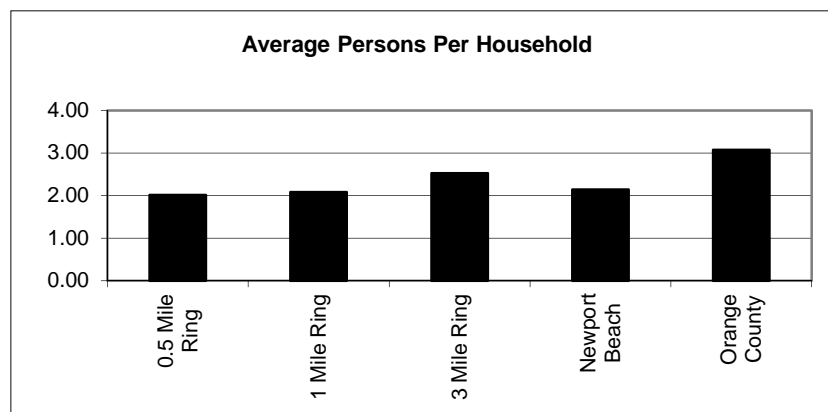
#### Households

0.5 Mile Ring	2,200
1 Mile Ring	7,100
3 Mile Ring	38,500
Newport Beach	33,400
Orange County	984,100



#### Average Persons Per Hhold

0.5 Mile Ring	2.01
1 Mile Ring	2.08
3 Mile Ring	2.52
Newport Beach	2.14
Orange County	3.07



Source: Claritas 11/2011



ATTACHMENT 1 - TABLE 1A (Continued)

2011 SOCIO-ECONOMIC CHARACTERISTICS

LIDO VILLAGE

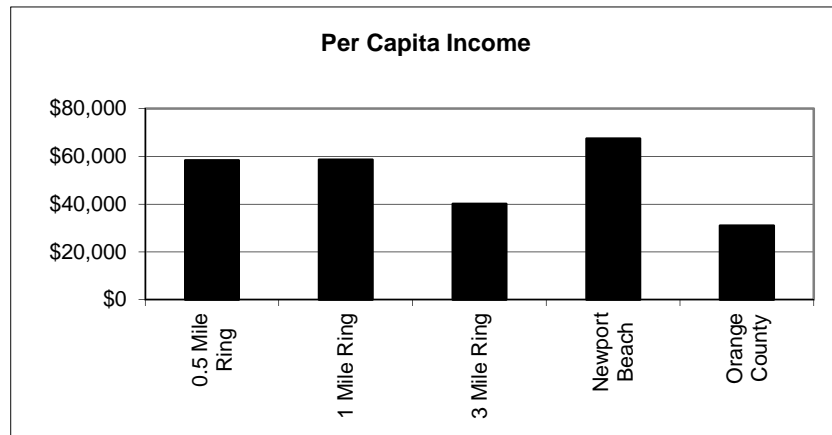
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY

NEWPORT BEACH, CALIFORNIA

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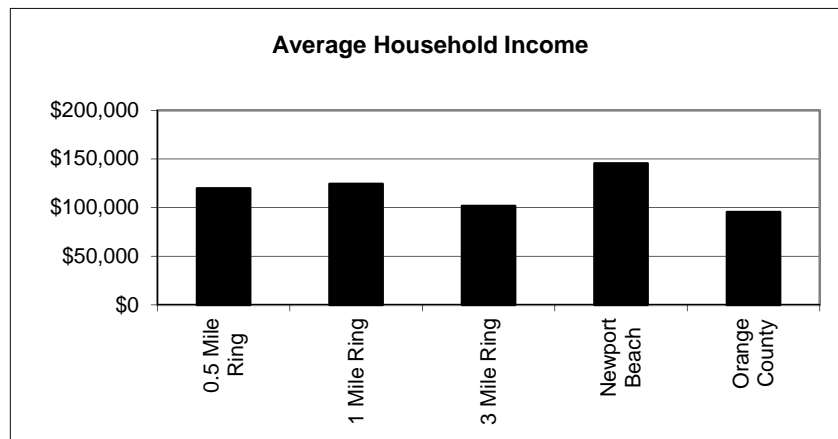
**Per Capita Income**

0.5 Mile Ring	\$58,400
1 Mile Ring	\$58,600
3 Mile Ring	\$40,100
Newport Beach	\$67,400
Orange County	\$31,000



**Average Household Income**

0.5 Mile Ring	\$119,500
1 Mile Ring	\$124,400
3 Mile Ring	\$101,600
Newport Beach	\$145,300
Orange County	\$95,400



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Source: Claritas 11/2011

ATTACHMENT 1 - TABLE 1A (Continued)

2011 SOCIO-ECONOMIC CHARACTERISTICS

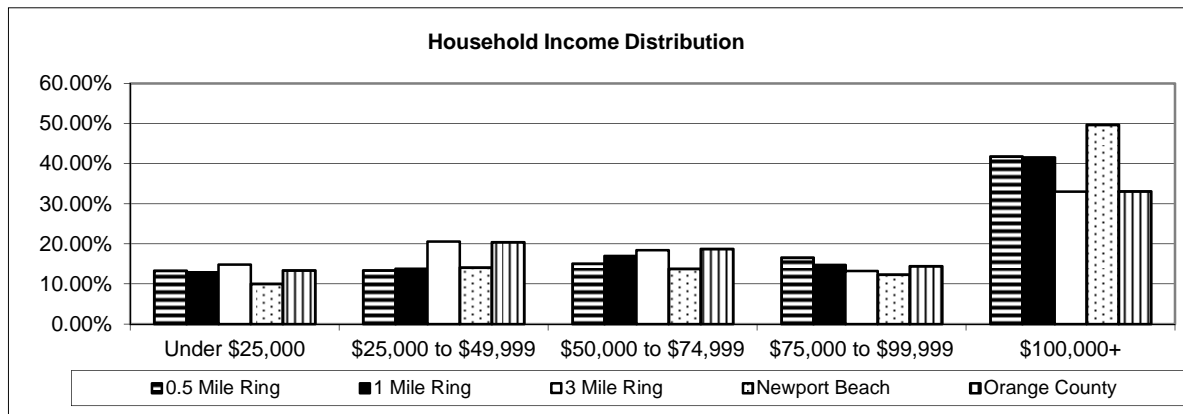
LIDO VILLAGE

LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY

NEWPORT BEACH, CALIFORNIA

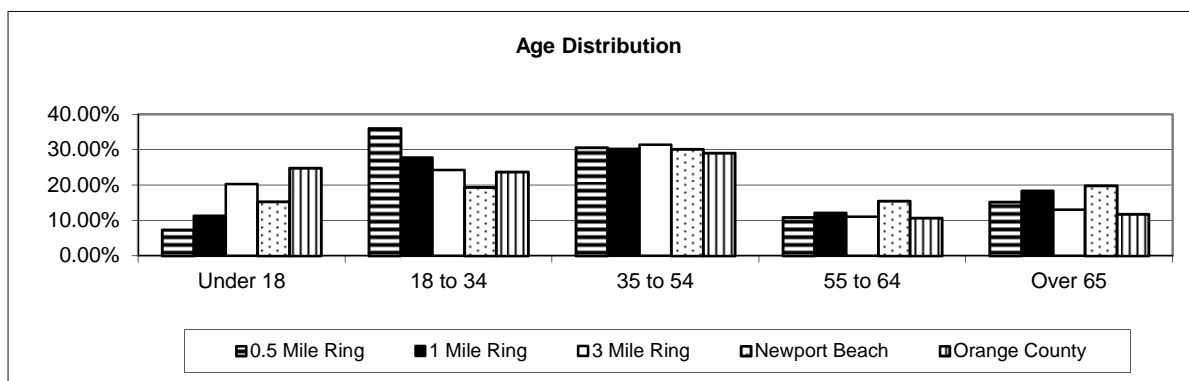
Household Income Distribution

	Under \$25,000	\$25,000 to \$49,999	\$50,000 to \$74,999	\$75,000 to \$99,999	\$100,000+
0.5 Mile Ring	13.31%	13.36%	15.02%	16.55%	41.78%
1 Mile Ring	12.92%	13.79%	17.01%	14.75%	41.55%
3 Mile Ring	14.85%	20.54%	18.41%	13.21%	32.97%
Newport Beach	10.05%	14.11%	13.79%	12.38%	49.66%
Orange County	13.42%	20.37%	18.74%	14.44%	33.05%



Age Distribution

	Under 18	18 to 34	35 to 54	55 to 64	Over 65
0.5 Mile Ring	7.35%	35.99%	30.56%	10.85%	15.26%
1 Mile Ring	11.36%	27.80%	30.24%	12.18%	18.42%
3 Mile Ring	20.29%	24.29%	31.37%	11.05%	13.01%
Newport Beach	15.28%	19.38%	30.09%	15.45%	19.79%
Orange County	24.83%	23.68%	29.05%	10.69%	11.76%



Source: Claritas 11/2011

ATTACHMENT 1 - TABLE 1A (Continued)

2011 SOCIO-ECONOMIC CHARACTERISTICS

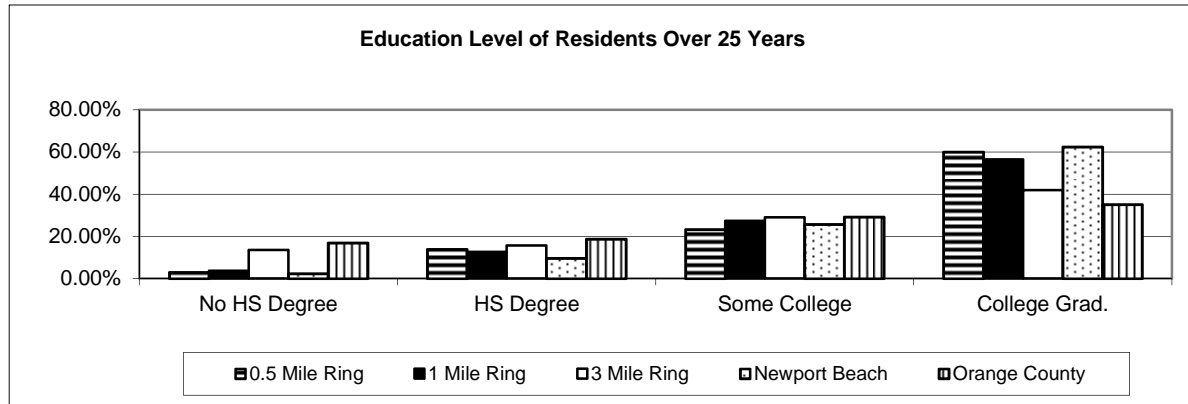
LIDO VILLAGE

LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY

NEWPORT BEACH, CALIFORNIA

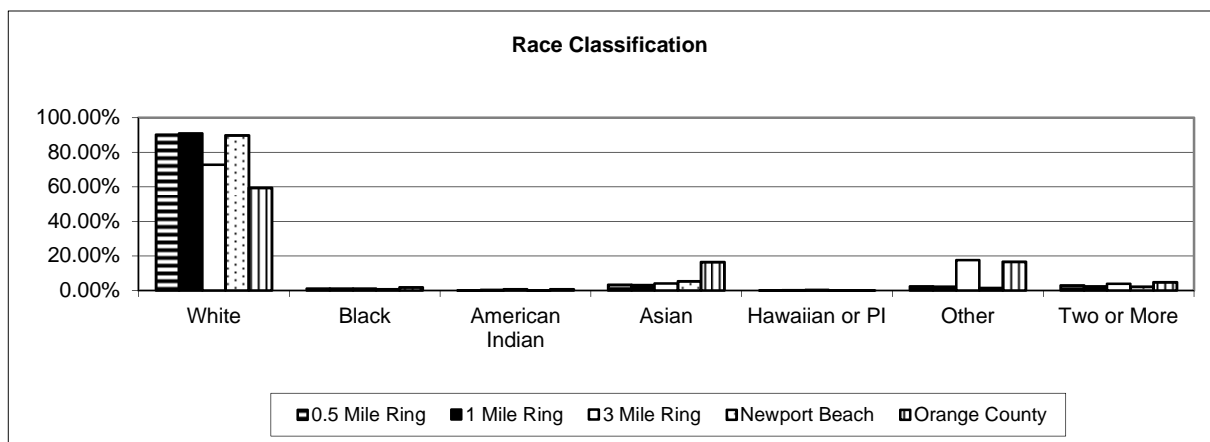
Education Level of Residents Over 25 Years

	No HS Degree	HS Degree	Some College	College Grad.
0.5 Mile Ring	2.89%	13.91%	23.28%	59.90%
1 Mile Ring	3.67%	12.63%	27.30%	56.41%
3 Mile Ring	13.49%	15.62%	28.96%	41.92%
Newport Beach	2.35%	9.65%	25.66%	62.34%
Orange County	16.95%	18.73%	29.18%	35.13%



Race Classification

	White	Black	American Indian	Asian	Hawaiian or PI	Other	Two or More
0.5 Mile Ring	90.15%	1.03%	0.31%	3.27%	0.13%	2.25%	2.86%
1 Mile Ring	90.92%	0.96%	0.29%	3.12%	0.18%	2.15%	2.38%
3 Mile Ring	72.66%	0.97%	0.70%	3.98%	0.32%	17.59%	3.78%
Newport Beach	89.80%	0.73%	0.26%	5.38%	0.12%	1.48%	2.23%
Orange County	59.45%	1.74%	0.73%	16.49%	0.33%	16.55%	4.71%



# ATTACHMENT 1 - TABLE 1B

## 2011 SOCIO-ECONOMIC CHARACTERISTICS

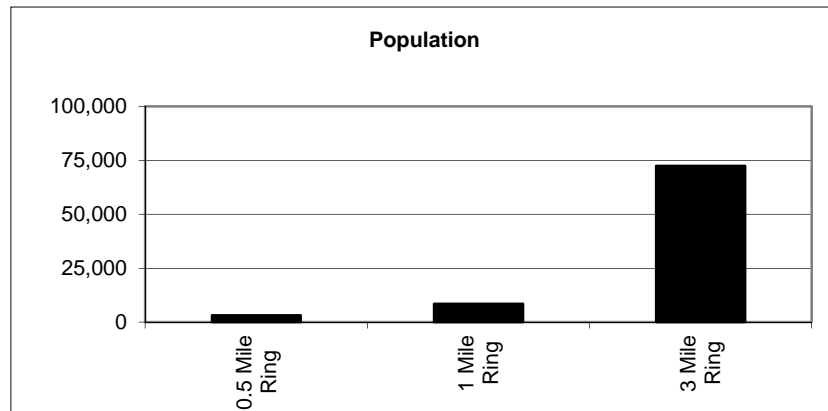
### BALBOA VILLAGE

### LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY

### NEWPORT BEACH, CALIFORNIA

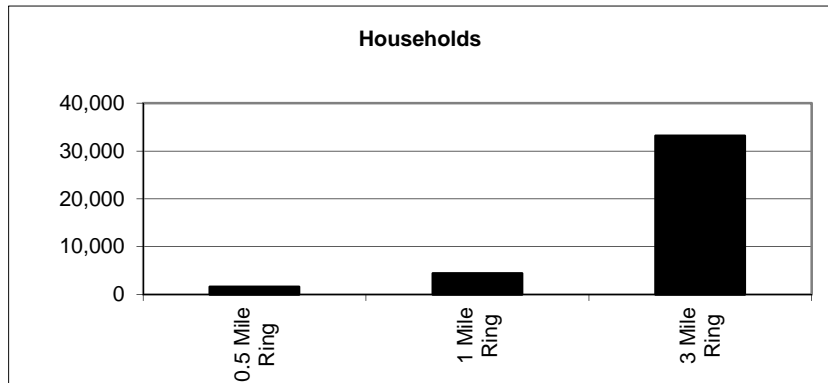
#### Population

0.5 Mile Ring	3,100
1 Mile Ring	8,500
3 Mile Ring	72,400
Newport Beach	72,500
Orange County	3,063,500



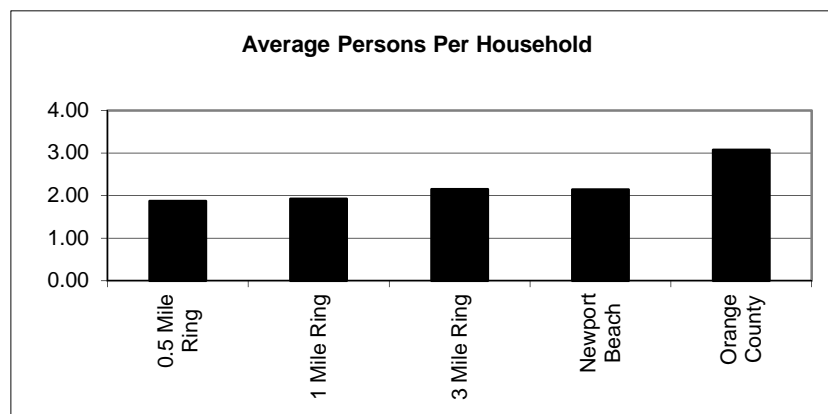
#### Households

0.5 Mile Ring	1,600
1 Mile Ring	4,400
3 Mile Ring	33,200
Newport Beach	33,400
Orange County	984,100



#### Average Persons Per Hhold

0.5 Mile Ring	1.87
1 Mile Ring	1.92
3 Mile Ring	2.15
Newport Beach	2.14
Orange County	3.07



Source: Claritas 11/2011

ATTACHMENT 1 - TABLE 1B (Continued)

2011 SOCIO-ECONOMIC CHARACTERISTICS

BALBOA VILLAGE

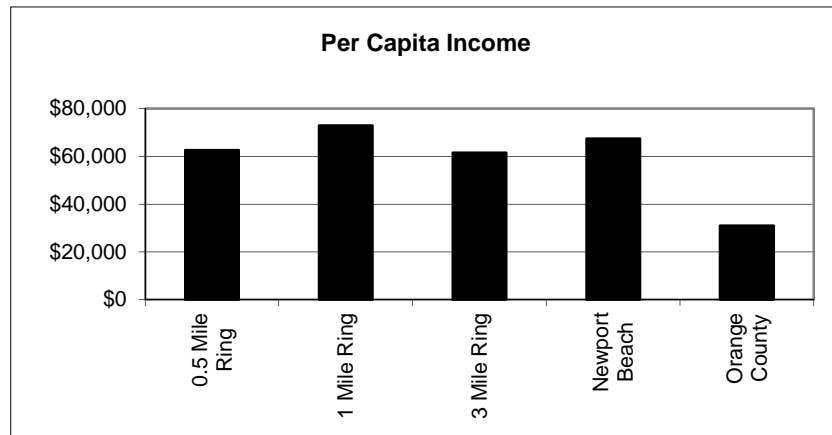
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY

NEWPORT BEACH, CALIFORNIA

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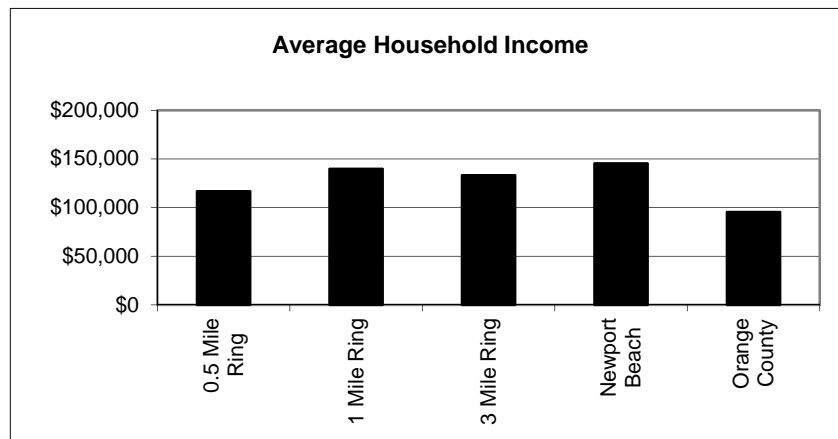
**Per Capita Income**

0.5 Mile Ring	\$62,600
1 Mile Ring	\$73,000
3 Mile Ring	\$61,500
Newport Beach	\$67,400
Orange County	\$31,000



**Average Household Income**

0.5 Mile Ring	\$116,600
1 Mile Ring	\$139,700
3 Mile Ring	\$133,100
Newport Beach	\$145,300
Orange County	\$95,400



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Source: Claritas 11/2011

ATTACHMENT 1 - TABLE 1B (Continued)

2011 SOCIO-ECONOMIC CHARACTERISTICS

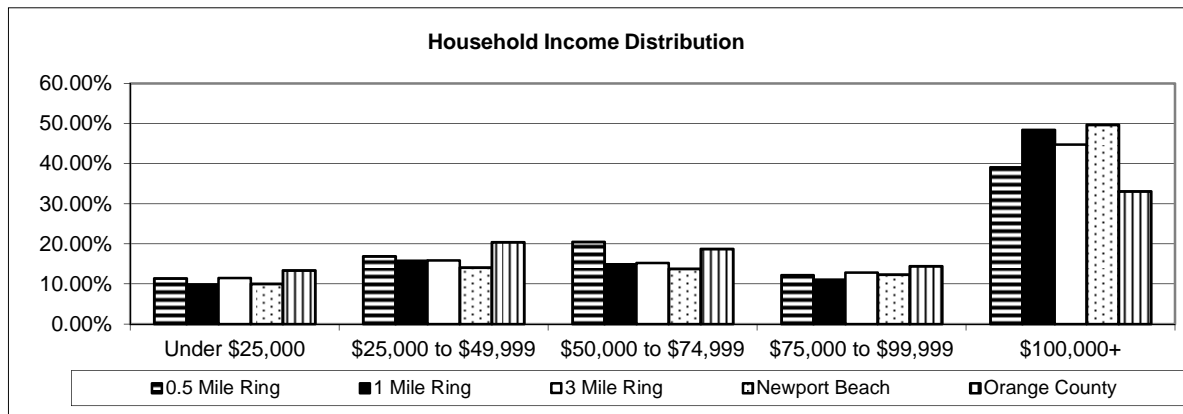
BALBOA VILLAGE

LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY

NEWPORT BEACH, CALIFORNIA

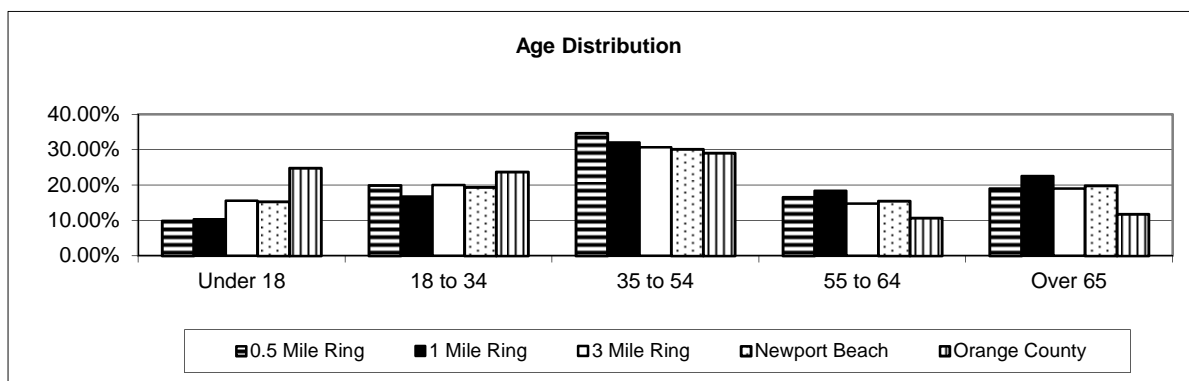
Household Income Distribution

	Under \$25,000	\$25,000 to \$49,999	\$50,000 to \$74,999	\$75,000 to \$99,999	\$100,000+
0.5 Mile Ring	11.37%	16.86%	20.46%	12.16%	39.03%
1 Mile Ring	9.87%	15.78%	14.89%	11.09%	48.37%
3 Mile Ring	11.43%	15.82%	15.18%	12.85%	44.71%
Newport Beach	10.05%	14.11%	13.79%	12.38%	49.66%
Orange County	13.42%	20.37%	18.74%	14.44%	33.05%



