



KEYSER MARSTON ASSOCIATES™

DRAFT

**INCLUSIONARY HOUSING:
FINANCIAL EVALUATION**

**Prepared for:
City of Newport Beach**

**Prepared by:
Keyser Marston Associates, Inc.**

February 17, 2022

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I. EXECUTIVE SUMMARY

A. Background

Keyser Marston Associates, Inc. (KMA) was engaged by Sagecrest Planning + Environmental at the request of the City of Newport Beach (City) to assist in evaluating the potential for reinstating a citywide Inclusionary Housing program. By way of background, the KMA Los Angeles office has assisted 31 cities and counties with their Inclusionary Housing programs over the past 20 years. KMA's analyses reflect a real world perspective based on the firm's core experience in real estate development economics, real estate transactions, and developer negotiations services.

KMA was engaged to prepare an Inclusionary Housing: Financial Evaluation (Financial Evaluation) to identify the supportable Inclusionary Housing program requirements. The primary function of the Financial Evaluation is to identify Inclusionary Housing requirements that balance the interests of property owners and developers against the City's need for affordable housing. The KMA evaluation methodology has been continually evolving over the past 20 years. Each study is tailored to reflect the specific characteristics of the jurisdiction being evaluated.

B. Public Policy Objectives

Inclusionary Housing programs are subject to both statutory parameters imposed by the State Legislature and the rulings in the court cases that have challenged Inclusionary Housing programs over the past 30+ years. These statutes and court rulings are described in Section II of this Financial Evaluation. It is important to understand the constraints and opportunities that are created by these statutes and court rulings.

C. Inclusionary Housing Program Design

in *California Building Industry Association v. City of San Jose*, 61 Cal 4th 435 (*San Jose*) the court found that the imposition of Inclusionary Housing requirements is a valid exercise of a jurisdiction's zoning powers. However, the *San Jose* ruling also imposed the following limitations to the requirements that jurisdictions can impose:

1. Inclusionary Housing requirements cannot be confiscatory; and
2. Inclusionary Housing requirements cannot deprive a property owner of a fair and reasonable return on their investment.

The court did not provide criteria under which jurisdictions can evaluate these limitations. As a result, each jurisdiction is left to create an evaluation methodology that balances the interests of property owners, developers and the jurisdiction's need for affordable housing. It is KMA's practice to take a conservative approach in establishing price controls in order to comport with the court's ruling.

The first step in designing an Inclusionary Housing program is to identify the factors that will be considered in defining the program's goals. A common measurement is the unmet need for affordable housing. In this Financial Evaluation the findings presented in the City's Draft Sixth Cycle Housing Element (Draft Housing Element) have been used for this purpose.

The *HCD Review Draft August 2021 City of Newport Beach 2021 – 2029 Housing Element* (Draft Housing Element) findings indicate that the City needs to focus on attracting development that serves households at the lower income levels. However, in creating an Inclusionary Housing program it is also important to evaluate the impact the restrictions will have on the developers of market rate housing projects to ensure that onerous requirements are not imposed.

D. Policy Issues for Consideration

The following policy decisions need to be made as part of the Inclusionary Housing program adoption process:

1. The minimum project size that will trigger the Inclusionary Housing requirements.
2. The target income and affordability standards to be applied.
3. The allowable options for fulfilling the Inclusionary Housing requirements. Typical options include:

- a. Providing the Inclusionary Units within the market rate project that triggered the requirement.
- b. Production of the Inclusionary Units in an off-site location.
- c. A payment to the City in lieu of producing required Inclusionary Units.
- d. Dedication of land to the City for the subsequent development of the required Inclusionary Units.
- e. The acquisition and rehabilitation of existing apartment units.

E. Financial Analyses

Each unit in a market rate project that is required to be set with income and affordability restrictions creates an impact on the project economics. This is called the “Affordability Gap”, which is defined as difference between the achievable market rate sales price or rent and the allowable sales price or rent for each Inclusionary Unit. This Financial Evaluation uses pro forma analyses to estimate the Affordability Gaps generated at varying income and affordability levels.

Location specific prototypes were created in five focus areas throughout Newport Beach. A focus area approach was applied to evaluate the conditions in areas with a disparate mix of physical and economic characteristics. The focus areas are:

Focus Areas Studied	
Inclusionary Housing: Financial Evaluation	
Airport Area	Newport Center Area
Coyote Canyon Area	West Newport Mesa & Banning Ranch Area ¹
Dover Westcliff Area	

The pro forma analyses of prototype projects that were created using the following resources:

¹ The West Newport Mesa and Banning Ranch Areas were combined in this Financial Evaluation due to the areas’ proximity to one another and the limited amount of residential development activity to evaluate.

1. The Draft Housing Element;
2. Development plans that were submitted to the City's Planning Division; and
3. The residential projects identified in KMA's market surveys.

The Affordability Gaps associated with the Inclusionary Housing options being tested are estimated in the pro forma analyses. The results are then evaluated to identify requirements that balance the interests of the property owner, the developer, and the City's unmet need for affordable housing.

It has been KMA's experience that the following series of events occurs following the enactment of an Inclusionary Housing program:

1. Profits are reduced for developers that have already purchased land.
2. Developers that have not purchased land attempt to bargain for a lower land price.
3. Some property owners are reluctant to accept the fact that their land value has decreased, and they defer selling the property until prices increase.

It is KMA's assumption that if the City chooses to reinstate an Inclusionary Housing program that the requirements will not be imposed on projects that have already entered into the City approval process. This should provide relief to developers that purchased property prior to the reinstatement of an Inclusionary Housing program. In recognition of this assumption, KMA has placed the most weight on the following impacts:

1. The reduction in property acquisition cost that would need to be achieved to offset the impact created by the proposed income and affordability requirements; and
2. The increase in market rate sales prices/rents that would be needed to offset the proposed requirements.

F. Findings

SUPPORTABLE INCLUSIONARY HOUSING REQUIREMENTS

Based on the results of the Financial Evaluation KMA concluded that the following Inclusionary Housing requirements can be supported on a citywide basis:

Supportable Inclusionary Housing Production Requirements	
Ownership Housing Development	8% Moderate Income
Apartment Development	
50 or More Units ²	15% Very Low Income
Fewer than 50 Units	7% Low Income

SUPPORTABLE IN-LIEU FEES

An in-lieu fee option is typically offered as part of an Inclusionary Housing program. In the Financial Evaluation, KMA pegged the in-lieu fee payment amount to the Affordability Gaps identified in the pro forma analyses that were used to evaluate the supportable Inclusionary Housing obligations. The resulting in lieu fee amounts are estimated as follows:

In-Lieu Fees Associated with the Supportable Inclusionary Housing Requirements			
Ownership Housing Development			
	Coyote Canyon	Dover Westcliff	West Newport Mesa & Banning Ranch
In-Lieu Fee Per Inclusionary Unit	\$767,800	\$1,296,700	\$944,200
In-Lieu Fee Per Market Rate Unit in a 100% Market Rate Project	\$59,720	\$86,450	\$70,820
In-Lieu Fee Per Square Foot of Saleable Area in a 100% Market Rate Project	\$37.30	\$40.00	\$33.80

² The pro forma analyses of prototype projects found that projects that can make use of the California Government Code Section 65915 et seq. (Section 65915) density bonus on a cost efficient basis can support a 15% very low income Inclusionary Housing requirement.

In-Lieu Fees Associated with the Supportable Inclusionary Housing Requirements

Apartment Development ³

	Airport Area	Coyote Canyon	Dover Westcliff	West Newport Mesa & Banning Ranch
In-Lieu Fee Per Inclusionary Unit	\$516,000	\$487,000	\$861,000	\$521,000
In-Lieu Fee Per Market Rate Unit in a 100% Market Rate Project	\$36,690	\$34,790	\$60,990	\$37,660
In-Lieu Fee Per Square Foot of Leasable Area in a 100% Market Rate Project	\$38.30	\$36.60	\$50.30	\$38.50

³ The in-lieu fee amounts are based on the assumption that a 7% very low income Inclusionary Housing requirement is applied.

II. BACKGROUND INFORMATION

This section describes the basic parameters that guide Inclusionary Housing programs throughout California.

A. Key Court Cases

It is important to review the key legal cases that guide the creation and implementation of Inclusionary Housing programs. A chronological summary of the relevant decisions follows.

PALMER CASE

In 2009, the California Court of Appeal ruled in *Palmer/Sixth Street Properties L.P. v. City of Los Angeles*, 175 Cal. App. 4th 1396 (*Palmer*), that the local affordable housing requirements being imposed by the City of Los Angeles violated the Costa-Hawkins Apartment Housing Act (Costa-Hawkins). Specifically, Costa-Hawkins allows landlords to set the initial monthly rent for a new unit, and then to increase the monthly rent to the market level each time a unit is vacated. The Court found that the imposition of long-term income and affordability restrictions on apartment units is a violation of this provision.

It is commonly believed that the *Palmer* ruling prohibited jurisdictions from requiring developers to provide affordable apartment units as a part of an Inclusionary Housing program. In an effort to comply with *Palmer*, jurisdictions generally took one of the following actions:

1. The jurisdiction eliminated the requirement that market rate apartment projects provide affordable apartment units; or
2. The jurisdiction replaced affordable housing production models with a linkage or impact fee methodology; or
3. The jurisdiction imposed affordable housing requirements as part of negotiated Development Agreements for apartment projects.

SAN JOSE CASE

Planning Considerations

In 2015, the California Supreme Court ruled in the *San Jose* case that Inclusionary Housing programs should be viewed as use restrictions that are a valid exercise of a jurisdiction's zoning powers. Specifically, the Court found that Inclusionary Housing requirements are a planning tool rather than an exaction. This is interpreted to mean that an in-lieu fee payment option that is included in an Inclusionary Housing program, that includes an affordable housing production requirement, is not subject to the AB 1600 nexus requirements imposed by the "Mitigation Fee Act".⁴

Limitations

As part of the *San Jose* case ruling the court imposed the following limitations on price controls imposed by Inclusionary Housing programs:

1. The requirements cannot be "Confiscatory"; and
2. The requirements cannot deprive a property owner of a fair and reasonable return on their investment.

The court did not provide criteria under which jurisdictions can determine whether proposed price controls are confiscatory and/or they deprive a property owner of a fair and reasonable return. As a result, each jurisdiction is left to create an evaluation methodology that balances the interests of property owners, developers and the jurisdiction's need for affordable housing. It is KMA's practice to take a conservative approach in establishing the price controls that comport with the court's ruling.

The *San Jose* ruling that Inclusionary Housing programs are not an exaction applies to both ownership housing and apartment development. However, the *San Jose* case did not overturn the limitations *Palmer* imposed on Inclusionary Housing programs for apartment projects. These limitations were not removed until Assembly Bill (AB) 1505 was adopted on September 29, 2017.

⁴ The Mitigation Fee Act is codified in California Government Code §66000 et seq.

B. Key Legislation: AB 1505

AB 1505, which is otherwise known as the “Palmer Fix”, was signed into law on September 29, 2017. AB 1505 amended Section 65850 of the California Government Code and added Section 65850.01. This legislation provides jurisdictions with the ability to adopt programs that impose Inclusionary Housing requirements on apartment projects.

ROLE OF THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (HCD)

Section 65850.01 does not place a cap on the percentage of units that can be subject to income and affordability restrictions. However, Section 65850.01 (a) gives HCD the authority to review the restrictions imposed by an Inclusionary Housing program on apartment developments if it requires that more than 15% of the units to be restricted to households earning less than 80% of the area median income (AMI), and if one of the following conditions applies:

1. The jurisdiction has failed to meet at least 75% of its Regional Housing Needs Assessment (RHNA) allocation for above moderate income units. This test is measured on a pro-rated basis over the planning period, which is set at a minimum of five years; or
2. HCD finds that the jurisdiction has not submitted their housing element report for at least two consecutive years.

The City has fulfilled the requirements imposed by both of the standards identified above. As such, HCD does not have authority under Section 65850.01 (a) to review the Inclusionary Housing requirements the City proposes to impose on apartment development. However, in a technical guidance memorandum dated October 21, 2019, HCD reaffirmed its authority to review Inclusionary Housing ordinances as part of its review of a jurisdiction’s Housing Element.

California Government Code Section 65583 (a) (Section 65583 (a)) requires the City to analyze potential and actual constraints being placed on the development of housing. If the City chooses to impose a greater than 15% affordability requirement and/or deeper affordability standards on apartment

development, HCD can potentially extend and complicate the approval process for the City's Sixth Cycle Housing Element.

ADDITIONAL AB 1505 REQUIREMENTS

Section 65850 (g) requires jurisdictions to provide alternative means of fulfilling the affordable housing requirements imposed on apartment projects by an Inclusionary Housing program. Options that can be provided to developers include, but are not limited to:

1. Off-site construction of "Inclusionary Units";
2. Payment of a fee in-lieu of producing Inclusionary Units;
3. Land donation; and
4. The acquisition and rehabilitation of existing units.

C. Inclusionary Housing Program Characteristics

Over 170 jurisdictions in California currently include an Inclusionary Housing program as a component in their overall affordable housing strategy. While the unifying foundation of these programs is the objective to attract affordable housing development, the characteristics of these programs vary widely from jurisdiction-to-jurisdiction.

To assist the City in evaluating options for creating an Inclusionary Housing program it is useful to identify the elements that are typically included in Inclusionary Housing programs being implemented in California jurisdictions. To that end, KMA compiled information on 79 Inclusionary Housing programs being implemented throughout California. The survey information is presented in Attachment 1:

1. Table 1 presents the survey results for the 79 jurisdictions; and
2. Table 2 provides more in depth information for the jurisdictions located in Orange, Los Angeles and San Diego Counties.

The survey results can be summarized as follows:

1. In California, the majority of Inclusionary Housing programs include a threshold project size below which projects are not subject to the Inclusionary Housing requirements. Common thresholds fall between three and 10 units. Five units is the median threshold project size of the programs included in the KMA survey.
2. The income and affordability standards imposed by Inclusionary Housing programs vary widely throughout California. The majority of programs have established standards in the range of 10% to 20% of the units in projects that will be subject to the requirements. However, the following policy variations are commonly found:
 - a. The threshold standards are varied as a reflection of the depth of the affordability being required.
 - b. Inclusionary Housing requirements have a disproportionate impact on smaller projects, because there are fewer market rate units available to spread the impact created by the income and affordability standards. A sliding scale requirement is sometimes used to mitigate these impacts.
 - c. The length of the covenant period imposed on Inclusionary Units varies from jurisdiction-to-jurisdiction. California Health and Safety Code (H&SC) Section 33413 applies covenant periods of 45 years for ownership housing units and 55 years for apartment units. These standards are commonly used, but both shorter and longer covenant periods are imposed throughout Inclusionary Housing programs in California.

Inclusionary Housing programs focus on the production of affordable housing units by imposing specific affordable housing requirements on new development. To comply with the findings in the *San Jose* case, and the requirements imposed by Sections 65850 and 65850.01, Inclusionary Housing programs must offer developers a range of options for fulfilling the affordable housing requirements. The most common options offered to developers are:

1. Construction of a defined percentage of Inclusionary Unit units within the new market rate residential project;
2. Construction of a defined percentage of Inclusionary Unit units in a project located in an off-site location;
3. Payment of a fee in lieu of producing Inclusionary Units that the jurisdiction will subsequently use to assist in the development of affordable housing units within the community;
4. The donation of property to the jurisdiction that is appropriate for the development of affordable housing; and
5. The acquisition and rehabilitation of existing units.

The key advantages associated with providing off-site and in-lieu fee options are that the Inclusionary Housing requirements can be transferred to developers that have experience in constructing affordable housing projects. This is advantageous for the following reasons:

1. Affordable housing developers have specific expertise in the development and operation of affordable housing projects.
2. Dedicated affordable housing projects have access to public funding sources that provide a more cost-efficient way to achieve deeper affordability than can be supported by an Inclusionary Housing requirement. A representative sample of programs that are targeted to dedicated affordable housing projects are:
 - a. Funds that are awarded by the United States Department of Housing and Urban Development (HUD) such as the Community Development Block Grant program;
 - b. The funds allocated to the City by HCD under the Permanent Local Housing Allocation (PLHA) for Senate Bill 2 (Chapter 364, Statutes of 2017);
 - c. The federal and state Low-Income Housing Tax Credits (Tax Credits) offered under Internal Revenue Code Section 42;

- d. State funding sources such as the Affordable Housing and Sustainable Communities (AHSC) Program; and
- e. The Orange County Housing and Community Development Department and the Orange County Housing Authority (OCHA) assistance programs.

D. State Density Bonus and Inclusionary Housing Requirements

A tool that is commonly used to reduce the financial impact associated with the imposition of Inclusionary Housing requirements is the Section 65815 density bonus. Section 65915 requires jurisdictions to provide density bonuses based on a sliding scale ranging from 5% to 50% depending on the magnitude of the income and affordability restrictions being imposed.

Section 65915 requires the City to adopt an ordinance that specifies how it will comply with the State mandated density bonus requirements. The City's adopted ordinance is included in Newport Beach Municipal Code Chapter 20.32, and it was last amended in 2010. Section 65915 has been amended by the State Legislature several times since 2010, and Chapter 20.32 has not been amended to reflect those modifications. Until such time as the modifications are amended into the City's density bonus ordinance, State law will automatically prevail over any inconsistencies between State law and Chapter 20.32.

In July 2013 the First District Court of Appeal held that jurisdictions must agree to count the affordable units used to fulfill the Section 65915 density bonus requirements towards the Inclusionary Housing requirements that will be imposed on a project.⁵ Based on that ruling, a developer must be allowed to use the same affordable units to fulfill both the Inclusionary Housing requirements and the Section 65915 requirements. However, in order to exercise this option, the developer must apply the more stringent of the two programs' requirements.

The Section 65915 density bonus can act to materially reduce the financial impacts created by Inclusionary Housing requirements. For that reason, the City should recognize that if Inclusionary

⁵ *Latinos Unidos del Valle de Napa y Solano v. County of Napa*, 217 Cal. App. 4th 1160 (*Napa*).

Housing requirements are imposed it is highly likely that many developers will request Section 65915 density bonuses. It is also important to understand that the City is required to grant a developer's request for the statutorily established density bonus along with the requisite number of concessions and incentives, as well as any necessary development standards reductions or waivers.⁶

E. Structuring Issues

As discussed previously, the court in the *San Jose* case found that the imposition of Inclusionary Housing requirements is a valid exercise of the City's zoning powers rather than an exaction. Subsequently, Sections 65850 and 65850.01 amended the California Government Code to expressly allow Inclusionary Housing requirements to be imposed on apartment projects.

In structuring an Inclusionary Housing program it is important to remember that the following limitations that the courts and the State Legislature have placed on price controls imposed Inclusionary Housing programs:

1. Inclusionary Housing requirements cannot be confiscatory or deprive a property owner of a fair and reasonable return on their investment.
2. Section 65583 (a) requires the City to analyze potential and actual constraints being placed on the development of housing. Within that context, it is important to recognize that the requirements imposed by an Inclusionary Housing program can only be expected to fulfill a small portion of the unmet need for affordable housing in Newport Beach.

⁶ Section 65915 (d) (1) identifies three conditions under which requested incentives or concessions can be denied. However, this does not relieve the City of the obligation to grant the number of incentives or concessions that the project is entitled to under Section 65915 (d) (2).

III. METHODOLOGY

The purpose of this Financial Evaluation is to evaluate the financial feasibility of imposing Inclusionary Housing requirements on residential development in Newport Beach. The financial feasibility analysis is comprised of the following steps:

A. Parameters

As the first step in the evaluation process it is necessary to identify the parameters that will be applied in the analysis. One measurement is the RHNA, which is used as a tool in the Housing Element process. The Sixth Cycle RHNA Allocation Plan covers the period between 2021 and 2029, and the Newport Beach allocations are detailed in the following table:

Sixth Cycle RHNA Allocation Projections October 2021 through October 2029		
Income Category	Total Obligation	% of Total
Very Low	1,456	30%
Low	930	19%
Moderate	1,050	22%
Above Moderate	1,409	29%
Totals	4,845	100%

Notable factors to be considered are:

1. By far, the largest identified unmet need for affordable housing falls in the very low and low income categories, and
2. The Draft Housing Element indicates that planned growth, and projects in the approval process, will provide a sufficient number of above moderate income units to fulfill the Sixth Cycle RHNA allocation.

These factors indicate that the City needs to focus on attracting development that serves households at the lower income levels. However, in creating an Inclusionary Housing program it is also important to evaluate the impact the restrictions will have on the developers of market rate housing projects to ensure that onerous requirements are not imposed.

Another key parameter in the evaluation is that a mix of physical and economic characteristics are exhibited within different areas within Newport Beach. To reflect this, the Financial Evaluation studied the following focus areas that are identified in the Draft Housing Element:

Focus Areas Studied	
Inclusionary Housing: Financial Evaluation	
Airport Area	Newport Center Area
Coyote Canyon Area	West Newport Mesa & Banning Ranch Area
Dover Westcliff Area	

B. Program Foundation

The courts have held that affordable housing is a “public benefit,” and that locally imposed Inclusionary Housing programs are a legitimate means of providing this public benefit. The courts have tempered this with the requirement that the Inclusionary Housing obligations cannot be confiscatory, and they cannot deprive a property owner of a fair and reasonable return on their investment.

To date, the courts have not provided guidance for determining how these limitations should be measured. As a result it is necessary for each jurisdiction to create a methodology for testing the financial impacts associated with proposed Inclusionary Housing requirements. It is KMA’s practice to take a conservative approach in establishing price controls that comport with the *San Jose* court’s ruling.

The KMA approach is based on pro forma analyses of prototype projects that reflect the development types exhibited within the jurisdiction. The KMA methodology has been continually evolving over the past 20 years, and each financial evaluation is tailored to reflect the specific characteristics of the jurisdiction in which KMA is performing the evaluation.

DEVELOPMENT PROTOTYPES

The pro forma analyses that KMA has prepared are based on prototype residential developments. To assist in creating the development prototypes, KMA reviewed the following:

1. The Draft Housing Element;
2. Development plans that were submitted to the City's Planning Division; and
3. The residential projects identified in KMA's market surveys.

It is important to understand that the prototypes used in the Financial Evaluation do not represent actual projects. Instead, the prototypes represent composites of projects that have recently been developed or proposed in Newport Beach and the results of KMA market surveys. In some instances the development scope will be at a density that is actually less than the maximum density allowed by the City's zoning code or that is identified in the Draft Housing Element. This reflects site characteristics and development types being exhibited.

PRO FORMA ANALYSIS EVALUATION TESTS

It has been KMA's experience that the following series of events occurs following the enactment of an Inclusionary Housing program:

1. Profits are reduced for developers that have already purchased land.
2. Developers that have not purchased land attempt to bargain for a lower land price.
3. Some property owners are reluctant to accept the fact that their land value has decreased, and they defer selling the property until prices increase.

Each of these three factors is relevant in the assessment of the impact created by the imposition of Inclusionary Housing obligations. However, it is KMA's assumption that if the City chooses to reinstate an Inclusionary Housing program the requirements will not be imposed on projects that have already

entered into the City approval process. This should provide relief to developers that purchased property prior to the reinstatement of an Inclusionary Housing program.

In recognition of this assumption, KMA has placed the most weight on the following impacts:

- 1. The reduction in property acquisition cost that would need to be achieved to offset the impact created by the proposed income and affordability requirements; and
- 2. The increase in market rate sales prices and rents that would be needed to offset the proposed requirements.

The preceding tests are used to balance the impacts that the enactment of an Inclusionary Housing program has on developers and property owners. Specifically, the goals are:

- 1. To minimize the reduction in supportable land values so that there will not be a disincentive for property owners to sell their properties; and
- 2. To impose requirements of a magnitude that can be offset by near-term increases in achievable market rate sales prices and rents.

It is important to understand that every proposed project embodies unique characteristics. It is therefore KMA’s opinion that a conservative approach should be used in establishing the Inclusionary Housing requirements. To that end, the benchmarks KMA used in evaluating potential requirements are:

Benchmark Evaluation Standards	
Inclusionary Housing Evaluation	
Reduction in property acquisition cost needed to offset the impact created by the Inclusionary Housing requirements.	25%
The increase in market rate sales prices and rents that would be needed to offset the proposed requirements.	6%

KMA evaluates the results of these tests in order to develop a comprehensive perspective on the financial impacts created by Inclusionary Housing requirements. These analyses collaboratively inform the KMA conclusions as to the Inclusionary Housing requirements that can be supported.

C. Financial Evaluation Structure

The analysis structure applied by KMA can be described as follows:

1. KMA prepared financial analyses to assist in creating recommended Inclusionary Housing requirements that balance the interests of property owners and developers against the public benefit created by the production of affordable housing units.
2. In general terms, the financial impact associated with fulfilling Inclusionary Housing requirements within market rate projects is equal to the difference between the achievable market rate sales prices or rents and the allowable sales prices or rents for the Inclusionary Units. This is known as the Affordability Gap.
3. The KMA financial analyses identify the range of Inclusionary Housing production requirements that can be supported.

D. Financial Evaluation Organization

The following sections of this Financial Evaluation describe the assumptions, analysis and findings related to ownership housing and apartment developments. The analyses are supported by the following Attachments and Appendices:

Attachment 2: Affordable Housing Cost Calculation Methodology	
Appendix A	Affordable Sales Price Calculation Methodology
Appendix B	Affordable Rent Calculation Methodology

Attachment 3: Ownership Housing Development	
Appendix A	Market Surveys
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IV. OWNERSHIP HOUSING ANALYSES

A. Creation of Prototype Projects

The Draft Housing Element states that Newport Beach has median home values that are 2.7 times higher than the median home value in Orange County as a whole, and the highest home values exhibited by the surrounding cities. Recognizing the premium home prices, and to assist in creating reasonable Inclusionary Housing requirements, the following standards were applied to all the ownership housing development prototypes used in this Financial Evaluation:

1. The prototypes are comprised solely of single family attached ownership housing projects; and
2. The affordability standards are set at the moderate income level.

Prototypes were evaluated for ownership housing development in the following areas: ⁷

1. Coyote Canyon Area;
2. Dover Westcliff Area; and
3. West Newport Mesa and Banning Ranch Area.

B. Pro Forma Analyses

To assist in establishing the Inclusionary Housing production requirements that can be supported, KMA prepared the following pro forma analyses for the prototype ownership housing projects in each focus area:

1. A prototype in which 100% of the units are sold at unrestricted market rate prices; and
2. A prototype that includes a moderate income component.

⁷ The Airport and Newport Center areas were excluded from this analysis because a significant amount of ownership housing development is not anticipated to occur in these areas.

The 100% market rate unit ownership housing development scenarios provide baselines against which to measure the impacts associated with affordable housing requirements. The pro forma analyses for the 100% market rate unit scenarios are organized as follows:

Pro Forma Analysis – Market Rate Scenario Ownership Housing Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Projected Developer Profit

The estimated developer profit for each of the 100% market rate scenarios is used as the benchmark profit for the purpose of estimating the impacts created by the imposition of Inclusionary Housing obligations. The resulting financial gaps represent the impact created by the requirements being tested. The pro forma analyses for the moderate income scenarios are organized as follows:

Pro Forma Analysis – Moderate Income Inclusionary Housing Component Ownership Housing Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Inclusionary Housing Impacts

KMA measured the financial impacts created by the imposition of Inclusionary Housing requirements using the tools described previously in this Financial Evaluation. These tools were used to identify the moderate income requirement that could be feasibly imposed on ownership housing developments.

COYOTE CANYON PROTOTYPE OWNERSHIP HOUSING DEVELOPMENT ANALYSIS

The pro forma analysis for the Coyote Canyon prototype ownership housing development is provided in Attachment 3: Appendix C. A map of the Coyote Canyon area, and a summary of the development scope are presented on the following page.



Development Scope Summary			
Coyote Canyon Prototype Ownership Housing Development			
Site Area (Acres)	5.0	<u>Unit Mix</u>	
Total Number of Units	90	Two-Bedroom Units	45
Density (Units Per Acre)	18	Three-Bedroom Units	45
		Parking	2-Car Attached Garages

Estimated Development Costs:

Coyote Canyon Prototype Ownership Housing Development

The total development cost for the Coyote Canyon prototype ownership housing development is estimated at \$84.2 million. This equates to \$936,000 per unit, or \$585 per square foot of gross building area (GBA).

Projected Market Rate Sales Prices:

Coyote Canyon Prototype Ownership Housing Development

To assist in projecting the achievable market rate sales prices, KMA compiled sales data for homes in the general vicinity of Coyote Canyon. The search for projects to use as value indicators was constrained by the fact that the area was formerly occupied by a landfill, and just recently became available for development.

As shown in Attachment 3: Appendix A – Exhibit I, the home sales used in this analysis are all drawn from within the adjacent canyon areas in the City of Irvine. It is also important to note that the homes included in the survey were developed during the period between 2002 and 2005. To reflect the premium values typically applied to newly constructed homes, KMA applied a 10% increase to the average sales prices per square foot of saleable area derived from the survey.

The market rate sales prices that were applied in the Coyote Canyon ownership housing development prototype analysis are presented in the following table:

Projected Market Rate Sales Prices Coyote Canyon Prototype Ownership Housing Development	
Two-Bedroom Units	\$953,200
Three-Bedroom Units	\$1,320,100
Average Price Per Square Foot of Saleable Area	\$710

Affordable Sales Price Calculations:

Coyote Canyon Prototype Ownership Housing Development

Based on the Affordable Sales Price calculation methodology described in Attachment 2: Appendix A, and the calculations presented in Attachment 3: Appendix B – Exhibit I, the Affordable Sales Prices for the Coyote Canyon prototype ownership housing development are:

Affordable Sales Price Estimates Coyote Canyon Prototype Ownership Housing Development	
Two-Bedroom Units	\$381,200
Three-Bedroom Units	\$356,600

Findings:

Coyote Canyon Prototype Ownership Housing Development

The results of these KMA analyses of the Coyote Canyon prototype ownership housing development can be summarized as follows:

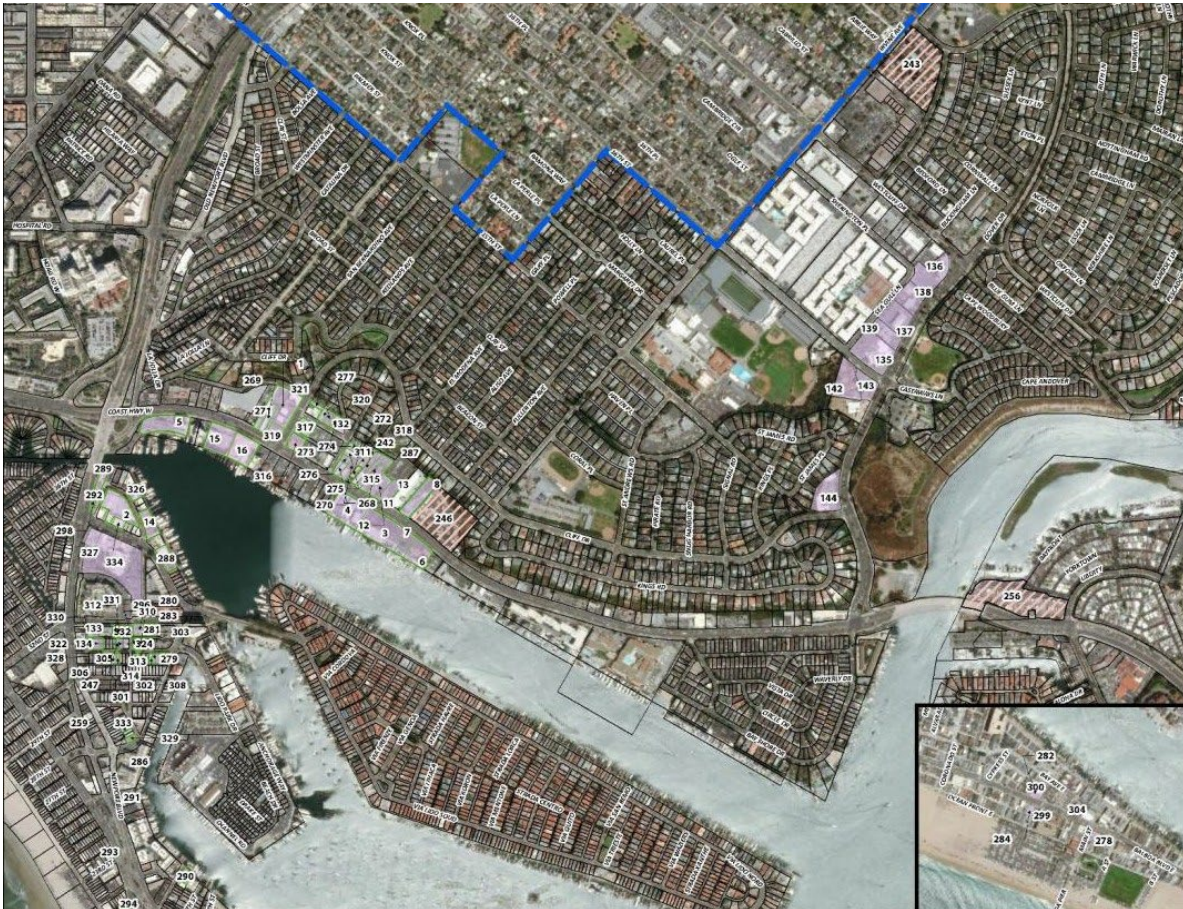
1. The developer profit for the market rate scenario is estimated at 14.8%.
2. An 8% moderate income requirement can be supported.

The financial impacts estimated in the KMA analyses are summarized in the following table:

8% Moderate Income Inclusionary Housing Requirement Coyote Canyon Prototype Inclusionary Housing Evaluation	
Reduction in property acquisition cost needed to offset the impact created by the Inclusionary Housing requirements.	14%
The increase in market rate sales prices that would be needed to offset the proposed requirements.	4.9%

DOVER WESTCLIFF PROTOTYPE OWNERSHIP HOUSING DEVELOPMENT ANALYSIS

The pro forma analysis for the Dover Westcliff prototype ownership housing development is provided in Attachment 3: Appendix D. A map of the area and a development scope follow:



Development Scope Summary			
Dover Westcliff Prototype Ownership Housing Development			
Site Area (Acres)	1.5	<u>Unit Mix</u>	
Total Number of Units	30	Three-Bedroom Units	18
Density (Units Per Acre)	20	Four-Bedroom Units	12
		Parking	2-Car Attached Garages

Estimated Development Costs:

Dover Westcliff Prototype Ownership Housing Development

The development costs for the Dover Westcliff prototype ownership housing development are estimated at \$40.8 million. This equates to \$1.36 million per unit, or \$630 per square foot of GBA.

Projected Market Rate Sales Prices:

Dover Westcliff Prototype Ownership Housing Development

Two single family attached ownership housing developments were recently completed in the Dover Westcliff area. The sales prices for these homes served as the primary resource for projecting the achievable market rate sales prices in this area.

The market survey is presented in Attachment 3: Appendix A – Exhibit II. Based on the survey results, the market rate sales prices used in the analysis are presented in the following table:

Projected Market Rate Sales Prices Dover Westcliff Prototype Ownership Housing Development	
Three-Bedroom Units	\$1,517,900
Four-Bedroom Units	\$1,742,500
Average Price Per Square Foot of Saleable Area	\$744

Affordable Sales Price Calculations:

Dover Westcliff Prototype Ownership Housing Development

Based on the Affordable Sales Price calculation methodology described in Attachment 2: Appendix A, and the calculations presented in Attachment 3: Appendix B – Exhibit II, the Affordable Sales Prices for the Dover Westcliff prototype ownership housing development are:

Affordable Sales Price Estimates Dover Westcliff Prototype Ownership Housing Development	
Three-Bedroom Units	\$316,000
Four-Bedroom Units	\$303,500

Findings:

Dover Westcliff Prototype Ownership Housing Development

The results of these KMA analyses of the Dover Westcliff prototype ownership housing development can be summarized as follows:

1. The developer profit for the market rate scenario is estimated at 11.6%.
2. An 8% moderate income requirement can be supported.

The financial impacts estimated in the KMA analyses are summarized in the following table:

8% Moderate Income Inclusionary Housing Requirement Dover Westcliff Prototype Ownership Housing Development	
Reduction in property acquisition cost needed to offset the impact created by the Inclusionary Housing requirements.	15%
The increase in market rate sales prices that would be needed to offset the proposed requirements.	5.3%

WEST NEWPORT MESA & BANNING RANCH PROTOTYPE OWNERSHIP HOUSING DEVELOPMENT ANALYSIS

The pro forma analysis for the West Newport Mesa & Banning Ranch prototype ownership housing development is provided in Attachment 3: Appendix E. Maps of the two areas are presented on the following page.

The development scope for the West Newport Mesa & Banning Ranch prototype ownership housing project is summarized in the following table:

Development Scope Summary			
West Newport Mesa & Banning Ranch Prototype Ownership Housing Development			
Site Area (Acres)	6	<u>Unit Mix</u>	
Total Number of Units	120	Three-Bedroom Units	42
Density (Units Per Acre)	20	Four-Bedroom Units	78
		Parking	2-Car Attached Garages

Estimated Development Costs:

West Newport Mesa & Banning Ranch Prototype Ownership Housing Development

The development costs for the West Newport Mesa & Banning Ranch prototype ownership housing development are estimated at \$133.7 million. This equates to \$1,114,000 per unit, or \$532 per square foot of GBA.

Projected Market Rate Sales Prices:

West Newport Mesa & Banning Ranch Prototype Ownership Housing Development

An 81 unit ownership project was recently developed in the vicinity of Placentia Avenue and West 16th Street. In addition, multiple ownership housing projects have been developed in the western section of Costa Mesa, which borders the West Newport Mesa & Banning Ranch area. These projects provide the best representation of new home values that is currently available for projects in the vicinity. The survey is presented in Attachment 3: Appendix A – Exhibit III, and the sales prices applied in the analysis are presented in the following table.

Projected Market Rate Sales Prices	
West Newport Mesa & Banning Ranch Prototype Ownership Housing Development	
Three-Bedroom Units	\$1,227,700
Four-Bedroom Units	\$1,373,200
Average Price Per Square Foot of Saleable Area	\$631

Banning Ranch encompasses over 400 acres of vacant land. A 1,375 unit master plan development application was submitted to the California Coastal Commission in 2012. This plan was ultimately rejected, and there is a continuing effort by the Banning Ranch Conservancy to maintain the area in its current state.

Affordable Sales Price Calculations:

West Newport Mesa & Banning Ranch Prototype Ownership Housing Development

Based on the Affordable Sales Price calculation methodology described in Attachment 2: Appendix A, and the calculations presented in Attachment 3: Appendix B – Exhibit III, the Affordable Sales Prices for the West Newport Mesa & Banning Ranch prototype ownership housing development are:

Affordable Sales Price Estimates	
West Newport Mesa & Banning Ranch Prototype Ownership Housing Development	
Three-Bedroom Units	\$375,700
Four-Bedroom Units	\$379,300

Findings:

West Newport Mesa & Banning Ranch Prototype Ownership Housing Development

The results of these KMA analyses of the West Newport Mesa & Banning Ranch prototype ownership housing development can be summarized as follows:

1. The developer profit for the market rate scenario is estimated at 12.2%.
2. An 8% moderate income requirement can be supported.

The financial impacts estimated in the KMA analyses are summarized in the following table:

8% Moderate Income Inclusionary Housing Requirement West Newport Mesa & Banning Ranch Prototype Ownership Housing Development	
Reduction in property acquisition cost needed to offset the impact created by the Inclusionary Housing requirements.	17%
The increase in market rate sales prices and rents that would be needed to offset the proposed requirements.	5.2%

C. Summary: Ownership Housing Development Analyses

The preceding section of this Financial Evaluation used pro forma analyses of prototype ownership housing development projects to assist in identifying the Inclusionary Housing production requirements that can currently be supported. The focus areas that were evaluated are:

1. Coyote Canyon Area;
2. Dover Westcliff Area; and
3. West Newport Mesa & Banning Ranch Area.

Based on the results of the ownership housing development analyses KMA concluded that an 8% moderate income requirement can be supported in the three focus areas that were evaluated. This conclusion is based on the following findings related to the three focus areas that were tested:

1. The needed reduction in property acquisition costs ranges from 14% to 17%. This is significantly lower than the 25% benchmark that was applied in this analysis.

2. The increase in market rate prices needed to offset impact the Inclusionary Housing requirement ranges from 4.9% to 5.3%. This range is well within the 6% benchmark used in this analysis.

For reference purposes, the City also requested that KMA prepare pro forma analyses for moderate income Inclusionary Housing production requirements ranging from 5% to 20%. These analyses illustrate the range of financial impacts projected to be generated under the varying Inclusionary Housing production requirements. The results of these analyses are summarized in the following table.

SUMMARY: ALTERNATIVE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS
MODERATE INCOME STANDARDS
OWNERSHIP HOUSING DEVELOPMENT PROTOTYPES

	Coyote Canyon Prototype	Dover Westcliff Prototype	West Newport Mesa & Banning Ranch Prototype
I. <u>Project Description</u>			
A. Site Area (Sf)	217,800	65,340	261,360
B. Density (Units/Acre)	18	20	20
C. Total Units	90	30	120
II. Developer Profit - Market Rate Scenario	14.8%	11.6%	12.2%
III. <u>Alternative Inclusionary Housing Requirements</u>			
A. Property Acquisition Cost Reduction			
5% Moderate Income Requirement	10.0%	7.0%	11.0%
8% Moderate Income Requirement	14.0%	15.0%	17.0%
10% Moderate Income Requirement	18.0%	21.0%	22.0%
15% Moderate Income Requirement	29.0%	36.0%	33.0%
20% Moderate Income Requirement	38.0%	43.0%	44.0%
B. % Price Increase to Offset Impact			
5% Moderate Income Requirement	3.3%	2.3%	3.4%
8% Moderate Income Requirement	4.9%	5.3%	5.2%
10% Moderate Income Requirement	6.5%	8.0%	7.1%
15% Moderate Income Requirement	11.1%	14.5%	11.3%
20% Moderate Income Requirement	15.1%	17.9%	16.0%

¹ As a % of Total Development Cost.

5% MODERATE INCOME INCLUSIONARY HOUSING REQUIREMENT

The analysis of a 5% moderate income Inclusionary Housing requirement generates impacts that are significantly lower than the benchmarks applied in the KMA evaluation. Thus, it is a clear that a 5% moderate income Inclusionary Housing requirement for ownership housing development projects can be supported.

10% MODERATE INCOME INCLUSIONARY HOUSING REQUIREMENT

The imposition of a 10% moderate income requirement meets the 25% benchmark KMA set for the property acquisition cost reduction test. However, the percentage increase in market rate prices needed to offset the impact created by a 10% requirement are materially higher than the 6% benchmark applied in the KMA evaluation.

15% AND 20% MODERATE INCOME INCLUSIONARY HOUSING REQUIREMENTS

The imposition of 15% and 20% moderate income Inclusionary Housing requirements exceeds both the benchmarks being applied by significant amounts. In fact, under the 20% moderate income Inclusionary Housing requirement, the impact created by the income and affordability standards effectively eliminates any developer profit.

D. Recommended Inclusionary Housing Requirement

As discussed previously, KMA takes a conservative approach in setting benchmark impact standards for evaluating the impact created by income and affordability controls. Based on our financial analyses, it is KMA's recommendation than an 8% moderate income Inclusionary Housing requirement be imposed.

Recognizing that the court did not establish evaluation standards for determining whether a requirement is confiscatory or that it deprives a property owner of a fair and reasonable return on their investment, it is conceivable that a 10% moderate income requirement could be imposed. However, that standard only meets one of the benchmark tests that KMA applied in the analysis.

V. APARTMENT DEVELOPMENT ANALYSIS

A. Basic Requirements

With the passage of AB 1505, jurisdictions were once again allowed to impose Inclusionary Housing requirements on apartment development projects. However, in its October 21, 2019 technical memorandum HCD asserted the following:

1. HCD's authority to review Inclusionary Housing ordinances as part of the Housing Element review process; and
2. That a 15% standard, at an income threshold no more stringent than 80% of AMI, would not trigger an HCD review of a jurisdiction's Inclusionary Housing program.

Based on these factors, the apartment development analysis assumes that the Inclusionary Housing requirements will be set at the low income level.

B. Creation of Prototype Projects

The apartment development prototypes used in this analysis were created based on the results of the KMA market surveys, and a review of projects that have recently been proposed or constructed in Newport Beach. The KMA market surveys were also used to estimate the achievable market rate rents for the prototype units. Prototypes were evaluated for apartment development in the following areas:⁸

1. Airport Area;
2. Coyote Canyon Area;
3. Newport Center Area; and

⁸ The Dover Westcliff Area was excluded from this portion of the analysis, because of the characteristics of the potential development sites are not conducive to large scale development.

- 4. West Newport Mesa and Banning Ranch Area.

C. Pro Forma Analyses

MARKET RATE SCENARIO

The 100% market rate unit apartment development prototypes provide baselines against which to measure the impacts associated with affordable housing requirements. The pro forma analyses for the 100% market rate unit scenarios are organized as follows:

Pro Forma Analysis - 100% Market Rate Scenario	
Apartment Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Estimated Stabilized Net Operating Income
Table 3:	Estimated Developer Return

The stabilized return on investment generated by the 100% market rate scenarios is used as the benchmark return for the purpose of estimating the impacts created by the imposition of Inclusionary Housing obligations. Using the measurement tools that were described in the ownership housing development section of this report, KMA estimated the financial impacts created by the imposition of low income Inclusionary Housing requirements on apartment development.

AFFORDABLE HOUSING SCENARIOS

To assist in establishing the Inclusionary Housing production requirements that can be supported, KMA created prototype development scopes that comport with each development site’s base zoning requirements and that include a low income component. KMA also created Section 65915 density bonus prototypes that maximize the supportable Inclusionary Housing requirement, while minimizing the financial impact created by the requirement.

The Section 65915 (f) (2) density bonus affordability standards are applied in this analysis. This Section provides a 50% density bonus to projects in which at least 15% of the units allowed under the

property’s base zoning standards are set aside for very low income households.⁹ Under the *Napa* ruling, the City must allow very low income units to be counted towards the fulfillment of requirements that are set at higher income categories.

The pro forma analyses for the affordable housing scenarios are organized as follows:

Pro Forma Analysis – Inclusionary Housing Component Apartment Development Prototypes	
Table 1:	Estimated Development Costs
Table 2:	Estimated Stabilized Net Operating Income
Table 3:	Inclusionary Housing Impacts

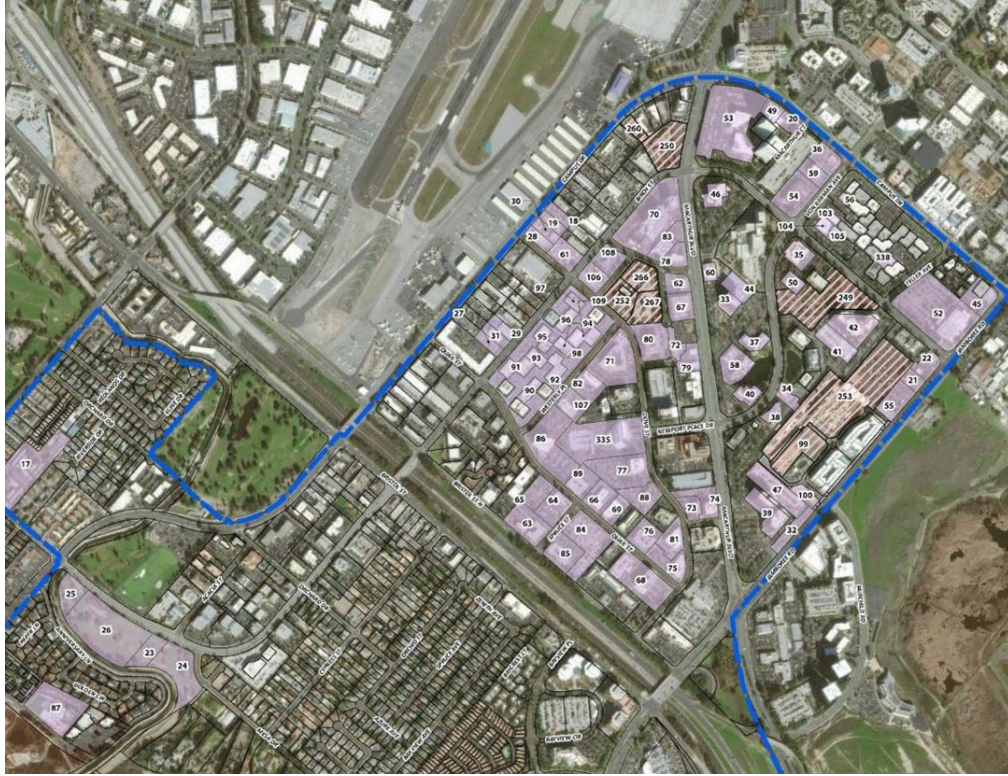
The Affordable Rent calculation methodology is described in Attachment 2: Appendix B. Using the H&SC Section 50053 rent calculation methodology, the affordable rents will not vary from area to area. The affordable rent calculations are detailed in Attachment 4: Appendix B, and are presented in the following table:

Affordable Rents Apartment Development Prototypes		
Number of Bedrooms	Low Income	Very Low Income
0	\$1,054	\$867
1	\$1,203	\$990
2	\$1,334	\$1,094
3	\$1,464	\$1,197

⁹ Section 65915 (f) (1) allows a project to receive a 50% density bonus if 24% of the base zoning units are set aside for low income households. However, absent a requirement imposed by another source, the 15% very low income standard generates less financial impact than a 24% low income standard.

AIRPORT AREA PROTOTYPE APARTMENT DEVELOPMENT ANALYSIS

The pro forma analysis for the Airport Area prototype apartment development is provided in Attachment 4: Appendix C. A map of the Airport area follows:



The development scope for the Airport Area prototype apartment development is summarized in the following table:

Development Scope Summary			
Airport Area Prototype Apartment Development			
Site Area (Acres)	10	<u>Unit Mix</u>	
Density (Units Per Acre)	45	Studio Units	23
<u>Parking</u>		One-Bedroom Units	212
At Grade Spaces	225	Two-Bedroom Units	215
Above Ground Spaces	900	Total Number of Units	450

Estimated Development Costs:

Airport Area Prototype Apartment Development

The development costs for the Airport Area prototype apartment development are estimated at \$318.5 million. This equates to \$708,000 per unit, or \$555 per square foot of GBA.

Projected Market Rate Rents:

Airport Area Apartment Development

The 458 unit One Uptown Newport project was completed in 2019, and three additional large scale apartment projects are currently in the planning stages. These projects are being developed under the Planned Community process. It is likely that large scale projects will continue to dominate the apartment development within the Airport Area.

The market survey is presented in Attachment 4: Appendix A – Exhibit I. The resulting rents that were applied in the prototype analysis are summarized in the following table:

Projected Market Rate Rents Airport Area Prototype Apartment Development	
Studio Units	\$2,780
One-Bedroom Units	\$3,511
Two-Bedroom Units	\$4,019
Average Monthly Rent Per Square Foot of Leasable Area	\$3.88

Findings:

Airport Area Apartment Prototype Development

The KMA pro forma analysis of the Airport Area prototype apartment development generated a 4.5% estimated stabilized return on investment. This serves as the benchmark by which the two affordability scenarios were measured.

The analysis of a low income scenario that is developed in accordance with the property’s base zoning requirements supported an 7% inclusionary housing requirement. The financial impacts associated with this scenario are presented in the following table:

7% Low Income Inclusionary Housing Requirement Airport Area Prototype Apartment Development	
Reduction in property acquisition cost needed to offset the impact created by the Inclusionary Housing requirements.	20%
The increase in market rate rents that would be needed to offset the proposed requirements.	5.2%

The pro forma analysis of the Section 65915 density bonus prototype indicates that the 50% density bonus and statutorily provided concessions or incentives offset the impacts created by the requirement to set aside 15% of the base zoning units for very low income households. Thus, it is KMA’s conclusion that a 15% very low income requirement can be supported by projects that can make use of the density bonus on an efficient basis.

COYOTE CANYON PROTOTYPE APARTMENT DEVELOPMENT ANALYSIS

The pro forma analysis for the Coyote Canyon prototype apartment development is provided in Attachment 4: Appendix D. A map of the Coyote Canyon area, and a summary of the development scope, are presented on the following page.



Development Scope Summary			
Coyote Canyon Prototype Apartment Development			
Site Area (Acres)	7	<u>Unit Mix</u>	
Density (Units Per Acre)	40	Studio Units	98
<u>Parking</u>		One-Bedroom Units	154
At Grade Spaces	140	Two-Bedroom Units	28
Above Ground Spaces	560	Total Number of Units	280

Estimated Development Costs:

Coyote Canyon Prototype Apartment Development

The development costs for the Coyote Canyon prototype apartment development are estimated at \$193.8 million. This equates to \$692,000 per unit, or \$547 per square foot of GBA.

Projected Market Rate Rents:

Coyote Canyon Prototype Apartment Development

To assist in projecting the achievable market rate apartment rents, KMA compiled rent data for an apartment project located within the Coyote Canyon area, and for apartment projects located in Newport Beach and Irvine in the general vicinity of Coyote Canyon. These projects were all developed between 1998 and 2003.

The market survey is presented in Attachment 4: Appendix A – Exhibit II. The resulting rents that were applied in the prototype analysis are summarized in the following table:

Projected Market Rate Rents Coyote Canyon Prototype Apartment Development	
One-Bedroom Units	\$3,349
Two-Bedroom Units	\$3,593
Three-Bedroom Units	\$4,421
Average Monthly Rent Per Square Foot of Leasable Area	\$3.78

Findings:

Coyote Canyon Prototype Apartment Development

The KMA pro forma analysis of the Coyote Canyon prototype apartment development generated a 4.4% estimated stabilized return on investment. This serves as the benchmark by which the two affordability scenarios were measured.

The analysis of a low income scenario that is developed in accordance with the property’s base zoning requirements supported an 7% inclusionary housing requirement. The financial impacts associated with this scenario are presented in the following table:

7% Low Income Inclusionary Housing Requirement Coyote Canyon Prototype Apartment Development	
Reduction in property acquisition cost needed to offset the impact created by the Inclusionary Housing requirements.	21%
The increase in market rate rents that would be needed to offset the proposed requirements.	5.1%

The pro forma analysis results indicate that the stabilized return on investment generated by the 50% Section 65915 density bonus scenario is approximately equal to the estimated return for the 100% market rate scenario. Thus, it is KMA’s conclusion that a 15% very low income requirement can be supported by projects that can make use of the density bonus on an efficient basis.

NEWPORT CENTER PROTOTYPE APARTMENT DEVELOPMENT ANALYSIS

The pro forma analysis for the Newport Center prototype apartment development is provided in Attachment 4: Appendix E. A map of the Newport Center area, and a summary of the development scope, are presented on the following page.



Development Scope Summary			
Newport Center Prototype Apartment Development			
Site Area (Acres)	6	<u>Unit Mix</u>	
Density (Units Per Acre)	40	One-Bedroom Units	72
<u>Parking</u>		Two-Bedroom Units	144
At Grade Spaces	120	Three-Bedroom Units	24
Above Ground Spaces	480	Total Number of Units	240

Estimated Development Costs:

Newport Center Prototype Apartment Development

The development costs for the Newport Center prototype apartment development are estimated at \$258.7 million. This equates to \$1,078,000 per unit, or \$667 per square foot of GBA. This cost estimate reflects the premium quality nature of apartment development in the Newport Center area.