Age Distribution

	Under 18	18 to 34	35 to 54	55 to 64	Over 65
0.5 Mile Ring	9.88%	19.92%	34.61%	16.55%	19.01%
1 Mile Ring	10.37%	16.74%	32.02%	18.35%	22.52%
3 Mile Ring	15.54%	20.03%	30.65%	14.74%	19.03%
Newport Beach	15.28%	19.38%	30.09%	15.45%	19.79%
Orange County	24.83%	23.68%	29.05%	10.69%	11.76%



Source: Claritas 11/2011

ATTACHMENT 1 - TABLE 1B (Continued)

2011 SOCIO-ECONOMIC CHARACTERISTICS

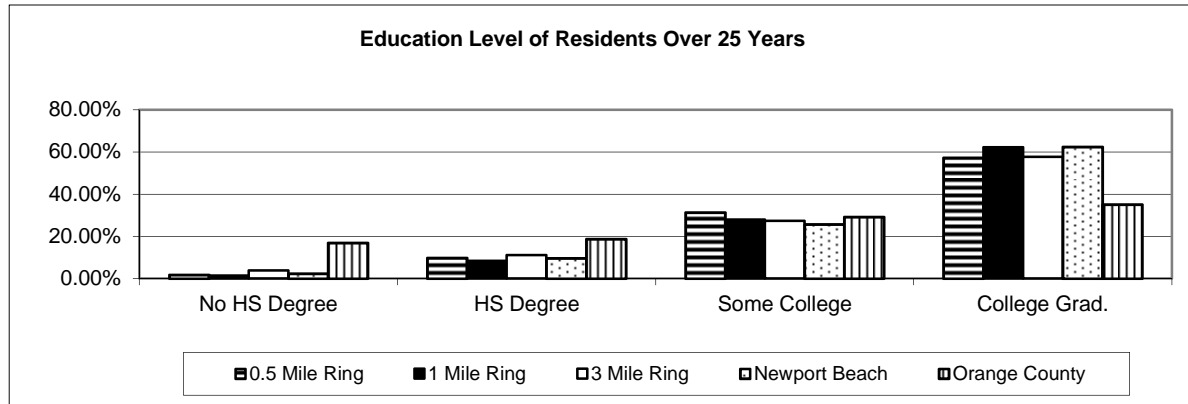
BALBOA VILLAGE

LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY

NEWPORT BEACH, CALIFORNIA

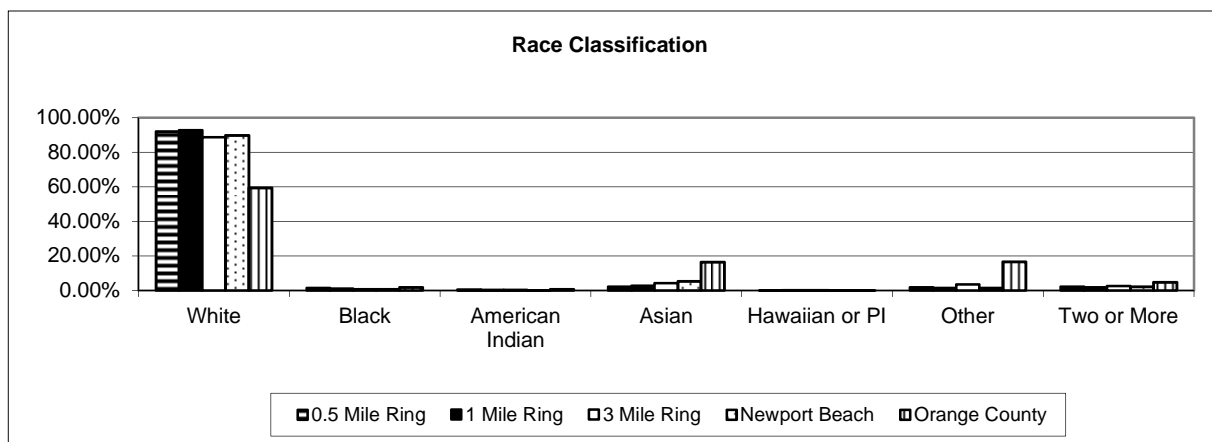
Education Level of Residents Over 25 Years

	No HS Degree	HS Degree	Some College	College Grad.
0.5 Mile Ring	1.75%	9.76%	31.29%	57.17%
1 Mile Ring	1.42%	8.41%	28.01%	62.17%
3 Mile Ring	3.81%	11.16%	27.41%	57.62%
Newport Beach	2.35%	9.65%	25.66%	62.34%
Orange County	16.95%	18.73%	29.18%	35.13%



Race Classification

	White	Black	American Indian	Asian	Hawaiian or PI	Other	Two or More
0.5 Mile Ring	91.99%	1.31%	0.56%	2.06%	0.26%	1.73%	2.09%
1 Mile Ring	92.71%	0.94%	0.29%	2.76%	0.14%	1.42%	1.75%
3 Mile Ring	88.67%	0.75%	0.31%	4.23%	0.17%	3.43%	2.45%
Newport Beach	89.80%	0.73%	0.26%	5.38%	0.12%	1.48%	2.23%
Orange County	59.45%	1.74%	0.73%	16.49%	0.33%	16.55%	4.71%



# ATTACHMENT 1 - TABLE 1C

## 2011 SOCIO-ECONOMIC CHARACTERISTICS

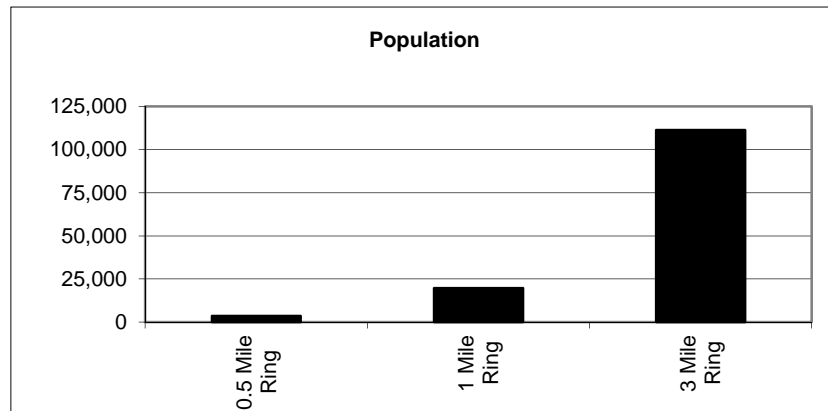
### MARINER'S MILE

### LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY

### NEWPORT BEACH, CALIFORNIA

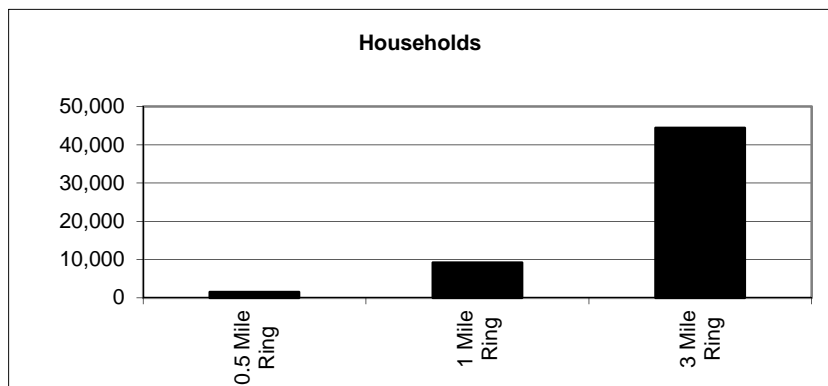
#### Population

0.5 Mile Ring	3,500
1 Mile Ring	19,700
3 Mile Ring	111,300
Newport Beach	72,500
Orange County	3,063,500



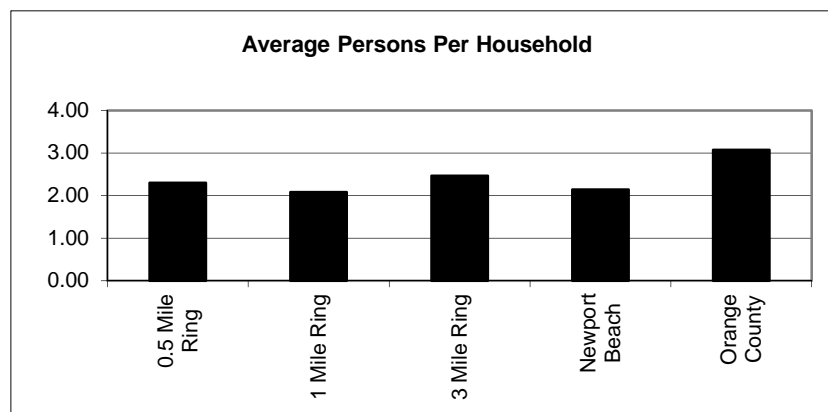
#### Households

0.5 Mile Ring	1,500
1 Mile Ring	9,200
3 Mile Ring	44,400
Newport Beach	33,400
Orange County	984,100



#### Average Persons Per Hhold

0.5 Mile Ring	2.30
1 Mile Ring	2.08
3 Mile Ring	2.46
Newport Beach	2.14
Orange County	3.07



Source: Claritas 11/2011



ATTACHMENT 1 - TABLE 1C (Continued)

2011 SOCIO-ECONOMIC CHARACTERISTICS

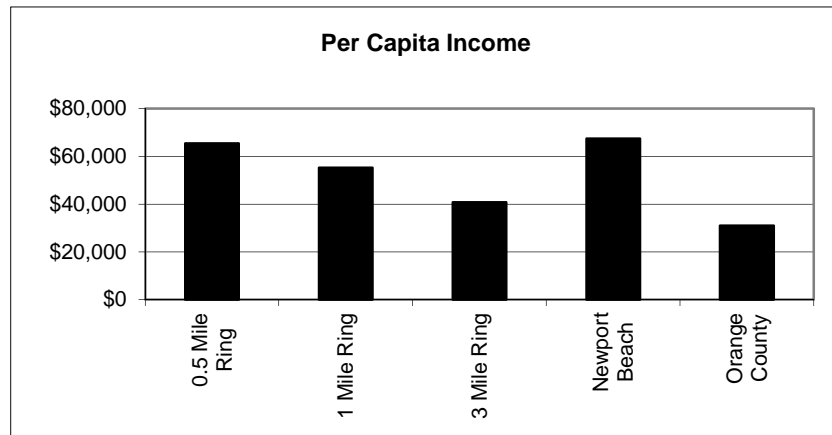
MARINER'S MILE

LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY

NEWPORT BEACH, CALIFORNIA

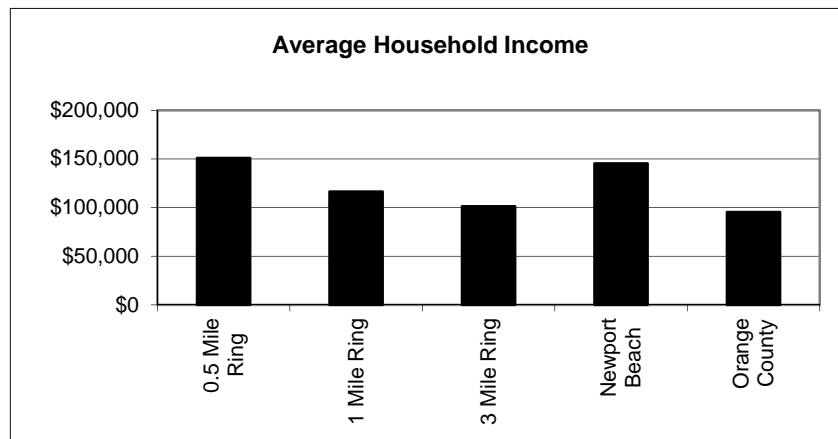
**Per Capita Income**

0.5 Mile Ring	\$65,400
1 Mile Ring	\$55,200
3 Mile Ring	\$40,800
Newport Beach	\$67,400
Orange County	\$31,000



**Average Household Income**

0.5 Mile Ring	\$151,000
1 Mile Ring	\$116,500
3 Mile Ring	\$101,300
Newport Beach	\$145,300
Orange County	\$95,400



Source: Claritas 11/2011

ATTACHMENT 1 - TABLE 1C (Continued)

2011 SOCIO-ECONOMIC CHARACTERISTICS

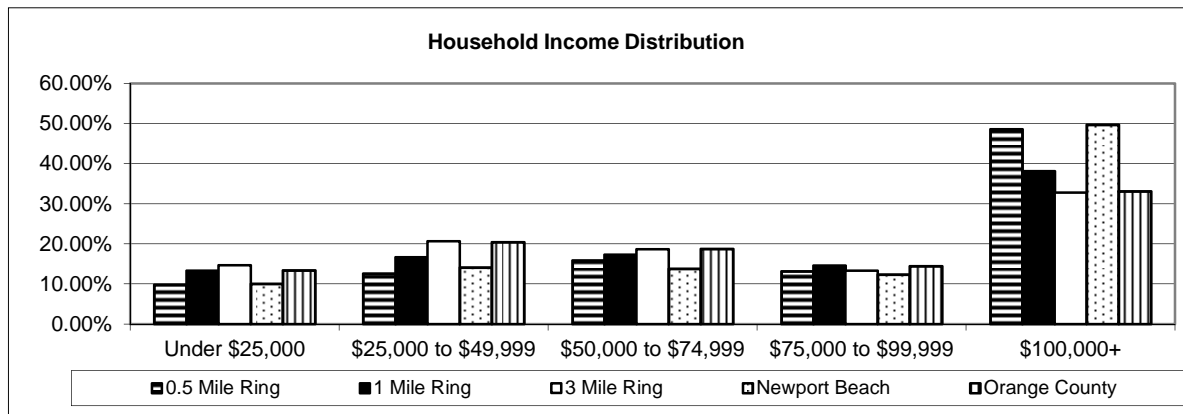
MARINER'S MILE

LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY

NEWPORT BEACH, CALIFORNIA

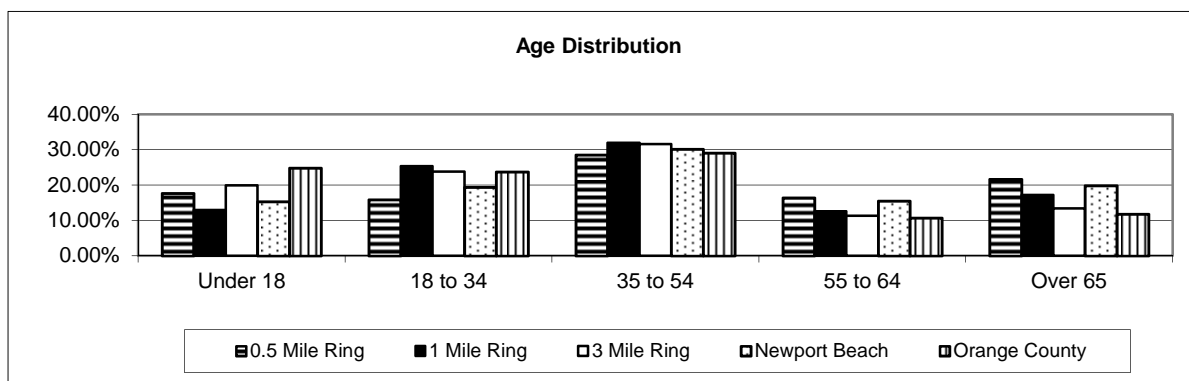
Household Income Distribution

	Under \$25,000	\$25,000 to \$49,999	\$50,000 to \$74,999	\$75,000 to \$99,999	\$100,000+
0.5 Mile Ring	9.79%	12.61%	15.83%	13.14%	48.56%
1 Mile Ring	13.31%	16.63%	17.33%	14.61%	38.10%
3 Mile Ring	14.65%	20.67%	18.62%	13.33%	32.75%
Newport Beach	10.05%	14.11%	13.79%	12.38%	49.66%
Orange County	13.42%	20.37%	18.74%	14.44%	33.05%



Age Distribution

	Under 18	18 to 34	35 to 54	55 to 64	Over 65
0.5 Mile Ring	17.65%	15.89%	28.45%	16.41%	21.60%
1 Mile Ring	12.97%	25.36%	31.90%	12.60%	17.16%
3 Mile Ring	19.87%	23.84%	31.60%	11.30%	13.39%
Newport Beach	15.28%	19.38%	30.09%	15.45%	19.79%
Orange County	24.83%	23.68%	29.05%	10.69%	11.76%



Source: Claritas 11/2011

ATTACHMENT 1 - TABLE 1C (Continued)

2011 SOCIO-ECONOMIC CHARACTERISTICS

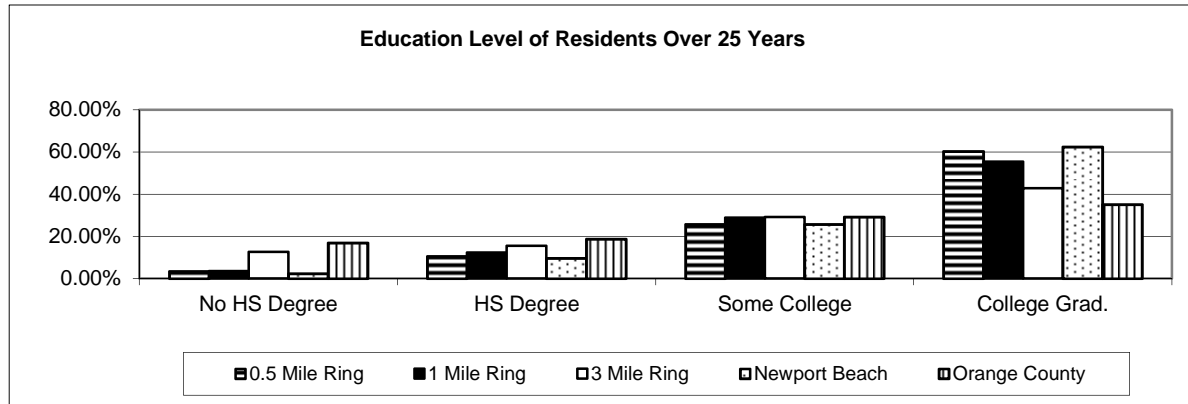
MARINER'S MILE

LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY

NEWPORT BEACH, CALIFORNIA

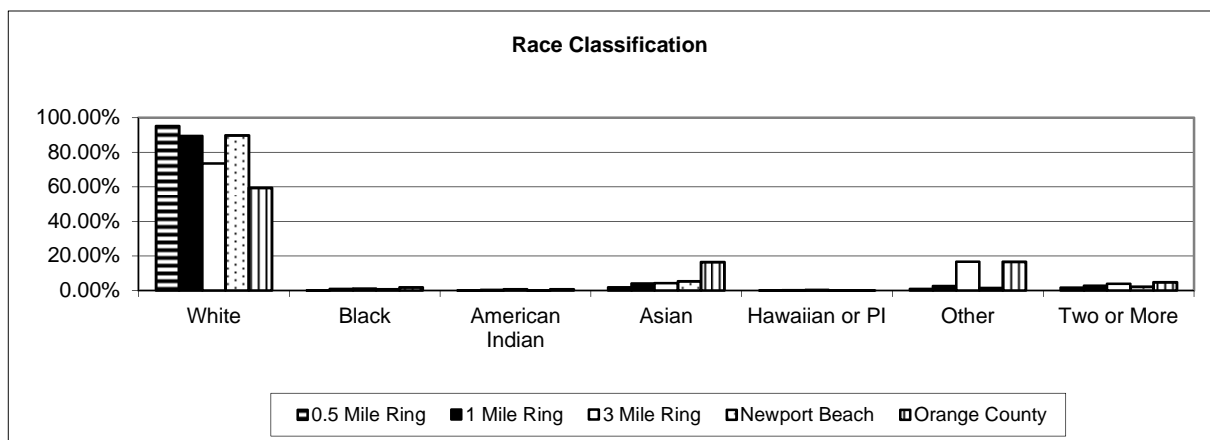
Education Level of Residents Over 25 Years

	No HS Degree	HS Degree	Some College	College Grad.
0.5 Mile Ring	3.45%	10.57%	25.68%	60.31%
1 Mile Ring	3.58%	12.28%	28.83%	55.32%
3 Mile Ring	12.58%	15.52%	29.12%	42.78%
Newport Beach	2.35%	9.65%	25.66%	62.34%
Orange County	16.95%	18.73%	29.18%	35.13%



Race Classification

	White	Black	American Indian	Asian	Hawaiian or PI	Other	Two or More
0.5 Mile Ring	95.15%	0.34%	0.23%	1.79%	0.06%	0.82%	1.56%
1 Mile Ring	89.47%	0.78%	0.33%	3.97%	0.16%	2.60%	2.69%
3 Mile Ring	73.53%	0.98%	0.68%	4.11%	0.34%	16.65%	3.72%
Newport Beach	89.80%	0.73%	0.26%	5.38%	0.12%	1.48%	2.23%
Orange County	59.45%	1.74%	0.73%	16.49%	0.33%	16.55%	4.71%



ATTACHMENT 1 - TABLE 2

SCAG POPULATION, HOUSEHOLD & EMPLOYMENT PROJECTIONS  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

POPULATION								
	<u>2003</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2020</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Newport Beach	81,739	83,652	88,340	91,320	93,195	95,428	96,892	97,766
Costa Mesa	111,450	113,137	120,501	122,828	124,692	125,675	126,492	126,958
Huntington Beach	197,084	200,349	212,957	217,822	220,892	222,569	224,788	225,815
Irvine	178,516	191,808	235,633	256,721	264,322	265,965	268,246	269,802
Laguna Beach	24,429	24,931	25,886	26,371	26,670	26,787	26,950	27,045
Regional Market Total <sup>1</sup>	593,218	613,877	683,317	715,062	729,771	736,424	743,368	747,386
Orange County	2,999,320	3,059,952	3,314,948	3,451,755	3,533,935	3,586,283	3,629,539	3,653,990
<b>Change</b>	<b><u>2003-2005</u></b>	<b><u>2005-2010</u></b>	<b><u>2010-2015</u></b>	<b><u>2015-2020</u></b>	<b><u>2020-2025</u></b>	<b><u>2025-2030</u></b>	<b><u>2030-2035</u></b>	<b><u>2003-2035</u></b>
Newport Beach	2.3%	5.6%	3.4%	2.1%	2.4%	1.5%	0.9%	19.6%
Costa Mesa	1.5%	6.5%	1.9%	1.5%	0.8%	0.7%	0.4%	13.9%
Huntington Beach	1.7%	6.3%	2.3%	1.4%	0.8%	1.0%	0.5%	14.6%
Irvine	7.4%	22.8%	8.9%	3.0%	0.6%	0.9%	0.6%	51.1%
Laguna Beach	2.1%	3.8%	1.9%	1.1%	0.4%	0.6%	0.4%	10.7%
Regional Market Total <sup>1</sup>	3.5%	11.3%	4.6%	2.1%	0.9%	0.9%	0.5%	26.0%
Orange County	2.0%	8.3%	4.1%	2.4%	1.5%	1.2%	0.7%	21.8%

<sup>1</sup> Includes Newport Beach, Costa Mesa, Huntington Beach, Irvine and Laguna Beach.