Projected Market Rate Rents:

Newport Center Prototype Apartment Development

To assist in projecting the achievable market rate apartment rents, KMA compiled rent data for three apartment projects located in and around the Newport Center area. One project was constructed in 2017, one project was completely renovated in 2015, and one project was constructed in 1997.

The market survey is presented in Attachment 4: Appendix A – Exhibit III. The resulting rents that were applied in the prototype analysis are summarized in the following table:

Projected Market Rate Rents Newport Center Prototype Apartment Development	
One-Bedroom Units	\$4,652
Two-Bedroom Units	\$6,569
Three-Bedroom Units	\$7,002
Average Monthly Rent Per Square Foot of Leasable Area	\$4.98

Findings:

Newport Center Prototype Apartment Development

The KMA pro forma analysis of the Newport Center prototype apartment development generated a 5.1% estimated stabilized return on investment. This serves as the benchmark by which the two affordability scenarios were measured.

The analysis of a low income scenario that is developed in accordance with the property’s base zoning requirements supported an 7% inclusionary housing requirement. The financial impacts associated with this scenario are presented in the following table:

7% Low Income Inclusionary Housing Requirement Newport Center Prototype Apartment Development	
Reduction in property acquisition cost needed to offset the impact created by the Inclusionary Housing requirements.	19%
The increase in market rate rents that would be needed to offset the proposed requirements.	5.9%

The pro forma analysis results indicate that the estimated stabilized return on investment for the 50% density bonus scenario is actually projected to be higher than the return generated by the 100% market rate scenario. Thus, it is KMA’s conclusion that a 15% very low income requirement can be supported by projects that can make use of the density bonus on an efficient basis.

WEST NEWPORT MESA & BANNING RANCH APARTMENT DEVELOPMENT ANALYSIS

The pro forma analysis for the West Newport Mesa & Banning Ranch prototype apartment development is provided in Attachment 4: Appendix F. Maps of the two areas are presented on the following page.

A summary of the development scope is presented in the following table:

Development Scope Summary			
West Newport Mesa & Banning Ranch Prototype Apartment Development			
Site Area (Acres)	2.5	<u>Unit Mix</u>	
Density (Units Per Acre)	33	Studio Units	8
<u>Parking</u>		One-Bedroom Units	42
At Grade Spaces	42	Two-Bedroom Units	33
Above Ground Spaces	166	Total Number of Units	83

Estimated Development Costs:

West Newport Mesa & Banning Ranch Prototype Apartment Development

The development costs for the West Newport Mesa & Banning Ranch prototype apartment development are estimated at \$58.9 million. This equates to \$710,000 per unit, or \$545 per square foot of GBA.

Projected Market Rate Rents:

West Newport Mesa & Banning Ranch Prototype Apartment Development

KMA’s did not discover any new apartment development in the West Newport Mesa area, and as discussed previously, there is currently no development in the Banning Ranch area. KMA ultimately surveyed recently constructed apartment projects in Costa Mesa to serve as a surrogate for the West Newport Mesa & Banning Ranch area.

The market survey is presented in Attachment 4: Appendix A – Exhibit IV. The resulting rents that were applied in the prototype analysis are summarized in the following table:

Projected Market Rate Rents West Newport Mesa & Banning Ranch Prototype Apartment Development	
Studio Units	\$2,665
One-Bedroom Units	\$3,745
Two-Bedroom Units	\$4,002
Average Monthly Rent Per Square Foot of Leasable Area	\$3.82

Findings:

West Newport Mesa & Banning Ranch Prototype Apartment Development

The KMA pro forma analysis of the West Newport Mesa & Banning Ranch prototype apartment development generated a 4.5% estimated stabilized return on investment. This serves as the benchmark by which the two affordability scenarios were measured.

The analysis of a low income scenario that is developed in accordance with the property’s base zoning requirements supported an 7% inclusionary housing requirement. The financial impacts associated with this scenario are presented in the following table:

7% Low Income Inclusionary Housing Requirement West Newport Mesa & Banning Ranch Prototype	
Reduction in property acquisition cost needed to offset the impact created by the Inclusionary Housing requirements.	18%
The increase in market rate rents that would be needed to offset the proposed requirements.	5.2%

The pro forma analysis results indicate that the estimated stabilized return on investment for the 50% density bonus scenario is actually projected to be higher than the return generated by the 100% market rate scenario. Thus, it is KMA’s conclusion that a 15% very low income requirement can be supported by projects that can make use of the density bonus on an efficient basis.

D. Summary: Apartment Development Analyses

The preceding section of this Financial Evaluation used pro forma analyses of prototype apartment development projects to assist in identifying the Inclusionary Housing production requirements that can currently be supported. The focus areas that were evaluated are:

1. Airport Area;
2. Coyote Canyon Area;
3. Newport Center Area; and
4. West Newport Mesa & Banning Ranch Area.

KMA's primary analysis is based on prototype apartment development projects that comport with the base zoning code standards imposed on the development sites. Under that assumption, the results of the analyses indicate that a 7% low income requirement can be supported.¹⁰ This conclusion is based on the following results from the four focus areas that were tested:

1. The needed reduction in property acquisition costs ranges from 18% to 21%. The results in each focus area are lower than the 25% benchmark used in this analysis.
2. The increase in market rate rents needed to offset impact the Inclusionary Housing requirement ranges from 5.2% to 5.9%. In each focus area the needed increases are less than the 6% benchmark used in this analysis.

At the City's request, KMA prepared pro forma analyses for low income Inclusionary Housing production requirements ranging from 5% to 20% to compare the financial impacts generated at each affordable housing set aside requirement. The results of these analyses are summarized in the following table.

¹⁰ In the Airport and Coyote Canyon Areas an 8% low income Inclusionary Housing requirement met both benchmark tests. However, KMA concluded that the efficiency associated with applying a consistent citywide standard outweighs the relatively minor increase in requirements that could potentially be imposed in these two focus areas.

SUMMARY: ALTERNATIVE INCLUSIONARY HOUSING PRODUCTION REQUIREMENTS

LOW INCOME STANDARD

APARTMENT DEVELOPMENT PROTOTYPES

	Airport Area Prototype	Coyote Canyon Prototype	Newport Center Prototype	West Newport Mesa & Banning Ranch Prototype
I. Project Description				
A. Site Area (Sf)	435,600	304,920	261,360	108,900
B. Density (Units/Acre)	45	40	40	33
C. Total Units	450	280	240	83
II. Return on Total Investment - Mkt Rate Scenario	4.5%	4.4%	5.1%	4.5%
III. Alternative Inclusionary Housing Requirements				
A. Property Acquisition Cost Reduction				
5% Low Income Requirement	14.7%	14.7%	12.9%	13.3%
7% Low Income Requirement	20.2%	21.2%	18.7%	18.5%
10% Low Income Requirement	28.7%	29.7%	26.3%	25.1%
15% Low Income Requirement	43.1%	44.5%	39.2%	38.3%
20% Low Income Requirement	57.2%	59.5%	52.7%	53.7%
B. % Rent Increase to Offset Impact				
5% Low Income Requirement	3.7%	3.4%	4.0%	3.7%
7% Low Income Requirement	5.2%	5.1%	5.9%	5.2%
10% Low Income Requirement	7.6%	7.3%	8.6%	7.2%
15% Low Income Requirement	12.1%	11.6%	13.6%	11.7%
20% Low Income Requirement	17.0%	16.6%	19.4%	17.6%

5% LOW INCOME INCLUSIONARY HOUSING REQUIREMENT

The analysis of a 5% low income Inclusionary Housing requirement generates impacts that are significantly lower than both benchmarks applied in the KMA evaluation. Thus, it is a clear that a 5% low income Inclusionary Housing requirement for apartment development projects can be supported.

10%, 15% AND 20% LOW INCOME INCLUSIONARY HOUSING REQUIREMENTS

The impacts created by Inclusionary Housing requirements set at 10%, 15% and 20% exceed both benchmark tests by significant margins.

E. Section 65915 Density Bonus

It is important to remember that there is an incentive for developers that are subject to Inclusionary Housing obligations to use the Section 65915 density bonus to mitigate the impacts created by the income and affordability controls. For the purposes of this analysis, KMA assumed that typically developers would choose to set aside 15% of the base zoning units for very low income households in return for receiving a 50% density bonus.¹¹

The density bonus percentage that can be used on an efficient basis is dependent on the characteristics of the development site. For the purposes of this analysis KMA assumed that the 50% density bonus could be used on a cost efficient basis. Under that assumption, in each focus area the benefits created by the density bonus and the statutorily provided concessions or incentives offset the financial impacts created by allocating 15% of the base zoning units to very low income households.

As discussed previously, to adhere to HCD guidance, KMA is recommending that the Inclusionary Housing production requirements for apartment development be set at the low income level. However, in accordance with the ruling in the *Napa* case, a developer must be allowed use very low income units being provided to fulfill Section 65915 density bonus requirements to also fulfill a low income Inclusionary Housing requirement imposed by the City.

F. Recommended Inclusionary Housing Requirement

It is clear that the use of the Section 65915 density bonus can potentially mitigate the impacts of Inclusionary Housing requirements of set at up to 15% of a site's base zoning standards. However, it is also important to understand that a density bonus cannot be used efficiently on all development sites. This is particularly an issue for small development sites or for projects in which increased density would require a more expensive construction or parking type.

¹¹ A 50% density bonus is also provided for projects that allocate 24% of the base zoning units to low income households. However, it is mathematically advantageous to select the 15% very low income option.

In light of these factors KMA recommends that the base Inclusionary Housing requirement be set as follow:

1. A 15% very low income requirement should be imposed on projects that consist of 50 or more units.
2. Projects with fewer than 50 units should be provided with the option to fulfill a 7% low income requirement or to pay a fee in lieu of producing Inclusionary Units.

In all four focus areas evaluated in this analysis, a requirement of this magnitude met both the benchmark standards that were applied by KMA. Given the conservative approach taken by KMA, it is reasonable to conclude that a requirement of this magnitude is not confiscatory and that it will not deprive a property owner of a fair and reasonable return on their investment.

VI. IN-LIEU FEE ANALYSES

The following in-lieu fee analyses are provided to assist the City in creating specific in-lieu fee policies to be applied as part of an Inclusionary Housing program. KMA estimated the supportable in-lieu fee amounts based on the Affordability Gaps associated with the on-site development of Inclusionary Units within market rate ownership housing and apartment projects.

This section of the Financial Evaluation provides estimates of the in-lieu fees that would need to be charged in order to attract a developer to produce the required number of affordable units in off-site locations. The results can be used to create in-lieu fee schedules, or the format can be used to develop a methodology for calculating the in-lieu fee on a case by case basis.

A. Ownership Housing Development

The KMA in-lieu fee estimates for ownership housing development projects are presented in Attachment 5: Appendix A. The pro forma analyses presented in the Ownership Housing Development Analysis section of this Financial Evaluation support an 8% moderate income Inclusionary Housing requirement. The KMA in-lieu fee estimates for ownership housing development are summarized in the following table:

Supportable Inclusionary Housing Requirements and Related In-Lieu Fees			
Ownership Housing Development			
	Coyote Canyon	Dover Westcliff	West Newport Mesa & Banning Ranch
Moderate Income Unit Percentage	8%	8%	8%
In-Lieu Fee Per Inclusionary Unit	\$767,800	\$1,296,700	\$944,200
In-Lieu Fee Per Market Rate Unit in a 100% Market Rate Project	\$59,720	\$86,450	\$70,820
In-Lieu Fee Per Square Foot of Saleable Area in a 100% Market Rate Project	\$37.30	\$40.00	\$33.80

B. Apartment Development

KMA estimated the supportable in-lieu fee amounts for apartment development based on the Affordability Gaps associated with the on-site development of Inclusionary Units within market rate apartment projects. The Affordability Gaps for apartment units are estimated in Attachment 5: Appendix B using the following methodology:

1. KMA prepared the analyses based on the 7% low income Inclusionary Housing requirements that are supported by the apartment development pro forma analyses.
2. The differences between the estimated achievable market rate rents and the defined Affordable Rents were calculated.
3. KMA assumed that the property taxes for projects that include designated affordable housing units would be based on a lower assessed value than a 100% market rate project due to the reduction in net operating income that would be generated by the project. KMA deducted this lower property tax expense from the estimated rent difference.
4. The “Net Annual Rent Difference Per Inclusionary Unit” is equal to the “Annual Rent Difference Per Inclusionary Unit” minus the property tax savings.
5. The “Affordability Gap Per Inclusionary Unit” is equal to Annual Rent Difference Per Inclusionary Unit capitalized at the benchmark returns derived from the pro forma analyses of the market rate scenarios.
6. The Affordability Gaps Per Inclusionary Unit were translated into in-lieu fees per square foot of leasable area.

The KMA in-lieu fee estimates for apartment development projects are presented in Attachment 5: Appendix B., and summarized in the following table:

Supportable Inclusionary Housing Requirements and Related In-Lieu Fees				
Apartment Development				
	Airport Area	Coyote Canyon	Dover Westcliff	West Newport Mesa & Banning Ranch
Low Income Unit Percentage	7%	7%	7%	7%
In-Lieu Fee Per Inclusionary Unit	\$516,000	\$487,000	\$861,000	\$521,000
In-Lieu Fee Per Market Rate Unit in a 100% Market Rate Project	\$36,690	\$34,790	\$60,990	\$37,660
In-Lieu Fee Per Square Foot of Leasable Area in a 100% Market Rate Project	\$38.30	\$36.60	\$50.30	\$38.50

VII. SUMMARY

The Financial Evaluation assumptions and findings are summarized in Summary Tables 1, 2 and 3 that are presented on the following three pages. Based on the results of the Financial Evaluation analyses, KMA recommends that the Inclusionary Housing production requirements be set at the following percentages:

Recommended Inclusionary Housing Production Requirements

Ownership Housing Development	8% Moderate Income
Apartment Development	7% Low Income

The recommended Inclusionary Housing requirements are based on the following factors:

1. The courts have not provided guidance for defining the meaning of confiscatory or a reasonable return on a property owner's investment.
2. Using a conservative approach, KMA created benchmark impacts against which potential Inclusionary Housing requirements would be measured.
3. The recommended Inclusionary Housing requirements are based on the pro forma analyses KMA undertook as part of this Financial Evaluation. When these requirements were applied, the prototype projects in each focus area achieved the benchmark standards that KMA created.

It is important to note that the percentages identified above are tied to the production of the Inclusionary Units on site within a market rate residential development. A detailed set of policy recommendations for the alternative means of fulfilling the Inclusionary Housing requirements will be presented in a separate memorandum. These recommendations will be guided by input provided by the City staff and the City Council.

SUMMARY TABLE #1
OWNERSHIP HOUSING DEVELOPMENT PROTOTYPES

	Coyote Canyon Prototype	Dover Westcliff Prototype	West Newport Mesa & Banning Ranch Prototype
I. Project Description			
A. Site Area (Acres)	5.0	1.5	6.0
B. Density (Units/Acre)	18	20	20
C. Unit Mix			
Two-Bedroom Units	45	0	0
Three-Bedroom Units	45	18	42
Four-Bedroom Units	0	12	78
Total Units	90	30	120
D. Gross Building Area			
Square Feet	144,000	64,800	251,400
Per Unit	1,600	2,160	2,095
E. Parking Spaces Per Unit	2.0	2.0	2.0
II. Development Costs - Market Rate Scenario			
Total Development Cost	\$84,227,000	\$40,838,000	\$133,695,000
Per Unit	\$936,000	\$1,361,000	\$1,114,000
Per Square Foot of GBA	\$585	\$630	\$532
III. Market Rate Sales Price Per Unit			
Two-Bedroom Units	\$953,200		
Three-Bedroom Units	\$1,320,100	\$1,517,900	\$1,227,700
Four-Bedroom Units		\$1,742,500	\$1,373,200
IV. Affordable Sales Price - Moderate Income Units			
Two-Bedroom Units	\$381,200		
Three-Bedroom Units	\$356,600	\$316,000	\$375,700
Four-Bedroom Units		\$303,500	\$379,300
V. Average Affordability Gap Per Inclusionary Unit	\$767,800	\$1,296,700	\$944,200
VI. Developer Profit - Market Rate Scenario			
As a % of Total Development Cost	14.8%	11.6%	12.2%
VII. Inclusionary Housing Percentage	8%	8%	8%
VIII. In-Lieu Fee Per Sf of Total Saleable Area	\$37.30	\$40.00	\$33.80

SUMMARY TABLE #2

APARTMENT DEVELOPMENT PROTOTYPES: ZONING COMPLIANT SCENARIOS

	Airport Area Prototype	Coyote Canyon Prototype	Newport Center Prototype	West Newport Mesa & Banning Ranch Prototype
I. Project Description				
A. Site Area (Acres)	10.0	7.0	6.0	2.5
B. Density (Units/Acre)	45	40	40	33
C. Unit Mix				
Studio Units	23	0	0	8
One-Bedroom Units	212	98	72	42
Two-Bedroom Units	215	154	144	33
Three-Bedroom Units	0	28	24	0
Total Units	450	280	240	83
D. Gross Building Area	574,200	354,667	388,000	108,200
E. Total Leasable Area				
Square Feet	430,650	266,000	291,000	81,150
Per Unit	957	950	1,213	978
F. Parking Spaces Per Unit	2.5	2.5	2.5	2.5
II. Development Costs - Market Rate Scenario				
Total Development Cost	\$318,541,000	\$193,826,000	\$258,738,000	\$58,923,000
Per Unit	\$708,000	\$692,000	\$1,078,000	\$710,000
Per Square Foot of GBA	\$555	\$547	\$667	\$545
III. Market Rate Rents Per Unit				
Studio Units	\$2,780			\$2,665
One-Bedroom Units	\$3,511	\$3,349	\$4,652	\$3,745
Two-Bedroom Units	\$4,019	\$3,593	\$6,569	\$4,002
Three-Bedroom Units		\$4,421	\$7,002	
IV. Affordable Rents - Low Income Units				
Studio Units	\$867			\$867
One-Bedroom Units	\$990	\$990	\$990	\$990
Two-Bedroom Units	\$1,094	\$1,094	\$1,094	\$1,094
Three-Bedroom Units		\$1,197	\$1,197	
V. Average Affordability Gap Per Inclusionary Unit	\$516,000	\$487,000	\$861,000	\$521,000
VI. ROTI - Market Rate Scenario	4.5%	4.4%	5.1%	4.5%
VII. Inclusionary Housing Percentage	7%	7%	7%	7%
VIII. In-Lieu Fee Per Per Square Foot of Leasable Area	\$38.30	\$36.60	\$50.30	\$38.50

¹ ROTI = Return on Total Investment.

SUMMARY TABLE #3

APARTMENT DEVELOPMENT PROTOTYPES: \$65915 DENSITY BONUS SCENARIOS

	Airport Area Prototype	Coyote Canyon Prototype	Newport Center Prototype	West Newport Mesa & Banning Ranch Prototype
I. Project Description				
A. Site Area (Acres)	10.0	7.0	6.0	2.5
B. Density (Units/Acre)	68	60	60	50
C. Unit Mix				
Studio Units	34	0	0	13
One-Bedroom Units	317	147	108	62
Two-Bedroom Units	324	231	216	50
Three-Bedroom Units	0	42	36	0
Total Units	675	420	360	125
D. Gross Building Area	862,133	532,000	582,000	162,733
E. Total Leasable Area				
Square Feet	646,600	399,000	436,500	122,050
Per Unit	958	950	1,213	976
F. Parking Spaces Per Unit	1.7	1.7	1.7	1.7
II. Development Costs				
Total Development Cost	\$437,801,000	\$268,271,000	\$333,851,000	\$74,444,000
Per Unit	\$649,000	\$639,000	\$927,000	\$596,000
Per Square Foot of GBA	\$508	\$504	\$574	\$457
III. Market Rate Rents Per Unit				
Studio Units	\$2,780			\$2,665
One-Bedroom Units	\$3,511	\$3,349	\$4,652	\$3,745
Two-Bedroom Units	\$4,019	\$3,593	\$6,569	\$4,002
Three-Bedroom Units		\$4,421	\$7,002	NA
IV. Percentage of Very Low Income Units	1	15%	15%	15%
V. Return on Total Investment				
Market Rate Scenario	2	4.5%	4.4%	5.1%
Density Bonus Scenario		4.5%	4.4%	5.1%

¹ The income restriction is set at the very-low income level to maximize the benefits provided by the State Density Bonus. The requirement is based on the number of units allowed by a zoning compliant project and must be counted towards fulfillment of a low income Inclusionary Housing requirements.

² See SUMMARY TABLE #2. Based on the zoning compliant development scopes.

ATTACHMENT 1

**INCLUSIONARY HOUSING PROGRAM SURVEYS
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
I. Inclusionary Requirements: Both Rental and Ownership Projects									
Albany	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	Yes	5		Perpetual	5		Perpetual
Alhambra	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	7	9% at 120% & 6% at 80%		7	9% at 120% & 6% at 80%	
Avalon	Create on-site units; create off-site units; pay in-lieu fee	20%	No	4		55	4		55
Brea	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	No	20	Not defined	55	20	120%	45
Campbell	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	No			55		120%	45
Capitola	Create on-site units; pay in-lieu fee	15%	Yes				7	120%	Life of Bldg
Carlsbad	Create units; pay in-lieu fee. City Council may approve additional alternative fulfillment options.	15%	No	1	Low	55	1	Low	30
Chula Vista	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land. Excludes area west of I-805 identified as "Area of Low/Moderate Income Concentration".	10%	No	50	5% @ Low / 5% @ Mod	Life of Bldg	50	5% @ Low / 5% @ Mod	Life of Bldg
Colma	Create on-site units; pay in-lieu fee	20%	No	5		55	5		45
Concord	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	10%	Yes	5		55	5		45
Contra Costa County	Create on-site units; create off-site units; pay in-lieu fee; donate land. Program requirements are only applied in designated areas.	15%	No	5			5		3
Coronado	Create units; pay in-lieu fee	20%	No	2	Low		2	Mod	
Cupertino	1-7 units pays in-lieu fee. Create on-site units; create off-site units; pay impact/linkage fee; donate land	15%	No	7	50% /80%	99	7	50% /120%	99
Davis	Create on-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	5% to 25%	No	5	80%	Perpetual	5	120%	Perpetual
Dublin	Create on-site units; create off-site units; pay in-lieu fee; donate land	12.5%	No	20		55	20		55
Emeryville	Create on-site units; pay impact/linkage fee	12%/20%	No			55	10		55
Encinitas	Create on-site units; create off-site units; create ADU's; preserve at-risk units; pay in-lieu fee; donate land	10%/15%	No	7	10% VL or 15% Low	Perpetual	7	10% VL or 15% Low	Perpetual
Fremont	Has a production option, but the in-lieu fee option is more cost effective	18% to 21.6%	No	2	30% to 110%		2	30% to 110%	
Fort Bragg	Create on-site units	10% to 20%		5	80% /120%		5	100% /120%	15

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
Hayward	Create on-site units; create off-site units; pay in-lieu fee; pay impact/linkage fee; donate land	6% / 7.5% - 10%	No	2	3% @ 50%/ 3% @ 60%	55	2	110%	45
Huntington Beach	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	10%	No	3	80%	55	3	120%	45
Irvine	Projects with fewer than 50 units can create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land. Projects with 50+ units must produce the affordable units on site.	15%	No	50	50%, 80% & 120% Defined credits	30	50	50%, 80% & 120% Defined credits	30
La Habra	Create on-site units; create off-site units; pay in-lieu fee; acquisition/rehabilitation.	15%	No	10	9% Mod / 6% VL & Low	55	10	110%	45
Long Beach	Create on-site units; pay in-lieu fee; donate land	11%/10%	No	10	50%	55	10	110%	45
Los Altos	Create on-site units; create off-site units. Program requirements are only imposed in designated areas.	10%	No	10		30	10		30
Menlo Park	Create on-site units; create off-site units; pay in-lieu fee	10%	Yes	5	80% /120%		5	80% /120%	
Mill Valley	Create on-site units	25%	Yes	4	120%	Perpetual	4	120%	Perpetual
Nevada County	Create on-site units; create off-site units Program requirements are only applied in designated areas.		No	20		30	20		30
Oceanside	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land; purchase credits from another project.	10%	No	3	Low	55	3	Mod	55
Oxnard	Create on-site units; create off-site units; pay in-lieu fee in limited circumstances	10%	No	10	5% @ VL / 5% Low	55	10	Low	20
Pacifica	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	8		55	8		45
Palo Alto	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	15%	Yes			59			59
Pasadena	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	20%	No	1	5% @50%; 5% @ 80%; 10% @ 120%	Perpetual	1	110%	45
Petaluma	Create on-site units; pay in-lieu fee; donate land	15%	No			30			30
Pleasanton	Create on-site units; create off-site units; pay in-lieu fee; donate land; credit transfers; other alternate methods of compliance	15%	Yes	15			15		Perpetual
Pomona	Create on-site units; create off-site units; pay in-lieu fee; donate land	13% / 7%-11%	Yes	3	120%	Perpetual	3	120%	45
Redwood City	Create on-site units; create off-site units; preserve or rehab units; pay impact/linkage fee; donate land		No	5		30	5		30

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
Sacramento County	Has a production option, but the in-lieu fee option is more cost effective	10%	No	1	80%		1	80%	
San Bruno	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	No	10		55	10		45
San Diego	Create on-site units; create off-site units; rehabilitate existing units, SRO hotel rooms, or conversion of guest rooms; pay in-lieu fee; donate land. The amended requirements were approved in 2020 and are being phased in over five years.	10% to 15%	No	10	10% @ 60%	55	10	10% @ 100% / 15% @ 120%	15
San Francisco	Create on-site units; create off-site units; pay in-lieu fee. Full schedule goes into effect in 2023 for rental and 2025 for ownership.	15% to 20% / 15% to 26%	Yes	10	55% to 110%		10	80% to 130%	
San Jose	Create on-site units; create off-site units; preserve or rehab units; in-lieu fee; donate land; credit transfers; reduction for deeper affordability	15%	Yes	10	5% @ 50%; 5% @ 60%; 5% @ 100%	Perpetual	10	120%	Perpetual
San Juan Capistrano	Create on-site units; create off-site units; preserve or rehab	10%	No	2		55	2		55
SLO County	Multiple subareas and requirements. Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	Yes	1, 2 or 11 depending on subarea	Coastal: 15% at Low or 15% at Mod	55	1, 2 or 11 depending on subarea	Coastal A: 5% VL; 5% Low; 5% Mod; 5% 120-150% AMI. Coastal: 15% Low Inland: 2% VL; 2% Low; 2% Mod; 2% 120-150% AMI	Coastal: 45 Inland: Perpetuity
San Mateo County	Create on-site units	10%	Yes	11	80%	Life of Bldg	11	120%	45
San Rafael	Create on-site units; pay in-lieu fee	10%	No	2			2	120%	
Santa Ana	Only applies to changes in land use and zoning designations. Create on-site units; off-site units; pay in-lieu fee	15% / 10%	No	5	10% @ 50% / 15% @ 80%	55	5	120%	45
Santa Barbara (City)	Create on-site units; create off-site units; pay in-lieu fee for 1 to 9 & fractional units; donate land	10% / 15%	No	5	Mod	90	1	120% to 200%	90 / restarts on each resale
Santa Cruz	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	Yes	2	80%	Perpetual	2	120%	Perpetual
Santa Monica	Create on-site units; create off-site units; pay in-lieu fee; donate land	5% to 30%	Yes	2	50%, 80% & 120% Defined credits	55	2	50%, 80% & 120% Defined credits	55
Santa Paula	Create on-site units; create off-site units; pay in-lieu fee	10% to 17%	Yes	10	15% Low or 10% VL	55	10		45