Source: Southern California Association of Governments

ATTACHMENT 1 - TABLE 2 (continued)

SCAG POPULATION, HOUSEHOLD & EMPLOYMENT PROJECTIONS  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

	HOUSEHOLDS							
	<u>2003</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2020</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Newport Beach	37,258	38,011	38,980	40,086	40,688	41,751	42,272	42,764
Costa Mesa	39,735	39,841	41,214	41,453	41,628	41,818	41,937	42,126
Huntington Beach	75,082	75,601	77,237	77,720	77,968	78,315	78,839	79,241
Irvine	59,065	65,421	82,479	90,937	93,098	93,421	93,498	94,168
Laguna Beach	11,645	11,644	11,661	11,688	11,706	11,719	11,753	11,797
Regional Market Total <sup>1</sup>	222,785	230,518	251,571	261,884	265,088	267,024	268,299	270,096
Orange County	964,090	980,964	1,039,201	1,071,810	1,088,375	1,102,370	1,110,659	1,118,490
<b>Change</b>	<b><u>2003-2005</u></b>	<b><u>2005-2010</u></b>	<b><u>2010-2015</u></b>	<b><u>2015-2020</u></b>	<b><u>2020-2025</u></b>	<b><u>2025-2030</u></b>	<b><u>2030-2035</u></b>	<b><u>2003-2035</u></b>
Newport Beach	2.0%	2.5%	2.8%	1.5%	2.6%	1.2%	1.2%	14.8%
Costa Mesa	0.3%	3.4%	0.6%	0.4%	0.5%	0.3%	0.5%	6.0%
Huntington Beach	0.7%	2.2%	0.6%	0.3%	0.4%	0.7%	0.5%	5.5%
Irvine	10.8%	26.1%	10.3%	2.4%	0.3%	0.1%	0.7%	59.4%
Laguna Beach	0.0%	0.1%	0.2%	0.2%	0.1%	0.3%	0.4%	1.3%
Regional Market Total <sup>1</sup>	3.5%	9.1%	4.1%	1.2%	0.7%	0.5%	0.7%	21.2%
Orange County	1.8%	5.9%	3.1%	1.5%	1.3%	0.8%	0.7%	16.0%

<sup>1</sup> Includes Newport Beach, Costa Mesa, Huntington Beach, Irvine and Laguna Beach.

Source: Southern California Association of Governments

ATTACHMENT 1 - TABLE 2 (continued)

SCAG POPULATION, HOUSEHOLD & EMPLOYMENT PROJECTIONS  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

	EMPLOYMENT							
	<u>2003</u>	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2020</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Newport Beach	74,898	76,439	77,319	77,940	78,198	78,366	78,824	78,979
Costa Mesa	88,780	91,305	99,562	100,478	102,245	102,631	103,565	103,816
Huntington Beach	78,924	81,599	92,028	96,842	98,226	98,752	99,830	100,085
Irvine	208,796	219,454	247,713	272,183	292,558	309,741	324,848	341,977
Laguna Beach	13,040	13,402	14,254	14,642	14,818	14,930	15,019	15,067
Regional Market Total <sup>1</sup>	464,438	482,199	530,876	562,085	586,045	604,420	622,086	639,924
Orange County	1,567,389	1,615,936	1,755,167	1,837,771	1,897,352	1,933,058	1,960,633	1,981,901
<b>Change</b>	<b><u>2003-2005</u></b>	<b><u>2005-2010</u></b>	<b><u>2010-2015</u></b>	<b><u>2015-2020</u></b>	<b><u>2020-2025</u></b>	<b><u>2025-2030</u></b>	<b><u>2030-2035</u></b>	<b><u>2003-2035</u></b>
Newport Beach	2.1%	1.2%	0.8%	0.3%	0.2%	0.6%	0.2%	5.4%
Costa Mesa	2.8%	9.0%	0.9%	1.8%	0.4%	0.9%	0.2%	16.9%
Huntington Beach	3.4%	12.8%	5.2%	1.4%	0.5%	1.1%	0.3%	26.8%
Irvine	5.1%	12.9%	9.9%	7.5%	5.9%	4.9%	5.3%	63.8%
Laguna Beach	2.8%	6.4%	2.7%	1.2%	0.8%	0.6%	0.3%	15.5%
Regional Market Total <sup>1</sup>	3.8%	10.1%	5.9%	4.3%	3.1%	2.9%	2.9%	37.8%
Orange County	3.1%	8.6%	4.7%	3.2%	1.9%	1.4%	1.1%	26.4%

<sup>1</sup> Includes Newport Beach, Costa Mesa, Huntington Beach, Irvine and Laguna Beach.

Source: Southern California Association of Governments

ATTACHMENT 1 - TABLE 3

EMPLOYMENT & BUSINESSES  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

	LIDO VILLAGE - 1-MILE RADIUS					BALBOA VILLAGE - 1-MILE RADIUS				
	Bus.	Emp.	Pop./Bus.	Pop./Emp.	Emp./Bus.	Bus.	Emp.	Pop./Bus.	Pop./Emp.	Emp./Bus.
<b>Retail Trade</b>	<b>320</b>	<b>2,816</b>	<b>48</b>	<b>5.5</b>	<b>8.8</b>	<b>168</b>	<b>1,163</b>	<b>51</b>	<b>7.3</b>	<b>6.9</b>
Home Improvement Stores	16	53	960	289.8	3.3	2	9	4,265	947.7	4.5
General Merchandise Stores	1	2	15,357	7,678.5	2.0	0	0	NA	NA	NA
Food Stores	13	87	1,181	176.5	6.7	13	131	656	65.1	10.1
Auto Dealers & Gas Stations	56	499	274	30.8	8.9	13	125	656	68.2	9.6
Apparel & Accessory Stores	27	91	569	168.8	3.4	38	94	224	90.7	2.5
Furniture/Home Furnishings	24	75	640	204.8	3.1	6	17	1,422	501.7	2.8
Eating & Drinking Places	95	1,747	162	8.8	18.4	45	656	190	13.0	14.6
Miscellaneous Retail Stores	88	262	175	58.6	3.0	51	131	167	65.1	2.6
<b>Finance, Insurance &amp; Real Estate</b>	<b>199</b>	<b>841</b>	<b>77</b>	<b>18.3</b>	<b>4.2</b>	<b>64</b>	<b>444</b>	<b>133</b>	<b>19.2</b>	<b>6.9</b>
Banks, Savings & Lending Inst.	30	215	512	71.4	7.2	9	50	948	170.6	5.6
Securities Brokers & Investors	29	89	530	173	3.1	10	47	853	181.5	4.7
Insurance Carriers & Agents	33	118	465	130.1	3.6	5	17	1,706	501.7	3.4
Real Estate-Trust-Holding Co.	107	419	144	36.7	3.9	40	330	213	25.8	8.3
<b>Services</b>	<b>962</b>	<b>10,990</b>	<b>16</b>	<b>1.4</b>	<b>11.4</b>	<b>164</b>	<b>798</b>	<b>52</b>	<b>10.7</b>	<b>4.9</b>
Hotels & Lodging	7	549	2,194	28.0	78.4	4	21	2,132	406.1	5.3
Personal Services	161	497	95	30.9	3.1	28	114	305	74.8	4.1
Business Services	255	1,140	60	13.5	4.5	55	164	155	52.0	3.0
Motion Pictures & Amusement	60	1,002	256	15.3	16.7	21	195	406	43.7	9.3
Health Services	306	6,675	50	2.3	21.8	14	94	609	90.7	6.7
Legal Services	54	188	284	81.7	3.5	7	13	1,218	656.1	1.9
Education Services	16	222	960	69.2	13.9	5	9	1,706	947.7	1.8
Social Services	21	399	731	38.5	19.0	1	1	8,529	8,529.0	1.0
Other Services	82	318	187	48.3	3.9	29	187	294	45.6	6.4
<b>Agriculture</b>	<b>23</b>	<b>310</b>	<b>668</b>	<b>49.5</b>	<b>13.5</b>	<b>2</b>	<b>6</b>	<b>7,679</b>	<b>2,559.5</b>	<b>3.0</b>
<b>Mining</b>	<b>0</b>	<b>0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>0</b>	<b>0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Construction</b>	<b>95</b>	<b>472</b>	<b>162</b>	<b>32.5</b>	<b>5.0</b>	<b>19</b>	<b>61</b>	<b>449</b>	<b>139.8</b>	<b>3.2</b>
<b>Manufacturing</b>	<b>47</b>	<b>357</b>	<b>327</b>	<b>43.0</b>	<b>7.6</b>	<b>9</b>	<b>43</b>	<b>948</b>	<b>198.3</b>	<b>4.8</b>
<b>Trans., Comm. &amp; Pub. Util.</b>	<b>51</b>	<b>440</b>	<b>301</b>	<b>34.9</b>	<b>8.6</b>	<b>20</b>	<b>147</b>	<b>426</b>	<b>58.0</b>	<b>7.4</b>
<b>Wholesale Trade</b>	<b>66</b>	<b>247</b>	<b>233</b>	<b>62.2</b>	<b>3.7</b>	<b>14</b>	<b>81</b>	<b>609</b>	<b>105.3</b>	<b>5.8</b>
<b>Government</b>	<b>17</b>	<b>778</b>	<b>903</b>	<b>19.7</b>	<b>45.8</b>	<b>4</b>	<b>115</b>	<b>2,132</b>	<b>74.2</b>	<b>28.8</b>
<b>Total</b>	<b>1,780</b>	<b>17,251</b>	<b>9</b>	<b>0.9</b>	<b>9.7</b>	<b>464</b>	<b>2,858</b>	<b>18</b>	<b>3.0</b>	<b>6.2</b>

Source: Claritas 11/2011

ATTACHMENT 1 - TABLE 3

EMPLOYMENT & BUSINESSES  
LIDO VILLAGE, BALBOA VILLAGE, MARINE  
NEWPORT BEACH, CALIFORNIA

	MARINER'S MILE - 1-MILE RADIUS				
	Bus.	Emp.	Pop./Bus.	Pop./Emp.	Emp./Bus.
<b>Retail Trade</b>	<b>434</b>	<b>3,934</b>	<b>45</b>	<b>5.0</b>	<b>9.1</b>
Home Improvement Stores	23	74	855	265.8	3.2
General Merchandise Stores	1	2	19,667	9,833.5	2.0
Food Stores	19	290	1,035	67.8	15.3
Auto Dealers & Gas Stations	73	768	269	25.6	10.5
Apparel & Accessory Stores	40	121	492	162.5	3.0
Furniture/Home Furnishings	33	99	596	198.7	3.0
Eating & Drinking Places	126	2,162	156	9.1	17.2
Miscellaneous Retail Stores	119	418	165	47.1	3.5
<b>Finance, Insurance &amp; Real Estate</b>	<b>232</b>	<b>959</b>	<b>85</b>	<b>20.5</b>	<b>4.1</b>
Banks, Savings & Lending Inst.	34	226	578	87.0	6.6
Securities Brokers & Investors	33	85	596	231.4	2.6
Insurance Carriers & Agents	41	137	480	143.6	3.3
Real Estate-Trust-Holding Co.	124	511	159	38.5	4.1
<b>Services</b>	<b>1,192</b>	<b>12,172</b>	<b>16</b>	<b>1.6</b>	<b>10.2</b>
Hotels & Lodging	9	563	2,185	34.9	62.6
Personal Services	239	887	82	22.2	3.7
Business Services	301	1,364	65	14.4	4.5
Motion Pictures & Amusement	71	1,034	277	19.0	14.6
Health Services	357	7,011	55	2.8	19.6
Legal Services	57	194	345	101.4	3.4
Education Services	20	230	983	85.5	11.5
Social Services	35	496	562	39.7	14.2
Other Services	103	393	191	50.0	3.8
<b>Agriculture</b>	<b>31</b>	<b>418</b>	<b>634</b>	<b>47.1</b>	<b>13.5</b>
<b>Mining</b>	<b>0</b>	<b>0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Construction</b>	<b>100</b>	<b>512</b>	<b>197</b>	<b>38.4</b>	<b>5.1</b>
<b>Manufacturing</b>	<b>63</b>	<b>563</b>	<b>312</b>	<b>34.9</b>	<b>8.9</b>
<b>Trans., Comm. &amp; Pub. Util.</b>	<b>69</b>	<b>486</b>	<b>285</b>	<b>40.5</b>	<b>7.0</b>
<b>Wholesale Trade</b>	<b>83</b>	<b>361</b>	<b>237</b>	<b>54.5</b>	<b>4.3</b>
<b>Government</b>	<b>17</b>	<b>778</b>	<b>1,157</b>	<b>25.3</b>	<b>45.8</b>
<b>Total</b>	<b>2,221</b>	<b>20,183</b>	<b>9</b>	<b>1.0</b>	<b>9.1</b>

Source: Claritas 11/2011



ATTACHMENT 1 - TABLE 3

EMPLOYMENT & BUSINESSES  
LIDO VILLAGE, BALBOA VILLAGE, MARINE  
NEWPORT BEACH, CALIFORNIA

	CITY OF NEWPORT BEACH					ORANGE COUNTY				
	Bus.	Emp.	Pop./Bus.	Pop./Emp.	Emp./Bus.	Bus.	Emp.	Pop./Bus.	Pop./Emp.	Emp./Bus.
<b>Retail Trade</b>	<b>1,635</b>	<b>19,749</b>	<b>44</b>	<b>3.7</b>	<b>12.1</b>	<b>27,762</b>	<b>316,244</b>	<b>110</b>	<b>9.7</b>	<b>11.4</b>
Home Improvement Stores	69	738	1,050	98.2	10.7	1,529	16,756	2,004	182.8	11.0
General Merchandise Stores	22	846	3,294	85.7	38.5	686	27,412	4,466	111.8	40.0
Food Stores	89	1,450	814	50.0	16.3	2,259	31,727	1,356	96.6	14.0
Auto Dealers & Gas Stations	155	2,092	467	34.6	13.5	2,439	28,305	1,256	108.2	11.6
Apparel & Accessory Stores	213	1,605	340	45.1	7.5	2,471	21,697	1,240	141.2	8.8
Furniture/Home Furnishings	211	1,357	343	53.4	6.4	3,616	30,050	847	101.9	8.3
Eating & Drinking Places	417	8,746	174	8.3	21.0	7,347	115,315	417	26.6	15.7
Miscellaneous Retail Stores	459	2,915	158	24.9	6.4	7,415	44,982	413	68.1	6.1
<b>Finance, Insurance &amp; Real Estate</b>	<b>2,188</b>	<b>22,698</b>	<b>33</b>	<b>3.2</b>	<b>10.4</b>	<b>16,530</b>	<b>137,892</b>	<b>185</b>	<b>22.2</b>	<b>8.3</b>
Banks, Savings & Lending Inst.	432	4,415	168	16.4	10.2	4,009	34,193	764	89.6	8.5
Securities Brokers & Investors	486	3,443	149	21.0	7.1	2,152	14,375	1,424	213.1	6.7
Insurance Carriers & Agents	299	5,943	242	12.2	19.9	3,257	31,218	941	98.1	9.6
Real Estate-Trust-Holding Co.	971	8,897	75	8.1	9.2	7,112	58,106	431	52.7	8.2
<b>Services</b>	<b>5,974</b>	<b>56,444</b>	<b>12</b>	<b>1.3</b>	<b>9.4</b>	<b>65,746</b>	<b>574,583</b>	<b>47</b>	<b>5.3</b>	<b>8.7</b>
Hotels & Lodging	41	3,378	1,767	21.5	82.4	621	23,610	4,933	129.8	38.0
Personal Services	727	4,194	100	17.3	5.8	13,033	54,996	235	55.7	4.2
Business Services	2,057	18,908	35	3.8	9.2	19,764	163,980	155	18.7	8.3
Motion Pictures & Amusement	238	2,827	304	25.6	11.9	3,181	31,256	963	98.0	9.8
Health Services	1,184	15,833	61	4.6	13.4	12,317	122,524	249	25.0	9.9
Legal Services	866	5,191	84	14.0	6.0	4,556	23,993	672	127.7	5.3
Education Services	127	2,549	571	28.4	20.1	2,491	91,540	1,230	33.5	36.7
Social Services	194	1,313	374	55.2	6.8	2,861	29,585	1,071	103.5	10.3
Other Services	540	2,251	134	32.2	4.2	6,922	33,099	443	92.6	4.8
<b>Agriculture</b>	<b>105</b>	<b>1,178</b>	<b>690</b>	<b>61.5</b>	<b>11.2</b>	<b>1,932</b>	<b>16,922</b>	<b>1,586</b>	<b>181.0</b>	<b>8.8</b>
<b>Mining</b>	<b>5</b>	<b>25</b>	<b>14,492</b>	<b>2,898.4</b>	<b>5.0</b>	<b>82</b>	<b>1,328</b>	<b>37,360</b>	<b>2,306.9</b>	<b>16.2</b>
<b>Construction</b>	<b>419</b>	<b>2,609</b>	<b>173</b>	<b>27.8</b>	<b>6.2</b>	<b>9,656</b>	<b>65,589</b>	<b>317</b>	<b>46.7</b>	<b>6.8</b>
<b>Manufacturing</b>	<b>380</b>	<b>10,577</b>	<b>191</b>	<b>6.9</b>	<b>27.8</b>	<b>7,918</b>	<b>176,672</b>	<b>387</b>	<b>17.3</b>	<b>22.3</b>
<b>Trans., Comm. &amp; Pub. Util.</b>	<b>292</b>	<b>2,795</b>	<b>248</b>	<b>25.9</b>	<b>9.6</b>	<b>4,183</b>	<b>43,622</b>	<b>732</b>	<b>70.2</b>	<b>10.4</b>
<b>Wholesale Trade</b>	<b>372</b>	<b>2,856</b>	<b>195</b>	<b>25.4</b>	<b>7.7</b>	<b>7,182</b>	<b>81,530</b>	<b>427</b>	<b>37.6</b>	<b>11.4</b>
<b>Government</b>	<b>68</b>	<b>4,032</b>	<b>1,066</b>	<b>18.0</b>	<b>59.3</b>	<b>1,322</b>	<b>53,246</b>	<b>2,317</b>	<b>57.5</b>	<b>40.3</b>
<b>Total</b>	<b>11,438</b>	<b>122,963</b>	<b>6</b>	<b>0.6</b>	<b>10.8</b>	<b>142,313</b>	<b>1,467,628</b>	<b>22</b>	<b>2.1</b>	<b>10.3</b>

Source: Claritas 11/2011

## ATTACHMENT 1 - TABLE 4

SHARE OF TOTAL BUSINESSES & EMPLOYMENT  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

	LIDO VILLAGE - 1-MILE RADIUS		BALBOA VILLAGE - 1-MILE RADIUS		MARINER'S MILE - 1-MILE RADIUS		CITY OF NEWPORT BEACH		ORANGE COUNTY	
	Businesses	Employees	Businesses	Employees	Businesses	Employees	Businesses	Employees	Businesses	Employees
<b>Retail Trade</b>	<b>18.0%</b>	<b>16.3%</b>	<b>36.2%</b>	<b>40.7%</b>	<b>19.5%</b>	<b>19.5%</b>	<b>14.3%</b>	<b>16.1%</b>	<b>19.5%</b>	<b>21.5%</b>
Home Improvement Stores	0.9%	0.3%	0.4%	0.3%	1.0%	0.4%	0.6%	0.6%	1.1%	1.1%
General Merchandise Stores	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.7%	0.5%	1.9%
Food Stores	0.7%	0.5%	2.8%	4.6%	0.9%	1.4%	0.8%	1.2%	1.6%	2.2%
Auto Dealers & Gas Stations	3.1%	2.9%	2.8%	4.4%	3.3%	3.8%	1.4%	1.7%	1.7%	1.9%
Apparel & Accessory Stores	1.5%	0.5%	8.2%	3.3%	1.8%	0.6%	1.9%	1.3%	1.7%	1.5%
Furniture/Home Furnishings	1.3%	0.4%	1.3%	0.6%	1.5%	0.5%	1.8%	1.1%	2.5%	2.0%
Eating & Drinking Places	5.3%	10.1%	9.7%	23.0%	5.7%	10.7%	3.6%	7.1%	5.2%	7.9%
Miscellaneous Retail Stores	4.9%	1.5%	11.0%	4.6%	5.4%	2.1%	4.0%	2.4%	5.2%	3.1%
<b>Finance, Insurance &amp; Real Estate</b>	<b>11.2%</b>	<b>4.9%</b>	<b>13.8%</b>	<b>15.5%</b>	<b>10.4%</b>	<b>4.8%</b>	<b>19.1%</b>	<b>18.5%</b>	<b>11.6%</b>	<b>9.4%</b>
Banks, Savings & Lending Inst.	1.7%	1.2%	1.9%	1.7%	1.5%	1.1%	3.8%	3.6%	2.8%	2.3%
Securities Brokers & Investors	1.6%	0.5%	2.2%	1.6%	1.5%	0.4%	4.2%	2.8%	1.5%	1.0%
Insurance Carriers & Agents	1.9%	0.7%	1.1%	0.6%	1.8%	0.7%	2.6%	4.8%	2.3%	2.1%
Real Estate-Trust-Holding Co.	6.0%	2.4%	8.6%	11.5%	5.6%	2.5%	8.5%	7.2%	5.0%	4.0%
<b>Services</b>	<b>54.0%</b>	<b>63.7%</b>	<b>35.3%</b>	<b>27.9%</b>	<b>53.7%</b>	<b>60.3%</b>	<b>52.2%</b>	<b>45.9%</b>	<b>46.2%</b>	<b>39.2%</b>
Hotels & Lodging	0.4%	3.2%	0.9%	0.7%	0.4%	2.8%	0.4%	2.7%	0.4%	1.6%
Personal Services	9.0%	2.9%	6.0%	4.0%	10.8%	4.4%	6.4%	3.4%	9.2%	3.7%
Business Services	14.3%	6.6%	11.9%	5.7%	13.6%	6.8%	18.0%	15.4%	13.9%	11.2%
Motion Pictures & Amusement	3.4%	5.8%	4.5%	6.8%	3.2%	5.1%	2.1%	2.3%	2.2%	2.1%
Health Services	17.2%	38.7%	3.0%	3.3%	16.1%	34.7%	10.4%	12.9%	8.7%	8.3%
Legal Services	3.0%	1.1%	1.5%	0.5%	2.6%	1.0%	7.6%	4.2%	3.2%	1.6%
Education Services	0.9%	1.3%	1.1%	0.3%	0.9%	1.1%	1.1%	2.1%	1.8%	6.2%
Social Services	1.2%	2.3%	0.2%	0.0%	1.6%	2.5%	1.7%	1.1%	2.0%	2.0%
Other Services	4.6%	1.8%	6.3%	6.5%	4.6%	1.9%	4.7%	1.8%	4.9%	2.3%
<b>Agriculture</b>	<b>1.3%</b>	<b>1.8%</b>	<b>0.4%</b>	<b>0.2%</b>	<b>1.4%</b>	<b>2.1%</b>	<b>0.9%</b>	<b>1.0%</b>	<b>1.4%</b>	<b>1.2%</b>
<b>Mining</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>0.1%</b>
<b>Construction</b>	<b>5.3%</b>	<b>2.7%</b>	<b>4.1%</b>	<b>2.1%</b>	<b>4.5%</b>	<b>2.5%</b>	<b>3.7%</b>	<b>2.1%</b>	<b>6.8%</b>	<b>4.5%</b>
<b>Manufacturing</b>	<b>2.6%</b>	<b>2.1%</b>	<b>1.9%</b>	<b>1.5%</b>	<b>2.8%</b>	<b>2.8%</b>	<b>3.3%</b>	<b>8.6%</b>	<b>5.6%</b>	<b>12.0%</b>
<b>Trans., Comm. &amp; Pub. Util.</b>	<b>2.9%</b>	<b>2.6%</b>	<b>4.3%</b>	<b>5.1%</b>	<b>3.1%</b>	<b>2.4%</b>	<b>2.6%</b>	<b>2.3%</b>	<b>2.9%</b>	<b>3.0%</b>
<b>Wholesale Trade</b>	<b>3.7%</b>	<b>1.4%</b>	<b>3.0%</b>	<b>2.8%</b>	<b>3.7%</b>	<b>1.8%</b>	<b>3.3%</b>	<b>2.3%</b>	<b>5.0%</b>	<b>5.6%</b>
<b>Government</b>	<b>1.0%</b>	<b>4.5%</b>	<b>0.9%</b>	<b>4.0%</b>	<b>0.8%</b>	<b>3.9%</b>	<b>0.6%</b>	<b>3.3%</b>	<b>0.9%</b>	<b>3.6%</b>
<b>Total Businesses</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Claritas 11/2011