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
Santa Rosa	Has a production option, but the in-lieu fee option is more cost effective	5% to 8% / 10%	No	1	5% @ 50% or 8% @ 60%		2	110%	
Sonoma	Create on-site units	25%	Yes	5	120%	55	5	120%	55
Sonoma County	Create on-site units; create off-site units; pay in-lieu fee; donate land	20%	Yes		60%	55		80%	30
South San Francisco	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	20%	No	4		55	4		55
Sunnyvale	Create on-site units; create off-site units; pay in-lieu fee; donate land, unit conversion, other proposals	15.0%	No	7	5% @50%; 10% @ 60%	55	7	100%	30
Tiburon	Create on-site units; create off-site units; pay in-lieu fee	15%		3		Perpetual	3		Perpetual
Union City	Create on-site units; create off-site units; pay in-lieu fee	15%	No	7			7		
West Sacramento	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	No	5	5% @50%; 5% @ 60%	55	5	70%	45
West Hollywood	Create on-site units; create off-site units; pay in-lieu fee for 2-10 unit projects	20%	No	2	Low / Mod	Perpetual	2	Low / Mod	Perpetual

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
II. Inclusionary Requirements: Ownership Projects Only									
Alameda	Create on-site units; create off-site units; pay in-lieu fee	5%	No				5		59
Carpinteria	Create on-site units; pay in-lieu fee in limited circumstances	12%	No				5	200%	30
Danville	Create on-site units; pay in-lieu fee	10%	Yes				7	110%	20
Folsom	Create on-site units; create off-site units; pay in-lieu fee; donate land; acq/rehab; other proposals	10%	No				10	3% @ VL / 7% @ Low	
Lafayette	² Create on-site units; create off-site units	15%	No				2		45
Monterey	Create on-site units; donate land	20%	No				6		Perpetual
Mountain View	Create on-site units; pay in-lieu fee	10%	No				3	100%	55
Rohnert Park	Create on-site units; create off-site units; pay in-lieu fee	15%	No				5		55
San Clemente	Create on-site units; create off-site units; pay in-lieu fee; donate land; or a combination recommended by the Community Development Director.	4%	No				6	50%	
San Leandro	Create on-site units; pay in-lieu fee	15%	Yes						55
San Mateo County	Create on-site units; create off-site units; pay in-lieu fee; donate land	20%	No				5		55
Santa Barbara County	Create on-site units; create off-site units in the coastal zone; pay in-lieu fee for certain unit types	5% - 15%	Yes				5	5-19: 1 Mod / 20+: South Coast: 2.5% VL; 2.5% Low; 5% Mod; 5% Wkfrce Santa Ynez: No Wkfrce Santa Maria & Lompoc: 2.5% VL & 2.5 Low	45 - restarts up to 90
Thousand Oaks	Create on-site units; create off-site rental units; pay in-lieu fee	10%	No				5	Mod	45

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development		
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period
III. <u>Inclusionary for Ownership Projects & Impact Fee for Rental Projects</u>									
Berkeley	Create on-site units; pay in-lieu fee	20%	No				5	80%	Perpetual
San Carlos	Create on-site units; create off-site units; pay impact/linkage fee	15%	Yes			55	2		45
Truckee	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; pay impact/linkage fee; donate land. Requirements vary by zones, neighborhoods or districts.	15%	No	7		Perpetual	7		Perpetual
IV. <u>Mandatory Inclusionary for Ownership Projects & Voluntary Inclusionary for Rental Projects</u>									
Pittsburg	Create on-site units; pay in-lieu fee	15%	Yes				5		
Salinas	Create on-site units; create off-site units; donate land	20%	No				10		30
San Juan Bautista	Create on-site units; pay impact/linkage fee	6%							
San Luis Obispo	Create on-site units; pay in-lieu fee; donate land	3%	Yes				5		45
San Marcos	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	15%	No				55	120%	55
Solana Beach	Create on-site units; create off-site units; preserve or rehab existing housing; pay impact/linkage fee	15%	No	5		55	5		45
V. <u>Rental Projects Only</u>									
Glendale	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	8	60%	55			

APPENDIX B

INCLUSIONARY HOUSING PROGRAM SURVEYS - LOS ANGELES, ORANGE AND SAN DIEGO COUNTIES
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development			In-Lieu Fee
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period	
Alhambra	On-site or pay in-lieu fee.	15%	No	7	9% at 120% & 6% at 80%		7	9% at 120% & 6% at 80%		Rental @ \$14.30/SF Ownership @ \$30.00/SF
Brea	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	No	20		55	20	120%	10	Calculated per project. Based on the Affordability Gap
Carlsbad	Create units; pay in-lieu fee	15%	No	7	Low		7	Low		Available up to 6 units. \$4,515 per market rate unit
Chula Vista	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land. Excludes area west of I-805 identified as "Area of Low/Moderate Income Concentration".	10%	No	50	5% @ Low / 5% @ Mod	Life of Bldg	50	5% @ Low / 5% @ Mod	Life of Bldg	In-lieu fee is based on the median home price minus the affordable home price
Coronado	Create units; pay in-lieu fee	20%	No	2	Low		2	Mod		In-lieu fee paid by right. \$7,000 per market rate unit
Encinitas	Create on-site units; create off-site units; create ADU's; preserve at-risk units; pay in-lieu fee; donate land	10%/15%	No	7	10% VL or 15% Low	Perpetual	7	10% VL or 15% Low	Perpetual	In-lieu fee is calculated on a project-by-project basis based on the affordability gap.
Huntington Beach	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee	10%	No	3	80%	55	3	120%	45	Sliding Scale: 3 to 30 units. In-Lieu Fee allowed for projects up to 100 units. Rental: \$3.58 to \$35.80/SF Ownership: \$2.54 to \$25.36/SF. The per SF measurement caps at 2,000 SF.

APPENDIX B

INCLUSIONARY HOUSING PROGRAM SURVEYS - LOS ANGELES, ORANGE AND SAN DIEGO COUNTIES
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development			In-Lieu Fee
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period	
Irvine	Projects with fewer than 50 units can create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land. Projects with 50+ units must produce the affordable units on site.	15%	No	50	50%, 80% & 120% Defined credits	30	50	50%, 80% & 120% Defined credits	30	Calculated per project. Based on an equivalent value calculation
La Habra	Create on-site units; create off-site units; pay in-lieu fee; acquisition/rehabilitation.	15%	No	10	9% Mod / 6% VL & Low	55	10	110%	45	Calculated per project. Based on the estimated construction cost to produce the unit.
Long Beach	Create on-site units; pay in-lieu fee; donate land	11%/10%	No	10	50%	55	10	120%	45	Rental @ \$38.00/SF Ownership @ \$29.10/SF
Oceanside	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land; purchase credits from another project.	10%	No	3	Low	55	3	Mod	55	In-lieu fee paid by right. The fee is set at \$8.82/SF.
Pasadena	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	20%	No	1	5% @50%; 5% @ 80%; 10% @ 120%		1	110%	45	Sliding scale by sub-area & project size. Low at \$34.19/SF & High at \$73.52/SF
Pomona	Create on-site units; create off-site units; pay in-lieu fee; donate land	13% / 7%-11%	Yes	3	120%	Perpetual	3	120%	45	Rental @ \$9.30/SF Single Family @ \$11.40/SF Condominiums @ \$9.30/SF
San Diego	Create on-site units; create off-site units; pay in-lieu fee; donate land	10% to 15%	No	10	50% or 80%	55		100% or 120%		In 2024 the in-lieu fee will be set a \$25/SF
San Juan Capistrano	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land	10%	No	2		55	2		55	Based on 90% of the Affordability Gap, which is updated monthly based on benchmark market prices

APPENDIX B

INCLUSIONARY HOUSING PROGRAM SURVEYS - LOS ANGELES, ORANGE AND SAN DIEGO COUNTIES
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development			Ownership Development			In-Lieu Fee
				Threshold Project Size	% of AMI	Covenant Period	Threshold Project Size	% of AMI	Covenant Period	
Santa Ana	Only applies to changes in land use and zoning designations. Create on-site units; off-site units; pay in-lieu fee	15%	No	5	10% @ 50%/ 15% @ 60%	55	5	120%	45	Fewer than 20 Units @ \$5/SF 20+ Units @ \$15/SF
Santa Monica	Create on-site units; create off-site units; pay in-lieu fee; donate land	5% to 30%	Yes	2	50%, 80% & 120% Defined credits	55	2	50%, 80% & 120% Defined credits	55	Rental @ \$35.70/SF Ownership @ \$41.70/SF
West Hollywood	Create on-site units; create off-site units; pay in-lieu fee for 2-10 units projects	20%	No	2	Low / Mod	Perpetual	2	Low / Mod	Perpetual	Sliding scale: 2 Units @ \$13.63/SF - 10 Units @ \$29.23/SF

II. **Inclusionary Requirements: Ownership Projects Only**

San Clemente	Create on-site units; create off-site units; pay in-lieu fee; donate land; or a combination recommended by the Community Development Director.	4%	No				6	50%		Based on the Affordability Gap associated with a prototype 1,100 SF unit.
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III. **Inclusionary Requirements: Rental Projects Only**

Glendale	Create on-site units; create off-site units; pay in-lieu fee; donate land	15%	No	8	60%	55				Sliding scale: 8 Units @ \$28.71/SF - 21 Units @ \$55/SF
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ATTACHMENT 2
AFFORDABLE HOUSING COST CALCULATION METHODOLOGIES
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

APPENDIX A

AFFORDABLE SALES PRICE CALCULATION METHODOLOGY

The Affordable Sales Price calculations are based on the following assumptions:

1. The household income information used in the calculations is based on 2021 income statistics for Orange County as a whole. The household incomes for moderate income households are produced and distributed annually by the California Department of Housing and Community Development (HCD).
2. The Affordable Sales Price estimates are based on the calculation methodology imposed by California Health and Safety Code (H&SC) Section 50052.5.

The elements included in the Affordable Sales Price calculations are described in the following sections of this Attachment.

HOUSEHOLD SIZE

For the sole purposes of calculating Affordable Sales Prices, H&SC Section 50052.5 sets household sizes based on the number of bedrooms in the home plus one.¹ H&SC Section 50052.5 refers to this as “the family size appropriate for the unit.” This is not an occupancy cap; it is a benchmark that creates a consistent Affordable Sales Price calculation methodology.

HOUSEHOLD INCOME

For moderate income households, H&SC Section 50052.5 calculates the Affordable Sales Prices based on 110% of area median income (AMI) for a household size equal to the number of bedrooms in the home plus one. This measurement is only used for setting the Affordable Sales Prices. Households with incomes of up to 120% of AMI would qualify to reside in moderate income units.

INCOME ALLOCATED TO HOUSING-RELATED EXPENSES

For moderate income households H&SC Section 50052.5 allocates 35% of the benchmark household income to the payment of housing-related expenses.

¹ For example, the imputed household size for a three-bedroom unit is four persons.

HOUSING-RELATED EXPENSES

Based on research undertaken by KMA, the variable housing related expense assumptions used in this analysis are presented in the following table:

Variable Housing Related Expenses		
Ownership Housing Development Prototypes		
	Monthly Utilities Allowances ²	Monthly HOA, Insurance & Maintenance
Two-Bedroom Units	\$206	\$300
Three-Bedroom Units	\$271	\$350
Four-Bedroom Units	\$345	\$400

The property tax expense estimate is based on 1.10% of the home's estimated market rate sales price. This assumes that the City will allow the homes to be resold on an unrestricted basis in return for the City receiving a share of the equity appreciation received by the home owner.

SUPPORTABLE MORTGAGE AMOUNT

The mortgage amounts used in the Affordable Sales Price calculations are estimated using the income available after the other housing-related expenses are paid. The mortgage terms used in this Financial Evaluation were based on a 30-year fully amortizing loan at a 3.87% interest rate. ³

BENCHMARK DOWN PAYMENT

KMA set the benchmark down payment at 5% of the estimated Affordable Sales Price. A down payment of this magnitude is commonly allowed by affordable housing programs.

²Utilities allowances are based on utilities costs comprised of gas heating, cooking and water heating; basic electric; air conditioning; and water, sewer and trash services. The allowances are based on the Orange County Housing Authority schedule effective as of December 1, 2021.

³ Based on a 50 basis points premium applied to the Bankrate site average APR as of January 1, 2022 (1st Quarter 2022) for a fixed interest rate loan with a 30-year amortization period.

APPENDIX B

AFFORDABLE RENT CALCULATION METHODOLOGY

The Affordable Rent calculations are based on the following assumptions:

For the purposes of this Financial Evaluation, the maximum Affordable Rents for the Inclusionary Unit units were calculated based on the standards imposed by H&SC Section 50053. The calculations are presented in Attachment 3: Appendix B, and the assumptions and results can be summarized as follows:

1. The household income information used in the calculations is based on 2021 income statistics for Orange County as a whole. The household incomes are published annually by HUD and are distributed by HCD.
2. The Affordable Rent estimates are based on the calculation methodology imposed by H&SC Section 50053.

The elements included in the Affordable Rent calculations are as follows:

1. The household size appropriate for the unit is based on the H&SC Section 50052.5 standard of the number of bedrooms in the home plus one. As discussed previously, this is a benchmark for calculation purposes only. It is neither an occupancy minimum nor a maximum.
2. For the purposes of setting the Affordable Rents, the household income is set at 50% of AMI for very low income households and 60% of AMI for low income households.
3. Thirty percent (30%) of defined household income is allocated to housing-related expenses.
4. The following monthly utilities allowances were applied in this analysis.⁴

⁴ Utilities allowances are based on utilities costs comprised of gas heating, cooking and water heating; basic electric; and air conditioning. The allowances are based on the Orange County Housing Authority schedule effective as of December 1, 2021.

Utilities Allowances
Apartment Development

Number of Bedrooms	Monthly Utilities Allowances
0	\$67
1	\$77
2	\$107
3	\$137

ATTACHMENT 3

**OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX A

**MARKET SURVEYS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX A - EXHIBIT I

HOME SALES SURVEY
 COYOTE CANYON AREA
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

1

	Address		Unit Size (SF)	Sales Price		Year Built	
				Total	Per SF		
I.	Two-Bedroom Units						
	66 Clouds	Irvine	92603	1,216	\$975,000	\$802	2004
	152 Coral Rose	Irvine	92603	1,280	\$786,000	\$614	2004
	140 Coral Rose	Irvine	92603	1,391	\$780,000	\$561	2004
	127 Danbrook	Irvine	92603	1,489	\$765,000	\$514	2004
	46 Gingerwood	Irvine	92603	1,586	\$960,000	\$605	2004
	145 Roadrunner	Irvine	92603	1,586	\$923,000	\$582	2004
	123 Roadrunner	Irvine	92603	1,622	\$765,000	\$472	2004
	143 Roadrunner	Irvine	92603	1,643	\$925,000	\$563	2004
	95 Canyoncrest	Irvine	92603	1,116	\$833,000	\$746	2003
	120 Jadestone	Irvine	92603	1,234	\$740,000	\$600	2003
	262 Coral Rose	Irvine	92603	1,234	\$690,000	\$559	2003
	225 Coral Rose	Irvine	92603	1,268	\$785,000	\$619	2003
	260 Coral Rose	Irvine	92603	1,268	\$768,000	\$606	2003
	112 Coral Rose	Irvine	92603	1,391	\$731,500	\$526	2003
	208 Coral Rose	Irvine	92603	1,489	\$681,500	\$458	2003
	153 Roadrunner #244	Irvine	92603	1,610	\$995,000	\$618	2003
	71 Gingerwood	Irvine	92603	1,622	\$812,500	\$501	2003
	53 Gingerwood	Irvine	92603	1,622	\$795,000	\$490	2003
	219 Lonetree	Irvine	92603	1,622	\$800,000	\$493	2003
	16 Shade Tree	Irvine	92603	2,438	\$1,662,500	\$682	2003
	Minimum			1,116	\$681,500	\$458	2003
	Maximum			2,438	\$1,662,500	\$802	2004
	Average			1,486	\$858,700	\$578	2003

APPENDIX A - EXHIBIT I

HOME SALES SURVEY
 COYOTE CANYON AREA
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

1

	Address		Unit Size (SF)	Sales Price		Year Built	
				Total	Per SF		
II. Three-Bedroom Units							
	103 Danbrook	Irvine	92603	1,416	\$793,000	\$560	2005
	64 Clouds Vw	Irvine	92603	1,333	\$1,060,000	\$795	2004
	203 Danbrook	Irvine	92603	1,416	\$970,000	\$685	2004
	142 White Flower	Irvine	92603	1,570	\$1,385,000	\$882	2004
	21 Gardenpath	Irvine	92603	1,628	\$1,400,000	\$860	2004
	47 Gardenpath	Irvine	92603	1,628	\$1,435,000	\$881	2004
	61 Bower Tree	Irvine	92603	1,628	\$1,280,000	\$786	2004
	109 Roadrunner	Irvine	92603	1,859	\$940,000	\$506	2004
	65 Arborside	Irvine	92603	1,913	\$1,925,000	\$1,006	2004
	53 Shade Tree	Irvine	92603	2,438	\$1,380,000	\$566	2004
	202 Coral Rose	Irvine	92603	1,416	\$950,000	\$671	2003
	254 Coral Rose	Irvine	92603	1,416	\$765,000	\$540	2003
	41 Gardenpath	Irvine	92603	1,548	\$1,320,000	\$853	2003
	12 Arborside	Irvine	92603	1,548	\$980,000	\$633	2003
	53 Bellwind	Irvine	92603	1,548	\$1,350,000	\$872	2003
	77 Gingerwood	Irvine	92603	1,610	\$1,068,000	\$663	2003
	206 Lonetree #267	Irvine	92603	1,643	\$850,000	\$517	2003
	133 Roadrunner	Irvine	92603	1,859	\$1,055,888	\$568	2003
	47 Gingerwood	Irvine	92603	1,859	\$1,008,000	\$542	2003
	49 Bower Tree	Irvine	92603	1,859	\$1,530,000	\$823	2003
	67 Shade Tree	Irvine	92603	2,038	\$1,245,000	\$611	2003
	77 Canyoncrest	Irvine	92603	1,333	\$1,080,000	\$810	2002
	Minimum			1,333	\$765,000	\$506	2002
	Maximum			2,438	\$1,925,000	\$1,006	2005
	Average			1,659	\$1,171,400	\$706	2003

¹ Based on a Redfin search of home sales occurring between November 2020 and November 2021.

APPENDIX A - EXHIBIT II

HOME SALES SURVEY 1
 DOVER SHORES & WESTCLIFF AREA
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. New Attached Home Sales¹

<u>Number of Bedrooms</u>	<u>Unit Size (SF)</u>	<u># of Units</u>	<u>Sales Price</u>	
			<u>Total</u>	<u>Per SF</u>
<u>Isle at Mariner Shores - Intracorp</u>				
2 Bedrooms + Flex	1,683	6	\$1,250,000	\$743
3 Bedrooms	1,685	6	\$1,445,000	\$858
3 Bedrooms	1,732	12	\$1,410,000	\$814
4 Bedrooms	1,836	12	\$1,479,000	\$806
Minimum	1,683		\$1,250,000	\$743
Maximum	1,836		\$1,479,000	\$858
Weighted Average	1,750		\$1,412,167	\$807
<u>Cay at Mariner Shores - Shea Homes</u>				
3 Bedrooms	2,091	13	\$1,664,400	\$796
3 Bedrooms	2,588	13	\$1,734,100	\$670
4 Bedrooms	2,484	13	\$1,829,700	\$737
4 Bedrooms	2,828	13	\$1,892,000	\$669
Minimum	2,091		\$1,664,400	\$669
Maximum	2,828		\$1,892,000	\$796
Weighted Average	2,498		\$1,780,050	\$713

APPENDIX A - EXHIBIT II

HOME SALES SURVEY 1
 DOVER SHORES & WESTCLIFF AREA
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

II. Detached Home Resales ¹

Address	Unit Size (SF)	Sales Price		Year Built	
		Total	Per SF		
Four-Bedroom Units					
2100 E Linda Ln	Newport Beach 92660	3,110	\$3,900,000	\$1,254	2021
1227 Sussex Ln	Newport Beach 92660	2,757	\$3,400,000	\$1,233	2019
2024 Nautilus Ln	Newport Beach 92660	5,017	\$5,300,000	\$1,056	2019
2018 Diana Ln	Newport Beach 92660	2,167	\$2,560,000	\$1,181	2018
1429 Santiago Dr	Newport Beach 92660	4,900	\$4,200,000	\$857	2018
1817 Glenwood Ln	Newport Beach 92660	3,688	\$2,750,000	\$746	2012
1000 Kings Rd	Newport Beach 92663	4,279	\$3,700,000	\$865	2003
327 Snug Harbor Rd	Newport Beach 92663	4,000	\$3,650,000	\$913	2000
2732 Circle Dr	Newport Beach 92663	3,624	\$3,695,500	\$1,020	1946
Minimum		2,167	\$2,560,000	\$746	1946
Maximum		5,017	\$5,300,000	\$1,254	2021
Average		3,727	\$3,683,900	\$988	2006
Five-Bedroom Units					
1612 Highland Dr	Newport Beach 92660	4,120	\$4,175,000	\$1,013	2021
625 Saint James Rd	Newport Beach 92663	5,222	\$6,000,000	\$1,149	2021
1409 Priscilla Ln	Newport Beach 92660	3,880	\$3,686,000	\$950	2020
1744 Skylark Ln	Newport Beach 92660	4,120	\$4,350,000	\$1,056	2020
306 Signal Rd	Newport Beach 92663	7,400	\$9,375,000	\$1,267	2020
2027 Santiago Dr	Newport Beach 92660	4,029	\$3,425,000	\$850	2018
1827 Mariners Dr	Newport Beach 92660	4,030	\$2,900,000	\$720	2018
403 Kings Rd	Newport Beach 92663	6,802	\$9,995,000	\$1,469	2014
2751 Bayshore Dr	Newport Beach 92663	4,050	\$6,400,000	\$1,580	2013
920 Kings Rd	Newport Beach 92663	6,835	\$7,200,000	\$1,053	2009
1921 Windward Ln	Newport Beach 92660	5,250	\$4,525,000	\$862	2007
1633 Highland Dr	Newport Beach 92660	4,271	\$2,995,000	\$701	2004
306 Snug Harbor Rd	Newport Beach 92663	4,808	\$4,577,625	\$952	2003
1106 Nottingham Rd	Newport Beach 92660	4,951	\$5,375,000	\$1,086	2000
Minimum		3,880	\$2,900,000	\$701	2000
Maximum		7,400	\$9,995,000	\$1,580	2021
Average		4,983	\$5,355,600	\$1,075	2013

¹ Based on a Zonda report prepared by Meyers Research on 11/9/21, and information derived from the Intracorp & Shea Homes websites.

² Based on a Redfin search of home sales occurring between November 2020 and November 2021.

APPENDIX A - EXHIBIT III

HOME SALES SURVEY 1
 WEST NEWPORT MESA & BANNING RANCH AREAS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

Address	Unit Size (SF)	Sales Price		Year Built		
		Total	Per SF			
I. Pacific Coast Highway Adjacent - Single Family Homes ²						
Three-Bedroom Units						
255 Walnut St	Newport Beach	92663	2,226	\$1,767,500	\$794	1967
514 Canal St	Newport Beach	92663	1,710	\$1,999,999	\$1,170	1965
337 Colton St	Newport Beach	92663	1,100	\$1,288,000	\$1,171	1964
320 Colton St	Newport Beach	92663	1,654	\$1,580,000	\$955	1964
347 Walnut St	Newport Beach	92663	1,059	\$1,400,000	\$1,322	1962
305 Walnut St	Newport Beach	92663	1,507	\$1,340,000	\$889	1962
416 62nd St	Newport Beach	92663	2,466	\$1,950,000	\$791	1962
441 Prospect St	Newport Beach	92663	2,485	\$2,000,000	\$805	1961
488 Prospect St	Newport Beach	92663	1,414	\$1,525,000	\$1,079	1960
Minimum			1,059	\$1,288,000	\$791	1960
Maximum			2,485	\$2,000,000	\$1,322	1967
Average			1,736	\$1,650,100	\$951	1963
Four-Bedroom Units						
355 Walnut St	Newport Beach	92663	2,502	\$2,650,000	\$1,059	2018
218 Walnut St	Newport Beach	92663	2,044	\$1,944,500	\$951	1965
1 Canal Cir	Newport Beach	92663	1,914	\$2,400,000	\$1,254	1963
315 Lugonia St	Newport Beach	92663	2,755	\$2,475,000	\$898	1962
234 Prospect St	Newport Beach	92663	1,734	\$1,675,000	\$966	1961
226 62nd St	Newport Beach	92663	1,565	\$1,585,000	\$1,013	1960
235 Cedar St	Newport Beach	92663	1,835	\$1,650,000	\$899	1960
Minimum			1,565	\$1,585,000	\$898	1960
Maximum			2,755	\$2,650,000	\$1,254	2018
Average			2,050	\$2,054,200	\$1,002	1970

APPENDIX A - EXHIBIT III

HOME SALES SURVEY
 WEST NEWPORT MESA & BANNING RANCH AREAS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

1

Address	Unit Size (SF)	Sales Price		Year Built		
		Total	Per SF			
II. Inland - Newport Beach & Costa Mesa Homes						
Three-Bedroom Units						
18 Ebb Tide Cir	Newport Beach	92663	1,708	1,045,000	\$612	2020
77 Ebb Tide Cir	Newport Beach	92663	1,829	1,065,000	\$582	2018
77 Ebb Tide Cir	Newport Beach	92663	1,843	1,065,000	\$578	2018
36 Ebb Tide Cir	Newport Beach	92663	1,708	1,066,173	\$624	2020
85 Ebb Tide Cir	Newport Beach	92663	1,719	1,100,000	\$640	2018
31 Ebb Tide Cir	Newport Beach	92663	1,719	1,165,000	\$678	2017
74 Ebb Tide Cir	Newport Beach	92663	1,863	1,167,500	\$627	2018
7 Ebb Tide Cir	Newport Beach	92663	1,719	1,225,000	\$713	2017
3 Ebb Tide Cir	Newport Beach	92663	1,719	1,250,000	\$727	2017
49 Ebb Tide Cir	Newport Beach	92663	2,228	1,575,000	\$707	2018
1811 Coastal Way	Costa Mesa	92627	1,873	\$947,500	\$506	2014
1804 Ocean Ct	Costa Mesa	92627	1,873	\$1,020,000	\$545	2014
787 Windward Way	Costa Mesa	92627	2,042	\$1,053,000	\$516	2016
1016 Bridgewater Way	Costa Mesa	92627	1,877	\$1,055,000	\$562	2017
1009 Somerton Dr	Costa Mesa	92627	1,877	\$1,085,000	\$578	2016
799 Windward Way	Costa Mesa	92627	2,042	\$1,100,000	\$539	2016
1609 Somerton Dr	Costa Mesa	92627	1,896	\$1,175,000	\$620	2017
1606 Somerton Dr	Costa Mesa	92627	1,896	\$1,200,000	\$633	2017
1613 Somerton Dr	Costa Mesa	92627	1,877	\$1,370,000	\$730	2017
Minimum			1,708	\$947,500	\$506	2014
Maximum			2,228	\$1,575,000	\$730	2020
Average			1,858	\$1,143,600	\$615	2017
Four-Bedroom Units						
10 Ebb Tide Cir	Newport Beach	92663	1,809	1,096,000	\$606	2020
38 Ebb Tide Cir	Newport Beach	92663	1,864	1,105,500	\$593	2018
15 Ebb Tide Cir	Newport Beach	92663	2,229	1,120,000	\$502	2019
43 Ebb Tide Cir	Newport Beach	92663	1,863	1,150,000	\$617	2017
23 Ebb Tide Cir	Newport Beach	92663	1,843	1,158,000	\$628	2017
47 Ebb Tide Cir	Newport Beach	92663	1,864	1,160,000	\$622	2017
81 Ebb Tide	Newport Beach	92626	2,229	1,180,000	\$529	2019
30 Ebb Tide Cir	Newport Beach	92663	1,863	1,210,000	\$649	2020
26 Ebb Tide Cir	Newport Beach	92663	1,863	1,300,000	\$698	2020
60 Ebb Tide Cir	Newport Beach	92663	2,210	1,485,000	\$672	2018
2 Ebb Tide	Newport Beach	92663	2,228	1,560,000	\$700	2020
2 Ebb Tide Cir	Newport Beach	92663	2,229	1,560,000	\$700	2019
53 Ebb Tide Cir	Newport Beach	92663	2,228	1,625,000	\$729	2018
1832 Peninsula Pl	Costa Mesa	92627	1,756	\$930,000	\$530	1990
1870 Parkcrest Dr	Costa Mesa	92627	1,880	\$1,025,000	\$545	1971
1052 Hampton Dr	Costa Mesa	92627	1,869	\$1,080,000	\$578	2016
1058 Hampton Dr	Costa Mesa	92627	1,869	\$1,100,000	\$589	2016
1886 Parkcrest Dr	Costa Mesa	92627	1,880	\$1,160,000	\$617	1971
1022 Bridgewater Way	Costa Mesa	92627	1,869	\$1,200,000	\$642	2018

APPENDIX A - EXHIBIT III

HOME SALES SURVEY 1
 WEST NEWPORT MESA & BANNING RANCH AREAS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

Address		Unit Size (SF)	Sales Price		Year Built	
			Total	Per SF		
1897 Parkview Cir	Costa Mesa	92627	1,880	\$1,235,000	\$657	1971
1641 Bridgewater Way	Costa Mesa	92627	2,274	\$1,525,000	\$671	2017
Minimum			1,756	\$930,000	\$502	1971
Maximum			2,274	\$1,625,000	\$729	2020
Average			1,981	\$1,236,400	\$624	2010

¹ Based on a Redfin search of home sales occurring between November 2020 and November 2021.

² These homes are primarily located in Newport Shores.

APPENDIX B

**AFFORDABLE SALES PRICE CALCULATIONS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX B - EXHIBIT I

AFFORDABLE SALES PRICE CALCULATIONS 1
 COYOTE CANYON PROTOTYPE
 2021 INCOME STANDARDS - MODERATE INCOME UNITS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

		Two-Bedroom Units	Three-Bedroom Units
I. <u>General Assumptions</u>			
Estimated Market Rate Sales Price	2	\$953,200	\$1,320,100
Area Median Income	3	\$96,050	\$106,700
Annual Utilities Allowance	4	\$2,472	\$3,252
HOA, Maintenance & Insurance		\$3,600	\$4,200
II. <u>Affordable Sales Price Calculations</u>			
A. Affordable Sales Price Based on 110% AMI			
Benchmark Annual Household Income		\$105,655	\$117,370
Income Allotted to Housing @ 35% of Income		\$36,980	\$41,080
B. Property Taxes @ 1.10% of Market Rate Sales Price		\$10,490	\$14,520
C. Income Available for Mortgage	5	\$20,418	\$19,108
D. <u>Affordable Sales Price</u>			
Supportable Mtg @ 3.87% Interest	6	\$362,100	\$338,800
Home Buyer Down Payment @ 5% of ASP		19,100	17,800
Affordable Sales Price		\$381,200	\$356,600

1 Based on 2021 Orange County household incomes published by the California Housing & Community Development Department (HCD). The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

2 Based in part on the results of the home sales survey.

3 Under the California Health & Safety Code Section 50052.5 calculation methodology, the benchmark household size is set at the number of bedrooms in the unit plus one. This benchmark is used solely for the purposes of calculating the Affordable Sales Price. It is neither an occupancy cap nor a floor.

4 Utilities allowances are based on the Orange County Housing Authority utility allowance schedule effective as of 12/1/21. Assumes: Gas Heating, Gas Cooking, Gas Water Heater, Basic Electric, Air Conditioning, Water, Sewer, and Trash.

5 Based on the Income Allotted to Housing minus the following: Annual Utilities Allowance; HOA, Maintenance & Insurance; and Property Taxes @ 1.10% of Market Rate Sales Price.

6 Based on a 50 basis points premium applied to the Bankrate site average as of January 1, 2022 (1st Quarter 2022) for a fixed-interest rate loan with a 30-year amortization period.

APPENDIX B - EXHIBIT II

AFFORDABLE SALES PRICE CALCULATIONS 1
 DOVER WESTCLIFF PROTOTYPE
 2021 INCOME STANDARDS - MODERATE INCOME UNITS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

		Three-Bedroom Units	Four-Bedroom Units
I. <u>General Assumptions</u>			
Estimated Market Rate Sales Price	2	\$1,517,900	\$1,742,500
Area Median Income	3	\$106,700	\$115,250
Annual Utilities Allowance	4	\$3,252	\$4,140
HOA, Maintenance & Insurance		\$4,200	\$4,800
II. <u>Affordable Sales Price Calculations</u>			
A. Affordable Sales Price Based on 110% AMI			
Benchmark Annual Household Income		\$117,370	\$126,775
Income Allotted to Housing @ 35% of Income		\$41,080	\$44,370
B. Property Taxes @ 1.10% of Market Rate Sales Price		\$16,700	\$19,170
C. Income Available for Mortgage	5	\$16,928	\$16,260
D. <u>Affordable Sales Price</u>			
Supportable Mtg @ 3.87% Interest	6	\$300,200	\$288,300
Home Buyer Down Payment @ 5% of ASP		15,800	15,200
Affordable Sales Price		\$316,000	\$303,500

1 Based on 2021 Orange County household incomes published by the California Housing & Community Development Department (HCD). The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

2 Based in part on the results of the home sales survey.

3 Under the California Health & Safety Code Section 50052.5 calculation methodology, the benchmark household size is set at the number of bedrooms in the unit plus one. This benchmark is used solely for the purposes of calculating the Affordable Sales Price. It is neither an occupancy cap nor a floor.

4 Utilities allowances are based on the Orange County Housing Authority utility allowance schedule effective as of 12/1/21. Assumes: Gas Heating, Gas Cooking, Gas Water Heater, Basic Electric, Air Conditioning, Water, Sewer, and Trash.

5 Based on the Income Allotted to Housing minus the following: Annual Utilities Allowance; HOA, Maintenance & Insurance; and Property Taxes @ 1.10% of Market Rate Sales Price.

6 Based on a 50 basis points premium applied to the Bankrate site average as of January 1, 2022 (1st Quarter 2022) for a fixed-interest rate loan with a 30-year amortization period.

APPENDIX B - EXHIBIT III

AFFORDABLE SALES PRICE CALCULATIONS 1
WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
2021 INCOME STANDARDS - MODERATE INCOME UNITS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

		Three-Bedroom Units	Four-Bedroom Units
I. <u>General Assumptions</u>			
Estimated Market Rate Sales Price	2	\$1,227,700	\$1,373,200
Area Median Income	3	\$106,700	\$115,250
Annual Utilities Allowance	4	\$3,252	\$4,140
HOA, Maintenance & Insurance		\$4,200	\$4,800
II. <u>Affordable Sales Price Calculations</u>			
A. Affordable Sales Price Based on 110% AMI			
Benchmark Annual Household Income		\$117,370	\$126,775
Income Allotted to Housing @ 35% of Income		\$41,080	\$44,370
B. Property Taxes @ 1.10% of Market Rate Sales Price		\$13,500	\$15,110
C. Income Available for Mortgage	5	\$20,128	\$20,320
D. <u>Affordable Sales Price</u>			
Supportable Mtg @ 3.87% Interest	6	\$356,900	\$360,300
Home Buyer Down Payment @ 5% of ASP		18,800	19,000
Affordable Sales Price		\$375,700	\$379,300

¹ Based on 2021 Orange County household incomes published by the California Housing & Community Development Department (HCD). The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

² Based in part on the results of the home sales survey.

³ Under the California Health & Safety Code Section 50052.5 calculation methodology, the benchmark household size is set at the number of bedrooms in the unit plus one. This benchmark is used solely for the purposes of calculating the Affordable Sales Price. It is neither an occupancy cap nor a floor.

⁴ Utilities allowances are based on the Orange County Housing Authority utility allowance schedule effective as of 12/1/21. Assumes: Gas Heating, Gas Cooking, Gas Water Heater, Basic Electric, Air Conditioning, Water, Sewer, and Trash.

⁵ Based on the Income Allotted to Housing minus the following: Annual Utilities Allowance; HOA, Maintenance & Insurance; and Property Taxes @ 1.10% of Market Rate Sales Price.

⁶ Based on a 50 basis points premium applied to the Bankrate site average as of January 1, 2022 (1st Quarter 2022) for a fixed-interest rate loan with a 30-year amortization period.

APPENDIX C

**PRO FORMA ANALYSES
COYOTE CANYON PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX C - EXHIBIT I

PRO FORMA ANALYSIS
MARKET RATE SCENARIO
COYOTE CANYON PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

APPENDIX C - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 MARKET RATE SCENARIO
 COYOTE CANYON PROTOTYPE
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	217,800	Sf of Land	\$150 /Sf of Land		\$32,670,000
II.	Direct Costs	²					
	On-Site Improvements/Landscaping		217,800	Sf of Land	\$30 /Sf of Land	\$6,534,000	
	Parking	³	180	Spaces	\$0 /Space	0	
	Building Costs		144,000	Sf of GBA	\$160 /Sf of GBA	23,040,000	
	Contractor/DC Contingency Allow	⁴	20%	Other Direct Costs		5,915,000	
	Total Direct Costs						\$35,489,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting		6.0%	Direct Costs		\$2,129,000	
	Public Permits & Fees	⁵	90	Units	\$70,000 /Unit	6,300,000	
	Taxes, Insurance, Legal & Accounting		1.5%	Direct Costs		532,000	
	Marketing		90	Units	\$5,000 /Unit	450,000	
	Developer Fee		3.0%	Gross Sales Revenue		3,069,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		624,000	
	Total Indirect Costs						\$13,104,000
IV.	Financing Costs						
	Interest During Construction	⁶				\$2,233,000	
	Loan Origination Fees		60.0%	Loan to Cost	1.5 Points	731,000	
	Total Financing Costs						\$2,964,000
V.	Total Construction Cost		90	Units	\$573,000 /Unit		\$51,557,000
	Total Development Cost		90	Units	\$936,000 /Unit		\$84,227,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates presented in the August 2021 draft Housing Element.

⁶ Assumes a 3.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 12 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX C - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
 MARKET RATE SCENARIO
 COYOTE CANYON PROTOTYPE
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Gross Sales Revenue</u>	1		
	Two-Bedroom Units		45 Units @ 953,200 /Unit	\$42,894,000
	Three-Bedroom Units		45 Units @ 1,320,100 /Unit	59,405,000
	Total Gross Sales Revenue			\$102,299,000
II.	<u>Cost of Sales</u>			
	Commissions		3.0% Gross Sales Revenue	\$3,069,000
	Closing		2.0% Gross Sales Revenue	2,046,000
	Warranty		0.5% Gross Sales Revenue	511,000
	Total Cost of Sales			(\$5,626,000)
III.	Net Revenue			\$96,673,000

¹ Based in part on a sales survey undertaken by KMA in September 2021. See APPENDIX A - EXHIBIT III. The weighted average sales price equates to \$710 per square foot of saleable area.

APPENDIX C - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
MARKET RATE SCENARIO
COYOTE CANYON PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

I.	Net Revenue	See APPENDIX C - EXHIBIT I - TABLE 2	\$96,673,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT I - TABLE 1	<u>\$84,227,000</u>
III.	Developer Profit	14.8% Total Development Cost	\$12,446,000

APPENDIX C - EXHIBIT II

**PRO FORMA ANALYSIS
RECOMMENDED REQUIREMENT: 8% MODERATE INCOME UNITS
COYOTE CANYON PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX C - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 COYOTE CANYON PROTOTYPE
 RECOMMENDED REQUIREMENT: 8% MODERATE INCOME UNITS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	217,800	Sf of Land	\$150 /Sf of Land		\$32,670,000
II.	Direct Costs	²					
	On-Site Improvements/Landscaping		217,800	Sf of Land	\$30 /Sf of Land	\$6,534,000	
	Parking	³	180	Spaces	\$0 /Space	0	
	Building Costs		144,000	Sf of GBA	\$160 /Sf of GBA	23,040,000	
	Contractor/DC Contingency Allow	⁴	20%	Other Direct Costs		5,915,000	
	Total Direct Costs						\$35,489,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting		6.0%	Direct Costs		\$2,129,000	
	Public Permits & Fees	⁵	90	Units	\$70,000 /Unit	6,300,000	
	Taxes, Insurance, Legal & Accounting		1.5%	Direct Costs		532,000	
	Marketing		90	Units	\$5,000 /Unit	450,000	
	Developer Fee	⁶	90	Units	\$34,100 /Unit	3,069,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		624,000	
	Total Indirect Costs						\$13,104,000
IV.	Financing Costs						
	Interest During Construction	⁷				\$2,035,000	
	Loan Origination Fees		60.0%	Loan to Cost	1.5 Points	690,000	
	Total Financing Costs						\$2,725,000
V.	Total Construction Cost		90	Units	\$570,000 /Unit		\$51,318,000
	Total Development Cost		90	Units	\$933,000 /Unit		\$83,988,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates presented in the August 2021 draft Housing Element.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE SCENARIO

⁷ Assumes a 3.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 11 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX C - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
 COYOTE CANYON PROTOTYPE
 RECOMMENDED REQUIREMENT: 8% MODERATE INCOME UNITS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
Two-Bedroom Units		41 Units @	\$953,200 /Unit	\$39,081,000
Three-Bedroom Units		42 Units @	\$1,320,100 /Unit	55,444,000
Moderate Income Units	2			
Two-Bedroom Units		4 Units @	\$381,200 /Unit	1,525,000
Three-Bedroom Units		3 Units @	\$356,600 /Unit	1,070,000
Total Gross Sales Revenue				\$97,120,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$2,914,000
Closing		2.0% Gross Sales Revenue		1,942,000
Warranty		0.5% Gross Sales Revenue		486,000
Total Cost of Sales				(\$5,342,000)

III. Net Revenue				\$91,778,000
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¹ Based in part on a sales survey undertaken by KMA in September 2021. See APPENDIX A - EXHIBIT III. The weighted average sales price equates to \$711 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX C - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 COYOTE CANYON PROTOTYPE
 RECOMMENDED REQUIREMENT: 8% MODERATE INCOME UNITS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX C - EXHIBIT II - TABLE 2		\$91,778,000
(Less) Threshold Developer Profit	¹ 14.8% Total Development Cost		<u>(\$12,411,000)</u>
Total Funds Available for Development Costs			\$79,367,000
II. Total Development Cost	See APPENDIX C - EXHIBIT II - TABLE 1		\$83,988,000
III. <u>Total Financial Impact</u>			(\$4,621,000)
Property Acquisition Cost Reduction	14% of Estimated Current Acquisition Prices		
Developer Profit	9.3% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	4.9% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE SCENARIO.

APPENDIX C - EXHIBIT III

**PRO FORMA ANALYSIS
5% MODERATE INCOME SCENARIO
COYOTE CANYON PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX C - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 COYOTE CANYON PROTOTYPE
 5% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	217,800	Sf of Land	\$150 /Sf of Land		\$32,670,000
II.	Direct Costs	²					
	On-Site Improvements/Landscaping		217,800	Sf of Land	\$30 /Sf of Land	\$6,534,000	
	Parking	³	180	Spaces	\$0 /Space	0	
	Building Costs		144,000	Sf of GBA	\$160 /Sf of GBA	23,040,000	
	Contractor/DC Contingency Allow	⁴	20%	Other Direct Costs		5,915,000	
	Total Direct Costs						\$35,489,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting		6.0%	Direct Costs		\$2,129,000	
	Public Permits & Fees	⁵	90	Units	\$70,000 /Unit	6,300,000	
	Taxes, Insurance, Legal & Accounting		1.5%	Direct Costs		532,000	
	Marketing		90	Units	\$5,000 /Unit	450,000	
	Developer Fee	⁶	90	Units	\$34,100 /Unit	3,069,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		624,000	
	Total Indirect Costs						\$13,104,000
IV.	Financing Costs						
	Interest During Construction	⁷				\$2,084,000	
	Loan Origination Fees		60.0%	Loan to Cost	1.5 Points	702,000	
	Total Financing Costs						\$2,786,000
V.	Total Construction Cost		90	Units	\$571,000 /Unit		\$51,379,000
	Total Development Cost		90	Units	\$934,000 /Unit		\$84,049,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates presented in the August 2021 draft Housing Element.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE SCENARIO

⁷ Assumes a 3.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 11 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX C - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
 COYOTE CANYON PROTOTYPE
 5% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
Two-Bedroom Units		42 Units @	\$953,200 /Unit	\$40,034,000
Three-Bedroom Units		43 Units @	\$1,320,100 /Unit	56,764,000
Moderate Income Units	2			
Two-Bedroom Units		3 Units @	\$381,200 /Unit	1,144,000
Three-Bedroom Units		2 Units @	\$356,600 /Unit	713,000
Total Gross Sales Revenue				\$98,655,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$2,960,000
Closing		2.0% Gross Sales Revenue		1,973,000
Warranty		0.5% Gross Sales Revenue		493,000
Total Cost of Sales				(\$5,426,000)

III. Net Revenue	\$93,229,000
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¹ Based in part on a sales survey undertaken by KMA in September 2021. See APPENDIX A - EXHIBIT III. The weighted average sales price equates to \$711 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX C - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 COYOTE CANYON PROTOTYPE
 5% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX C - EXHIBIT III - TABLE 2		\$93,229,000
(Less) Threshold Developer Profit	¹ 14.8% Total Development Cost		<u>(\$12,420,000)</u>
Total Funds Available for Development Costs			\$80,809,000
II. Total Development Cost	See APPENDIX C - EXHIBIT III - TABLE 1		\$84,049,000
III. <u>Total Financial Impact</u>			(\$3,240,000)
Property Acquisition Cost Reduction	10% of Estimated Current Acquisition Prices		
Developer Profit	10.9% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	3.3% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE SCENARIO.

APPENDIX C - EXHIBIT IV

**PRO FORMA ANALYSIS
10% MODERATE INCOME SCENARIO
COYOTE CANYON PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX C - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 COYOTE CANYON PROTOTYPE
 10% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	217,800 Sf of Land	\$150 /Sf of Land		\$32,670,000
II.	Direct Costs	²				
	On-Site Improvements/Landscaping		217,800 Sf of Land	\$30 /Sf of Land		\$6,534,000
	Parking	³	180 Spaces	\$0 /Space		0
	Building Costs		144,000 Sf of GBA	\$160 /Sf of GBA		23,040,000
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs			5,915,000
	Total Direct Costs					\$35,489,000
III.	Indirect Costs					
	Architecture, Engineering & Consulting		6.0% Direct Costs			\$2,129,000
	Public Permits & Fees	⁵	90 Units	\$70,000 /Unit		6,300,000
	Taxes, Insurance, Legal & Accounting		1.5% Direct Costs			532,000
	Marketing		90 Units	\$5,000 /Unit		450,000
	Developer Fee	⁶	90 Units	\$34,100 /Unit		3,069,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			624,000
	Total Indirect Costs					\$13,104,000
IV.	Financing Costs					
	Interest During Construction	⁷				\$1,986,000
	Loan Origination Fees		60.0% Loan to Cost	1.5 Points		678,000
	Total Financing Costs					\$2,664,000
V.	Total Construction Cost		90 Units	\$570,000 /Unit		\$51,257,000
	Total Development Cost		90 Units	\$933,000 /Unit		\$83,927,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates presented in the August 2021 draft Housing Element.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE SCENARIO

⁷ Assumes a 3.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 11 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX C - EXHIBIT IV - TABLE 2

PROJECTED NET SALES REVENUE
 COYOTE CANYON PROTOTYPE
 10% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. <u>Gross Sales Revenue</u>				
Market Rate Units	1			
Two-Bedroom Units		40 Units @	\$953,200 /Unit	\$38,128,000
Three-Bedroom Units		41 Units @	\$1,320,100 /Unit	54,124,000
Moderate Income Units	2			
Two-Bedroom Units		5 Units @	\$381,200 /Unit	1,906,000
Three-Bedroom Units		4 Units @	\$356,600 /Unit	1,426,000
Total Gross Sales Revenue				\$95,584,000
II. <u>Cost of Sales</u>				
Commissions		3.0% Gross Sales Revenue		\$2,868,000
Closing		2.0% Gross Sales Revenue		1,912,000
Warranty		0.5% Gross Sales Revenue		478,000
Total Cost of Sales				(\$5,258,000)
III. <u>Net Revenue</u>				\$90,326,000

¹ Based in part on a sales survey undertaken by KMA in September 2021. See APPENDIX A - EXHIBIT III. The weighted average sales price equates to \$711 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX C - EXHIBIT IV - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 COYOTE CANYON PROTOTYPE
 10% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX C - EXHIBIT IV - TABLE 2		\$90,326,000
(Less) Threshold Developer Profit	¹ 14.8% Total Development Cost		<u>(\$12,402,000)</u>
Total Funds Available for Development Costs			\$77,924,000
II. Total Development Cost	See APPENDIX C - EXHIBIT IV - TABLE 1		\$83,927,000
III. <u>Total Financial Impact</u>			(\$6,003,000)
Property Acquisition Cost Reduction	18% of Estimated Current Acquisition Prices		
Developer Profit	7.6% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	6.5% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE SCENARIO.

APPENDIX C - EXHIBIT V

**PRO FORMA ANALYSIS
15% MODERATE INCOME SCENARIO
COYOTE CANYON PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX C - EXHIBIT V - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 COYOTE CANYON PROTOTYPE
 15% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	217,800 Sf of Land	\$150 /Sf of Land		\$32,670,000
II.	Direct Costs	²				
	On-Site Improvements/Landscaping		217,800 Sf of Land	\$30 /Sf of Land		\$6,534,000
	Parking	³	180 Spaces	\$0 /Space		0
	Building Costs		144,000 Sf of GBA	\$160 /Sf of GBA		23,040,000
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs			5,915,000
	Total Direct Costs					\$35,489,000
III.	Indirect Costs					
	Architecture, Engineering & Consulting		6.0% Direct Costs			\$2,129,000
	Public Permits & Fees	⁵	90 Units	\$70,000 /Unit		6,300,000
	Taxes, Insurance, Legal & Accounting		1.5% Direct Costs			532,000
	Marketing		90 Units	\$5,000 /Unit		450,000
	Developer Fee	⁶	90 Units	\$34,100 /Unit		3,069,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			624,000
	Total Indirect Costs					\$13,104,000
IV.	Financing Costs					
	Interest During Construction	⁷				\$1,834,000
	Loan Origination Fees		60.0% Loan to Cost	1.5 Points		646,000
	Total Financing Costs					\$2,480,000
V.	Total Construction Cost		90 Units	\$567,000 /Unit		\$51,073,000
	Total Development Cost		90 Units	\$930,000 /Unit		\$83,743,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates presented in the August 2021 draft Housing Element.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE SCENARIO

⁷ Assumes a 3.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 10 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX C - EXHIBIT V - TABLE 2

PROJECTED NET SALES REVENUE
 COYOTE CANYON PROTOTYPE
 15% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. <u>Gross Sales Revenue</u>				
Market Rate Units	1			
Two-Bedroom Units		38 Units @	\$953,200 /Unit	\$36,222,000
Three-Bedroom Units		38 Units @	\$1,320,100 /Unit	50,164,000
Moderate Income Units	2			
Two-Bedroom Units		7 Units @	\$381,200 /Unit	2,668,000
Three-Bedroom Units		7 Units @	\$356,600 /Unit	2,496,000
Total Gross Sales Revenue				\$91,550,000
II. <u>Cost of Sales</u>				
Commissions		3.0% Gross Sales Revenue		\$2,747,000
Closing		2.0% Gross Sales Revenue		1,831,000
Warranty		0.5% Gross Sales Revenue		458,000
Total Cost of Sales				(\$5,036,000)
III. <u>Net Revenue</u>				\$86,514,000

¹ Based in part on a sales survey undertaken by KMA in September 2021. See APPENDIX A - EXHIBIT III. The weighted average sales price equates to \$710 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX C - EXHIBIT V - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 COYOTE CANYON PROTOTYPE
 15% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX C - EXHIBIT V - TABLE 2		\$86,514,000
(Less) Threshold Developer Profit	¹ 14.8% Total Development Cost		<u>(\$12,374,000)</u>
Total Funds Available for Development Costs			\$74,140,000
II. Total Development Cost	See APPENDIX C - EXHIBIT V - TABLE 1		\$83,743,000
III. <u>Total Financial Impact</u>			(\$9,603,000)
Property Acquisition Cost Reduction	29% of Estimated Current Acquisition Prices		
Developer Profit	3.3% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	11.1% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE SCENARIO.

APPENDIX C - EXHIBIT VI

**PRO FORMA ANALYSIS
20% MODERATE INCOME SCENARIO
COYOTE CANYON PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX C - EXHIBIT VI - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 COYOTE CANYON PROTOTYPE
 20% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	217,800	Sf of Land	\$150 /Sf of Land		\$32,670,000
II.	Direct Costs	²					
	On-Site Improvements/Landscaping		217,800	Sf of Land	\$30 /Sf of Land	\$6,534,000	
	Parking	³	180	Spaces	\$0 /Space	0	
	Building Costs		144,000	Sf of GBA	\$160 /Sf of GBA	23,040,000	
	Contractor/DC Contingency Allow	⁴	20%	Other Direct Costs		5,915,000	
	Total Direct Costs						\$35,489,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting		6.0%	Direct Costs		\$2,129,000	
	Public Permits & Fees	⁵	90	Units	\$70,000 /Unit	6,300,000	
	Taxes, Insurance, Legal & Accounting		1.5%	Direct Costs		532,000	
	Marketing		90	Units	\$5,000 /Unit	450,000	
	Developer Fee	⁶	90	Units	\$34,100 /Unit	3,069,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		624,000	
	Total Indirect Costs						\$13,104,000
IV.	Financing Costs						
	Interest During Construction	⁷				\$1,717,000	
	Loan Origination Fees		60.0%	Loan to Cost	1.5 Points	620,000	
	Total Financing Costs						\$2,337,000
V.	Total Construction Cost		90	Units	\$566,000 /Unit		\$50,930,000
	Total Development Cost		90	Units	\$929,000 /Unit		\$83,600,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates presented in the August 2021 draft Housing Element.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE SCENARIO

⁷ Assumes a 3.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 10 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX C - EXHIBIT VI - TABLE 2

PROJECTED NET SALES REVENUE
 COYOTE CANYON PROTOTYPE
 20% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
Two-Bedroom Units		36 Units @	\$953,200 /Unit	\$34,315,000
Three-Bedroom Units		36 Units @	\$1,320,100 /Unit	47,524,000
Moderate Income Units	2			
Two-Bedroom Units		9 Units @	\$381,200 /Unit	3,431,000
Three-Bedroom Units		9 Units @	\$356,600 /Unit	3,209,000
Total Gross Sales Revenue				\$88,479,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$2,654,000
Closing		2.0% Gross Sales Revenue		1,770,000
Warranty		0.5% Gross Sales Revenue		442,000
Total Cost of Sales				(\$4,866,000)

III. Net Revenue	\$83,613,000
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¹ Based in part on a sales survey undertaken by KMA in September 2021. See APPENDIX A - EXHIBIT III. The weighted average sales price equates to \$710 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX C - EXHIBIT VI - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 COYOTE CANYON PROTOTYPE
 20% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX C - EXHIBIT VI - TABLE 2		\$83,613,000
(Less) Threshold Developer Profit	¹ 14.8% Total Development Cost		<u>(\$12,353,000)</u>
Total Funds Available for Development Costs			\$71,260,000
II. Total Development Cost	See APPENDIX C - EXHIBIT VI - TABLE 1		\$83,600,000
III. <u>Total Financial Impact</u>			(\$12,340,000)
Property Acquisition Cost Reduction	38% of Estimated Current Acquisition Prices		
Developer Profit	0.0% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	15.1% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE SCENARIO.