**ATTACHMENT 2**

**RETAIL MARKET ANALYSIS**

ATTACHMENT 2 - TABLE 1

**TOTAL & PER CAPITA RETAIL SALES  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA**

Total Taxable Sales (000's)								
2009								
	<u>Newport Beach</u>	<u>Huntington Beach</u>	<u>Irvine</u>	<u>Laguna Beach</u>	<u>Costa Mesa</u>	<u>Five-City Region</u>	<u>Orange County</u>	<u>State of California</u>
Home Furnishing & Appliances	\$40,242	\$77,385	\$282,865	\$5,064	\$259,031	\$664,587	\$2,829,758	\$21,865,359
Building Materials & Garden Equipment	43,636	126,341	71,913	12,755	101,276	355,921	2,039,686	23,978,313
Food & Beverage Stores	96,597	143,136	121,813	24,383	125,904	511,833	1,894,642	22,546,285
Clothing & Clothing Accessories	161,013	95,231	167,816	24,297	737,172	1,185,529	2,742,626	25,641,272
General Merchandise	155,230	163,612	282,394	614	346,776	948,626	4,376,154	44,921,639
Food Services & Drinking Places	358,898	308,763	437,132	109,056	321,946	1,535,795	5,024,380	49,921,542
Other Retail Group	<u>142,201</u>	<u>239,179</u>	<u>290,684</u>	<u>48,429</u>	<u>239,127</u>	<u>959,620</u>	<u>3,969,219</u>	<u>38,774,164</u>
Retail Stores Total	<b>\$997,817</b>	<b>\$1,153,647</b>	<b>\$1,654,617</b>	<b>\$224,598</b>	<b>\$2,131,232</b>	<b>\$6,161,911</b>	<b>\$22,876,465</b>	<b>\$227,648,574</b>

Per Capita Sales								
2009								
Population	<b>86,252</b>	<b>202,480</b>	<b>212,793</b>	<b>25,208</b>	<b>116,479</b>	<b>643,212</b>	<b>3,139,017</b>	<b>37,883,992</b>
	<u>Newport Beach</u>	<u>Huntington Beach</u>	<u>Irvine</u>	<u>Laguna Beach</u>	<u>Costa Mesa</u>	<u>Five-City Region</u>	<u>Orange County</u>	<u>State of California</u>
Home Furnishing & Appliances	\$467	\$382	\$1,329	\$201	\$2,224	\$1,033	\$901	\$577
Building Materials & Garden Equipment	506	624	338	506	869	553	650	633
Food & Beverage Stores	1,120	707	572	967	1,081	796	604	595
Clothing & Clothing Accessories	1,867	470	789	964	6,329	1,843	874	677
General Merchandise	1,800	808	1,327	24	2,977	1,475	1,394	1,186
Food Services & Drinking Places	4,161	1,525	2,054	4,326	2,764	2,388	1,601	1,318
Other Retail Group	<u>1,649</u>	<u>1,181</u>	<u>1,366</u>	<u>1,921</u>	<u>2,053</u>	<u>1,492</u>	<u>1,264</u>	<u>1,023</u>
Retail Stores Total	<b>\$11,569</b>	<b>\$5,698</b>	<b>\$7,776</b>	<b>\$8,910</b>	<b>\$18,297</b>	<b>\$9,580</b>	<b>\$7,288</b>	<b>\$6,009</b>

Source: California State Board of Equalization; and California State Department of Finance (Table E1, population as of 1/1/09)

ATTACHMENT 2 - TABLE 2

**TOTAL PERMITS & SALES PER PERMIT**  
**LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY**  
**NEWPORT BEACH, CALIFORNIA**

Total Permits 2009								
	<u>Newport Beach</u>	<u>Huntington Beach</u>	<u>Irvine</u>	<u>Laguna Beach</u>	<u>Costa Mesa</u>	<u>Five-City Region</u>	<u>Orange County</u>	<u>State of California</u>
Home Furnishing & Appliances	249	250	553	82	456	1,590	4,761	38,751
Building Materials & Garden Equipment	42	87	75	25	129	358	1,298	16,335
Food & Beverage Stores	75	122	97	20	114	428	2,090	28,205
Clothing & Clothing Accessories	324	413	343	151	1,054	2,285	5,947	60,999
General Merchandise	33	142	76	20	218	489	1,385	15,024
Food Services & Drinking Places	369	495	568	108	465	2,005	7,960	90,797
Other Retail Group	<u>1,269</u>	<u>2,500</u>	<u>1,724</u>	<u>806</u>	<u>4,091</u>	<u>10,390</u>	<u>29,230</u>	<u>332,222</u>
Retail Stores Total	2,361	4,009	3,436	1,212	6,527	17,545	52,671	582,333

Taxable Sales Per Permit 2009								
	<u>Newport Beach</u>	<u>Huntington Beach</u>	<u>Irvine</u>	<u>Laguna Beach</u>	<u>Costa Mesa</u>	<u>Five-City Region</u>	<u>Orange County</u>	<u>State of California</u>
Home Furnishing & Appliances	\$161,614	\$309,540	\$511,510	\$61,756	\$568,050	\$417,979	\$594,362	\$564,253
Building Materials & Garden Equipment	1,038,952	1,452,195	958,840	510,200	785,085	994,193	1,571,407	1,467,910
Food & Beverage Stores	1,287,960	1,173,246	1,255,804	1,219,150	1,104,421	1,195,871	906,527	799,372
Clothing & Clothing Accessories	496,954	230,584	489,259	160,907	699,404	518,831	461,178	420,356
General Merchandise	4,703,939	1,152,197	3,715,711	30,700	1,590,716	1,939,930	3,159,678	2,989,992
Food Services & Drinking Places	972,623	623,764	769,599	1,009,778	692,357	765,983	631,204	549,815
Other Retail Group	<u>112,058</u>	<u>95,672</u>	<u>168,610</u>	<u>60,086</u>	<u>58,452</u>	<u>92,360</u>	<u>135,793</u>	<u>116,712</u>
Retail Stores Average	\$422,625	\$287,764	\$481,553	\$185,312	\$326,526	\$351,206	\$434,328	\$390,925

Residents Per Permit 2009								
Population	86,252	202,480	212,793	25,208	116,479	643,212	3,139,017	37,883,992
	<u>Newport Beach</u>	<u>Huntington Beach</u>	<u>Irvine</u>	<u>Laguna Beach</u>	<u>Costa Mesa</u>	<u>Five-City Region</u>	<u>Orange County</u>	<u>State of California</u>
Home Furnishing & Appliances	346	N/A	385	307	255	405	659	978
Building Materials & Garden Equipment	2,054	2,327	2,837	1,008	903	1,797	2,418	2,319
Food & Beverage Stores	1,150	1,660	2,194	1,260	1,022	1,503	1,502	1,343
Clothing & Clothing Accessories	266	490	620	167	111	281	528	621
General Merchandise	2,614	1,426	2,800	1,260	534	1,315	2,266	2,522
Food Services & Drinking Places	234	409	375	233	250	321	394	417
Other Retail Group	<u>68</u>	<u>81</u>	<u>123</u>	<u>31</u>	<u>28</u>	<u>62</u>	<u>107</u>	<u>114</u>
Retail Stores Average	37	51	62	21	18	37	60	65

Source: California State Board of Equalization; and California State Department of Finance (Table E1, population as of 1/1/09)

Prepared by: Keyser Marston Associates, Inc.

File name: 3\_29\_12\_NB Mkt Study; II\_2; trb

ATTACHMENT 2 - TABLE 3

**ESTIMATED MARKET POTENTIAL - EXISTING CONDITIONS  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA**

Population in City of Newport Beach <sup>1</sup>	72,461
Per Capita Income <sup>1</sup>	\$67,400
Gross City Income	\$4,883,871,000

<b><u>Establishment Type</u></b>	<b><u>Newport Beach (2009)</u></b>	<b><u>Newport Beach (2011) <sup>2</sup></u></b>	<b><u>Newport Beach Potential (2011)</u></b>	<b><u>Newport Beach Surplus/ (Leakage)</u></b>	<b><u>Typical Productivity</u></b>	<b><u>Additional Development</u></b>
Home Furnishing & Appliances	\$40,242,000	\$41,688,400	\$148,163,000	(\$106,474,600)	\$350	304,200
Building Materials & Garden Equipment	43,636,000	45,204,300	106,796,000	(61,591,700)	\$400	154,000
Food & Beverage Stores <sup>3</sup>	275,991,400	285,911,000	283,432,000	2,479,000	\$450	0
Clothing & Clothing Accessories	161,013,000	166,800,100	143,601,000	23,199,100	\$450	0
General Merchandise <sup>4</sup>	163,400,000	169,272,900	241,190,000	(71,917,100)	\$400	179,800
Food Services & Drinking Places	358,898,000	371,797,400	263,071,000	108,726,400	\$400	0
Other Retail Group	142,201,000	147,311,900	207,824,000	(60,512,100)	\$350	172,900
<b>Retail Stores Total</b>	<b>\$1,185,381,400</b>	<b>\$1,227,986,000</b>	<b>\$1,394,077,000</b>	<b>(\$166,091,000)</b>		<b>810,900</b>

Source: California State Board of Equalization; Bureau of Labor Statistics-CPI (Los Angeles-Riverside-Orange County; All items); DOF; and Claritas.

1 Based on estimates from Claritas.

2 Sales in 2011 assume annual rate of change between 2009 and 2011 for the CPI (Los Angeles-Riverside-Orange County) during this period.

3 Assumes food store sales are 35% taxable.

4 Assumes general merchandise store sales are 95% taxable.

ATTACHMENT 2 - TABLE 4

ESTIMATED MARKET POTENTIAL - FUTURE CONDITIONS 2016  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

Population in City of Newport Beach <sup>1</sup>	75,502
Per Capita Income <sup>1</sup>	\$73,600
Gross City Income	\$5,556,947,000

Establishment Type	Newport Beach (2016) <sup>2</sup>	Newport Beach Potential (2016)	Newport Beach Surplus/ (Leakage)	Typical Productivity	Additional Development
Home Furnishing & Appliances	\$49,738,000	\$168,582,000	(\$118,844,000)	\$350	339,600
Building Materials & Garden Equipment	53,933,000	121,514,000	(67,581,000)	\$400	169,000
Food & Beverage Stores <sup>3</sup>	341,120,000	322,494,000	18,626,000	\$450	0
Clothing & Clothing Accessories	199,009,000	163,391,000	35,618,000	\$450	0
General Merchandise <sup>4</sup>	201,959,000	274,430,000	(72,471,000)	\$400	181,200
Food Services & Drinking Places	443,591,000	299,326,000	144,265,000	\$400	0
Other Retail Group	175,758,000	236,465,000	(60,707,000)	\$350	173,400
<b>Retail Stores Total</b>	<b>\$1,465,108,000</b>	<b>\$1,586,202,000</b>	<b>(\$121,094,000)</b>		<b>863,200</b>

Source: California State Board of Equalization; Bureau of Labor Statistics-CPI (Los Angeles-Riverside-Orange County; All items); DOF; and Claritas.

1 Based on estimates from Claritas.

2 Sales in 2016 assume annual rate of change between 2009 and 2011 for the CPI Los Angeles-Riverside-Orange County Region and no new development.

3 Assumes food store sales are 35% taxable.

4 Assumes general merchandise store sales are 95% taxable.

ATTACHMENT 2 - TABLE 5

RETAIL SALES SURPLUS/LEAKAGE DATA SUMMARY  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

<u>City of Newport Beach</u>	<u>Expenditures</u>	<u>Sales</u>	<u>Gap/Surplus</u>	<u>Total Sales PSF</u>	<u>Potential (SF)</u>
Motor Vehicle and Parts Dealers-441	\$313,149,710	\$539,592,284	(\$226,442,574)	NA	NA
Furniture and Home Furnishings Stores-442	43,920,094	20,254,562	23,665,532	\$300	78,885
Electronics and Appliance Stores-443	42,811,767	9,904,671	32,907,096	\$400	82,268
Building Material, Garden Equip Stores-444	165,925,146	58,167,538	107,757,608	\$300	359,192
Food and Beverage Stores-445	198,555,016	182,205,050	16,349,966	\$400	40,875
Health and Personal Care Stores-446	89,211,228	77,714,869	11,496,359	\$33	348,375
Gasoline Stations-447	140,462,386	124,640,938	15,821,448	NA	NA
Clothing and Clothing Accessories Stores-448	88,090,806	185,152,017	(97,061,211)	\$300	0
Sporting Goods, Hobby, Book, Music Stores-451	38,885,364	39,865,080	(979,716)	\$300	0
General Merchandise Stores-452	217,541,888	156,223,895	61,317,993	\$300	204,393
Miscellaneous Store Retailers-453	43,337,629	25,808,024	17,529,605	\$300	58,432
Non-Store Retailers-454	133,397,901	70,795,894	62,602,007	NA	NA
Foodservice and Drinking Places-722	184,115,881	322,419,976	(138,304,095)	\$400	0
<b>Total Retail Sales Incl Eating and Drinking Places</b>	<b>\$1,699,404,816</b>	<b>\$1,812,744,798</b>	<b>(\$113,339,982)</b>		<b>1,172,420</b>

<u>Lido Village- 1 Mile Market</u>	<u>Expenditures</u>	<u>Sales</u>	<u>Gap/Surplus</u>	<u>Total Sales PSF</u>	<u>Potential (SF)</u>
Motor Vehicle and Parts Dealers-441	\$62,847,400	\$64,967,330	(\$2,119,930)	NA	NA
Furniture and Home Furnishings Stores-442	8,165,530	2,904,855	5,260,675	\$300	17,536
Electronics and Appliance Stores-443	8,327,719	2,495,372	5,832,347	\$400	14,581
Building Material, Garden Equip Stores-444	31,321,599	9,509,539	21,812,060	\$300	72,707
Food and Beverage Stores-445	39,356,367	24,567,142	14,789,225	\$400	36,973
Health and Personal Care Stores-446	16,511,277	13,637,775	2,873,502	\$33	87,076
Gasoline Stations-447	29,121,047	62,432,228	(33,311,181)	NA	NA
Clothing and Clothing Accessories Stores-448	16,846,231	10,195,483	6,650,748	\$300	22,169
Sporting Goods, Hobby, Book, Music Stores-451	7,384,401	5,953,903	1,430,498	\$300	4,768
General Merchandise Stores-452	41,982,928	1,016,962	40,965,966	\$300	136,553
Miscellaneous Store Retailers-453	8,484,322	4,359,253	4,125,069	\$300	13,750
Non-Store Retailers-454	25,437,704	17,143,408	8,294,296	NA	NA
Foodservice and Drinking Places-722	36,871,547	75,462,821	(38,591,274)	\$400	0
<b>Total Retail Sales Incl Eating and Drinking Places</b>	<b>\$332,658,072</b>	<b>\$294,646,071</b>	<b>\$38,012,001</b>		<b>406,113</b>



ATTACHMENT 2 - TABLE 5

RETAIL SALES SURPLUS/LEAKAGE DATA SUMMARY  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

<u>Balboa Village - 1 Mile Market</u>	<u>Expenditures</u>	<u>Sales</u>	<u>Gap/Surplus</u>	<u>Total Sales PSF</u>	<u>Potential (SF)</u>
Motor Vehicle and Parts Dealers-441	\$40,281,870	\$73,358,401	(\$33,076,531)	NA	NA
Furniture and Home Furnishings Stores-442	5,567,277	621,900	4,945,377	\$300	16,485
Electronics and Appliance Stores-443	5,455,171	513,232	4,941,939	\$400	12,355
Building Material, Garden Equip Stores-444	20,753,944	3,131,245	17,622,699	\$300	58,742
Food and Beverage Stores-445	25,279,273	29,209,445	(3,930,172)	\$400	0
Health and Personal Care Stores-446	11,717,376	8,033,047	3,684,329	\$33	111,646
Gasoline Stations-447	18,278,396	4,697,449	13,580,947	NA	NA
Clothing and Clothing Accessories Stores-448	10,923,680	17,400,968	(6,477,288)	\$300	0
Sporting Goods, Hobby, Book, Music Stores-451	4,855,057	2,125,042	2,730,015	\$300	9,100
General Merchandise Stores-452	27,387,301	465,187	26,922,114	\$300	89,740
Miscellaneous Store Retailers-453	5,532,250	3,464,862	2,067,388	\$300	6,891
Non-Store Retailers-454	17,042,939	692,059	16,350,880	NA	NA
Foodservice and Drinking Places-722	23,724,615	43,208,949	(19,484,334)	\$400	0
<b>Total Retail Sales Incl Eating and Drinking Places</b>	<b>\$216,799,149</b>	<b>\$186,921,786</b>	<b>\$29,877,363</b>		<b>304,960</b>

<u>Mariner's Mile - 1 Mile Market</u>	<u>Expenditures</u>	<u>Sales</u>	<u>Gap/Surplus</u>	<u>Total Sales PSF</u>	<u>Potential (SF)</u>
Motor Vehicle and Parts Dealers-441	\$76,429,645	\$111,230,099	(\$34,800,454)	NA	NA
Furniture and Home Furnishings Stores-442	10,081,638	4,560,485	5,521,153	\$300	18,404
Electronics and Appliance Stores-443	10,425,055	3,480,746	6,944,309	\$400	17,361
Building Material, Garden Equip Stores-444	39,033,797	12,292,129	26,741,668	\$300	89,139
Food and Beverage Stores-445	50,821,772	35,848,973	14,972,799	\$400	37,432
Health and Personal Care Stores-446	21,211,298	29,842,567	(8,631,269)	\$33	0
Gasoline Stations-447	37,283,032	58,394,326	(21,111,294)	NA	NA
Clothing and Clothing Accessories Stores-448	21,054,659	15,052,244	6,002,415	\$300	20,008
Sporting Goods, Hobby, Book, Music Stores-451	9,242,380	8,910,319	332,061	\$300	1,107
General Merchandise Stores-452	53,375,161	9,212,358	44,162,803	\$300	147,209
Miscellaneous Store Retailers-453	10,738,649	11,363,514	(624,865)	\$300	0
Non-Store Retailers-454	32,180,225	17,771,759	14,408,466	NA	NA
Foodservice and Drinking Places-722	47,008,768	109,176,140	(62,167,372)	\$400	0
<b>Total Retail Sales Incl Eating and Drinking Places</b>	<b>\$418,886,079</b>	<b>\$427,135,659</b>	<b>(\$8,249,580)</b>		<b>330,660</b>

Source: Claritas; KMA

ATTACHMENT 2 - TABLE 6

RETAIL LEASE RATE COMPARABLES  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

No.	Address	Property Type	Asking Rent	Type	Building Size	SF Available	Vacancy
1	120 Tustin Ave	Street Retail	\$3.50	NNN	10,000	500	5%
2	2900 Newport Blvd	Restaurant	\$3.17	NNN	3,000	3,000	100%
3	3424-3432 Vio Oporto	Creative/Loft	\$1.95	FS	13,074	1,934	47%
		Creative/Loft	\$2.35	FS		1,260	
		Creative/Loft	\$1.92	FS		481	
		Retail	\$1.75	NNN		2,410	
4	3431 Via Oporto	Street Retail	\$1.75	NNN	16,264	1,871	12%
5	3400 Via Oporto	Street Retail	\$1.95	NNN	5,703	1,173	21%
6	3400 Via Lido	Street Retail	\$2.00	NNN	2,593	2,593	100%
7	3440-3446 Via Oporto	Retail	\$1.75	NNN	8,393	1,711	20%
8	3408-3412 Via Oporto	Creative/Loft	\$1.95	FS	19,077	1,338	17%
		Restaurant	\$2.00	NNN		985	
		Street Retail	\$1.75	NNN		957	
9	3444 Via Lido	Street Retail	\$3.00	NNN	11,074	11,074	100%
10	514 E. Oceanfront	Street Retail	\$2.95	NNN	10,000	2,250	73%
		Anchor	\$4.50	NNN		5,000	
11	3404 Via Oporto	Street Retail	\$1.75	NNN	5,636	998	33%
		Creative/Loft	\$1.95	FS		870	
12	3636 Newport Blvd	Free Standing Retail	\$2.25	NNN	1,846	1,846	100%
13	3450 Via Oporto	Restaurant	\$2.50	NNN	15,658	9,441	100%
		Retail	\$2.50	NNN		6,217	
14	Newport Blvd & 30th St	Neighborhood Center	\$4.25	NNN	50,000	1,998	4%
15	1100 W. Coast Hwy	Vehicle Showcase Bldg	\$2.58	MG	10,468	10,468	100%
16	1910 W. Balboa Blvd	Street Retail	\$2.50	NNN	3,629	1,229	34%
17	2700 W. Coast Hwy	Retail/Office	\$2.65	FS	2,475	2,475	100%
18	2233 W. Balboa Blvd	Retail	\$2.50	NNN	10,260	1,220	54%
			\$1.75	NNN		4,370	
19	3201 Newport Blvd	Free Standing Retail	\$3.46	NNN	4,275	4,275	100%
20	705 Balboa	Retail	\$2.50		1,100	1,100	100%
<b>Total</b>						<b>85,000</b>	
Lease Rate Range			<b>\$1.75 - \$4.50</b>				
Weighted Average Lease Rate			<b>\$2.65</b>				

Note: Data search includes the Newport Beach Peninsula and Mariner's Mile.