APPENDIX D

**PRO FORMA ANALYSES
DOVER WESTCLIFF PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT I

PRO FORMA ANALYSIS
MARKET RATE SCENARIO
DOVER WESTCLIFF PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

APPENDIX D - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 MARKET RATE SCENARIO
 DOVER WESTCLIFF PROTOTYPE
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	65,340 Sf of Land	\$250 /Sf of Land		\$16,335,000
II.	Direct Costs	²				
	On-Site Improvements/Landscaping		65,340 Sf of Land	\$30 /Sf of Land		\$1,960,000
	Parking	³	60 Spaces	\$0 /Space		0
	Building Costs		64,800 Sf of GBA	\$200 /Sf of GBA		12,960,000
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs			2,984,000
	Total Direct Costs					\$17,904,000
III.	Indirect Costs					
	Architecture, Engineering & Consulting		6.0% Direct Costs			\$1,074,000
	Public Permits & Fees	⁵	30 Units	\$70,000 /Unit		2,100,000
	Taxes, Insurance, Legal & Accounting		1.5% Direct Costs			269,000
	Marketing		30 Units	\$5,000 /Unit		150,000
	Developer Fee		3.0% Gross Sales Revenue			1,447,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			252,000
	Total Indirect Costs					\$5,292,000
IV.	Financing Costs					
	Interest During Construction	⁶				\$951,000
	Loan Origination Fees		60.0% Loan to Cost	1.5 Points		356,000
	Total Financing Costs					\$1,307,000
V.	Total Construction Cost		30 Units	\$817,000 /Unit		\$24,503,000
	Total Development Cost		30 Units	\$1,361,000 /Unit		\$40,838,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates presented in the August 2021 draft Housing Element.

⁶ Assumes a 3.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 5 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX D - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
 MARKET RATE SCENARIO
 DOVER WESTCLIFF PROTOTYPE
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Gross Sales Revenue</u>	1		
	Three-Bedroom Units		18 Units @	\$1,517,900 /Unit
	Four-Bedroom Units		12 Units @	\$1,742,500 /Unit
	Total Gross Sales Revenue			\$48,232,000
II.	<u>Cost of Sales</u>			
	Commissions		3.0% Gross Sales Revenue	\$1,447,000
	Closing		2.0% Gross Sales Revenue	965,000
	Warranty		0.5% Gross Sales Revenue	241,000
	Total Cost of Sales			(\$2,653,000)
III.	Net Revenue			\$45,579,000

¹ Based in part on a sales survey undertaken by KMA in September 2021. See APPENDIX A - EXHIBIT III. The weighted average sales price equates to \$744 per square foot of saleable area.

APPENDIX D - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
MARKET RATE SCENARIO
DOVER WESTCLIFF PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

I.	Net Revenue	See APPENDIX D - EXHIBIT I - TABLE 2	\$45,579,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT I - TABLE 1	<u>\$40,838,000</u>
III.	Developer Profit	11.6% Total Development Cost	\$4,741,000

APPENDIX D - EXHIBIT II

**PRO FORMA ANALYSIS
RECOMMENDED REQUIREMENT: 8% MODERATE INCOME UNITS
DOVER WESTCLIFF PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
DOVER WESTCLIFF PROTOTYPE
RECOMMENDED REQUIREMENT: 8% MODERATE INCOME UNITS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	65,340 Sf of Land	\$250 /Sf of Land		\$16,335,000
II.	Direct Costs	²				
	On-Site Improvements/Landscaping		65,340 Sf of Land	\$30 /Sf of Land		\$1,960,000
	Parking	³	60 Spaces	\$0 /Space		0
	Building Costs		64,800 Sf of GBA	\$200 /Sf of GBA		12,960,000
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs			2,984,000
	Total Direct Costs					\$17,904,000
III.	Indirect Costs					
	Architecture, Engineering & Consulting		6.0% Direct Costs			\$1,074,000
	Public Permits & Fees	⁵	30 Units	\$70,000 /Unit		2,100,000
	Taxes, Insurance, Legal & Accounting		1.5% Direct Costs			269,000
	Marketing		30 Units	\$5,000 /Unit		150,000
	Developer Fee	⁶	30 Units	\$48,233 /Unit		1,447,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			252,000
	Total Indirect Costs					\$5,292,000
IV.	Financing Costs					
	Interest During Construction	⁷				\$873,000
	Loan Origination Fees		60.0% Loan to Cost	1.5 Points		334,000
	Total Financing Costs					\$1,207,000
V.	Total Construction Cost		30 Units	\$813,000 /Unit		\$24,403,000
	Total Development Cost		30 Units	\$1,358,000 /Unit		\$40,738,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates presented in the August 2021 draft Housing Element.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE SCENARIO

⁷ Assumes a 3.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 5 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX D - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
 DOVER WESTCLIFF PROTOTYPE
 RECOMMENDED REQUIREMENT: 8% MODERATE INCOME UNITS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	¹			
Three-Bedroom Units		17 Units @	\$1,517,900 /Unit	\$25,804,000
Four-Bedroom Units		11 Units @	\$1,742,500 /Unit	19,168,000
Moderate Income Units	²			
Three-Bedroom Units		1 Unit @	\$316,000 /Unit	316,000
Four-Bedroom Units		1 Unit @	\$303,500 /Unit	304,000
Total Gross Sales Revenue				\$45,592,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$1,368,000
Closing		2.0% Gross Sales Revenue		912,000
Warranty		0.5% Gross Sales Revenue		228,000
Total Cost of Sales				(\$2,508,000)

III. Net Revenue				\$43,084,000
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¹ Based in part on a sales survey undertaken by KMA in September 2021. See APPENDIX A - EXHIBIT III. The weighted average sales price equates to \$745 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX D - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 DOVER WESTCLIFF PROTOTYPE
 RECOMMENDED REQUIREMENT: 8% MODERATE INCOME UNITS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX D - EXHIBIT II - TABLE 2		\$43,084,000
(Less) Threshold Developer Profit	¹ 11.6% Total Development Cost		(\$4,729,000)
Total Funds Available for Development Costs			\$38,355,000
II. Total Development Cost	See APPENDIX D - EXHIBIT II - TABLE 1		\$40,738,000
III. <u>Total Financial Impact</u>			(\$2,383,000)
Property Acquisition Cost Reduction	15% of Estimated Current Acquisition Prices		
Developer Profit	5.8% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	5.3% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE SCENARIO.

APPENDIX D - EXHIBIT III

**PRO FORMA ANALYSIS
5% MODERATE INCOME SCENARIO
DOVER WESTCLIFF PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
DOVER WESTCLIFF PROTOTYPE
5% MODERATE INCOME SCENARIO
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	65,340 Sf of Land	\$250 /Sf of Land		\$16,335,000
II.	Direct Costs	²				
	On-Site Improvements/Landscaping		65,340 Sf of Land	\$30 /Sf of Land		\$1,960,000
	Parking	³	60 Spaces	\$0 /Space		0
	Building Costs		64,800 Sf of GBA	\$200 /Sf of GBA		12,960,000
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs			2,984,000
	Total Direct Costs					\$17,904,000
III.	Indirect Costs					
	Architecture, Engineering & Consulting		6.0% Direct Costs			\$1,074,000
	Public Permits & Fees	⁵	30 Units	\$70,000 /Unit		2,100,000
	Taxes, Insurance, Legal & Accounting		1.5% Direct Costs			269,000
	Marketing		30 Units	\$5,000 /Unit		150,000
	Developer Fee	⁶	30 Units	\$48,233 /Unit		1,447,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			252,000
	Total Indirect Costs					\$5,292,000
IV.	Financing Costs					
	Interest During Construction	⁷				\$912,000
	Loan Origination Fees		60.0% Loan to Cost	1.5 Points		345,000
	Total Financing Costs					\$1,257,000
V.	Total Construction Cost		30 Units	\$815,000 /Unit		\$24,453,000
	Total Development Cost		30 Units	\$1,360,000 /Unit		\$40,788,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates presented in the August 2021 draft Housing Element.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE SCENARIO

⁷ Assumes a 3.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 5 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX D - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
DOVER WESTCLIFF PROTOTYPE
5% MODERATE INCOME SCENARIO
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	¹			
Three-Bedroom Units		17 Units @	\$1,517,900 /Unit	\$25,804,000
Four-Bedroom Units		12 Units @	\$1,742,500 /Unit	20,910,000
Moderate Income Units	²			
Three-Bedroom Units		1 Unit @	\$316,000 /Unit	316,000
Four-Bedroom Units		0 Units @	\$303,500 /Unit	0
Total Gross Sales Revenue				\$47,030,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$1,411,000
Closing		2.0% Gross Sales Revenue		941,000
Warranty		0.5% Gross Sales Revenue		235,000
Total Cost of Sales				(\$2,587,000)

III. Net Revenue				\$44,443,000
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¹ Based in part on a sales survey undertaken by KMA in September 2021. See APPENDIX A - EXHIBIT III. The weighted average sales price equates to \$744 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX D - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 DOVER WESTCLIFF PROTOTYPE
 5% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX D - EXHIBIT III - TABLE 2		\$44,443,000
(Less) Threshold Developer Profit	¹ 11.6% Total Development Cost		<u>(\$4,735,000)</u>
Total Funds Available for Development Costs			\$39,708,000
II. Total Development Cost	See APPENDIX D - EXHIBIT III - TABLE 1		\$40,788,000
III. <u>Total Financial Impact</u>			(\$1,080,000)
Property Acquisition Cost Reduction	7% of Estimated Current Acquisition Prices		
Developer Profit	9.0% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	2.3% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE SCENARIO.

APPENDIX D - EXHIBIT IV

**PRO FORMA ANALYSIS
10% MODERATE INCOME SCENARIO
DOVER WESTCLIFF PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
DOVER WESTCLIFF PROTOTYPE
10% MODERATE INCOME SCENARIO
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	65,340 Sf of Land	\$250 /Sf of Land		\$16,335,000
II.	Direct Costs	²				
	On-Site Improvements/Landscaping		65,340 Sf of Land	\$30 /Sf of Land		\$1,960,000
	Parking	³	60 Spaces	\$0 /Space		0
	Building Costs		64,800 Sf of GBA	\$200 /Sf of GBA		12,960,000
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs			2,984,000
	Total Direct Costs					\$17,904,000
III.	Indirect Costs					
	Architecture, Engineering & Consulting		6.0% Direct Costs			\$1,074,000
	Public Permits & Fees	⁵	30 Units	\$70,000 /Unit		2,100,000
	Taxes, Insurance, Legal & Accounting		1.5% Direct Costs			269,000
	Marketing		30 Units	\$5,000 /Unit		150,000
	Developer Fee	⁶	30 Units	\$48,233 /Unit		1,447,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			252,000
	Total Indirect Costs					\$5,292,000
IV.	Financing Costs					
	Interest During Construction	⁷				\$839,000
	Loan Origination Fees		60.0% Loan to Cost	1.5 Points		325,000
	Total Financing Costs					\$1,164,000
V.	Total Construction Cost		30 Units	\$812,000 /Unit		\$24,360,000
	Total Development Cost		30 Units	\$1,357,000 /Unit		\$40,695,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates presented in the August 2021 draft Housing Element.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE SCENARIO

⁷ Assumes a 3.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 5 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX D - EXHIBIT IV - TABLE 2

PROJECTED NET SALES REVENUE
DOVER WESTCLIFF PROTOTYPE
10% MODERATE INCOME SCENARIO
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	¹			
Three-Bedroom Units		16 Units @	\$1,517,900 /Unit	\$24,286,000
Four-Bedroom Units		11 Units @	\$1,742,500 /Unit	19,168,000
Moderate Income Units	²			
Three-Bedroom Units		2 Units @	\$316,000 /Unit	632,000
Four-Bedroom Units		1 Unit @	\$303,500 /Unit	304,000
Total Gross Sales Revenue				\$44,390,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$1,332,000
Closing		2.0% Gross Sales Revenue		888,000
Warranty		0.5% Gross Sales Revenue		222,000
Total Cost of Sales				(\$2,442,000)

III. Net Revenue				\$41,948,000
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¹ Based in part on a sales survey undertaken by KMA in September 2021. See APPENDIX A - EXHIBIT III. The weighted average sales price equates to \$744 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX D - EXHIBIT IV - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 DOVER WESTCLIFF PROTOTYPE
 10% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX D - EXHIBIT IV - TABLE 2		\$41,948,000
(Less) Threshold Developer Profit	¹ 11.6% Total Development Cost		<u>(\$4,724,000)</u>
Total Funds Available for Development Costs			\$37,224,000
II. Total Development Cost	See APPENDIX D - EXHIBIT IV - TABLE 1		\$40,695,000
III. <u>Total Financial Impact</u>			(\$3,471,000)
Property Acquisition Cost Reduction	21% of Estimated Current Acquisition Prices		
Developer Profit	3.1% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	8.0% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE SCENARIO.

APPENDIX D - EXHIBIT V

**PRO FORMA ANALYSIS
15% MODERATE INCOME SCENARIO
DOVER WESTCLIFF PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT V - TABLE 1

ESTIMATED DEVELOPMENT COSTS
DOVER WESTCLIFF PROTOTYPE
15% MODERATE INCOME SCENARIO
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	65,340 Sf of Land	\$250 /Sf of Land		\$16,335,000
II.	Direct Costs	²				
	On-Site Improvements/Landscaping		65,340 Sf of Land	\$30 /Sf of Land		\$1,960,000
	Parking	³	60 Spaces	\$0 /Space		0
	Building Costs		64,800 Sf of GBA	\$200 /Sf of GBA		12,960,000
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs			2,984,000
	Total Direct Costs					\$17,904,000
III.	Indirect Costs					
	Architecture, Engineering & Consulting		6.0% Direct Costs			\$1,074,000
	Public Permits & Fees	⁵	30 Units	\$70,000 /Unit		2,100,000
	Taxes, Insurance, Legal & Accounting		1.5% Direct Costs			269,000
	Marketing		30 Units	\$5,000 /Unit		150,000
	Developer Fee	⁶	30 Units	\$48,233 /Unit		1,447,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			252,000
	Total Indirect Costs					\$5,292,000
IV.	Financing Costs					
	Interest During Construction	⁷				\$754,000
	Loan Origination Fees		60.0% Loan to Cost	1.5 Points		303,000
	Total Financing Costs					\$1,057,000
V.	Total Construction Cost		30 Units	\$808,000 /Unit		\$24,253,000
	Total Development Cost		30 Units	\$1,353,000 /Unit		\$40,588,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates presented in the August 2021 draft Housing Element.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE SCENARIO

⁷ Assumes a 3.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 4 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX D - EXHIBIT V - TABLE 2

PROJECTED NET SALES REVENUE
DOVER WESTCLIFF PROTOTYPE
15% MODERATE INCOME SCENARIO
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
Three-Bedroom Units		15 Units @	\$1,517,900 /Unit	\$22,769,000
Four-Bedroom Units		10 Units @	\$1,742,500 /Unit	17,425,000
Moderate Income Units	2			
Three-Bedroom Units		3 Units @	\$316,000 /Unit	948,000
Four-Bedroom Units		2 Units @	\$303,500 /Unit	607,000
Total Gross Sales Revenue				\$41,749,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$1,252,000
Closing		2.0% Gross Sales Revenue		835,000
Warranty		0.5% Gross Sales Revenue		209,000
Total Cost of Sales				(\$2,296,000)

III. Net Revenue	\$39,453,000
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¹ Based in part on a sales survey undertaken by KMA in September 2021. See APPENDIX A - EXHIBIT III. The weighted average sales price equates to \$744 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX D - EXHIBIT V - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 DOVER WESTCLIFF PROTOTYPE
 15% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX D - EXHIBIT V - TABLE 2		\$39,453,000
(Less) Threshold Developer Profit	¹ 11.6% Total Development Cost		<u>(\$4,712,000)</u>
Total Funds Available for Development Costs			\$34,741,000
II. Total Development Cost	See APPENDIX D - EXHIBIT V - TABLE 1		\$40,588,000
III. <u>Total Financial Impact</u>			(\$5,847,000)
Property Acquisition Cost Reduction	36% of Estimated Current Acquisition Prices		
Developer Profit	-2.8% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	14.5% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE SCENARIO.

APPENDIX D - EXHIBIT VI

**PRO FORMA ANALYSIS
20% MODERATE INCOME SCENARIO
DOVER WESTCLIFF PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT VI - TABLE 1

ESTIMATED DEVELOPMENT COSTS
DOVER WESTCLIFF PROTOTYPE
20% MODERATE INCOME SCENARIO
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	65,340 Sf of Land	\$250 /Sf of Land		\$16,335,000
II.	Direct Costs	²				
	On-Site Improvements/Landscaping		65,340 Sf of Land	\$30 /Sf of Land		\$1,960,000
	Parking	³	60 Spaces	\$0 /Space		0
	Building Costs		64,800 Sf of GBA	\$200 /Sf of GBA		12,960,000
	Contractor/DC Contingency Allow	⁴	20% Other Direct Costs			2,984,000
	Total Direct Costs					\$17,904,000
III.	Indirect Costs					
	Architecture, Engineering & Consulting		6.0% Direct Costs			\$1,074,000
	Public Permits & Fees	⁵	30 Units	\$70,000 /Unit		2,100,000
	Taxes, Insurance, Legal & Accounting		1.5% Direct Costs			269,000
	Marketing		30 Units	\$5,000 /Unit		150,000
	Developer Fee	⁶	30 Units	\$48,233 /Unit		1,447,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			252,000
	Total Indirect Costs					\$5,292,000
IV.	Financing Costs					
	Interest During Construction	⁷				\$721,000
	Loan Origination Fees		60.0% Loan to Cost	1.5 Points		293,000
	Total Financing Costs					\$1,014,000
V.	Total Construction Cost		30 Units	\$807,000 /Unit		\$24,210,000
	Total Development Cost		30 Units	\$1,352,000 /Unit		\$40,545,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates presented in the August 2021 draft Housing Element.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE SCENARIO

⁷ Assumes a 3.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 4 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX D - EXHIBIT VI - TABLE 2

PROJECTED NET SALES REVENUE
DOVER WESTCLIFF PROTOTYPE
20% MODERATE INCOME SCENARIO
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

I. <u>Gross Sales Revenue</u>				
Market Rate Units	1			
Three-Bedroom Units		14 Units @	\$1,517,900 /Unit	\$21,251,000
Four-Bedroom Units		10 Units @	\$1,742,500 /Unit	17,425,000
Moderate Income Units	2			
Three-Bedroom Units		4 Units @	\$316,000 /Unit	1,264,000
Four-Bedroom Units		2 Units @	\$303,500 /Unit	607,000
Total Gross Sales Revenue				\$40,547,000
II. <u>Cost of Sales</u>				
Commissions		3.0% Gross Sales Revenue		\$1,216,000
Closing		2.0% Gross Sales Revenue		811,000
Warranty		0.5% Gross Sales Revenue		203,000
Total Cost of Sales				(\$2,230,000)
III. <u>Net Revenue</u>				\$38,317,000

¹ Based in part on a sales survey undertaken by KMA in September 2021. See APPENDIX A - EXHIBIT III. The weighted average sales price equates to \$744 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX D - EXHIBIT VI - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 DOVER WESTCLIFF PROTOTYPE
 20% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX D - EXHIBIT VI - TABLE 2		\$38,317,000
(Less) Threshold Developer Profit	¹ 11.6% Total Development Cost		<u>(\$4,707,000)</u>
Total Funds Available for Development Costs			\$33,610,000
II. Total Development Cost	See APPENDIX D - EXHIBIT VI - TABLE 1		\$40,545,000
III. <u>Total Financial Impact</u>			(\$6,935,000)
Property Acquisition Cost Reduction	42% of Estimated Current Acquisition Prices		
Developer Profit	-5.5% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	17.9% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE SCENARIO.

APPENDIX E

**PRO FORMA ANALYSES
WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX E - EXHIBIT I

PRO FORMA ANALYSIS
MARKET RATE SCENARIO

WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

APPENDIX E - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 MARKET RATE SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	261,360	Sf of Land	\$175 /Sf of Land		\$45,738,000
II.	Direct Costs	²					
	On-Site Improvements/Landscaping		261,360	Sf of Land	\$30 /Sf of Land	\$7,841,000	
	Parking	³	240	Spaces	\$0 /Space	0	
	Building Costs		251,400	Sf of GBA	\$180 /Sf of GBA	45,252,000	
	Contractor/DC Contingency Allow	⁴	20%	Other Direct Costs		10,619,000	
	Total Direct Costs						\$63,712,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting		6.0%	Direct Costs		\$3,823,000	
	Public Permits & Fees	⁵	120	Units	\$70,000 /Unit	8,400,000	
	Taxes, Insurance, Legal & Accounting		1.5%	Direct Costs		956,000	
	Marketing		120	Units	\$5,000 /Unit	600,000	
	Developer Fee		3.0%	Gross Sales Revenue		4,760,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		927,000	
	Total Indirect Costs						\$19,466,000
IV.	Financing Costs						
	Interest During Construction	⁶				\$3,619,000	
	Loan Origination Fees		60.0%	Loan to Cost	1.5 Points	1,160,000	
	Total Financing Costs						\$4,779,000
V.	Total Construction Cost		120	Units	\$733,000 /Unit		\$87,957,000
	Total Development Cost		120	Units	\$1,114,000 /Unit		\$133,695,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates presented in the August 2021 draft Housing Element.

⁶ Assumes a 3.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 15 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX E - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
 MARKET RATE SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Gross Sales Revenue</u>	1		
	Three-Bedroom Units	42 Units @	\$1,227,700 /Unit	\$51,563,000
	Four-Bedroom Units	78 Units @	\$1,373,200 /Unit	107,110,000
	Total Gross Sales Revenue			\$158,673,000
II.	<u>Cost of Sales</u>			
	Commissions	3.0% Gross Sales Revenue		\$4,760,000
	Closing	2.0% Gross Sales Revenue		3,173,000
	Warranty	0.5% Gross Sales Revenue		793,000
	Total Cost of Sales			(\$8,726,000)
III.	<u>Net Revenue</u>			\$149,947,000

¹ Based in part on a sales survey undertaken by KMA in September 2021. See APPENDIX A - EXHIBIT III. The weighted average sales price equates to \$631 per square foot of saleable area.

APPENDIX E - EXHIBIT I - TABLE 3

PROJECTED DEVELOPER PROFIT
MARKET RATE SCENARIO
WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

I.	Net Revenue	See APPENDIX E - EXHIBIT I - TABLE 2	\$149,947,000
II.	Total Development Cost	See APPENDIX E - EXHIBIT I - TABLE 1	<u>\$133,695,000</u>
III.	Developer Profit	12.2% Total Development Cost	\$16,252,000

APPENDIX E - EXHIBIT II

**PRO FORMA ANALYSIS
RECOMMENDED REQUIREMENT: 8% MODERATE INCOME UNITS
WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX E - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
 RECOMMENDED REQUIREMENT: 8% MODERATE INCOME UNITS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	261,360	Sf of Land	\$175 /Sf of Land		\$45,738,000
II.	Direct Costs	²					
	On-Site Improvements/Landscaping		261,360	Sf of Land	\$30 /Sf of Land	\$7,841,000	
	Parking	³	240	Spaces	\$0 /Space	0	
	Building Costs		251,400	Sf of GBA	\$180 /Sf of GBA	45,252,000	
	Contractor/DC Contingency Allow	⁴	20%	Other Direct Costs		10,619,000	
	Total Direct Costs						\$63,712,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting		6.0%	Direct Costs		\$3,823,000	
	Public Permits & Fees	⁵	120	Units	\$70,000 /Unit	8,400,000	
	Taxes, Insurance, Legal & Accounting		1.5%	Direct Costs		956,000	
	Marketing		120	Units	\$5,000 /Unit	600,000	
	Developer Fee	⁶	120	Units	\$39,667 /Unit	4,760,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		927,000	
	Total Indirect Costs						\$19,466,000
IV.	Financing Costs						
	Interest During Construction	⁷				\$3,261,000	
	Loan Origination Fees		60.0%	Loan to Cost	1.5 Points	1,090,000	
	Total Financing Costs						\$4,351,000
V.	Total Construction Cost		120	Units	\$729,000 /Unit		\$87,529,000
	Total Development Cost		120	Units	\$1,111,000 /Unit		\$133,267,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates presented in the August 2021 draft Housing Element.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE SCENARIO

⁷ Assumes a 3.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 14 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX E - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
 RECOMMENDED REQUIREMENT: 8% MODERATE INCOME UNITS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
Three-Bedroom Units		39 Units @	\$1,227,700 /Unit	\$47,880,000
Four-Bedroom Units		72 Units @	\$1,373,200 /Unit	98,870,000
Moderate Income Units	2			
Three-Bedroom Units		3 Units @	\$375,700 /Unit	1,127,000
Four-Bedroom Units		6 Units @	\$379,300 /Unit	2,276,000
Total Gross Sales Revenue				\$150,153,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$4,505,000
Closing		2.0% Gross Sales Revenue		3,003,000
Warranty		0.5% Gross Sales Revenue		751,000
Total Cost of Sales				(\$8,259,000)

III. Net Revenue	\$141,894,000
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¹ Based in part on a sales survey undertaken by KMA in September 2021. See APPENDIX A - EXHIBIT III. The weighted average sales price equates to \$631 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX E - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
 RECOMMENDED REQUIREMENT: 8% MODERATE INCOME UNITS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX E - EXHIBIT II - TABLE 2		\$141,894,000
(Less) Threshold Developer Profit	¹ 12.2% Total Development Cost		<u>(\$16,200,000)</u>
Total Funds Available for Development Costs			\$125,694,000
II. Total Development Cost	See APPENDIX E - EXHIBIT II - TABLE 1		\$133,267,000
III. <u>Total Financial Impact</u>			(\$7,573,000)
Property Acquisition Cost Reduction	17% of Estimated Current Acquisition Prices		
Developer Profit	6.5% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	5.2% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE SCENARIO.

APPENDIX E - EXHIBIT III

**PRO FORMA ANALYSIS
5% MODERATE INCOME SCENARIO
WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX E - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
 5% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	261,360	Sf of Land	\$175 /Sf of Land		\$45,738,000
II.	Direct Costs	²					
	On-Site Improvements/Landscaping		261,360	Sf of Land	\$30 /Sf of Land	\$7,841,000	
	Parking	³	240	Spaces	\$0 /Space	0	
	Building Costs		251,400	Sf of GBA	\$180 /Sf of GBA	45,252,000	
	Contractor/DC Contingency Allow	⁴	20%	Other Direct Costs		10,619,000	
	Total Direct Costs						\$63,712,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting		6.0%	Direct Costs		\$3,823,000	
	Public Permits & Fees	⁵	120	Units	\$70,000 /Unit	8,400,000	
	Taxes, Insurance, Legal & Accounting		1.5%	Direct Costs		956,000	
	Marketing		120	Units	\$5,000 /Unit	600,000	
	Developer Fee	⁶	120	Units	\$39,667 /Unit	4,760,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		927,000	
	Total Indirect Costs						\$19,466,000
IV.	Financing Costs						
	Interest During Construction	⁷				\$3,387,000	
	Loan Origination Fees		60.0%	Loan to Cost	1.5 Points	1,115,000	
	Total Financing Costs						\$4,502,000
V.	Total Construction Cost		120	Units	\$731,000 /Unit		\$87,680,000
	Total Development Cost		120	Units	\$1,112,000 /Unit		\$133,418,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates presented in the August 2021 draft Housing Element.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE SCENARIO

⁷ Assumes a 3.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 15 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX E - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
 5% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	¹			
Three-Bedroom Units		40 Units @	\$1,227,700 /Unit	\$49,108,000
Four-Bedroom Units		74 Units @	\$1,373,200 /Unit	101,617,000
Moderate Income Units	²			
Three-Bedroom Units		2 Units @	\$375,700 /Unit	751,000
Four-Bedroom Units		4 Units @	\$379,300 /Unit	1,517,000
Total Gross Sales Revenue				\$152,993,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$4,590,000
Closing		2.0% Gross Sales Revenue		3,060,000
Warranty		0.5% Gross Sales Revenue		765,000
Total Cost of Sales				(\$8,415,000)

III. Net Revenue	\$144,578,000
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¹ Based in part on a sales survey undertaken by KMA in September 2021. See APPENDIX A - EXHIBIT III. The weighted average sales price equates to \$631 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX E - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
 5% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX E - EXHIBIT III - TABLE 2		\$144,578,000
(Less) Threshold Developer Profit	¹ 12.2% Total Development Cost		<u>(\$16,218,000)</u>
Total Funds Available for Development Costs			\$128,360,000
II. Total Development Cost	See APPENDIX E - EXHIBIT III - TABLE 1		\$133,418,000
III. <u>Total Financial Impact</u>			(\$5,058,000)
Property Acquisition Cost Reduction	11% of Estimated Current Acquisition Prices		
Developer Profit	8.4% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	3.4% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE SCENARIO.