Source: LoopNet.com 11/2011

ATTACHMENT 2 - TABLE 7

RETAIL BUILDING SALES  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

<u>No.</u>	<u>Building Type</u>	<u>Address</u>	<u>Sale Date</u>	<u>Year Built / Renovated</u>	<u>GLA (SF)</u>	<u>Sales Price</u>	<u>Price Per SF</u>	<u>Zoning</u>
1	Retail Storefront	415 29th Street	12/30/2010	NA	3,200	\$1,350,000	\$422	SP-6
2	Retail Storefront	419 31st Street	11/4/2011	1999	3,600	\$2,340,000	\$650	MU-CV
3	Freestanding Retail	608 E. Balboa Blvd	3/8/2010	1935	5,700	\$3,500,000	\$614	SP-8
4	Retail Storefront/Residential	703 E. Balboa Blvd	1/14/2011	1975	2,355	\$915,000	\$389	MU-V
5	Freestanding Retail	1910-1920 W. Balboa Blvd	6/23/2011	1975	4,080	\$1,540,000	\$377	SP-6
6	Retail Storefront	2633 W. Coast Highway	1/18/2011	1995	5,900	\$5,800,000	\$983	MUW-1
7	Retail/Restaurant	3400 Via Lido	10/26/2010	1953	2,696	\$1,100,000	\$408	RSC
<b>Weighted Average</b>							<b>\$601</b>	

*Note: Data search includes the Newport Beach peninsula and Mariner's Mile from 11/28/2009 to 11/28/2011. Non-arms length transactions, multi-property sales and sales transactions without*

Source: Costar 11/2011

**ATTACHMENT 3**

**OFFICE MARKET ANALYSIS**

**ATTACHMENT 3 - TABLE 1****3RD QUARTER 2011 OFFICE MARKET - ORANGE COUNTY OFFICE REPORT  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA**

Building Type	Square Feet (Net Rentable Area)	Vacancy Rate	Net Absorption (Year-to-date)	Under Construction	Average Asking Lease Rate
Class A	25,049,013	19.80%	(75,386)	0	\$2.17
Class B	20,323,662	12.40%	88,563	0	\$1.79
Class C	1,759,275	18.30%	(5,799)	0	\$1.58
<b>Total</b>	<b>47,131,950</b>		<b>7,378</b>	<b>0</b>	<b>\$2.01</b>

(1) City is located within the Greater Airport Area Submarket.

Source: CBRE Orange County Office Report 3rd Quarter 2011.

**ATTACHMENT 3 - TABLE 2****3RD QUARTER 2011 OFFICE MARKET - ORANGE COUNTY OFFICE REPORT  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA**

Submarket	Square Feet (Net Rentable Area)	Overall Vacancy Rate	Direct Vacancy Rate	Overall Absorption (Year-to-date)	Under Construction	Completed Construction	Direct Weighted Average Rental Rate (Class A)	Overall Average Rental Rate (All Classes)
Newport Beach	7,336,698	15.10%	14.80%	200,408	0	0	\$2.43	\$2.27
<b>Total</b>	<b>7,336,698</b>	<b>15.10%</b>	<b>14.80%</b>	<b>200,408</b>	<b>0</b>	<b>0</b>	<b>\$2.43</b>	<b>\$2.27</b>

Source: Cushman & Wakefield Marketbeat Orange County Office Report 3rd Quarter 2011.

ATTACHMENT 3 - TABLE 3

OFFICE LEASE RATE COMPARABLES  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

No.	Address	Property Type	Year Built	Asking Rent	Type	Building Size	SF Available	Vacancy
1	2244 W. Pacific Coast Hwy	Class B Office	1981	\$2.30	FS	17,108	12,708	74%
2	3300 W. Coast Hwy	Class A Office - Medical	NA	\$3.50	NNN	16,513	4,301	26%
3	3101 W. Coast Hwy	Office	NA	\$2.75	FS	40,140	3,008	31%
				\$3.25	FS		6,994	
				\$2.50	FS		1,902	
				\$3.25	NNN		690	
4	3416-3420 Via Oporto	Class B - Creative/Loft	NA	\$2.01	FS	19,077	386	11%
				\$2.25	FS		1,795	
5	3408-3412 Via Oporto	Class B - Creative/Loft	NA	\$1.95	FS	19,077	1,338	7%
6	3700 Newport Blvd	Office	NA	\$1.96	FS	17,130	369	44%
				\$2.00	FS		1,387	
				\$2.11	FS		471	
				\$1.87	FS		428	
				\$2.25	FS		1,289	
				\$2.15	FS		585	
				\$2.16	FS		340	
				\$2.28	FS		186	
				\$2.10	FS		762	
				\$1.85	FS		723	
				\$1.97	FS		394	
				\$1.95	FS		589	
7	514 E. Oceanfront	Office/Retail	NA	\$3.50	NNN	10,000	1,050	11%
8	3404 Via Oporto	Office - Creative/Loft	NA	\$1.95	FS	5,636	870	15%
9	30th Street Loft	Class A - Creative/Loft	2005	\$3.38	MG	800	800	100%
10	509 31st Street	Class B - Creative/Loft	NA	\$2.46	NA	2,550	650	25%
11	151 Shipyard Way, Ste. 7	Class A Office	NA	\$1.99	NA	5,000	600	17%
				\$2.55	NA		240	
12	3471 Via Lido Plaza	Class A Office	NA	\$2.25	MG	12,000	4,891	41%
13	2436 W. Coast Hwy	Class C Office	NA	\$1.99	MG	9,512	1,249	13%
<b>Total</b>							<b>51,000</b>	
Lease Rate Range				<b>\$1.85 - \$3.50</b>				
Weighted Average Lease Rate				<b>\$2.55</b>				

Note: Data search includes the Newport Beach Peninsula and Mariner's Mile.

Source: LoopNet.com 11/2011

ATTACHMENT 3 - TABLE 4

OFFICE BUILDING SALES  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

<u>No.</u>	<u>Building Type</u>	<u>Address</u>	<u>Sale Date</u>	<u>Year Built</u>	<u>RBA (SF)</u>	<u>Sales Price</u>	<u>Price Per Sf</u>	<u>Zoning</u>	<u>Parking (Spaces/1000sf)</u>
1	Class B Office/Residential	411 29th Street	10/20/2010	2005	3,376	\$1,387,000	\$411	SP-6	1.2
2	Class C Office	417 29th Street	5/4/2010	1946	1,221	\$950,000	\$778	SP-6	2.5
3	Class C Office Live/Work	505 30th Street	3/19/2010	2004	2,450	\$1,425,000	\$582	SP-6	2.5
4	Class C Office w/Street Retail	3355 Via Lido	10/28/2011	1957	31,885	\$7,262,500	\$228	RSC	1.3
5	Class B Office/Residential	3388 Via Lido	10/28/2011	1954	21,279	\$9,514,000	\$447	APF	3.0
<b>Weighted Average</b>							<b>\$341</b>		

*Note: Data search includes the Newport Beach peninsula and Mariner's Mile from 11/28/2009 to 11/28/2011. Non-arms length transactions, multi-property sales and sales transactions without sales*

Source: Costar 11/2011



**ATTACHMENT 4**

**RESIDENTIAL MARKET ANALYSIS**

ATTACHMENT 4 - TABLE 1

KEY HOUSING STATISTICS  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

	Total	Single-Family Homes		Multi-Family Homes		Mobile Homes	Occupied	Percent Vacant	Size of Household
		Detached	Attached	2 to 4	5 Plus				
<b><u>California</u></b>									
2000	12,214,550	6,883,107	931,928	1,024,896	2,804,931	569,688	11,502,871	5.83	2.87
2005	12,941,231	7,401,694	943,086	1,045,690	2,969,952	580,809	12,184,048	5.85	2.94
2010	13,591,866	7,780,117	967,176	1,072,187	3,175,448	596,938	12,790,143	5.90	2.96
Change 2000-2010									
Percent	11.28%	13.03%	3.78%	4.61%	13.21%	4.78%	11.19%	1.24%	2.85%
Absolute	1,377,316	897,010	35,248	47,291	370,517	27,250	1,287,272	0.07	0.08
<b><u>Orange County</u></b>									
2000	969,484	489,657	124,702	88,804	233,871	32,450	935,287	3.53	3.00
2005	1,013,634	513,079	126,832	90,823	250,547	32,353	977,547	3.56	3.07
2010	1,040,544	521,768	130,118	91,400	265,146	32,112	1,005,502	3.37	3.11
Change 2000-2010									
Percent	7.33%	6.56%	4.34%	2.92%	13.37%	-1.04%	7.51%	-4.53%	3.60%
Absolute	71,060	32,111	5,416	2,596	31,275	(338)	70,215	(0.16)	0.11
<b><u>City of Newport Beach</u></b>									
2000	37,288	16,095	6,685	5,351	8,294	863	33,071	11.31	2.09
2005	42,143	18,918	7,166	5,475	9,721	863	37,561	10.87	2.18
2010	43,515	19,467	7,166	5,599	10,420	863	38,784	10.87	2.21
Change 2000-2010									
Percent	16.70%	20.95%	7.20%	4.63%	25.63%	0.00%	17.27%	-3.87%	5.89%
Absolute	6,227	3,372	481	248	2,126	0	5,713	(0.44)	0.12

Source: California Department of Finance

ATTACHMENT 4 - TABLE 2

HISTORIC DISTRIBUTION OF HOUSING UNIT MIX AND GROWTH  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

	Single-Family Homes					Multi-Family Homes					
	Total <sup>1</sup>	Detached	As a % of Total	Attached	As a % of Total	2 to 4 Attached	As a % of Total	5 Plus Attached	As a % of Total	Multiple Subtotal	As a % of Total
California											
2000	11,644,862	6,883,107	59%	931,928	8%	1,024,896	9%	2,804,931	24%	3,829,827	33%
2005	12,360,422	7,401,694	60%	943,086	8%	1,045,690	8%	2,969,952	24%	4,015,642	32%
2010	12,994,928	7,780,117	60%	967,176	7%	1,072,187	8%	3,175,448	24%	4,247,635	33%
Orange County											
2000	937,034	489,657	52%	124,702	13%	88,804	9%	233,871	25%	322,675	34%
2005	981,281	513,079	52%	126,832	13%	90,823	9%	250,547	26%	341,370	35%
2010	1,008,432	521,768	52%	130,118	13%	91,400	9%	265,146	26%	356,546	35%
City of Newport Beach											
2000	36,425	16,095	44%	6,685	18%	5,351	15%	8,294	23%	13,645	37%
2005	41,280	18,918	46%	7,166	17%	5,475	13%	9,721	24%	15,196	37%
2010	42,652	19,467	46%	7,166	17%	5,599	13%	10,420	24%	16,019	38%

<sup>1</sup> Does not include mobile home units

Source: California Department of Finance

ATTACHMENT 4 - TABLE 3

SUMMARY OF RECENT DETACHED HOME SALES WITHIN ONE MILE OF LIDO VILLAGE (January 2010 - September 2011)  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

	<u>Count</u>	<u>Average Year Built</u>	<u>Unit Size (Sf)</u>		<u>Sales Price</u>			<u>Price Per Square Foot</u>		
			<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Median</u>	<u>Low</u>	<u>High</u>	<u>Average</u>
1 Bedroom - 1 Bath	6	1936	268	1,151	\$555,000	\$3,900,000	\$1,191,208	\$721	\$5,942	\$2,400
2 Bedroom - 1 Bath	26	1942	608	1,505	\$475,000	\$1,875,000	\$905,000	\$352	\$2,156	\$1,123
2 Bedroom - 2 Bath	9	1947	741	1,739	\$625,500	\$4,400,000	\$950,000	\$435	\$5,938	\$1,298
<b>Total/Average</b>	<b>35</b>	<b>1943</b>	<b>608</b>	<b>1,739</b>	<b>\$475,000</b>	<b>\$4,400,000</b>	<b>\$950,000</b>	<b>\$352</b>	<b>\$5,938</b>	<b>\$1,168</b>
3 Bedroom - 2 Bath	27	1954	1,120	2,991	\$319,500	\$3,300,000	\$1,120,000	\$235	\$1,596	\$691
3 Bedroom - 2.5 Bath	5	1973	1,440	2,684	\$404,000	\$2,593,000	\$445,000	\$236	\$1,048	\$507
<b>Total/Average</b>	<b>32</b>	<b>1957</b>	<b>1,120</b>	<b>2,991</b>	<b>\$319,500</b>	<b>\$3,300,000</b>	<b>\$1,085,000</b>	<b>\$235</b>	<b>\$1,596</b>	<b>\$662</b>
4 Bedroom - 2 Bath	6	1954	1,438	2,229	\$950,000	\$3,200,000	\$1,447,500	\$460	\$2,086	\$998

Note: Data search includes the one-mile radius surrounding the intersection of Lido Marina Village and Newport Beach Boulevard. Unit types were excluded if there were <5 transactions. Only full transactions ≥\$100,000 were included.

Source: DataQuick (11/2010 - 11/2011)

ATTACHMENT 4 - TABLE 4

SUMMARY OF RECENT ATTACHED HOME SALES WITHIN ONE MILE OF LIDO VILLAGE (January 2010 - September 2011)  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

	<u>Count</u>	<u>Average Year Built</u>	<u>Unit Size (Sf)</u>		<u>Sales Price</u>			<u>Price Per Square Foot</u>		
			<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Median</u>	<u>Low</u>	<u>High</u>	<u>Average</u>
1 Bedroom - 1 Bath	10	1974	465	1,095	\$186,000	\$365,000	\$258,500	\$261	\$459	\$339
2 Bedroom - 2 Bath	26	1977	682	1,673	\$269,500	\$615,000	\$447,500	\$252	\$652	\$374
2 Bedroom - 2.5 Bath	19	1977	1,122	2,115	\$339,000	\$3,500,000	\$500,000	\$255	\$2,298	\$681
<b>Total/Average</b>	<b>45</b>	<b>1977</b>	<b>682</b>	<b>2,115</b>	<b>\$269,500</b>	<b>\$3,500,000</b>	<b>\$460,000</b>	<b>\$252</b>	<b>\$2,298</b>	<b>\$503</b>
3 Bedroom - 2.5 Bath	7	1975	1,531	1,790	\$419,000	\$810,000	\$540,000	\$274	\$488	\$354
3 Bedroom - 3 Bath	8	1975	1,543	1,778	\$420,000	\$645,000	\$557,500	\$272	\$363	\$311
<b>Total/Average</b>	<b>15</b>	<b>1975</b>	<b>1,531</b>	<b>1,790</b>	<b>\$419,000</b>	<b>\$810,000</b>	<b>\$555,000</b>	<b>\$272</b>	<b>\$488</b>	<b>\$331</b>
4 Bedroom - 2.5 Bath	5	1976	1,903	2,315	\$530,000	\$720,000	\$570,000	\$229	\$372	\$303

Note: Data search includes the one-mile radius surrounding the intersection of Lido Marina Village and Newport Beach Boulevard. Unit types were excluded if there were <5 transactions. Only full transactions ≥\$100,000 were included.

Source: DataQuick (11/2010 - 11/2011)

ATTACHMENT 4 - TABLE 5

MARKET AREA HOME SALES - 2008 & 2010

LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

2008

City	Single-Family Homes					Condominiums		
	Zip	Units	Median Price	Change from 2007	Home Price/SF	Units	Median Price	Change from 2007
Newport Beach	92660	197	\$1,350	-15.60%	\$608	53	\$675	-27.00%
Newport Beach	92661	27	\$1,968	-25.60%	\$1,747	5	\$950	3.30%
Newport Beach	92663	99	\$2,000	13.30%	\$1,173	77	\$565	-12.50%

2010

City	Single-Family Homes					Condominiums		
	Zip	Units	Median Price	Change from 2009	Home Price/SF	Units	Median Price	Change from 2009
Newport Beach	92660	335	\$1,192	11.4%	\$509	89	\$548	-0.4%
Newport Beach	92661	48	\$1,968	22.2%	\$1,233	5	\$650	-44.1%
Newport Beach	92663	136	\$1,341	14.1%	\$858	108	\$464	-6.4%

Source: DQ News - 2011

**ATTACHMENT 4 - TABLE 6****HISTORIC NEWPORT BEACH MARKET RENTS  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA**

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<u>Year</u>	<u>Average Asking Rent</u>	<u>Average Occupancy</u>
2003	\$1,604	93.9%
2004	\$1,669	94.5%
2005	\$1,791	95.2%
2006	\$1,921	94.9%
2007	\$2,022	94.8%
2008	\$1,966	94.7%
2009	\$1,858	93.3%
2010	\$1,901	94.6%
2011 (YTD)	\$1,952	95.8%

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Source: RealFacts

ATTACHMENT 4 - TABLE 7

CURRENT NEWPORT BEACH MARKET RENTS  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

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Unit Type	Units in Sample	Average Square Feet	Average Rent	Average Rent PSF
Studio	773	514	\$1,235	2.40
Junio One Bedroom	30	683	\$1,785	2.61
One Bedroom - One Bath	2,518	758	\$1,646	2.17
One Bedroom - 1.5 Bath	75	1,201	\$1,825	1.52
One Bedroom Townhome	24	1,152	\$2,400	2.08
Two Bedroom - 1.5 Bath	16	1,100	\$2,683	2.44
Two Bedroom - Two Bath	2,818	1,110	\$2,303	2.07
Two Bedroom Townhome	292	1,165	\$2,251	1.93
Three Bedroom - Two Bath	127	1,484	\$3,579	2.41
Three Bedroom - Three Bath	5	1,989	\$8,466	4.26
Three Bedroom - Townhome	250	1,372	\$2,921	2.13
Overall	6,928	934	\$1,987	2.13

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Source: RealFacts



ATTACHMENT 4 - TABLE 8

**SUMMARY OF LOCAL APARTMENT RENTS**  
**LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY**  
**NEWPORT BEACH, CALIFORNIA**

<u>No.</u>	<u>Name</u>	<u>Address</u>	<u>Bedrooms</u>	<u>Apartment Sf</u>	<u>Rental Rate</u>	<u>Rent per Sf</u>
1	The Terrace Apts @ Balboa Bay	1221 W. Coast Hwy	0/1	750	\$1,850	\$2.47
2	The Terrace Apts @ Balboa Bay	1221 W. Coast Hwy	0/1	870	\$2,750	\$3.16
3	Newport Bluffs	100 Vilaggio	0/1	549	\$1,680	\$3.06
<b>Average</b>				<b>723</b>	<b>\$2,093</b>	<b>\$2.90</b>
4	The Terrace Apts @ Balboa Bay	1221 W. Coast Hwy	1/1	1,137	\$3,300	\$2.90
5	The Terrace Apts @ Balboa Bay	1221 W. Coast Hwy	1/1	1,357	\$3,600	\$2.65
6	Mariner Square	1244 Irvine Avenue	1/1	850	\$1,747	\$2.06
7	Baypointe	2500 Baypointe Drive	1/1	777	\$1,915	\$2.46
8	Newport North	2 Milano	1/1	687	\$1,685	\$2.45
9	Newport North	2 Milano	1/1	681	\$1,695	\$2.49
10	Newport North	2 Milano	1/1 + Loft	818	\$1,775	\$2.17
11	Newport Bluffs	100 Vilaggio	1/1	626	\$1,685	\$2.69
12	Newport Bluffs	100 Vilaggio	1/1	626	\$1,970	\$3.15
13	Newport Bluffs	100 Vilaggio	1/1 + Den	936	\$2,120	\$2.26
14	The Bays	1 Baywood Drive	1/1	775	\$1,710	\$2.21
15	The Bays	1 Baywood Drive	1/1	790	\$1,710	\$2.16
16	The Colony @ Fashion Island	5100 Colony Plaza	1/1	1,008	\$2,905	\$2.88
17	Newport Ridge	1 White Cap Lane	1/1	751	\$2,030	\$2.70
18	Newport Ridge	1 White Cap Lane	1/1	799	\$1,915	\$2.40
19	Promontory Point	200 Promontory Drive West	1/1	760	\$2,490	\$3.28
20	Promontory Point	200 Promontory Drive West	1/1 + Loft	870	\$2,660	\$3.06
21	Promontory Point	200 Promontory Drive West	1/1 + Loft	1,050	\$2,995	\$2.85
22	Promontory Point	200 Promontory Drive West	1/1 + Loft	1,050	\$3,170	\$3.02
23	Promontory Point	200 Promontory Drive West	1/1	750	\$2,395	\$3.19
24	Promontory Point	200 Promontory Drive West	1/2	850	\$2,445	\$2.88
<b>Average</b>				<b>855</b>	<b>\$2,282</b>	<b>\$2.66</b>

**ATTACHMENT 4 - TABLE 8**

**SUMMARY OF LOCAL APARTMENT RENTS  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA**

<u>No.</u>	<u>Name</u>	<u>Address</u>	<u>Bedrooms</u>	<u>Apartment Sf</u>	<u>Rental Rate</u>	<u>Rent per Sf</u>
25	The Terrace Apts @ Balboa Bay	1221 W. Coast Hwy	2/2	1,359	\$4,000	\$2.94
26	The Terrace Apts @ Balboa Bay	1221 W. Coast Hwy	2/2	1,579	\$4,700	\$2.98
27	Mariner Square	1244 Irvine Avenue	2/1.5	1,280	\$2,280	\$1.78
28	Baypointe	2500 Baypointe Drive	2/2	1,065	\$2,260	\$2.12
29	Baypointe	2500 Baypointe Drive	2/2	1,074	\$2,250	\$2.09
30	Baypointe	2500 Baypointe Drive	2/2	1,074	\$2,330	\$2.17
31	Baypointe	2500 Baypointe Drive	2/2	1,168	\$2,420	\$2.07
32	Newport North	2 Milano	2/2	1,091	\$2,040	\$1.87
33	Newport North	2 Milano	2/2	926	\$1,865	\$2.01
34	Newport North	2 Milano	2/2.5	1,071	\$2,060	\$1.92
35	Newport Bluffs	100 Vilaggio	2/2	945	\$2,140	\$2.26
36	Newport Bluffs	100 Vilaggio	2/2	945	\$2,710	\$2.87
37	Newport Bluffs	100 Vilaggio	2/2	1,103	\$2,810	\$2.55
38	The Bays	1 Baywood Drive	2/2	1,075	\$2,040	\$1.90
39	The Bays	1 Baywood Drive	2/2	1,095	\$1,955	\$1.79
40	The Bays	1 Baywood Drive	2/2	1,095	\$2,030	\$1.85
41	The Bays	1 Baywood Drive	2/1.5	1,355	\$2,520	\$1.86
42	The Colony @ Fashion Island	5100 Colony Plaza	2/2	1,273	\$3,150	\$2.47
43	The Colony @ Fashion Island	5100 Colony Plaza	2/2	1,273	\$3,600	\$2.83
44	The Colony @ Fashion Island	5100 Colony Plaza	2/2	1,365	\$3,450	\$2.53
45	The Colony @ Fashion Island	5100 Colony Plaza	2/2	1,365	\$3,850	\$2.82
46	The Colony @ Fashion Island	5100 Colony Plaza	2/2 + Den	1,546	\$3,740	\$2.42
47	The Colony @ Fashion Island	5100 Colony Plaza	2/2 + Den	1,546	\$4,540	\$2.94
48	Bordeaux	1 Ambrose	2/2.5	1,303	\$2,735	\$2.10
49	Bordeaux	1 Ambrose	2/2.5	1,327	\$2,800	\$2.11
50	Newport Ridge	1 White Cap Lane	2/2	1,000	\$2,240	\$2.24
51	Newport Ridge	1 White Cap Lane	2/2	1,039	\$2,330	\$2.24
52	Newport Ridge	1 White Cap Lane	2/2	1,039	\$2,220	\$2.14
53	Newport Ridge	1 White Cap Lane	2/2	1,058	\$2,255	\$2.13
54	Newport Ridge	1 White Cap Lane	2/2	1,058	\$2,130	\$2.01
55	Promontory Point	200 Promontory Drive West	2/2	1,100	\$2,495	\$2.27
56	Promontory Point	200 Promontory Drive West	2/2	1,100	\$2,770	\$2.52
57	Promontory Point	200 Promontory Drive West	2/2	1,065	\$2,245	\$2.11
58	Promontory Point	200 Promontory Drive West	2/2	1,080	\$2,425	\$2.25
59	Promontory Point	200 Promontory Drive West	2/2	1,120	\$2,940	\$2.63
60	Promontory Point	200 Promontory Drive West	2/2	1,120	\$2,680	\$2.39
61	Promontory Point	200 Promontory Drive West	2/2	1,060	\$2,525	\$2.38
62	Promontory Point	200 Promontory Drive West	2/2	1,060	\$2,845	\$2.68

ATTACHMENT 4 - TABLE 8

**SUMMARY OF LOCAL APARTMENT RENTS**  
**LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY**  
**NEWPORT BEACH, CALIFORNIA**

<u>No.</u>	<u>Name</u>	<u>Address</u>	<u>Bedrooms</u>	<u>Apartment Sf</u>	<u>Rental Rate</u>	<u>Rent per Sf</u>
63	Promontory Point	200 Promontory Drive West	2/2	1,130	\$3,605	\$3.19
64	Promontory Point	200 Promontory Drive West	2/2	1,130	\$3,455	\$3.06
65	Promontory Point	200 Promontory Drive West	2/2	1,150	\$3,145	\$2.73
66	Promontory Point	200 Promontory Drive West	2/1.5	1,110	\$2,845	\$2.56
67	Promontory Point	200 Promontory Drive West	2/2 + Loft	1,490	\$3,760	\$2.52
<b>Average</b>				<b>1,168</b>	<b>\$2,772</b>	<b>\$2.36</b>
68	The Terrace Apts @ Balboa Bay	1221 W. Coast Hwy	3/2	1,616	\$5,300	\$3.28
69	The Terrace Apts @ Balboa Bay	1221 W. Coast Hwy	3/2	1,836	\$6,300	\$3.43
70	The Terrace Apts @ Balboa Bay	1221 W. Coast Hwy	3/2.5	2,606	\$7,300	\$2.80
71	The Terrace Apts @ Balboa Bay	1221 W. Coast Hwy	3/2.5	3,160	\$9,300	\$2.94
72	The Terrace Apts @ Balboa Bay	1221 W. Coast Hwy	3/3	1,989	\$8,000	\$4.02
73	The Terrace Apts @ Balboa Bay	1221 W. Coast Hwy	3/3	2,511	\$10,300	\$4.10
74	Newport North	2 Milano	3/2.5	1,203	\$2,505	\$2.08
75	Newport Bluffs	100 Vilaggio	3/2	1,336	\$2,990	\$2.24
76	Newport Bluffs	100 Vilaggio	3/2.5	1,317	\$3,175	\$2.41
77	Newport Bluffs	100 Vilaggio	3/2.5	1,317	\$3,490	\$2.65
78	The Bays	1 Baywood Drive	3/2	1,285	\$2,615	\$2.04
79	The Bays	1 Baywood Drive	3/2	1,305	\$2,520	\$1.93
80	Bordeaux	1 Ambrose	3/2.5	1,507	\$3,180	\$2.11
81	Bordeaux	1 Ambrose	3/2.5	1,634	\$3,075	\$1.88
<b>Average</b>				<b>1,759</b>	<b>\$5,004</b>	<b>\$2.71</b>

Note: Apartments without known square footages were not included.