APPENDIX E - EXHIBIT IV

**PRO FORMA ANALYSIS
10% MODERATE INCOME SCENARIO
WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX E - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
 10% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	261,360	Sf of Land	\$175 /Sf of Land		\$45,738,000
II.	Direct Costs	²					
	On-Site Improvements/Landscaping		261,360	Sf of Land	\$30 /Sf of Land	\$7,841,000	
	Parking	³	240	Spaces	\$0 /Space	0	
	Building Costs		251,400	Sf of GBA	\$180 /Sf of GBA	45,252,000	
	Contractor/DC Contingency Allow	⁴	20%	Other Direct Costs		10,619,000	
	Total Direct Costs						\$63,712,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting		6.0%	Direct Costs		\$3,823,000	
	Public Permits & Fees	⁵	120	Units	\$70,000 /Unit	8,400,000	
	Taxes, Insurance, Legal & Accounting		1.5%	Direct Costs		956,000	
	Marketing		120	Units	\$5,000 /Unit	600,000	
	Developer Fee	⁶	120	Units	\$39,667 /Unit	4,760,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		927,000	
	Total Indirect Costs						\$19,466,000
IV.	Financing Costs						
	Interest During Construction	⁷				\$3,160,000	
	Loan Origination Fees		60.0%	Loan to Cost	1.5 Points	1,070,000	
	Total Financing Costs						\$4,230,000
V.	Total Construction Cost		120	Units	\$728,000 /Unit		\$87,408,000
	Total Development Cost		120	Units	\$1,110,000 /Unit		\$133,146,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates presented in the August 2021 draft Housing Element.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE SCENARIO

⁷ Assumes a 3.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 14 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX E - EXHIBIT IV - TABLE 2

PROJECTED NET SALES REVENUE
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
 10% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	¹			
Three-Bedroom Units		38 Units @	\$1,227,700 /Unit	\$46,653,000
Four-Bedroom Units		70 Units @	\$1,373,200 /Unit	96,124,000
Moderate Income Units	²			
Three-Bedroom Units		4 Units @	\$375,700 /Unit	1,503,000
Four-Bedroom Units		8 Units @	\$379,300 /Unit	3,034,000
Total Gross Sales Revenue				\$147,314,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$4,419,000
Closing		2.0% Gross Sales Revenue		2,946,000
Warranty		0.5% Gross Sales Revenue		737,000
Total Cost of Sales				(\$8,102,000)

III. Net Revenue	\$139,212,000
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¹ Based in part on a sales survey undertaken by KMA in September 2021. See APPENDIX A - EXHIBIT III. The weighted average sales price equates to \$631 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX E - EXHIBIT IV - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
 10% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX E - EXHIBIT IV - TABLE 2		\$139,212,000
(Less) Threshold Developer Profit	¹ 12.2% Total Development Cost		<u>(\$16,185,000)</u>
Total Funds Available for Development Costs			\$123,027,000
II. Total Development Cost	See APPENDIX E - EXHIBIT IV - TABLE 1		\$133,146,000
III. <u>Total Financial Impact</u>			(\$10,119,000)
Property Acquisition Cost Reduction	22% of Estimated Current Acquisition Prices		
Developer Profit	4.6% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	7.1% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE SCENARIO.

APPENDIX E - EXHIBIT V

**PRO FORMA ANALYSIS
15% MODERATE INCOME SCENARIO
WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX E - EXHIBIT V - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
 15% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	261,360	Sf of Land	\$175 /Sf of Land		\$45,738,000
II.	Direct Costs	²					
	On-Site Improvements/Landscaping		261,360	Sf of Land	\$30 /Sf of Land	\$7,841,000	
	Parking	³	240	Spaces	\$0 /Space	0	
	Building Costs		251,400	Sf of GBA	\$180 /Sf of GBA	45,252,000	
	Contractor/DC Contingency Allow	⁴	20%	Other Direct Costs		10,619,000	
	Total Direct Costs						\$63,712,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting		6.0%	Direct Costs		\$3,823,000	
	Public Permits & Fees	⁵	120	Units	\$70,000 /Unit	8,400,000	
	Taxes, Insurance, Legal & Accounting		1.5%	Direct Costs		956,000	
	Marketing		120	Units	\$5,000 /Unit	600,000	
	Developer Fee	⁶	120	Units	\$39,667 /Unit	4,760,000	
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		927,000	
	Total Indirect Costs						\$19,466,000
IV.	Financing Costs						
	Interest During Construction	⁷				\$2,922,000	
	Loan Origination Fees		60.0%	Loan to Cost	1.5 Points	1,024,000	
	Total Financing Costs						\$3,946,000
V.	Total Construction Cost		120	Units	\$726,000 /Unit		\$87,124,000
	Total Development Cost		120	Units	\$1,107,000 /Unit		\$132,862,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates presented in the August 2021 draft Housing Element.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE SCENARIO

⁷ Assumes a 3.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX E - EXHIBIT V - TABLE 2

PROJECTED NET SALES REVENUE
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
 15% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
Three-Bedroom Units		36 Units @	\$1,227,700 /Unit	\$44,197,000
Four-Bedroom Units		66 Units @	\$1,373,200 /Unit	90,631,000
Moderate Income Units	2			
Three-Bedroom Units		6 Units @	\$375,700 /Unit	2,254,000
Four-Bedroom Units		12 Units @	\$379,300 /Unit	4,552,000
Total Gross Sales Revenue				\$141,634,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$4,249,000
Closing		2.0% Gross Sales Revenue		2,833,000
Warranty		0.5% Gross Sales Revenue		708,000
Total Cost of Sales				(\$7,790,000)

III. Net Revenue				\$133,844,000
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¹ Based in part on a sales survey undertaken by KMA in September 2021. See APPENDIX A - EXHIBIT III. The weighted average sales price equates to \$631 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX E - EXHIBIT V - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
 15% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX E - EXHIBIT V - TABLE 2		\$133,844,000
(Less) Threshold Developer Profit	¹ 12.2% Total Development Cost		<u>(\$16,151,000)</u>
Total Funds Available for Development Costs			\$117,693,000
II. Total Development Cost	See APPENDIX E - EXHIBIT V - TABLE 1		\$132,862,000
III. <u>Total Financial Impact</u>			(\$15,169,000)
Property Acquisition Cost Reduction	33% of Estimated Current Acquisition Prices		
Developer Profit	0.7% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	11.3% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE SCENARIO.

APPENDIX E - EXHIBIT VI

**PRO FORMA ANALYSIS
20% MODERATE INCOME SCENARIO
WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX E - EXHIBIT VI - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
 20% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	261,360	Sf of Land	\$175 /Sf of Land		\$45,738,000
II.	Direct Costs	²					
	On-Site Improvements/Landscaping		261,360	Sf of Land	\$30 /Sf of Land	\$7,841,000	
	Parking	³	240	Spaces	\$0 /Space	0	
	Building Costs		251,400	Sf of GBA	\$180 /Sf of GBA	45,252,000	
	Contractor/DC Contingency Allow	⁴		20% Other Direct Costs		10,619,000	
	Total Direct Costs						\$63,712,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6.0% Direct Costs		\$3,823,000	
	Public Permits & Fees	⁵	120	Units	\$70,000 /Unit	8,400,000	
	Taxes, Insurance, Legal & Accounting			1.5% Direct Costs		956,000	
	Marketing		120	Units	\$5,000 /Unit	600,000	
	Developer Fee	⁶	120	Units	\$39,667 /Unit	4,760,000	
	Soft Cost Contingency Allowance			5.0% Other Indirect Costs		927,000	
	Total Indirect Costs						\$19,466,000
IV.	Financing Costs						
	Interest During Construction	⁷				\$2,708,000	
	Loan Origination Fees			60.0% Loan to Cost	1.5 Points	979,000	
	Total Financing Costs						\$3,687,000
V.	Total Construction Cost		120	Units	\$724,000 /Unit		\$86,865,000
	Total Development Cost		120	Units	\$1,105,000 /Unit		\$132,603,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Assumes that the required parking is provided in attached garages.

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on estimates presented in the August 2021 draft Housing Element.

⁶ Based on the Developer Fee per unit generated by the MARKET RATE SCENARIO

⁷ Assumes a 3.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 13 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX E - EXHIBIT VI - TABLE 2

PROJECTED NET SALES REVENUE
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
 20% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
Three-Bedroom Units		34 Units @	\$1,227,700 /Unit	\$41,742,000
Four-Bedroom Units		62 Units @	\$1,373,200 /Unit	85,138,000
Moderate Income Units	2			
Three-Bedroom Units		8 Units @	\$375,700 /Unit	3,006,000
Four-Bedroom Units		16 Units @	\$379,300 /Unit	6,069,000
Total Gross Sales Revenue				\$135,955,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$4,079,000
Closing		2.0% Gross Sales Revenue		2,719,000
Warranty		0.5% Gross Sales Revenue		680,000
Total Cost of Sales				(\$7,478,000)

III. Net Revenue				\$128,477,000
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¹ Based in part on a sales survey undertaken by KMA in September 2021. See APPENDIX A - EXHIBIT III. The weighted average sales price equates to \$631 per square foot of saleable area.

² See APPENDIX B - EXHIBIT I.

APPENDIX E - EXHIBIT VI - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
 20% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX E - EXHIBIT VI - TABLE 2		\$128,477,000
(Less) Threshold Developer Profit	¹ 12.2% Total Development Cost		<u>(\$16,119,000)</u>
Total Funds Available for Development Costs			\$112,358,000
II. Total Development Cost	See APPENDIX E - EXHIBIT VI - TABLE 1		\$132,603,000
III. <u>Total Financial Impact</u>			(\$20,245,000)
Property Acquisition Cost Reduction	44% of Estimated Current Acquisition Prices		
Developer Profit	-3.1% Based on Estimated Current Property Acquisition Costs		
% Price Increase to Offset Impact	16.0% Market Rate Units		

¹ Based on the profit as a percentage of Total Development Cost estimated to be generated by the MARKET RATE SCENARIO.

ATTACHMENT 4

**APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX A

RENT SURVEYS

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

NEWPORT BEACH, CALIFORNIA

APPENDIX A - EXHIBIT I

RENT SURVEY - 4 & 5 STAR PROPERTIES
 AIRPORT AREA
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

Name	Address	Subarea	# of Units	Unit Size (SF)	Average Effective Rent		Year Built
					Total	Per SF	
I. Studio Units							
One Uptown Newport	4201 Jamboree Rd	Airport	44	586	\$2,715	\$4.63	2019
Newport Bluffs	100 Vilaggio	Multiple	35	549	\$2,429	\$4.42	1999
	Minimum			549	\$2,429	\$4.42	
	Maximum			586	\$2,715	\$4.63	
	Weighted Average			570	\$2,588	\$4.54	
II. One-Bedroom Units							
One Uptown Newport	4201 Jamboree Rd	Airport	299	746	\$3,274	\$4.39	
Baypointe	2500 Baypointe Dr	Multiple	93	841	\$3,364	\$4.00	1998
Newport Bluffs	100 Vilaggio	Multiple	391	791	\$3,153	\$3.99	
	Minimum			746	\$3,153	\$3.99	
	Maximum			841	\$3,364	\$4.39	
	Weighted Average			780	\$3,224	\$4.14	
III. Two-Bedroom Units							
One Uptown Newport	4201 Jamboree Rd	Airport	115	1,173	\$4,847	\$4.13	
Newport Bluffs	100 Vilaggio	Multiple	469	1,129	\$3,946	\$3.50	
Baypointe	2500 Baypointe Dr	Multiple	207	1,141	\$3,795	\$3.33	
	Minimum			1,129	\$3,795	\$3.33	
	Maximum			1,173	\$4,847	\$4.13	
	Weighted Average			1,139	\$4,037	\$3.54	
IV. Three-Bedroom Units							
Newport Bluffs	100 Vilaggio	Multiple	157	1,355	\$4,992	\$3.68	

APPENDIX A - EXHIBIT II

RENT SURVEY - 4 & 5 STAR PROPERTIES
 COYOTE CANYON AREA
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

Name	Address	Subarea	# of Units	Unit Size (SF)	Average Effective Rent		Year Built
					Total	Per SF	
I. Studio Units							
Newport Bluffs	100 Vilaggio	Multiple	35	549	\$2,429	\$4.42	1999
	Minimum			549	\$2,429	\$4.42	
	Maximum			549	\$2,429	\$4.42	
	Weighted Average			549	\$2,429	\$4.42	
II. One-Bedroom Units							
Turtle Ridge	100 Turtle Crest Dr	Coyote Cyn	236	732	\$3,064	\$4.19	2003
Newport Ridge	1 White Cap Ln	Coyote Cyn	167	873	\$3,391	\$3.88	1994
Turtle Rock Canyon	100 Stonecliff Aisle	Coyote Cyn	30	830	\$2,928	\$3.53	1991
Baypointe	2500 Baypointe Dr	Multiple	93	841	\$3,364	\$4.00	1998
Newport Bluffs	100 Vilaggio	Multiple	391	791	\$3,153	\$3.99	
	Minimum			732	\$2,928	\$3.53	
	Maximum			873	\$3,391	\$4.19	
	Weighted Average			797	\$3,187	\$4.01	

APPENDIX A - EXHIBIT II

RENT SURVEY - 4 & 5 STAR PROPERTIES

COYOTE CANYON AREA

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

NEWPORT BEACH, CALIFORNIA

Name	Address	Subarea	# of Units	Unit Size (SF)	Average Effective Rent		Year Built
					Total	Per SF	
III. Two-Bedroom Units							
Bordeaux	1 Ambroise - Bordeaux	Coyote Cyn	111	1,402	\$4,698	\$3.35	2001
Turtle Ridge	100 Turtle Crest Dr	Coyote Cyn	200	1,088	\$3,909	\$3.59	
Newport Ridge	1 White Cap Ln	Coyote Cyn	345	1,097	\$3,916	\$3.57	
Turtle Rock Canyon	100 Stonecliff Aisle	Coyote Cyn	165	1,116	\$3,804	\$3.41	
Newport Bluffs	100 Vilaggio	Multiple	469	1,129	\$3,946	\$3.50	
Baypointe	2500 Baypointe Dr	Multiple	207	1,141	\$3,795	\$3.33	
				Minimum	1,088	\$3,795	\$3.33
				Maximum	1,402	\$4,698	\$3.59
				Weighted Average	1,137	\$3,953	\$3.48
IV. Three-Bedroom Units							
Turtle Rock Canyon	100 Stonecliff Aisle	Coyote Cyn	22	1,309	\$4,304	\$3.29	
Bordeaux	1 Ambroise - Bordeaux	Coyote Cyn	80	1,656	\$5,284	\$3.19	
Newport Bluffs	100 Vilaggio	Multiple	157	1,355	\$4,992	\$3.68	
				Minimum	1,309	\$4,304	\$3.19
				Maximum	1,656	\$5,284	\$3.68
				Weighted Average	1,444	\$5,024	\$3.50

APPENDIX A - EXHIBIT III

RENT SURVEY - 4 & 5 STAR PROPERTIES
 NEWPORT CENTER AREA
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

Name	Address	Subarea	# of Units	Unit Size (SF)	Average Effective Rent		Year Built
					Total	Per SF	
I. One-Bedroom Units							
Villas Fashion Island	1000 San Joaquin Plz	Newport Ctr	199	1,032	\$4,924	\$4.77	2017
Promontory Point	200 Promontory Dr W	Newport Ctr	190	891	\$3,652	\$4.10	1973 / 2015
The Colony	5100 Colony Plz	Newport Ctr	51	1,068	\$3,598	\$3.37	1997
	Minimum			891	\$3,598	\$3.37	
	Maximum			1,068	\$4,924	\$4.77	
	Weighted Average			975	\$4,221	\$4.32	
II. Two-Bedroom Units							
Villas Fashion Island	1000 San Joaquin Plz	Newport Ctr	234	1,349	\$6,817	\$5.05	
Promontory Point	200 Promontory Dr W	Newport Ctr	330	1,247	\$4,482	\$3.59	
The Colony	5100 Colony Plz	Newport Ctr	194	1,391	\$4,267	\$3.07	
	Minimum			1,247	\$4,267	\$3.07	
	Maximum			1,391	\$6,817	\$5.05	
	Weighted Average			1,315	\$5,148	\$3.91	
III. Three-Bedroom Units							
Villas Fashion Island	1000 San Joaquin Plz	Newport Ctr	91	1,389	\$6,947	\$5.00	
	Minimum			1,389	\$6,947	\$5.00	
	Maximum			1,389	\$6,947	\$5.00	
	Weighted Average			1,389	\$6,947	\$5.00	

APPENDIX A - EXHIBIT IV

RENT SURVEY - 4 & 5 STAR PROPERTIES
 WEST NEWPORT MESA & BANNING RANCH SUBAREA ¹
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

Name	Address	Subarea	# of Units	Unit Size (SF)	Average Effective Rent		Year Built
					Total	Per SF	
I. Studio Units							
580 Anton	580 Anton Blvd	Costa Mesa	5	506	\$3,036	\$6.00	2018
Baker Block	125 Baker St E	Costa Mesa	31	623	\$2,610	\$4.19	2018
	Minimum			506	\$2,610	\$4.19	
	Maximum			623	\$3,036	\$6.00	
	Weighted Average			607	\$2,669	\$4.44	
II. One-Bedroom Units							
580 Anton	580 Anton Blvd	Costa Mesa	165	745	\$3,189	\$4.28	
Baker Block	125 Baker St E	Costa Mesa	108	789	\$3,283	\$4.16	
Blue Sol	421 Bernard St	Costa Mesa	73	771	\$2,719	\$3.53	2014
Azulon at Mesa Verde	1500 Mesa Verde Dr E	Costa Mesa	132	779	\$2,340	\$3.00	2014
	Minimum			745	\$2,340	\$3.00	
	Maximum			789	\$3,283	\$4.28	
	Weighted Average			768	\$2,904	\$3.79	
III. Two-Bedroom Units							
580 Anton	580 Anton Blvd	Costa Mesa	80	745	\$3,189	\$4.28	
Baker Block	125 Baker St E	Costa Mesa	93	1,124	\$3,681	\$3.27	
Blue Sol	421 Bernard St	Costa Mesa	30	1,110	\$3,224	\$2.90	
Azulon at Mesa Verde	1500 Mesa Verde Dr E	Costa Mesa	83	1,075	\$2,844	\$2.65	
	Minimum			745	\$2,844	\$2.65	
	Maximum			1,124	\$3,681	\$4.28	
	Weighted Average			1,002	\$3,253	\$3.33	

APPENDIX A - EXHIBIT IV

RENT SURVEY - 4 & 5 STAR PROPERTIES
 WEST NEWPORT MESA & BANNING RANCH SUBAREA ¹
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

Name	Address	Subarea	# of Units	Unit Size (SF)	Average Effective Rent		Year Built
					Total	Per SF	
IV. Three-Bedroom Units							
Baker Block	125 Baker St E	Costa Mesa	8	1,452	\$3,972	\$2.74	
Blue Sol	421 Bernard St	Costa Mesa	10	1,448	\$3,776	\$2.61	
	Minimum			1,448	\$3,776	\$2.61	
	Maximum			1,452	\$3,972	\$2.74	
	Weighted Average			1,450	\$3,863	\$2.66	

¹ Based on data provided from a October 2021 CoStar search. Costa Mesa projects constructed after 2010 were used as a surrogate due to a lack of new development in the subarea.

APPENDIX B

**AFFORDABLE RENT CALCULATIONS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX B

AFFORDABLE RENT CALCULATIONS
 2021 INCOME STANDARDS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

		Studio Units	One-Bedroom Units	Two-Bedroom Units	Three- Bedroom Units
I. <u>General Assumptions</u>					
Area Median Income (AMI)	1	\$74,700	\$85,350	\$96,050	\$106,700
Monthly Utilities Allowance	2	\$67	\$77	\$107	\$137
II. <u>Affordable Rent Calculations</u>	3				
A. <u>Low Income - Rent Based on 60% AMI</u>					
Benchmark Annual Household Income		\$44,820	\$51,210	\$57,630	\$64,020
Percentage of Income Allotted to Housing Expenses		30%	30%	30%	30%
Monthly Income Available for Housing Expenses		\$1,121	\$1,280	\$1,441	\$1,601
(Less) Monthly Utilities Allowance		(67)	(77)	(107)	(137)
Maximum Allowable Rent		\$1,054	\$1,203	\$1,334	\$1,464
B. <u>Very Low Income - Rent Based on 50% AMI</u>					
Benchmark Annual Household Income		\$37,350	\$42,675	\$48,025	\$53,350
Percentage of Income Allotted to Housing Expenses		30%	30%	30%	30%
Monthly Income Available for Housing Expenses		\$934	\$1,067	\$1,201	\$1,334
(Less) Monthly Utilities Allowance		(67)	(77)	(107)	(137)
Maximum Allowable Rent		\$867	\$990	\$1,094	\$1,197

¹ Based on the 2021 Orange County household incomes published by the California Housing & Community Development Department (HCD). The benchmark household size is set at the number of bedrooms in the unit plus one.

² Based on the Orange County Housing Authority utilities allowances effective as of 12/1/21. Assumes: Gas Heating, Gas Cooking, and Gas Water Heater; Basic Electric; and Air Conditioning.

³ Based on the California Health & Safety Code Section 50053 calculation methodology.

APPENDIX C

**PRO FORMA ANALYSES
AIRPORT AREA PROTOTYPE
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX C - EXHIBIT I

PRO FORMA ANALYSIS
MARKET RATE SCENARIO

AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

APPENDIX C - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 MARKET RATE SCENARIO
 AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	435,600	Sf of Land	\$185 /Sf of Land		\$80,586,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		435,600	Sf of Land	\$30 /Sf of Land	\$13,068,000	
	Parking	3					
	At-Grade Spaces		225	Spaces	\$5,000 /Space	1,125,000	
	Above-Ground Spaces		900	Spaces	\$25,000 /Space	22,500,000	
	Building Costs		574,200	Sf of GBA	\$180 /Sf of GBA	103,356,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		28,010,000	
	Total Direct Costs		574,200	Sf of GBA	\$293 /Sf of GBA		\$168,059,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6% Direct Costs		\$10,084,000	
	Public Permits & Fees	5	450	Units	\$68,000 /Unit	30,600,000	
	Taxes, Insurance, Legal & Accounting			2% Direct Costs		3,361,000	
	Marketing		450	Units	\$2,500 /Unit	1,125,000	
	Developer Fee			5% Direct Costs		8,403,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		2,679,000	
	Total Indirect Costs						\$56,252,000
IV.	Financing Costs						
	Interest During Construction						
	Land	6	\$80,586,000	Cost	3.6% Avg Rate	\$4,352,000	
	Construction	7	\$237,955,000	Cost	3.6% Avg Rate	6,425,000	
	Loan Origination Fees			60% Loan to Cost	1.5 Points	2,867,000	
	Total Financing Costs						\$13,644,000
V.	Total Construction Cost		450	Units	\$529,000 /Unit		\$237,955,000
	Total Development Cost		450	Units	\$708,000 /Unit		\$318,541,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX C - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 MARKET RATE SCENARIO
 AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	23 Units @	\$2,780 /Unit/Month	\$767,000
One-Bedroom Units	212 Units @	\$3,511 /Unit/Month	8,932,000
Two-Bedroom Units	215 Units @	\$4,019 /Unit/Month	10,370,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. **Miscellaneous Income**

450 Units @	\$75 /Unit/Month	405,000
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Total Gross Income

\$20,474,000

Vacancy & Collection Allowance

5% Gross Income

(1,024,000)

II. **Effective Gross Income**

\$19,450,000

III. **Operating Expenses**

General Operating Expenses	450 Units @	\$4,500 /Unit	\$2,025,000
Property Taxes	450 Units @	\$7,000 /Unit	3,130,000
Replacement Reserve Deposits	450 Units @	\$150 /Unit	68,000

Total Operating Expenses

(\$5,223,000)

IV. **Stabilized Net Operating Income**

\$14,227,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT I. The weighted average monthly rent equates to \$3.88 per square foot of leasable area.