Source: Apartments.com, 11/2011

**ATTACHMENT 5**

**HOTEL MARKET ANALYSIS**

ATTACHMENT 5 - TABLE 1

2005-2011 OCCUPANCY RATES<sup>1</sup>  
 LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
 NEWPORT BEACH, CALIFORNIA

---

	Coastal Orange County	Orange County
2005	65.6%	71.7%
2006	69.6%	72.7%
2007	70.8%	72.9%
2008	68.3%	71.0%
2009	58.0%	64.3%
2010 (E)	64.2%	68.5%
2011 (F)	67.4%	70.2%
<b>Average</b>	<b>66.1%</b>	<b>70.2%</b>

E - Estimate  
 F - Forecast

---

(1) Source: PKF "The 2011 Southern California Lodging Forecast"

ATTACHMENT 5 - TABLE 2

2005-2011 AVERAGE DAILY RATE<sup>1</sup>

LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

---

	Coastal Orange County	Orange County
2005	\$219.44	\$104.69
2006	\$238.88	\$118.16
2007	\$258.85	\$128.17
2008	\$252.15	\$128.16
2009	\$220.50	\$115.51
2010 (e)	\$220.23	\$113.35
2011 (f)	\$230.14	\$118.82
<b>Average</b>	<b>\$234.31</b>	<b>\$118.12</b>

E - Estimate

F - Forecast

---

(1) Source: PKF "The 2011 Southern California Lodging Forecast"

ATTACHMENT 5 - TABLE 3

2005-2011 ANNUAL REVPAR (occupancy x room rate)  
LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

---

	Coastal Orange County	Orange County
2005	\$143.94	\$75.06
2006	\$166.37	\$85.92
2007	\$183.19	\$93.37
2008	\$172.13	\$90.94
2009	\$127.80	\$74.30
2010 (e)	\$141.37	\$77.68
2011 (f)	\$155.11	\$83.41
<b>Average</b>	<b>\$155.70</b>	<b>\$82.95</b>

E - Estimate

F - Forecast

---

(1) Source: PKF "The 2011 Southern California Lodging Forecast"

ATTACHMENT 5 - TABLE 4

HOTEL MARKET PERFORMANCE <sup>1</sup>

LIDO VILLAGE, BALBOA VILLAGE, MARINER'S MILE MARKET STUDY  
NEWPORT BEACH, CALIFORNIA

	<u>Occupancy</u>	<u>Average Daily Rate</u>	<u>Occupied Room Nights Per Year</u>	<u>Occupied Room Nights Change</u>	<u>RevPar</u>	<u>RevPar Change</u>
<b><u>Coastal Orange County</u></b>						
2005	65.6%	\$219.44	1,125,991		\$143.95	
2006	69.6%	\$238.88	1,195,556	6.2%	\$166.26	15.5%
2007	70.8%	\$258.85	1,214,802	1.6%	\$183.27	10.2%
2008	68.3%	\$252.15	1,180,274	-2.8%	\$172.22	-6.0%
2009	58.0%	\$220.50	1,083,815	-8.2%	\$127.89	-25.7%
2010 (e)	64.2%	\$220.23	1,214,808	12.1%	\$141.39	10.6%
2011 (f)	67.4%	\$230.14	1,275,548	5.0%	\$155.11	9.7%
2005-11	2.7%	4.9%	13.3%	2.1%	7.8%	
<b><u>Orange County</u></b>						
2005	71.7%	\$104.69	12,326,014		\$75.06	
2006	72.7%	\$118.16	13,245,130	7.5%	\$85.90	14.4%
2007	72.9%	\$128.17	13,825,532	4.4%	\$93.44	8.8%
2008	71.0%	\$128.16	13,580,431	-1.8%	\$90.99	-2.6%
2009	64.3%	\$115.51	12,520,143	-7.8%	\$74.27	-18.4%
2010 (e)	68.5%	\$113.35	13,501,934	7.8%	\$77.64	4.5%
2011 (f)	70.2%	\$118.82	13,848,941	2.6%	\$83.41	7.4%
2005-11	-2.1%	13.5%	12.4%	2.0%	11.1%	

E - Estimate

F - Forecast

(1) Source: PKF "The 2011 Southern California Lodging Forecast"





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ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

## MEMORANDUM

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GERALD M. TRIMBLE  
PAUL C. MARRA

**To:** Kimberly Brandt, Director Community Development Department  
City of Newport Beach

**From:** Kathleen Head  
Kevin Engstrom

**Date:** April 10, 2012

**Subject:** Balboa Village: Implementation Strategies

In an accompanying analysis, Keyser Marston Associates, Inc. (KMA) evaluated the market opportunities available in the Balboa Village Study Area. The following analysis provides KMA recommendations for strategies the City of Newport Beach (City) can potentially implement to enhance the economic development opportunities in Balboa Village. The KMA recommendations are based, in part, on the market opportunities analysis results and interviews with stakeholders in the Balboa Village Study Area.

## BACKGROUND STATEMENT

### Market Analysis Summary

The KMA market study identified the following opportunities and constraints for the Balboa Village Study Area:

#### ***Retail***

Retail demand is typically driven by residents, with ancillary support provided by visitors. The market area for Balboa Village is characterized by high-income households, but the population base is too small to support a significant amount of retail development. For this reason, the viability of retail development is largely dependent on visitors that are drawn to the ocean and the bay.

The attraction of visitors to Balboa Village is constrained by access issues. This problem is exacerbated by the fact that there are a number of competing commercial concentrations with more conveniently located along the route to Balboa Village. These issues do not deter visitors during the peak season, but they do limit opportunities during non-peak times.

The retail sales volumes being achieved in Balboa Village suggest that there is currently a surplus of retail space. This can lead to property owners being forced to accept less desirable tenants, at lower rents, in order to keep the space occupied. This will ultimately compromise the viability of the retail development.

The development of the ExplorOcean project and the opening of the Balboa Performing Arts Theater could provide a catalyst for specific types of retail development. The most likely uses are small-scale sit-down restaurants and retailers that can benefit from visitor demand and the development of the catalytic projects.

### ***Office***

The market analysis concluded that Balboa Village does not have the locational characteristics required to support a significant amount of office development. The demand for office space in Balboa Village is very limited, and that demand is likely to be drawn primarily from small professional firms.

### ***Residential***

Balboa Village exhibits appealing characteristics for both rental and ownership residential development. Given that Balboa Village has a number of parcels that have Mixed-Use Vertical zoning designations, it is likely that residential development will be concentrated in a mixed-use environment. Recognizing the limited retail demand in Balboa Village, it is anticipated that the premium value associated with the residential use will be needed to backstop the ground-floor commercial space.

### ***Hotel***

The market analysis concluded that demand may exist for a 35 to 45 room hotel. However, it may be difficult to attract this type of hotel due to operating inefficiencies, marketing and financing issues. Given these factors, it is unlikely that a private property owner would undertake this type of development. However, this type of project may be well suited for development on the City-owned parking lot at Palm Street and Balboa Boulevard.

## **Development Constraints**

Low population densities and accessibility concerns limit commercial viability in Balboa Village. In addition, Balboa Village stakeholders identified perceived development constraints such as density and height limits; stringent parking requirements; and the intense role the public plays in the approval process for proposed development projects.

## **EXECUTIVE SUMMARY**

The KMA implementations strategy analysis is organized as follows:

1. Implementation Activities:
  - a. A discussion of the potential zoning modifications and regulatory relief that the City could offer to assist in attracting desired development is provided.
  - b. An array of economic development activities that could be undertaken by the City are described.
  - c. A sample of potential marketing and activities programs are discussed.
2. Financial resources available to assist in economic development and capital improvement programs in Balboa Village are identified.
3. Conceptual pro forma analyses for potential development of the 37,717 square foot City-owned parking site at Palm Street and Balboa Boulevard are presented.

Based on our analysis of Balboa Village, KMA recommends the following implementation strategy actions. These recommendations call for focused use of available City resources to achieve the desired enhancement of the Balboa Village Study Area:

1. The City should consider selectively modifying development standards, and providing regulatory relief, in order to enhance development opportunities in Balboa Village.
2. The City should evaluate the opportunity for creating economic development programs in Balboa Village. Potential programs include:
  - a. The City should consider supporting and facilitating the development of ExplorOcean and the Balboa Theater.

- b. A façade improvement program could be developed. The program could be set up to provide seed money to qualified property owners throughout the area, or it could involve the City funding all of the improvements in a designated target area.
  - c. A tenant improvement loan program could be created to attract desirable new tenants to Balboa Village.
  - d. Business attraction programs could be devised that provide assistance to defray start-up expenses for selected businesses.
  - e. A public improvement plan could be developed to provide enhancements to Balboa Village.
- 3. The City should establish a marketing/activity program to attract visitors during off-peak periods.
- 4. Parking:
  - a. The City should consider creating a Parking Management Plan that addresses parking congestion issues. As part of the Plan, the City may wish to form a Parking Benefit District to generate revenues that would be programmed by the City Council.
  - b. The City should evaluate the potential for renting parking spaces in the City-owned beach lot to recreational vehicles during off-peak periods. The allocation of the revenues generated by this activity would be based on City Council policy decisions.
- 5. It may be advantageous to make the City-owned site available for development. KMA performed conceptual pro forma analyses for this site that generated the following order-of-magnitude results:
  - a. The development of a 237 space stand-alone public parking structure generates an annual shortfall of approximately \$532,000 per year.
  - b. A public parking structure with a hotel on the upper levels could potentially generate net revenue to the City. However, to attract a hotel during the near term, it will likely be necessary to provide a discounted ground-lease payment structure and/or a reduction in the City's parking requirements.

- c. A private development with ground-floor commercial space and upper-floor residential units is projected to support ground-lease payments that could potentially be used to fund programs identified in this Balboa Village implementation strategy.

## **IMPLEMENTATION ACTIVITIES**

### **Regulatory Relief**

#### ***Zoning***

The City has the ability to establish zoning guidelines that incentivize private sector development and redevelopment. Important factors under the City's control include parking requirements, height limits, density, and land use flexibility. The current zoning standards for Balboa Village maintain the general character of the area. However, given the premium costs that must be incurred to purchase improved properties, the relatively low allowable densities, height limitations and parking standards inhibit the potential for existing uses to be redeveloped. It may be advisable to selectively increase the allowable densities, and to eliminate parking requirements for new or intensified commercial uses, to attract uses that meet the City's goals and objectives.

#### ***Permit and Entitlement Process***

The permit and entitlement process in Newport Beach is perceived to be difficult. In addition to the lengthy time projects require to move through the City's process, developers in Balboa Village also need to obtain California Coastal Commission approvals. The combination of these two factors can extend a project's development timeline for months and even years.

An extended development timeframe can have a significant impact on development feasibility, as the carrying costs for property acquisitions can be significant, the pre-development costs are increased and shifts in the financial and real estate markets can render projects infeasible. As such, it may be advantageous for the City to streamline the entitlement process for projects that meet defined goals and objectives.

### **Economic Development Programs**

#### ***Cultural Uses***

It is anticipated that both the Balboa Performing Arts Theater and ExplorOcean projects will provide catalytic benefits to the surrounding area. These projects are expected to draw visitors from outside the area, and to help offset the significant seasonality for the commercial sector. In particular, restaurants, miscellaneous retailers and lodging

establishments could benefit from the increased visitation created by these developments. Therefore, it would be advantageous for the City to support and facilitate the development of these uses.

### ***Façade Improvement Programs***

Façade improvement programs can be implemented to assist in creating aesthetically pleasing, tenant preferred, commercial space. A well designed program can increase business exposure, enhance visual attractiveness, stimulate private investment and create harmonious commercial districts. Façade improvement assistance programs run the gamut from the provision of seed money to property owners, to programs that fund 100% of the approved façade improvement costs.

To entice property owners to participate in the program, façade improvement assistance is often provided in the form of a grant. However, to ensure that the desired tenancies remain in place over a specified timeframe, this assistance is sometimes treated as a forgivable loan. For example, the loan could be forgiven in 20% increments over a five year period. In that case, if a tenant remains for the entire five years, then the loan is forgiven in full.

Typically, the eligible work is limited to upgrading the facades that are visible from the street. The eligible improvements can include painting, masonry cleaning, exterior lighting, signage, accessibility improvements and so forth.

### **Seed Money Program**

In a seed money program, the City would establish a loan or grant fund that provides qualified property owners with a grant or loan equal to a portion of the façade improvement costs. For example the City could contribute up to 50% of the eligible façade improvement costs up to a defined limit. One way to measure the grants is to tie the assistance to the number of linear feet encompassed by the façade. For example, seed money assistance could be set within the following range:

Façade under 25 feet	\$15,000
Façade between 25 and 50 feet	\$25,000
Façade between 50 and 75 feet	\$37,500
Façade above 75 feet	\$50,000

In a seed money program it is advisable for the City staff to identify target buildings, and to notify the property owners that the program is available. To further encourage participation, it may be useful to offer technical assistance to these owners in the preparation of the loan/grant applications.

### Full Cost Program

A more aggressive program would involve the City controlling the entire process. In this program, the City would bear the entire cost burden for the façade improvements. In return, building owners would grant the City a façade easement, typically in the range of 10 years. In addition, after the improvements are completed, the property owners would be responsible for ongoing upkeep of the improvements.

To achieve the maximum impact, this type of program would require the participation of all the owners within the designated target area. With the City controlling the process, the design elements would be consistent, economies of scale could be achieved for the construction costs, and the improvements could be completed expeditiously. For reference purposes, the costs incurred by other programs have fallen in the range of \$1,000 to \$1,800 per linear foot. Based on the characteristics of Balboa Village commercial properties, the total cost is estimated to range from approximately \$100,000 to \$175,000 per building

### ***Tenant Improvement Loans***

Tenant improvement loan programs are designed to bring new desirable tenants to an area. The tenants that are selected to receive assistance should meet defined City objectives such as significant sales tax generation; ability to attract shoppers, diners, and visitors; and/or creation of “spin off” benefits to other businesses in the area. These programs are typically utilized to catalyze an area that is underperforming by making it financially attractive for desired tenants to rent space in the area.

In a tenant improvement loan program, the City assistance would be provided to qualified businesses to improve building interiors; assistance related to business operations should not be provided. Tenant improvement loans are particularly useful for restaurants, which have higher tenant improvement costs than other commercial uses due to the required kitchen equipment, décor and furnishings. However, they can also be used to attract desired retail shop space.

Programs that KMA has assisted in structuring require the building owner, the tenant and the City to contribute funds for the tenant improvement costs. The City contribution is typically capped at no more than 50% of the tenant improvement costs, and the assistance costs have fallen in the range of \$30 to \$70 per square foot of building area. The cost range is directly tied to type of tenancy and the magnitude of the improvements being constructed.

Tenant improvement programs often structure the assistance as a forgivable loan. A common structure is to allow for annual forgiveness of principal and interest payments as long as the tenant remains in place. Under this structure, the City can also require the tenant to provide participation payments to the City in any year that the tenant's gross sales exceed a defined threshold.

### ***Business Attraction Programs***

The City could create a program that provides credits to business license fees, utility users taxes and certain building permit fees on a project-by-project basis. This program could apply to businesses in specific sectors of the economy. The program should provide assistance over a limited period of time, with the goal of reducing the risks during the initial start-up period for the selected businesses.

### ***Public Improvement Program***

The City could create a public improvement program that provides enhancements to the Balboa Village area. This program could identify and fund needed improvements such as new or refurbished street furniture, benches, planters, trash receptacles, etc. As part of this program, the City could develop a maintenance plan for the Boardwalk and other public spaces.

### ***Marketing/Activity Programs***

The City could establish a marketing/activity program for Balboa Village that would attract patrons during the off-peak season. The activities should be oriented toward the interests of both residents and employees in the area. Local businesses and the community could collaborate in identifying and sponsoring those events that contribute to Balboa Village's identity and vitality. For instance, activities such as farmers' markets and events such as Lobsterfest can stimulate activity during non-peak times and seasons.

The City should work with the existing Business Improvement District (BID) in the area to explore activities that are well suited to Balboa Village. These activities would then serve as marketing programs for the area.

## **Parking**

### ***Parking Management Plan***

In concurrence with the Nelson\Nygaard parking study findings, KMA believes the City should consider the creation of a Parking Management Plan in Balboa Village. A Parking Management Plan could address parking congestion and demand issues by



setting parking rates at amounts designed to keep an appropriate percentage of the spaces vacant and available. New parking meter technologies have improved customer convenience by providing several different payment options, while at the same time maximizing revenues by allowing for more effective and precise time windows, and reduced operating costs.

The Parking Management Plan could potentially include the creation of a Parking Benefit District that would generate revenues that could be used to pay for existing Tidelands parking obligation shortfalls. Once those obligations have been fulfilled, the City Council could make a policy decision regarding the deployment of these funds. One option would be to use the revenues to fund economic development and capital improvement programs.

### ***Recreational Vehicle Parking Program***

The Nelson\Nygaard parking study concluded that excess parking spaces are available during off-peak periods. It may be advantageous to create a program that allows recreational vehicle owners to rent spaces in the City-owned beach parking lot during the off-peak seasons. This use would create revenues that could be programmed by the City Council. It would also add to the close-in population that will create demand for goods and services during the off-peak seasons.

## **FINANCIAL RESOURCES**

KMA identified 13 different funding sources and financing mechanisms that are potentially available to the City (See Attachment 1). KMA then evaluated each funding source and financing mechanism to identify the tools that offer the best chance of success in Balboa Village. The potential tools are described in the following table:

Source	Description
Community Development Block Grant Funds (CDBG)	These funds are awarded to the City by the federal government. The funds can be used to achieve defined national objectives, including the construction of public improvements such as streetscape improvements.
Disposition of City Assets	The City can sell or lease City owned property to attract desired uses.
General Fund	Includes sales taxes, transient occupancy taxes (TOT), property taxes, motor vehicle license fees, etc. These funds can be used to fund economic development and capital programs.
Parking Benefit District Revenues and Recreational Vehicle Parking Revenues	Parking revenues can be used to fill gap in funding existing parking obligations. In the future, the City Council could make the policy decision to direct revenues back into Balboa Village to fund implementation activities.
Community Facilities Districts (CFD) and Special Assessment Districts	A special tax is assessed on properties to fund public facilities and services.
Development Impact Fees	The City can impose impact fees directly tied to improvements and/or services necessitated by development.
Developer Advances	Developers can be asked to pay for public improvements in return for repayment from the public revenues generated by their project over time.
California Infrastructure and Economic Development Bank (IBANK)	The Bank offers a low interest bonds for projects such as streets, parks, and transit. The loans range from \$250,000 to \$10 million.

## **DEVELOPMENT PROGRAMS**

The 37,717 square foot City-owned site located at Palm Street and Balboa Boulevard offers a major opportunity to catalyze the surrounding area. To test the potential for development on this "Study Site", KMA prepared pro forma analyses to provide order-of-magnitude estimates of the operating costs and/or land values that can be supported by three development alternatives.

It is important to note that the pro forma analyses are conceptual in nature, and should only be used to gain an understanding of the relative viability of the three alternatives being tested. It will be necessary to re-evaluate the results of the analysis if and when a formal development proposal is submitted for the Study Site.

### **Development Standards**

To identify potential development programs, KMA reviewed the City's "Development Standards for Vertical and Horizontal Mixed-Use Zoning Districts" and worked with the City to estimate the potential scale of development. Assuming the projects are vertical mixed use, key sizing factors for the prototypes include:

1. Residential lot area required: The minimum lot size is set at 1,631 per square foot per unit. This allows for a maximum of 19 residential units on the 31,717 square foot Study Site.
2. Floor Area Ratio (FAR): The FAR is allowed to be .35 to .50 for non-residential uses, and 1.0 for residential uses. This indicates that the commercial space could range from 11,100 square feet to 15,850 square feet, and the residential use would be capped at 31,717 square feet of building area.
3. Height: The height limit is set at 31 feet with a sloped roof. This allows for three levels of development.

### **Prototype Projects**

#### ***Alternative 1 – Public Parking Structure***

Alternative 1 is a 237 space, three-level parking structure. Current parking demand during the peak summer months is extremely high, but it is very modest during the non-peak seasons. However, the potential development of two catalytic projects, ExplorOcean and The Balboa Performing Arts Theater, could generate demand for additional parking in the area during the non-peak seasons. Further, a public parking structure could allow for parking requirements to be relaxed for new or intensified development.

***Alternative 2 – Public Parking Structure with Hotel***

Alternative 2 is comprised of a four-story structure with 154 parking spaces on the first two floors, and 44 hotel units on the top two floors. The garage would include 44 dedicated spaces for the hotel and 110 spaces available to the public. The public parking spaces would address the same issues identified in Alternative 1, while the hotel would meet the General Plan's goal of introducing a small-scale lodging development into the area.

***Alternative 3 – Mixed-Use Commercial and Residential***

Alternative 3 is a project that includes apartments and ground-floor commercial space. The commercial component consists of 11,100 square feet, and the residential includes 19 rental units. This mix maximizes the number of residential units and minimizes the amount of commercial space in the project. To maximize the residential square footage, a mix of 1,400 and 1,600 square foot units are assumed, as presented in the following table:

	Building Area (Square Feet)
<u>Residential Development</u>	
Nine Units at 1,400 square feet	12,600
Ten units at 1,600 square feet	16,000
Circulation & Public Amenities (10%)	2,860
Total Residential Development	31,460
Commercial Development	11,100
Parking <sup>1</sup>	41,200
Total Building Area	83,760

**Summary of Development Alternatives**

The identified development alternatives were selected for the following reasons:

1. The public parking structure alternative was selected, because it has the potential to catalyze private development in the vicinity. Ground-floor commercial space was not included, because the limited income it would generate would not significantly defray the costs associated with this alternative.

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<sup>1</sup> Assumes 2.5 spaces per residential unit and 5.0 spaces per 1,000 square feet of commercial space.

2. Hotel development was evaluated, because it is considered a desirable use, and given investment constraints, it is unlikely to occur without the provision of public financial incentives.
3. The vertical mixed-use project with a small amount of ground-floor commercial space and upper-level residential units was tested to demonstrate the land value supported by a project that is deemed feasible from both market and financial feasibility standpoints.

### **Financial Analysis: Alternative 1 – Public Parking Structure**

The pro forma analysis for Alternative 1 is shown in Attachment 2. The parking structure is assumed to include 237 spaces at an average of 400 square feet per space. This equates to a 94,800 square foot structure.

#### ***Estimated Construction Costs (Attachment 2 – Table 1)***

The KMA construction cost analysis is based on the following assumptions:

1. Direct Construction Costs:
  - a. The on-site improvement costs are estimated at \$7.00 per square foot of land area.
  - b. The direct building costs are estimated at \$20,000 per space, for a total of \$5.9 million.
  - c. A 10% direct cost contingency allowance is provided.
2. Indirect Costs:
  - a. The indirect cost estimates used in the analysis are based on industry standards.
  - b. KMA assumed that no public permits and fees cost would be applied to the public parking structure. The City staff will need to verify the accuracy of this assumption.
3. The construction period financing costs are based on an 18 month construction period, and the assumption that the City will use bond funds to finance the structure at a 5% interest rate.

As shown in Attachment 2 – Table 1, the total construction costs are estimated at \$8.6 million. This equates to \$36,000 per space.

***Stabilized Net Operating Income (Attachment 2 - Table 2)***

The following income analysis projects the on-site revenue generated by the parking structure. It should be noted that the projection does not address the transfer of parking revenues from other spaces in Balboa Village. Given the fact that the Nelson\Nygaard parking study concluded that outside the peak months there is limited to no demand demonstrated for new parking spaces in Balboa Village, when this transfer is considered, it is possible that the net new revenues could be minimal.

The net operating income estimates are based on the following assumptions:

1. Peak Day Revenues:
  - a. The Nelson\Nygaard parking analysis concluded that there are 30 peak days per year, and that the spaces in the existing lot are utilized by 1.84 cars per day.
  - b. The parking revenue is estimated at \$5.52 per space per day. This translates to \$39,000 per year for the 237 space garage.
2. Off-Peak Day Revenues:
  - a. The utilization of the existing parking lot is relatively limited during the non-peak days. However, the proposed ExplorOcean project and Balboa Performing Arts Theater may generate additional parking demand in Balboa Village.
  - b. Based on the potential and existing parking patterns, KMA estimated that on average, each space in the garage would be used for at least one hour per day by 1.84 cars.<sup>2</sup>
  - c. The parking rate is set at \$1.50 per hour, which results in total annual revenues of approximately \$219,000.
3. The annual parking expenses are estimated at \$500 per space.

The stabilized net operating income is estimated at \$139,000.

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<sup>2</sup> This is an aggressive estimate based on the survey research conducted by Walker Parking and reviewed by Nelson\Nygaard.

***Net Annual Revenue/(Cost) to the City (Attachment 2 - Table 3)***

As shown in Attachment 2 – Table 3, KMA’s analysis assumes the City would utilize bond financing to pay for the project. To that end, we have provided an order-of-magnitude debt service estimate for the project based on the following assumptions:

1. Total construction costs of \$8.59 million;
2. Bond issuance and contingency costs equal to 10% of total project costs; and
3. A 5% interest rate and a 25-year amortization term.

Based on these assumptions, the annual debt service for the project is \$671,000. Comparatively, the net operating income is estimated at \$139,000. Therefore, KMA estimates a funding shortfall of approximately \$532,000 per year for Alternative 1.

**Financial Analysis: Alternative 2 – Public Parking Structure with Hotel**

The pro forma analysis for Alternative 2 is shown in Attachment 3. Attachment 3A estimates the return on investment for a 44-room hotel served by 44 parking spaces located in a parking garage below the hotel. Attachment 3B estimates the costs for 110 spaces public parking spaces that would be included in the garage. The pro forma analysis projects the City revenues that could be generated from the parking and the hotel ground lease.

***Hotel (Attachment 3A)***

The development scope assumes vertical mixed-use zoning for the project, which would allow for a commercial/hotel FAR of 1.0. Based on this standard, the hotel would include 31,717 square feet of building area. Typically, boutique hotels range from 600 to 800 square feet per key, and for this analysis we applied the midpoint of 700 square feet. This results in a total room count of 44 units. It is further assumed that the hotel would occupy the top two floors of the structure to take advantage of the views.

**Estimated Construction Costs (Attachment 3A - Table 1)**

The KMA construction cost analysis is based on the following assumptions:

1. Direct Construction Costs:
  - a. The on-site improvement costs are estimated at \$7.00 per square foot of land area.

- b. The hotel developer would be responsible for paying the cost to construct 44 parking spaces in the on-site garage. The direct construction costs are estimated at \$20,000 per space, or \$880,000.
  - c. The direct building costs for the hotel are estimated at \$150 per square foot of building area, or \$4.8 million.
  - d. KMA provided a \$25,000 per room allowance for furniture, fixtures and equipment (FF&E) costs. This reflects a high quality level.
  - e. A 10% direct cost contingency allowance is provided.
2. Indirect Costs:
- a. The indirect cost estimates used in this analysis are based industry standards.
  - b. The public permits and fees costs are estimated at \$10 per square foot of building area. The City staff should verify the accuracy of this estimate.
3. The financing costs are based on the following assumptions:
- a. The construction period is set at 18 months, and the interest rate is set at 7%.
  - b. The loan to value ratio is set at 65%, and the loan origination fees are set at two points.

As shown in Attachment 3A – Table 1, the total construction costs are estimated at \$10 million. This equates to approximately \$228,000 per room.

Stabilized Net Operating Income (Attachment 3A – Table 2)

Attachment 3A- Table 2 summarizes the stabilized net operating income for the hotel. Based on our review of the market, and typical operating parameters for small-scale boutique hotels, KMA estimated the project's net operating income as follows:

1. Hotel Operating Income:
- a. The average daily rate (ADR) for the hotel is estimated at \$230, and the average occupancy level is set at 67%. This is consistent with the average for Coastal Orange County properties in 2011.



- b. The revenue from “other” operating departments could include food and beverage, vending machines, telephone and rentals.
- c. The parking revenues assume an 80% utilization rate for the parking spaces and a \$15 overnight fee.

2. Operating Expenses

- a. The undistributed expenses are estimated at 23% of gross revenues. These expenses include: administration, marketing/franchise costs, maintenance, utilities and management fees.
  - b. The fixed expenses are estimated at 5% of gross revenues, and include insurance and reserves.
  - c. Property taxes are estimated at 1.1% of project costs.
3. The analysis assumes the developer would enter into a ground or air rights lease with the City. Assuming this is case, KMA estimated the annual ground lease payments at 8% of room revenues, which is generally consistent with the current ground leases for the other Southern California coastal communities.

As shown in Attachment 3A – Table 2, the stabilized net operating income is estimated at \$925,500.

Estimated Developer Return (Attachment 3A – Table 3)

The stabilized return on investment is estimated by dividing the net operating income by the total construction cost for the project. As can be seen in Attachment 3A – Table 3, the stabilized developer return for the 44-room hotel is estimated at 9.22%. This level of return is lower than the typical investor requirements of 10% to 11% for this type of product.

The market conditions for hotels have improved over the past two years; however, occupancy and ADR levels have still not reached 2007 peak levels. KMA conducted a sensitivity test for the project and found that an 8% increase in project RevPAR would provide a 10% return on costs for the project, and a 12% increase in RevPAR would provide an 11% return on costs.

***Parking (Attachment 3B)***

The pro forma analysis for the 110 public parking spaces is presented in Attachment 3B. At an average of 400 square feet per space, the public parking space area totals 44,000 square feet.

**Estimated Construction Costs (Attachment 3B - Table 1)**

The KMA construction cost analysis is based on the following assumptions:

1. Direct Construction Costs:
  - a. The on-site improvement costs are estimated at \$7.00 per square foot of land area.
  - b. The direct building costs are estimated at \$20,000 per space, for a total of \$2.2 million.
  - c. A 10% direct cost contingency allowance is provided.
2. Indirect Costs:
  - a. The indirect costs are based on industry standards.
  - b. KMA assumed that no public permits and fees costs would be assessed against the parking structure. The City will need to verify the accuracy of this assumption.
3. The construction period interest costs are based on an 18 month construction period and the assumption that the City will use bond financing at a 5% interest rate to finance the parking structure costs.

As shown in Attachment 3B – Table 1, the total construction costs are estimated at \$3.4 million. This equates to \$31,000 per space.

**Stabilized Net Operating Income (Attachment 3B - Table 2)**

1. For the Alternative 2 analysis, KMA applied the same underlying revenue assumptions as were used for Alternative 1. The resulting projected parking revenues are:
  - a. The peak day revenues are estimated at \$18,000 per year.
  - b. The off-peak day revenues are estimated at \$102,000.

2. The annual parking expenses are estimated at \$500 per space.

Based on the preceding assumptions, the stabilized net operating income for the public parking is estimated at \$65,000. In addition to the parking revenue, the hotel is estimated to generate \$228,000 per year in ground rent payments. The total project income for Alternative 2 is estimated at \$293,000.

Net Annual Revenue/(Cost) to the City (Attachment 3B - Table 3)

As shown in Attachment 3B – Table 3, KMA's analysis assumes the City utilizes bond financing to pay for the project. To that end, we have provided an order-of-magnitude estimate of the annual debt service costs for the parking structure based on the following assumptions:

1. Total construction costs of \$3.4 million;
2. Bond issuance and contingency costs equal to 10% of total project costs; and
3. A 5% interest rate and a 25-year amortization term.

Based on these assumptions the annual debt service for the public parking is \$267,000. Comparatively, the total project income is estimated at \$293,000. Therefore, KMA estimates net annual revenue to the City of \$26,000 for Alternative 2.

**Financial Analysis: Alternative 3 – Mixed Use Commercial and Residential**

The pro forma analysis for Alternative 3 is shown in Attachment 4. This Alternative includes 19 apartment units and 11,100 square feet of commercial space. It should be noted that this Alternative would remove a significant number of parking spaces from Balboa Village; however, the Nelson\Nygaard study indicates an adequate supply of parking spaces during the majority of the year.

***Estimated Construction Costs (Attachment 4 - Table 1)***

The KMA construction cost analysis is based on the following assumptions:

1. Direct Construction Costs:
  - a. The on-site improvement costs are estimated at \$7.00 per square foot of land area.
  - b. A total of 104 parking spaces must be provided to serve the project. At a direct cost of \$20,000 per space, the costs are estimated to total \$1.11 million.

- c. The building shell costs are estimated at the high end of the range for mixed-use projects reviewed by KMA in the region. These costs are estimated as follows:
    - i. The residential costs are estimated at \$120 per square foot of building area; and
    - ii. The commercial costs are estimated at \$110 per square foot of building area.
  - d. A 10% direct cost contingency allowance is provided.
2. Indirect Costs:
- a. The indirect cost estimates used in the analysis are based on industry standards.
  - b. KMA applied a placeholder estimate for the public permits and fees costs that will need to be verified by the City. The estimated costs are:
    - i. \$20,000 per unit for the residential units; and
    - ii. \$10 per square foot of building area for the commercial use.
3. The financing costs are based on the following assumptions:
- a. The construction period is set at 18 months and the interest rate is set at 7%.
  - b. A 70% loan to value ratio is applied, and the loan origination fees are set at two points.

As shown in Attachment 4 – Table 1, the total construction costs are estimated at \$10.95 million. This equates to \$260 per square foot of building area.

***Stabilized Net Operating Income (Attachment 4 - Table 2)***

KMA estimated the achievable residential rents based on the following methodology:

- 1. The average rent found in a KMA survey of Newport Beach apartment projects is \$1,990 per unit, or \$2.10 per square foot per month.

2. The pro forma used in this analysis is based on a review of high-end projects in Newport Beach. KMA found that these units are generating rents that are approximately 12% higher than the citywide average.
3. KMA applied a 10% premium over this average to reflect the premium associated with new construction.
4. The resulting residential rent estimates are:
  - a. 1,400 Sf Units - \$3,640 (\$2.60 per square foot)
  - b. 1,600 Sf Units - \$4,080 (\$2.55 per square foot)

The income projected to be generated by the project annually can be summarized as follows:

1. The gross residential rent income is estimated at \$882,700 per year. When a \$15 allowance is provided for miscellaneous income and a 5% vacancy and collection allowance is included, the residential effective gross income is estimated at \$841,800.
2. The commercial rents are estimated at \$3.00 per square foot per month, given the Study Site's high visibility in Balboa Village. After a 5% vacancy and collection allowance is applied, the commercial effective gross income is estimated at \$379,600.
3. The operating expense estimates for residential and commercial uses are based on KMA's experience with similar projects in the region. The total operating expenses are estimated at \$283,600.

The resulting stabilized net operating income is estimated at \$937,800.

***Residual Land Value (Attachment 4 - Table 3)***

The land value that can be supported by the project is equal to the difference between the estimated construction costs and the amount of private investment that can be obtained. For this Alternative, the residual land value is estimated as follows:

**Supportable Private Investment**

The amount of private investment that can be supported is based on the project's net operating income and the threshold returns being required by investors in the marketplace. KMA estimates the supportable investment for the project based on the following assumptions:

1. The net operating income for the project is estimated at \$937,800.
2. The threshold return on total investment is estimated at 6.9%. This return is based on the weighted average of the following:
  - a. The threshold return for the residential component is set at 6%; and
  - b. The threshold return for the commercial component is set at 9%.

The supportable private investment for the project is estimated at \$13.53 million.

Estimated Residual Land Value

The residual land value for Alternative 3 is estimated as follows:

Supportable Private Investment	\$13,528,000
(Less) Estimated Construction Costs	<u>(10,950,000)</u>
Residual Land Value	\$2,578,000
Per Square Foot of Land Area	\$81.00

Based on the preceding analysis, KMA estimates the residual land value for Alternative 3 at \$2.58 million, or \$81 per square foot of land area. If a ground lease of the Study Site is pursued, then the payments to the City could range from \$206,000 to \$258,000 per year.

## RECOMMENDATIONS

KMA recommends that the City adopt an implementation strategy that maximizes the use of City assets, actively solicits new revenues, and creates opportunities for new revenue generators to locate in Balboa Village. To that end, KMA recommends that the City consider taking the following implementation actions in Balboa Village:

1. Selectively modify development standards and provide regulatory relief to enhance development opportunities in Balboa Village.
2. Support and facilitate the development of ExplorOcean and the Balboa Theater as they may catalyze complementary private development.
3. Create economic development programs targeted to property owners and desired tenant types.

4. Create a Parking Management Plan to address parking issues identified in Balboa Village. Consider including a Parking Benefit District and a Recreational Vehicle parking program to generate revenues to be distributed at the City Council's discretion.
5. Consider making the City-owned Study Site available for development. The pro forma analyses generated the following order-of-magnitude results:
  - a. The development of a stand-alone public parking structure generates an annual shortfall estimated at approximately \$532,000 per year.
  - b. A public parking structure with a hotel on the upper levels could generate revenue to the City. However, to attract a hotel it may likely be necessary to provide a discounted ground-lease payment structure and/or a reduction in the City's parking requirements.
  - c. The private mixed-use development alternative is projected to support a ground-lease payment in the range of \$206,000 to \$258,000 per year. These revenues could potentially be used to fund programs identified in the Balboa Village implementation strategy.
6. Create a Parking Management Plan address current parking constraints. A Parking Benefit District could be included as part of the Plan to generate funding for existing parking obligations. Once these obligations are met, the City Council would have the discretion to use funds in a variety of ways including the provision of funding for economic development and capital improvement programs.

**ATTACHMENT 1**  
**POTENTIAL FUNDING MECHANISMS**



ATTACHMENT 1 - TABLE 1

POTENTIAL FUNDING MECHANISMS  
IMPLEMENTATION STRATEGIES  
BALBOA VILLAGE IMPLEMENTATION STRATEGIES  
NEWPORT BEACH, CALIFORNIA

	Community Development Block Grants	General Fund Revenue
<b>A. Description</b>	<ul style="list-style-type: none"> <li>Entitlement program grant provided by the United States Department of Housing and Urban Development (HUD). Funds must be used to meet defined National Objectives.</li> </ul>	<ul style="list-style-type: none"> <li>Fees collected in the City's General Fund, generated by property taxes, sales tax, transient occupancy tax, motor vehicle license fees, and other sources of revenue.</li> </ul>
<b>B. Eligible Uses</b>	<ul style="list-style-type: none"> <li>Property acquisition</li> <li>Construction of public improvements</li> <li>Clearance, rehabilitation, and reconstruction of buildings</li> <li>Provision of public services</li> <li>Economic Development assistance</li> <li>Affordable housing activities</li> </ul>	<ul style="list-style-type: none"> <li>City services such as police, fire, life safety, libraries, and parks and recreational facilities.</li> <li>Capital improvements.</li> </ul>
<b>C. Funding Parameters</b>	<ul style="list-style-type: none"> <li>The City receives an annual grant from HUD based on funding allocation parameters.</li> </ul>	<ul style="list-style-type: none"> <li>The City can elect to dedicate portions of specific revenues, e.g., TOT, sales tax, etc. to targeted capital improvements that the City determines that sufficient benefit exists for the assistance.</li> </ul>
<b>D. Funding Responsibility</b>	<ul style="list-style-type: none"> <li>Directly from City</li> </ul>	<ul style="list-style-type: none"> <li>Directly from City</li> </ul>

ATTACHMENT 1 - TABLE 1

POTENTIAL FUNDING MECHANISMS  
IMPLEMENTATION STRATEGIES  
BALBOA VILLAGE IMPLEMENTATION  
NEWPORT BEACH, CALIFORNIA

Disposition of City Assets		Infrastructure Facilities District
<b>A. Description</b>	<ul style="list-style-type: none"> <li>City can dispose of owned property in the Study Areas.</li> <li>Money generated by sale of properties can become funding source for other projects.</li> </ul>	<ul style="list-style-type: none"> <li>Property tax increment district.</li> <li>Voluntary program to fund capital costs of eligible public facilities (no school revenue)</li> <li>Typically, general fund is only participant</li> <li>Requires 2/3 voter approval</li> <li>Not yet available for urban areas.</li> </ul>
<b>B. Eligible Uses</b>	<ul style="list-style-type: none"> <li>City services such as police, fire, life safety, libraries, and parks and recreational facilities.</li> <li>Capital Improvements</li> </ul>	<ul style="list-style-type: none"> <li>Streets</li> <li>Streetscape &amp; sidewalks</li> <li>Libraries</li> <li>Recreational facilities</li> <li>Sewage treatment, flood control, water</li> <li>Must serve broader community</li> </ul>
<b>C. Funding Parameters</b>	<ul style="list-style-type: none"> <li>The City can elect to dedicate portions of revenue to targeted capital improvements and/or economic development programs.</li> </ul>	<ul style="list-style-type: none"> <li>A portion of the growth in annual property tax revenues is deposited into the IFD (typically 5% to 20% of increment)</li> <li>Annual deposits can be monetized</li> <li>30-Year program</li> <li>No new tax or liability on property owners</li> </ul>
<b>D. Funding Responsibility</b>	<ul style="list-style-type: none"> <li>Funded out of the sale of the asset.</li> </ul>	<ul style="list-style-type: none"> <li>Funding derived from City's share of incremental share of property tax over established baseline.</li> </ul>

ATTACHMENT 1 - TABLE 1

POTENTIAL FUNDING MECHANISMS/  
IMPLEMENTATION STRATEGIES  
BALBOA VILLAGE IMPLEMENTATION  
NEWPORT BEACH, CALIFORNIA

	Loan & Grant Programs	I-Bank - Infrastructure State Revolving Fund Program
<b>A. Description</b>	<ul style="list-style-type: none"> <li>● City can administer revolving loan funds, low interest loan programs or loan guarantee programs.</li> <li>● Local or regional lenders can be approached to ascertain their interest in contributing funds for lending.</li> </ul>	<ul style="list-style-type: none"> <li>● Low cost financing to public agencies for a wide variety of infrastructure projects.</li> </ul>
<b>B. Eligible Uses</b>	<ul style="list-style-type: none"> <li>● Tenant improvement loans</li> <li>● Façade improvement loans</li> <li>● Small business start-up loans</li> </ul>	<ul style="list-style-type: none"> <li>● City streets.</li> <li>● Educational facilities.</li> <li>● Environmental mitigation measures.</li> <li>● Parks and recreational facilities.</li> <li>● Public transit.</li> </ul>
<b>C. Funding Parameters</b>	<ul style="list-style-type: none"> <li>● Funds would be available to applicants on a demonstrated needs basis.</li> </ul>	<ul style="list-style-type: none"> <li>● The Infrastructure State Revolving Fund Program offered by the I-Bank offers loans ranging between \$250,000 to \$10,000,000 with eligible repayment sources including General Fund revenues, tax increment revenues, and property assessments.</li> </ul>
<b>D. Funding Responsibility</b>	<ul style="list-style-type: none"> <li>● Funding provided by City based on scale of program.</li> </ul>	<ul style="list-style-type: none"> <li>● Repaid by City with local tax revenues.</li> </ul>

ATTACHMENT 1 - TABLE 1

POTENTIAL FUNDING MECHANISMS  
IMPLEMENTATION STRATEGIES  
BALBOA VILLAGE IMPLEMENTATION  
NEWPORT BEACH, CALIFORNIA

	Community Facilities Districts (CFDs)	Special Assessment Districts
<b>A. Description</b>	<ul style="list-style-type: none"> <li>● A special tax placed against property located within an established district to fund public facilities and services.</li> <li>● Municipal bonds supported by revenues from the special tax are sold by the CFD to provide upfront funding to build improvements or fund services.</li> </ul>	<ul style="list-style-type: none"> <li>● Similar to a CFD but shifts the funding of infrastructure from all taxpayers to only those who benefit specifically from the improvement.</li> <li>● Sets a fixed lien on every parcel within the assessment district.</li> <li>● Municipal bonds supported by special assessments provide upfront funding.</li> </ul>
<b>B. Eligible Uses</b>	<ul style="list-style-type: none"> <li>● Funding of capital facilities including: <ul style="list-style-type: none"> <li>- parks</li> <li>- schools</li> <li>- fire stations</li> <li>- water and sewer systems</li> <li>- government facilities</li> </ul> </li> <li>● Purchase, construction, and improvement or rehabilitation of real property.</li> </ul>	<ul style="list-style-type: none"> <li>● Construction of capital facilities such as roads, water, sewer, and flood control.</li> </ul>
<b>C. Funding Parameters</b>	<ul style="list-style-type: none"> <li>● Requires 2/3 vote of qualified electors in district. If fewer than 12 residents, vote is conducted on current landowners.</li> <li>● Assessment based on allocation formula, not necessarily in proportion to the benefit received.</li> <li>● Requires value-to-lien ratio of 3:1.</li> </ul>	<ul style="list-style-type: none"> <li>● Typically property owners petition a City to form a district to finance large-scale infrastructure improvements.</li> <li>● Assessments on property owners are determined in proportion to the benefit received.</li> </ul>
<b>D. Funding Responsibility</b>	<ul style="list-style-type: none"> <li>● Funding provided by landowners</li> </ul>	<ul style="list-style-type: none"> <li>● Funded by landowners benefiting from infrastructure improvement.</li> </ul>

ATTACHMENT 1 - TABLE 1

POTENTIAL FUNDING MECHANISMS/  
IMPLEMENTATION STRATEGIES  
BALBOA VILLAGE IMPLEMENTATION  
NEWPORT BEACH, CALIFORNIA

	Development Impact Fees	Property Owner / Developer Exactions
<b>A. Description</b>	<ul style="list-style-type: none"> <li>Fees paid by developers to pay all or a portion of the costs of any public facility that benefits their development.</li> </ul>	<ul style="list-style-type: none"> <li>Payments made by developers or property owners in addition to, or in lieu of, development impact fees.</li> <li>Funds contributed are used to install selected public improvements.</li> <li>Alternatively, developers are required to construct and deliver specific</li> </ul>
<b>B. Eligible Uses</b>	<ul style="list-style-type: none"> <li>Capital facilities or ongoing services. Examples of impact fees include: <ul style="list-style-type: none"> <li>- school impact fee</li> <li>- mitigation fee (police, fire, park, etc.)</li> <li>- water meter installation</li> <li>- sanitation capacity charge</li> <li>- water system facility/backup facility charge</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Dedication of right-of-way streets and utilities</li> <li>Provision of open space</li> <li>Parks or landscape improvements</li> <li>Schools and community facilities</li> </ul>
<b>C. Funding Parameters</b>	<ul style="list-style-type: none"> <li>Fees are paid in the form of a predetermined money payment as a condition to the issuance of building permits, an occupancy permit, or subdivision map approval.</li> </ul>	<ul style="list-style-type: none"> <li>Typically paid or committed as part of the development approval process.</li> </ul>
<b>D. Funding Responsibility</b>	<ul style="list-style-type: none"> <li>Paid by developers</li> </ul>	<ul style="list-style-type: none"> <li>Typically paid or committed by developers as part of the development approval process.</li> </ul>

ATTACHMENT 1 - TABLE 1

POTENTIAL FUNDING MECHANISMS/  
IMPLEMENTATION STRATEGIES  
BALBOA VILLAGE IMPLEMENTATION  
NEWPORT BEACH, CALIFORNIA

	Developer Advances/Reimbursement Agreements	User Fees
<b>A. Description</b>	<ul style="list-style-type: none"> <li>● Advance of funds from developers for use toward backbone infrastructure.</li> <li>● Alternatively, developers construct and deliver specific improvements.</li> <li>● City and developer enter into Reimbursement Agreement.</li> </ul>	<ul style="list-style-type: none"> <li>● Fee imposed by a city, utility, or other franchise for services and facilities they provide.</li> </ul>
<b>B. Eligible Uses</b>	<ul style="list-style-type: none"> <li>● Backbone infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>● Water meter hook-ups.</li> <li>● Gas, electric, cable, &amp; telephone hook-ups.</li> <li>● Park and recreation facilities.</li> </ul>
<b>C. Funding Parameters</b>	<ul style="list-style-type: none"> <li>● Typically repaid from redevelopment tax increment, CFD bond proceeds, and/or development impact fees collected from future developers.</li> </ul>	<ul style="list-style-type: none"> <li>● Use of user fee revenues are limited to paying for the service for which the fees are collected.</li> <li>● The fee amount may not exceed the cost of providing the service but may include overhead, capital improvements, and debt service.</li> </ul>
<b>D. Funding Responsibility</b>	<ul style="list-style-type: none"> <li>● Paid by developers.</li> </ul>	<ul style="list-style-type: none"> <li>● Paid by developers and property owners.</li> </ul>

ATTACHMENT 1 - TABLE 1

POTENTIAL FUNDING MECHANISMS/  
IMPLEMENTATION STRATEGIES  
BALBOA VILLAGE IMPLEMENTATION  
NEWPORT BEACH, CALIFORNIA

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	Landscape Districts/Parking Districts
A. Description	<ul style="list-style-type: none"><li>● Assessment on properties located within a specific district that benefit from landscaping and/or parking.</li></ul>
B. Eligible Uses	<ul style="list-style-type: none"><li>● Landscaping districts allow for the funding of lights, recreational equipment, landscaping, and irrigation.</li><li>● Parking districts allow for the acquisition, improvement, and operation of shared parking facilities.</li></ul>
C. Funding Parameters	<ul style="list-style-type: none"><li>● Funds are typically collected concurrently with the annual business license tax or property tax bill, with varying formulas for retail vs. non-retail businesses, and residential vs. non-residential property.</li></ul>
D. Funding Responsibility	<ul style="list-style-type: none"><li>● Paid by developers and property owners</li></ul>

**ATTACHMENT 2  
DEVELOPMENT #1  
PUBLIC PARKING STRUCTURE**



ATTACHMENT 2 - TABLE 1

ESTIMATED CONSTRUCTION COSTS  
237 PUBLIC PARKING SPACES  
BALBOA VILLAGE IMPLEMENTATION STRATEGIES  
NEWPORT BEACH, CALIFORNIA

<b>I. <u>Direct Costs</u> <sup>1</sup></b>				
Off-Site Costs				\$0
On-Site Costs	31,717	Sf	\$7.00 /Sf of Land	222,000
Public Parking	237	Spaces	\$25,000 /Space	5,925,000
Contractor/DC Contingency	10.0%	Other Direct Costs		615,000
<b>Total Direct Costs</b>				<b>\$6,762,000</b>
<b>II. <u>Indirect Costs</u></b>				
Arch, Engineering & Consulting	8.0%	Direct Costs		\$541,000
Public Permits & Fees <sup>2</sup>	0	Sf of GBA	\$0 /Sf	0
Taxes, Ins, Legal & Accounting	2.0%	Direct Costs		135,000
Developer Fee	10.0%	Direct Costs		676,000
Soft Cost Contingency Allowance	5.0%	Ind+Fin Costs		92,000
<b>Total Indirect Costs</b>				<b>\$1,444,000</b>
<b>III. Interest During Construction <sup>3</sup></b>				
	\$8,593,000	Cost	5.00% Interest	\$387,000
<b>IV. <u>Total Construction Cost</u></b>				
	237	Spaces	\$36,000 /Space	<b>\$8,593,000</b>

<sup>1</sup> Based on KMA's experience with similar projects.

<sup>2</sup> The estimate should be verified by the City staff.

<sup>3</sup> Assumes City cost of funds, an 18 month construction period and a 60% average outstanding balance.

**ATTACHMENT 2 - TABLE 2****STABILIZED NET OPERATING INCOME  
237 PUBLIC PARKING SPACES  
BALBOA VILLAGE IMPLEMENTATION STRATEGIES  
NEWPORT BEACH, CALIFORNIA**

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<b>I. <u>Parking Revenue</u> <sup>1</sup></b>				
Peak Days - 30 Days	237 Spaces	\$5.52 /Space/Day	\$39,000	
Off-Peak Days - 335 Days	237 Spaces	\$2.76 /Space/Day	219,000	
				\$258,000
<b>II. Operating Expenses</b>				
	237 Spaces	\$500 /Space		(\$119,000)
<b>III. <u>Net Operating Income</u></b>				<b>\$139,000</b>

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<sup>1</sup> High season rates and days based on Walker Parking & Nelson Nygaard research. KMA estimated low season rates.

**ATTACHMENT 2 - TABLE 3****NET ANNUAL REVENUE/(COST) TO THE CITY  
237 PUBLIC PARKING SPACES  
BALBOA VILLAGE IMPLEMENTATION STRATEGIES  
NEWPORT BEACH, CALIFORNIA**

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<b>I. Net Operating Income</b>	See ATTACHMENT 2 - TABLE 2	\$139,000
<b>II. <u>Parking Structure Costs</u></b>		
Construction Cost	See ATTACHMENT 2 - TABLE 1	\$8,593,000
Issuance Costs & Contingency	10.0% of Construction Costs	<u>859,000</u>
<b>Total Parking Structure Costs</b>		<b>\$9,452,000</b>
<b>III. Annual Debt Service Payment</b>	5.0% Interest      25 Year Term	<b>(\$671,000)</b>
<b>IV. <u>Total Net Annual Revenue/(Cost)</u></b>		<b>(\$532,000)</b>

**ATTACHMENT 3  
DEVELOPMENT #2  
PUBLIC PARKING STRUCTURE AND HOTEL**

## ATTACHMENT 3A - TABLE 1

**ESTIMATED CONSTRUCTION COSTS**  
**44 ROOM HOTEL**  
**BALBOA VILLAGE IMPLEMENTATION STRATEGIES**  
**NEWPORT BEACH, CALIFORNIA**

**I. Direct Costs**<sup>1</sup>

Off-Site Costs				\$0
On-Site Costs	31,717	Sf	\$7.00 /Sf of Land	222,000
Hotel Parking	44	Spaces	\$20,000 /Space	880,000
Hotel Shell Costs	31,717	Sf of GBA	\$150 /Sf	4,758,000
Hotel FF&E	44	Rooms	\$25,000 /Room	1,100,000
Contractor/DC Contingency	10.0%	Other Direct Costs		586,000

**Total Direct Costs** \$7,546,000

**II. Indirect Costs**

Arch, Engineering & Consulting	8.0%	Direct Costs		\$604,000
Public Permits & Fees <sup>2</sup>	31,717	Sf of GBA	\$10 /Sf	317,000
Taxes, Ins, Legal & Accounting	2.0%	Direct Costs		151,000
Pre-Opening/Working Capital	44	Rooms	\$3,000 /Room	132,000
Developer Fee	5.0%	Direct Costs		377,000
Soft Cost Contingency Allowance	5.0%	Ind+Fin Costs		125,000

**Total Indirect Costs** \$1,706,000

**III. Financing Costs**

Interest During Construction <sup>3</sup>	\$10,045,000	Cost	7.00% Interest	\$633,000
Loan Origination Fees <sup>4</sup>	\$7,520,000	Cost	2.00 Points	150,000

**Total Financing Costs** \$783,000

<b>IV. Total Construction Cost</b>	44	Rooms	\$228,100 /Room	<b>\$10,035,000</b>
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<sup>1</sup> Based on KMA's experience with similar projects.

<sup>2</sup> The estimate should be verified by the City staff.

<sup>3</sup> Assumes an 18 month construction period and a 60% average outstanding balance.

<sup>4</sup> Based on a 65% loan to value ratio. The value is calculated based on a 8.00% capitalization rate.

## ATTACHMENT 3A - TABLE 2

**STABILIZED NET OPERATING INCOME**  
**44 ROOM HOTEL**  
**BALBOA VILLAGE IMPLEMENTATION STRATEGIES**  
**NEWPORT BEACH, CALIFORNIA**

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**I. Hotel Operating Income**

Room Revenues <sup>1</sup>	44 Rooms	\$230 ADR	\$2,474,800
Other Departments	10% Room Revenue		247,500
Parking <sup>2</sup>	44 Spaces	\$15 /Night	129,000

<b>Gross Hotel Revenue</b>			<b>\$2,851,300</b>
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**II. Operating Expenses**

Distributed Expenses			
Rooms	23% Room Revenue		\$569,000
Other	80% Other Revenues		198,000
Parking	44 Spaces	\$500 /Space	22,000
Total Distributed Expenses			

Undistributed Expenses <sup>3</sup>	23% Gross Hotel Revenue	655,800
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Fixed Expenses <sup>4</sup>	5% Gross Hotel Revenue	143,000
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Property Taxes	1.1% Development Costs	110,000
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<b>Total Operating Expenses</b>		<b>(\$1,697,800)</b>
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<b>III. Ground Lease Payment <sup>5</sup></b>	8.0% Room Revenue	<b>(\$228,000)</b>
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<b>IV. <u>Net Operating Income</u></b>		<b>\$925,500</b>
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<sup>1</sup> Based on PKF Coastal Orange County market performance. Assumes 67% occupancy rate.

<sup>2</sup> Assumes 80% utilization rate.

<sup>3</sup> Includes administrative costs, marketing/franchise fees, maintenance, utilities and management fees.

<sup>4</sup> Includes reserves and insurance

<sup>5</sup> Based on ground lease rates for other coastal communities in Southern California.

**ATTACHMENT 3A - TABLE 3**

**ESTIMATED DEVELOPER RETURN  
44 ROOM HOTEL  
BALBOA VILLAGE IMPLEMENTATION STRATEGIES  
NEWPORT BEACH, CALIFORNIA**

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<b>I. Net Operating Income</b>	See ATTACHMENT 3A - TABLE 2	\$925,500
<b>II. Total Construction Cost</b>	See ATTACHMENT 3A - TABLE 1	\$10,035,000
<b>III. Estimated Developer Return</b>		9.22%

## ATTACHMENT 3B - TABLE 1

**ESTIMATED CONSTRUCTION COSTS**  
**110 PUBLIC PARKING SPACES**  
**BALBOA VILLAGE IMPLEMENTATION STRATEGIES**  
**NEWPORT BEACH, CALIFORNIA**

---

<b>I. <u>Direct Costs</u> <sup>1</sup></b>				
Off-Site Costs				\$0
On-Site Costs	31,717	Sf	\$7.00 /Sf of Land	222,000
Public Parking	110	Spaces	\$20,000 /Space	2,200,000
Contractor/DC Contingency	10.0%	Other Direct Costs		242,000
<b>Total Direct Costs</b>				<b>\$2,664,000</b>
<b>II. <u>Indirect Costs</u></b>				
Arch, Engineering & Consulting	8.0%	Direct Costs		\$213,000
Public Permits & Fees <sup>2</sup>	0	Sf of GBA	\$0 /Sf	0
Taxes, Ins, Legal & Accounting	2.0%	Direct Costs		53,000
Developer Fee	10.0%	Direct Costs		266,000
Soft Cost Contingency Allowance	5.0%	Ind+Fin Costs		44,000
<b>Total Indirect Costs</b>				<b>\$576,000</b>
<b>III. Interest During Construction</b> <sup>3</sup>	\$4,113,000	Cost	5.00% Interest	\$185,000
<b>IV. Total Construction Cost</b>	110	Spaces	\$31,000 /Space	<b>\$3,425,000</b>

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<sup>1</sup> Based on KMA's experience with similar projects.

<sup>2</sup> The estimate should be verified by the City staff.

<sup>3</sup> Assumes City cost of funds, an 18 month construction period and a 60% average outstanding balance.



ATTACHMENT 3B - TABLE 2

NET ANNUAL REVENUE/(COST) TO THE CITY  
110 PUBLIC PARKING SPACES  
BALBOA VILLAGE IMPLEMENTATION STRATEGIES  
NEWPORT BEACH, CALIFORNIA

---

<b>I. <u>Parking Revenue</u> <sup>1</sup></b>				
Peak Days - 30 Days	110 Spaces	\$5.52 /Space/Day	\$18,000	
Off-Peak Days - 335 Days	110 Spaces	\$2.76 /Space/Day	102,000	
			<u>\$120,000</u>	
<b>II. Operating Expenses</b>				
	110 Spaces	\$500 /Space	<u>(\$55,000)</u>	
<b>III. Parking Net Operating Income</b>				\$65,000
<b>IV. <u>Net Annual Revenue/(Cost)</u></b>				
Parking Net Operating Income			\$65,000	
Hotel Ground Lease Revenue			<u>228,000</u>	
<b>Total Net Annual Revenue/(Cost)</b>				<b>\$293,000</b>

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<sup>1</sup> High season rates and days based on Walker Parking & Nelson Nygaard research. KMA estimated low season rates.

**ATTACHMENT 3B - TABLE 3****ANNUAL OPERATING INCOME  
110 PUBLIC PARKING SPACES  
BALBOA VILLAGE IMPLEMENTATION STRATEGIES  
NEWPORT BEACH, CALIFORNIA**

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<b>I. Total Net Annual Revenue/(Cost)</b>	See ATTACHMENT 3B - TABLE 2	\$293,000
<b>II. <u>Parking Structure Costs</u></b>		
Construction Cost	See ATTACHMENT 3B - TABLE 1	\$3,425,000
Issuance Costs & Contingency	10.0% of Construction Costs	<u>343,000</u>
<b>Total Parking Structure Costs</b>		<b>\$3,768,000</b>
<b>Annual Debt Service Payment</b>	5.0% Interest      25 Year Term	<b>(\$267,000)</b>
<b>III. <u>Total Net Annual Revenue/(Cost)</u></b>		<b>\$26,000</b>

**ATTACHMENT 4  
DEVELOPMENT #3  
MIXED-USE RESIDENTIAL AND COMMERCIAL**

ATTACHMENT 4 - TABLE 1

**ESTIMATED CONSTRUCTION COSTS  
19 APARTMENT UNITS, 11,100 SF COMMERCIAL SPACE & 0 PUBLIC PARKING SPACES  
BALBOA VILLAGE IMPLEMENTATION STRATEGIES  
NEWPORT BEACH, CALIFORNIA**

<b>I. <u>Direct Costs</u><sup>1</sup></b>				
Off-Site Costs				0
On-Site Costs	31,717	Sf	\$7.00 /Sf of Land	222,000
Commercial Parking	56	Spaces	\$20,000 /Space	1,110,000
Residential Parking	48	Spaces	\$20,000 /Space	950,000
Building & Tenant Improvement Costs				
Residential	31,460	Sf of GBA	\$120 /Sf	3,775,000
Commercial	11,100	Sf of GBA	\$110 /Sf	1,221,000
Contractor/DC Contingency	10.0%	Other Direct Costs		728,000
<b>Total Direct Costs</b>				<b>\$8,006,000</b>
<b>II. <u>Indirect Costs</u></b>				
Arch, Engineering & Consulting	8.0%	Direct Costs		\$640,000
Public Permits & Fees <sup>2</sup>				
Residential	19	Units	\$20,000 /Unit	380,000
Commercial	11,100	Sf of GBA	\$10 /Sf	111,000
Taxes, Ins, Legal & Accounting	2.0%	Direct Costs		160,000
Residential Insurance	19	Units	\$2,500 /Unit	48,000
Marketing / Leasing				
Residential	19	Units	\$500 /Unit	10,000
Commercial	11,100	Sf of GLA	\$10 /Sf	111,000
Developer Fee	5.0%	Direct Costs		400,000
Soft Cost Contingency Allowance	5.0%	Ind+Fin Costs		147,000
<b>Total Indirect Costs</b>				<b>\$2,007,000</b>
<b>III. <u>Financing Costs</u></b>				
Interest During Construction <sup>3</sup>	\$10,950,000	Cost	7.00% Interest	690,000
Loan Origination Fees <sup>4</sup>	\$12,355,000	Cost	2.00 Points	247,000
<b>Total Financing Costs</b>				<b>\$937,000</b>
<b>IV. <u>Total Construction Cost</u></b>				
	42,560	Sf of GBA	\$257 /Sf	<b>\$10,950,000</b>

<sup>1</sup> Based on KMA's experience with similar projects.

<sup>2</sup> The estimate should be verified by the City staff.

<sup>3</sup> Assumes an 18 month construction period and a 100% average outstanding balance.

<sup>4</sup> Based on a 70% loan to value ratio. The value is calculated based on a 4.50% capitalization rate for apartments and 7.5% for commercial.

# ATTACHMENT 4 - TABLE 2

## STABILIZED NET OPERATING INCOME 19 APARTMENT UNITS, 11,100 SF COMMERCIAL SPACE & 0 PUBLIC PARKING SPACES BALBOA VILLAGE IMPLEMENTATION STRATEGIES NEWPORT BEACH, CALIFORNIA

<b>I. <u>Residential Rental Income</u></b> <sup>1</sup>			
Flat: 2-Bdrm @ 1,400 Sf	9 Units @	\$3,640 /Month	393,100
Flat: 3-Bdrm @ 1,600 Sf	10 Units @	\$4,080 /Month	489,600
Laundry/Miscellaneous Income	19 Units @	\$15 /Month	3,400
<b>Gross Income</b>			\$886,100
(Less) Vacancy & Collection Allow.	5.0% Gross Income		(44,300)
<b>Residential Effective Gross Income</b>			\$841,800
<b>II. <u>Commercial Rental Income</u></b>			
Rental Income	11,100 /Sf of GLA	\$3.00 /Sf	\$399,600
(Less) Vacancy & Collection Allow.	5.0% Gross Income		(20,000)
<b>Commercial Effective Gross Income</b>			\$379,600
<b>III. <u>Operating Expenses</u></b>			
Residential			
General Operating Expenses	19 Units @	\$4,000 /Unit	\$76,000
Property Management	5% Residential Effective Gross Income		42,100
Property Taxes <sup>3</sup>	19 Units @	\$7,421 /Unit	141,000
Reserves Deposits	19 Units @	\$200 /Unit	3,800
Commercial			
Management	5% Commercial Effective Gross Income		19,000
Reserve for Capital Repairs	11,100 /Sf of GLA	\$0.15 /Sf	1,700
<b>Total Operating Expenses</b>			(\$283,600)
<b>IV. <u>Net Operating Income</u></b>			<b>\$937,800</b>

<sup>1</sup> Based on KMA market research. Rents range from \$2.55 to \$2.60/Sf of GLA.

<sup>2</sup> Based on a 4.5% capitalization rate and a 1.1% property tax rate.

**ATTACHMENT 4 - TABLE 3****RESIDUAL LAND VALUE****19 APARTMENT UNITS, 11,100 SF COMMERCIAL SPACE & 0 PUBLIC PARKING SPACES****BALBOA VILLAGE IMPLEMENTATION STRATEGIES****NEWPORT BEACH, CALIFORNIA**

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**I. Supportable Investment**

Net Operating Income	See ATTACHMENT 4 - TABLE 2	\$937,800
Threshold Return on Cost		<u>6.9%</u>

<b>Total Supportable Investment</b>		<b>\$13,528,000</b>
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<b>II. Total Construction Cost</b>	See ATTACHMENT 4 - TABLE 1	<b>\$10,950,000</b>
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**III. Residual Land Value**

Total	42,560	Sf of GBA	\$60.60 /Sf	\$2,578,000
Annual Ground Lease Rate		8% of Land Value		\$206,200
Annual Ground Lease Rate		10% of Land Value		\$257,800