APPENDIX C - EXHIBIT I - TABLE 3

ESTIMATED STABILIZED RETURN ON INVESTMENT
MARKET RATE SCENARIO
AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

I.	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT I - TABLE 2	\$14,227,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT I - TABLE 1	<u>\$318,541,000</u>
III.	Estimated Stabilized Return on Investment		4.5%

APPENDIX C - EXHIBIT II

PRO FORMA ANALYSIS

RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS

AIRPORT AREA PROTOTYPE: ZONING COMPLIANT

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

NEWPORT BEACH, CALIFORNIA

APPENDIX C - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS
 AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	435,600	Sf of Land	\$185 /Sf of Land		\$80,586,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		435,600	Sf of Land	\$30 /Sf of Land		\$13,068,000
Parking	3					
At-Grade Spaces		225	Spaces	\$5,000 /Space		1,125,000
Above-Ground Spaces		900	Spaces	\$25,000 /Space		22,500,000
Building Costs		574,200	Sf of GBA	\$180 /Sf of GBA		103,356,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			28,010,000
Total Direct Costs		574,200	Sf of GBA	\$293 /Sf of GBA		\$168,059,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$10,084,000
Public Permits & Fees	5	450	Units	\$68,000 /Unit		30,600,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			3,361,000
Marketing		450	Units	\$2,500 /Unit		1,125,000
Developer Fee			5% Direct Costs			8,403,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			2,679,000
Total Indirect Costs						\$56,252,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$79,704,900	Cost	3.6% Avg Rate		\$4,304,000
Construction	7	\$237,904,000	Cost	3.6% Avg Rate		6,423,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		2,866,000
Total Financing Costs						\$13,593,000
V. Total Construction Cost		450	Units	\$529,000 /Unit		\$237,904,000
Total Development Cost		450	Units	\$708,000 /Unit		\$318,490,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX C - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS
 AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	21 Units @	\$2,780 /Unit/Month	\$701,000
One-Bedroom Units	197 Units @	\$3,511 /Unit/Month	8,300,000
Two-Bedroom Units	200 Units @	\$4,019 /Unit/Month	9,647,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. **Low Income Units**

²

Studio Units	2 Units @	\$1,054 /Unit/Month	25,000
One-Bedroom Units	15 Units @	\$1,203 /Unit/Month	217,000
Two-Bedroom Units	15 Units @	\$1,334 /Unit/Month	240,000
Three-Bedroom Units	0 Units @	\$1,464 /Unit/Month	0

C. **Miscellaneous Income**

450 Units @	\$75 /Unit/Month	405,000
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Total Gross Income

\$19,535,000

Vacancy & Collection Allowance

5% Gross Income

(977,000)

II. **Effective Gross Income**

\$18,558,000

III. **Operating Expenses**

General Operating Expenses	450 Units @	\$4,500 /Unit	\$2,025,000
Property Taxes	450 Units @	\$6,600 /Unit	2,969,000
Replacement Reserve Deposits	450 Units @	\$150 /Unit	68,000

Total Operating Expenses

450 Units @	\$11,249 /Unit	(\$5,062,000)
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IV. **Stabilized Net Operating Income**

\$13,496,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT I. The weighted average monthly rent equates to \$3.88 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX C - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS
 AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT II - TABLE 2	\$13,496,000
	Threshold Return on Total Investment ¹		<u>4.47%</u>
	Total Supportable Investment		\$302,174,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT II - TABLE 1	<u>\$318,490,000</u>
III.	<u>Total Financial Impact</u>		(\$16,316,000)
	Property Acquisition Cost Reduction	20% of Estimated Current Acquisition Prices	
	Developer Return	4.2% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	5.2% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX C - EXHIBIT III

PRO FORMA ANALYSIS

DENSITY BONUS SCENARIO

AIRPORT AREA PROTOTYPE: 50% SECTION 65915 DENSITY BONUS

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

NEWPORT BEACH, CALIFORNIA

APPENDIX C - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 DENSITY BONUS SCENARIO
 AIRPORT AREA PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	435,600	Sf of Land	\$185 /Sf of Land		\$80,586,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		435,600	Sf of Land	\$30 /Sf of Land		\$13,068,000
Parking	3					
At-Grade Spaces		0	Spaces	\$5,000 /Space		0
Above-Ground Spaces		833	Spaces	\$25,000 /Space		20,813,000
Semi-Subterranean Spaces		167	Spaces	\$35,000 /Space		5,828,000
Building Costs		862,133	Sf of GBA	\$200 /Sf of GBA		172,427,000
Contractor/DC Contingency Allow	4	20%	Other Direct Costs			42,427,000
Total Direct Costs		862,133	Sf of GBA	\$295 /Sf of GBA		\$254,563,000
III. Indirect Costs						
Architecture, Engineering & Consulting		6%	Direct Costs			\$15,274,000
Public Permits & Fees	5	675	Units	\$68,000 /Unit		45,900,000
Taxes, Insurance, Legal & Accounting		2%	Direct Costs			5,091,000
Marketing		675	Units	\$2,500 /Unit		1,688,000
Developer Fee		5%	Direct Costs			12,728,000
Soft Cost Contingency Allowance		5%	Other Indirect Costs			4,034,000
Total Indirect Costs						\$84,715,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$80,586,000	Cost	3.6% Avg Rate		\$4,352,000
Construction	7	\$357,215,000	Cost	3.6% Avg Rate		9,645,000
Loan Origination Fees		60%	Loan to Cost	1.5 Points		3,940,000
Total Financing Costs						\$17,937,000
V. Total Construction Cost		675	Units	\$529,000 /Unit		\$357,215,000
Total Development Cost		675	Units	\$649,000 /Unit		\$437,801,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Section 65915 (p) requires jurisdictions to allow projects to meet statutorily established parking standards. For marketability reasons, KMA set the parking standards at 1.0 space per Studio Units unit; 1.0 space per One-Bedroom Units unit; 2.0 spaces per Two-Bedroom Units unit; and 2.0

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁷ Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX C - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 DENSITY BONUS SCENARIO
 AIRPORT AREA PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	31 Units @	\$2,780 /Unit/Month	\$1,034,000
One-Bedroom Units	285 Units @	\$3,511 /Unit/Month	12,008,000
Two-Bedroom Units	291 Units @	\$4,019 /Unit/Month	14,036,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. **Density Bonus Units**

²

Studio Units	3 Units @	\$867 /Unit/Month	31,000
One-Bedroom Units	32 Units @	\$990 /Unit/Month	380,000
Two-Bedroom Units	33 Units @	\$1,094 /Unit/Month	433,000
Three-Bedroom Units	0 Units @	\$1,197 /Unit/Month	0

C. **Miscellaneous Income**

675 Units @	\$75 /Unit/Month	608,000
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Total Gross Income

\$28,530,000

Vacancy & Collection Allowance

5% Gross Income

(1,427,000)

II. **Effective Gross Income**

\$27,103,000

III. **Operating Expenses**

General Operating Expenses	675 Units @	\$4,500 /Unit	\$3,037,500
Property Taxes	675 Units @	\$6,400 /Unit	4,322,000
Replacement Reserve Deposits	675 Units @	\$150 /Unit	101,000

Total Operating Expenses

675 Units @	\$11,053 /Unit	(\$7,460,500)
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IV. **Stabilized Net Operating Income**

\$19,642,500

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT I. The weighted average monthly rent equates to \$3.88 per square foot of leasable area.

² Under Section 65915 (f) (2), 15% of the Base Units are set aside for very-low income households. Section 65915 (c) (1) (B) (i) calculates very low income rents based on household income at 50% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX C - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 DENSITY BONUS SCENARIO
 AIRPORT AREA PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT III - TABLE 2	\$19,642,500
	Threshold Return on Total Investment ¹		4.47%
	Total Supportable Investment		\$439,793,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT III - TABLE 1	\$437,801,000
III.	<u>Total Financial Impact</u>		\$1,992,000
	Property Acquisition Cost Reduction	0% of Estimated Current Acquisition Prices	
	Developer Return	4.49% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	0.0% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX C - EXHIBIT IV

PRO FORMA ANALYSIS

5% LOW INCOME SCENARIO

AIRPORT AREA PROTOTYPE: ZONING COMPLIANT

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

NEWPORT BEACH, CALIFORNIA

APPENDIX C - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 5% LOW INCOME SCENARIO
 AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	435,600	Sf of Land	\$185 /Sf of Land		\$80,586,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		435,600	Sf of Land	\$30 /Sf of Land		\$13,068,000
Parking	3					
At-Grade Spaces		225	Spaces	\$5,000 /Space		1,125,000
Above-Ground Spaces		900	Spaces	\$25,000 /Space		22,500,000
Building Costs		574,200	Sf of GBA	\$180 /Sf of GBA		103,356,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			28,010,000
Total Direct Costs		574,200	Sf of GBA	\$293 /Sf of GBA		\$168,059,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$10,084,000
Public Permits & Fees	5	450	Units	\$68,000 /Unit		30,600,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			3,361,000
Marketing		450	Units	\$2,500 /Unit		1,125,000
Developer Fee			5% Direct Costs			8,403,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			2,679,000
Total Indirect Costs						\$56,252,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$79,949,400	Cost	3.6% Avg Rate		\$4,317,000
Construction	7	\$237,919,000	Cost	3.6% Avg Rate		6,424,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		2,867,000
Total Financing Costs						\$13,608,000
V. Total Construction Cost		450	Units	\$529,000 /Unit		\$237,919,000
Total Development Cost		450	Units	\$708,000 /Unit		\$318,505,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX C - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 5% LOW INCOME SCENARIO
 AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	22 Units @	\$2,780 /Unit/Month	\$734,000
One-Bedroom Units	201 Units @	\$3,511 /Unit/Month	8,469,000
Two-Bedroom Units	204 Units @	\$4,019 /Unit/Month	9,839,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. **Low Income Units**

²

Studio Units	1 Unit @	\$1,054 /Unit/Month	13,000
One-Bedroom Units	11 Units @	\$1,203 /Unit/Month	159,000
Two-Bedroom Units	11 Units @	\$1,334 /Unit/Month	176,000
Three-Bedroom Units	0 Units @	\$1,464 /Unit/Month	0

C. **Miscellaneous Income**

450 Units @	\$75 /Unit/Month	405,000
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Total Gross Income

\$19,795,000

Vacancy & Collection Allowance

5% Gross Income

(990,000)

II. **Effective Gross Income**

\$18,805,000

III. **Operating Expenses**

General Operating Expenses	450 Units @	\$4,500 /Unit	\$2,025,000
Property Taxes	450 Units @	\$6,700 /Unit	3,014,000
Replacement Reserve Deposits	450 Units @	\$150 /Unit	68,000

Total Operating Expenses

450 Units @	\$11,349 /Unit	(\$5,107,000)
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IV. **Stabilized Net Operating Income**

\$13,698,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT I. The weighted average monthly rent equates to \$3.88 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX C - EXHIBIT IV - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 5% LOW INCOME SCENARIO
 AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT IV - TABLE 2	\$13,698,000
	Threshold Return on Total Investment ¹		<u>4.47%</u>
	Total Supportable Investment		\$306,697,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT IV - TABLE 1	<u>\$318,505,000</u>
III.	<u>Total Financial Impact</u>		(\$11,808,000)
	Property Acquisition Cost Reduction	15% of Estimated Current Acquisition Prices	
	Developer Return	4.3% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	3.7% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX C - EXHIBIT V

PRO FORMA ANALYSIS

10% LOW INCOME SCENARIO

AIRPORT AREA PROTOTYPE: ZONING COMPLIANT

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

NEWPORT BEACH, CALIFORNIA

APPENDIX C - EXHIBIT V - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 10% LOW INCOME SCENARIO
 AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	435,600	Sf of Land	\$185 /Sf of Land		\$80,586,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		435,600	Sf of Land	\$30 /Sf of Land		\$13,068,000
Parking	3					
At-Grade Spaces		225	Spaces	\$5,000 /Space		1,125,000
Above-Ground Spaces		900	Spaces	\$25,000 /Space		22,500,000
Building Costs		574,200	Sf of GBA	\$180 /Sf of GBA		103,356,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			28,010,000
Total Direct Costs		574,200	Sf of GBA	\$293 /Sf of GBA		\$168,059,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$10,084,000
Public Permits & Fees	5	450	Units	\$68,000 /Unit		30,600,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			3,361,000
Marketing		450	Units	\$2,500 /Unit		1,125,000
Developer Fee			5% Direct Costs			8,403,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			2,679,000
Total Indirect Costs						\$56,252,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$79,336,100	Cost	3.6% Avg Rate		\$4,284,000
Construction	7	\$237,884,000	Cost	3.6% Avg Rate		6,423,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		2,866,000
Total Financing Costs						\$13,573,000
V. Total Construction Cost		450	Units	\$529,000 /Unit		\$237,884,000
Total Development Cost		450	Units	\$708,000 /Unit		\$318,470,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX C - EXHIBIT V - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 10% LOW INCOME SCENARIO
 AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	21 Units @	\$2,780 /Unit/Month	\$701,000
One-Bedroom Units	191 Units @	\$3,511 /Unit/Month	8,047,000
Two-Bedroom Units	193 Units @	\$4,019 /Unit/Month	9,309,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. **Low Income Units**

²

Studio Units	2 Units @	\$1,054 /Unit/Month	25,000
One-Bedroom Units	21 Units @	\$1,203 /Unit/Month	303,000
Two-Bedroom Units	22 Units @	\$1,334 /Unit/Month	352,000
Three-Bedroom Units	0 Units @	\$1,464 /Unit/Month	0

C. **Miscellaneous Income**

450 Units @	\$75 /Unit/Month	405,000
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Total Gross Income

\$19,142,000

Vacancy & Collection Allowance

5% Gross Income

(957,000)

II. **Effective Gross Income**

\$18,185,000

III. **Operating Expenses**

General Operating Expenses	450 Units @	\$4,500 /Unit	\$2,025,000
Property Taxes	450 Units @	\$6,400 /Unit	2,902,000
Replacement Reserve Deposits	450 Units @	\$150 /Unit	68,000

Total Operating Expenses

450 Units @	\$11,100 /Unit	(\$4,995,000)
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IV. **Stabilized Net Operating Income**

\$13,190,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT I. The weighted average monthly rent equates to \$3.88 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX C - EXHIBIT V - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 10% LOW INCOME SCENARIO
 AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT V - TABLE 2	\$13,190,000
	Threshold Return on Total Investment ¹		4.47%
	Total Supportable Investment		\$295,323,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT V - TABLE 1	\$318,470,000
III.	<u>Total Financial Impact</u>		(\$23,147,000)
	Property Acquisition Cost Reduction	29% of Estimated Current Acquisition Prices	
	Developer Return	4.1% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	7.6% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX C - EXHIBIT VI

**PRO FORMA ANALYSIS
15% LOW INCOME SCENARIO
AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX C - EXHIBIT VI - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 15% LOW INCOME SCENARIO
 AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	435,600	Sf of Land	\$185 /Sf of Land		\$80,586,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		435,600	Sf of Land	\$30 /Sf of Land		\$13,068,000
Parking	3					
At-Grade Spaces		225	Spaces	\$5,000 /Space		1,125,000
Above-Ground Spaces		900	Spaces	\$25,000 /Space		22,500,000
Building Costs		574,200	Sf of GBA	\$180 /Sf of GBA		103,356,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			28,010,000
Total Direct Costs		574,200	Sf of GBA	\$293 /Sf of GBA		\$168,059,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$10,084,000
Public Permits & Fees	5	450	Units	\$68,000 /Unit		30,600,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			3,361,000
Marketing		450	Units	\$2,500 /Unit		1,125,000
Developer Fee			5% Direct Costs			8,403,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			2,679,000
Total Indirect Costs						\$56,252,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$78,709,200	Cost	3.6% Avg Rate		\$4,250,000
Construction	7	\$237,849,000	Cost	3.6% Avg Rate		6,422,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		2,866,000
Total Financing Costs						\$13,538,000
V. Total Construction Cost		450	Units	\$529,000 /Unit		\$237,849,000
Total Development Cost		450	Units	\$708,000 /Unit		\$318,435,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX C - EXHIBIT VI - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 15% LOW INCOME SCENARIO
 AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	19 Units @	\$2,780 /Unit/Month	\$634,000
One-Bedroom Units	180 Units @	\$3,511 /Unit/Month	7,584,000
Two-Bedroom Units	183 Units @	\$4,019 /Unit/Month	8,827,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. **Low Income Units**

²

Studio Units	4 Units @	\$1,054 /Unit/Month	51,000
One-Bedroom Units	32 Units @	\$1,203 /Unit/Month	462,000
Two-Bedroom Units	32 Units @	\$1,334 /Unit/Month	512,000
Three-Bedroom Units	0 Units @	\$1,464 /Unit/Month	0

C. **Miscellaneous Income**

450 Units @	\$75 /Unit/Month	405,000
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Total Gross Income

\$18,475,000

Vacancy & Collection Allowance

5% Gross Income

(924,000)

II. **Effective Gross Income**

\$17,551,000

III. **Operating Expenses**

General Operating Expenses	450 Units @	\$4,500 /Unit	\$2,025,000
Property Taxes	450 Units @	\$6,200 /Unit	2,788,000
Replacement Reserve Deposits	450 Units @	\$150 /Unit	68,000

Total Operating Expenses

450 Units @	\$10,847 /Unit	(\$4,881,000)
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IV. **Stabilized Net Operating Income**

\$12,670,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT I. The weighted average monthly rent equates to \$3.88 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX C - EXHIBIT VI - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 15% LOW INCOME SCENARIO
 AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Supportable Investment		
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT VI - TABLE 2	\$12,670,000
	Threshold Return on Total Investment ¹		<u>4.47%</u>
	Total Supportable Investment		\$283,680,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT VI - TABLE 1	<u>\$318,435,000</u>
III.	Total Financial Impact		(\$34,755,000)
	Property Acquisition Cost Reduction	43% of Estimated Current Acquisition Prices	
	Developer Return	4.0% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	12.1% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX C - EXHIBIT VII

**PRO FORMA ANALYSIS
20% LOW INCOME SCENARIO
AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX C - EXHIBIT VII - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 20% LOW INCOME SCENARIO
 AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	435,600	Sf of Land	\$185 /Sf of Land		\$80,586,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		435,600	Sf of Land	\$30 /Sf of Land		\$13,068,000
Parking	3					
At-Grade Spaces		225	Spaces	\$5,000 /Space		1,125,000
Above-Ground Spaces		900	Spaces	\$25,000 /Space		22,500,000
Building Costs		574,200	Sf of GBA	\$180 /Sf of GBA		103,356,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			28,010,000
Total Direct Costs		574,200	Sf of GBA	\$293 /Sf of GBA		\$168,059,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$10,084,000
Public Permits & Fees	5	450	Units	\$68,000 /Unit		30,600,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			3,361,000
Marketing		450	Units	\$2,500 /Unit		1,125,000
Developer Fee			5% Direct Costs			8,403,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			2,679,000
Total Indirect Costs						\$56,252,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$78,095,600	Cost	3.6% Avg Rate		\$4,217,000
Construction	7	\$237,815,000	Cost	3.6% Avg Rate		6,421,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		2,866,000
Total Financing Costs						\$13,504,000
V. Total Construction Cost		450	Units	\$528,000 /Unit		\$237,815,000
Total Development Cost		450	Units	\$708,000 /Unit		\$318,401,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX C - EXHIBIT VII - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 20% LOW INCOME SCENARIO
 AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	18 Units @	\$2,780 /Unit/Month	\$600,000
One-Bedroom Units	170 Units @	\$3,511 /Unit/Month	7,162,000
Two-Bedroom Units	172 Units @	\$4,019 /Unit/Month	8,296,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. **Low Income Units**

²

Studio Units	5 Units @	\$1,054 /Unit/Month	63,000
One-Bedroom Units	42 Units @	\$1,203 /Unit/Month	606,000
Two-Bedroom Units	43 Units @	\$1,334 /Unit/Month	688,000
Three-Bedroom Units	0 Units @	\$1,464 /Unit/Month	0

C. **Miscellaneous Income**

450 Units @	\$75 /Unit/Month	405,000
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Total Gross Income

\$17,820,000

Vacancy & Collection Allowance

5% Gross Income

(891,000)

II. **Effective Gross Income**

\$16,929,000

III. **Operating Expenses**

General Operating Expenses	450 Units @	\$4,500 /Unit	\$2,025,000
Property Taxes	450 Units @	\$5,900 /Unit	2,675,000
Replacement Reserve Deposits	450 Units @	\$150 /Unit	68,000

Total Operating Expenses

450 Units @	\$10,596 /Unit	(\$4,768,000)
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IV. **Stabilized Net Operating Income**

\$12,161,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT I. The weighted average monthly rent equates to \$3.88 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX C - EXHIBIT VII - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 20% LOW INCOME SCENARIO
 AIRPORT AREA PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT VII - TABLE 2	\$12,161,000
	Threshold Return on Total Investment ¹		<u>4.47%</u>
	Total Supportable Investment		\$272,283,000
II.	Total Development Cost	See APPENDIX C - EXHIBIT VII - TABLE 1	<u>\$318,401,000</u>
III.	<u>Total Financial Impact</u>		(\$46,118,000)
	Property Acquisition Cost Reduction	57% of Estimated Current Acquisition Prices	
	Developer Return	3.8% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	17.0% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX D

**PRO FORMA ANALYSES
COYOTE CANYON PROTOTYPE
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT I

PRO FORMA ANALYSIS

MARKET RATE SCENARIO

**COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 MARKET RATE SCENARIO
 COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	304,920	Sf of Land	\$150 /Sf of Land		\$45,738,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		304,920	Sf of Land	\$30 /Sf of Land		\$9,148,000
	Parking	3					
	At-Grade Spaces		140	Spaces	\$5,000 /Space		700,000
	Above-Ground Spaces		560	Spaces	\$25,000 /Space		14,000,000
	Building Costs		354,667	Sf of GBA	\$180 /Sf of GBA		63,840,000
	Contractor/DC Contingency Allow	4		20% Other Direct Costs			17,538,000
	Total Direct Costs		354,667	Sf of GBA	\$297 /Sf of GBA		\$105,226,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6% Direct Costs			\$6,314,000
	Public Permits & Fees	5	280	Units	\$68,000 /Unit		19,040,000
	Taxes, Insurance, Legal & Accounting			2% Direct Costs			2,105,000
	Marketing		280	Units	\$1,000 /Unit		280,000
	Developer Fee			5% Direct Costs			5,261,000
	Soft Cost Contingency Allowance			5% Other Indirect Costs			1,650,000
	Total Indirect Costs						\$34,650,000
IV.	Financing Costs						
	Interest During Construction						
	Land	6	\$45,738,000	Cost	3.6% Avg Rate		\$2,470,000
	Construction	7	\$148,088,000	Cost	3.6% Avg Rate		3,998,000
	Loan Origination Fees			60% Loan to Cost	1.5 Points		1,744,000
	Total Financing Costs						\$8,212,000
V.	Total Construction Cost		280	Units	\$529,000 /Unit		\$148,088,000
	Total Development Cost		280	Units	\$692,000 /Unit		\$193,826,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX D - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 MARKET RATE SCENARIO
 COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units	98 Units @	\$3,349 /Unit/Month	3,938,000
Two-Bedroom Units	154 Units @	\$3,593 /Unit/Month	6,640,000
Three-Bedroom Units	28 Units @	\$4,421 /Unit/Month	1,485,000

B. **Miscellaneous Income**

280 Units @	\$75 /Unit/Month	252,000
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Total Gross Income

\$12,315,000

Vacancy & Collection Allowance

5% Gross Income

(616,000)

II. **Effective Gross Income**

\$11,699,000

III. **Operating Expenses**

General Operating Expenses	280 Units @	\$4,500 /Unit	\$1,260,000
Property Taxes	280 Units @	\$6,700 /Unit	1,875,000
Replacement Reserve Deposits	280 Units @	\$150 /Unit	42,000

Total Operating Expenses

(\$3,177,000)

IV. **Stabilized Net Operating Income**

\$8,522,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT II. The weighted average monthly rent equates to \$3.78 per square foot of leasable area.

APPENDIX D - EXHIBIT I - TABLE 3

ESTIMATED STABILIZED RETURN ON INVESTMENT
MARKET RATE SCENARIO
COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

I.	Stabilized Net Operating Income	See APPENDIX D - EXHIBIT I - TABLE 2	\$8,522,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT I - TABLE 1	<u>\$193,826,000</u>
III.	Estimated Stabilized Return on Investment		4.4%

APPENDIX D - EXHIBIT II

PRO FORMA ANALYSIS

RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS

COYOTE CANYON PROTOTYPE: ZONING COMPLIANT

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

NEWPORT BEACH, CALIFORNIA

APPENDIX D - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS
 COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	304,920	Sf of Land	\$150 /Sf of Land		\$45,738,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		304,920	Sf of Land	\$30 /Sf of Land		\$9,148,000
Parking	3					
At-Grade Spaces		140	Spaces	\$5,000 /Space		700,000
Above-Ground Spaces		560	Spaces	\$25,000 /Space		14,000,000
Building Costs		354,667	Sf of GBA	\$180 /Sf of GBA		63,840,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			17,538,000
Total Direct Costs		354,667	Sf of GBA	\$297 /Sf of GBA		\$105,226,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$6,314,000
Public Permits & Fees	5	280	Units	\$68,000 /Unit		19,040,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			2,105,000
Marketing		280	Units	\$1,000 /Unit		280,000
Developer Fee			5% Direct Costs			5,261,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			1,650,000
Total Indirect Costs						\$34,650,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$45,213,800	Cost	3.6% Avg Rate		\$2,442,000
Construction	7	\$148,060,000	Cost	3.6% Avg Rate		3,998,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		1,744,000
Total Financing Costs						\$8,184,000
V. Total Construction Cost		280	Units	\$529,000 /Unit		\$148,060,000
Total Development Cost		280	Units	\$692,000 /Unit		\$193,798,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX D - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS
 COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units	91 Units @	\$3,349 /Unit/Month	3,657,000
Two-Bedroom Units	143 Units @	\$3,593 /Unit/Month	6,165,000
Three-Bedroom Units	26 Units @	\$4,421 /Unit/Month	1,379,000

B. **Low Income Units**

²

Studio Units	0 Units @	\$1,054 /Unit/Month	0
One-Bedroom Units	7 Units @	\$1,203 /Unit/Month	101,000
Two-Bedroom Units	11 Units @	\$1,334 /Unit/Month	176,000
Three-Bedroom Units	2 Units @	\$1,464 /Unit/Month	35,000

C. **Miscellaneous Income**

280 Units @	\$75 /Unit/Month	252,000
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Total Gross Income

\$11,765,000

Vacancy & Collection Allowance

5% Gross Income

(588,000)

II. **Effective Gross Income**

\$11,177,000

III. **Operating Expenses**

General Operating Expenses	280 Units @	\$4,500 /Unit	\$1,260,000
Property Taxes	280 Units @	\$6,400 /Unit	1,781,000
Replacement Reserve Deposits	280 Units @	\$150 /Unit	42,000

Total Operating Expenses

280 Units @	\$11,011 /Unit	(\$3,083,000)
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IV. **Stabilized Net Operating Income**

\$8,094,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT II. The weighted average monthly rent equates to \$3.78 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX D - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS
 COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX D - EXHIBIT II - TABLE 2	\$8,094,000
	Threshold Return on Total Investment ¹		4.40%
	Total Supportable Investment		\$184,091,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT II - TABLE 1	\$193,798,000
III.	<u>Total Financial Impact</u>		(\$9,707,000)
	Property Acquisition Cost Reduction	21% of Estimated Current Acquisition Prices	
	Developer Return	4.2% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	5.1% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX D - EXHIBIT III

PRO FORMA ANALYSIS

DENSITY BONUS SCENARIO

**COYOTE CANYON PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 DENSITY BONUS SCENARIO
 COYOTE CANYON PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	304,920	Sf of Land	\$150 /Sf of Land		\$45,738,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		304,920	Sf of Land	\$30 /Sf of Land		\$9,148,000
	Parking	3					
	At-Grade Spaces		0	Spaces	\$5,000 /Space		0
	Above-Ground Spaces		693	Spaces	\$25,000 /Space		17,325,000
	Semi-Subterranean Spaces		0	Spaces	\$35,000 /Space		0
	Building Costs		532,000	Sf of GBA	\$200 /Sf of GBA		106,400,000
	Contractor/DC Contingency Allow	4		20% Other Direct Costs			26,575,000
	Total Direct Costs		532,000	Sf of GBA	\$300 /Sf of GBA		\$159,448,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6% Direct Costs			\$9,567,000
	Public Permits & Fees	5	420	Units	\$68,000 /Unit		28,560,000
	Taxes, Insurance, Legal & Accounting			2% Direct Costs			3,189,000
	Marketing		420	Units	\$1,000 /Unit		420,000
	Developer Fee			5% Direct Costs			7,972,000
	Soft Cost Contingency Allowance			5% Other Indirect Costs			2,485,000
	Total Indirect Costs						\$52,193,000
IV.	Financing Costs						
	Interest During Construction						
	Land	6	\$45,738,000	Cost	3.6% Avg Rate		\$2,470,000
	Construction	7	\$222,533,000	Cost	3.6% Avg Rate		6,008,000
	Loan Origination Fees			60% Loan to Cost	1.5 Points		2,414,000
	Total Financing Costs						\$10,892,000
V.	Total Construction Cost		420	Units	\$530,000 /Unit		\$222,533,000
	Total Development Cost		420	Units	\$639,000 /Unit		\$268,271,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Section 65915 (p) requires jurisdictions to allow projects to meet statutorily established parking standards. For marketability reasons, KMA set the parking standards at 1.0 space per Studio Units unit; 1.0 space per One-Bedroom Units unit; 2.0 spaces per Two-Bedroom Units unit; and 2.0

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁷ Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX D - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 DENSITY BONUS SCENARIO
 COYOTE CANYON PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units	132 Units @	\$3,349 /Unit/Month	5,304,000
Two-Bedroom Units	208 Units @	\$3,593 /Unit/Month	8,968,000
Three-Bedroom Units	38 Units @	\$4,421 /Unit/Month	2,016,000

B. **Density Bonus Units**

²

Studio Units	0 Units @	\$867 /Unit/Month	0
One-Bedroom Units	15 Units @	\$990 /Unit/Month	178,000
Two-Bedroom Units	23 Units @	\$1,094 /Unit/Month	302,000
Three-Bedroom Units	4 Units @	\$1,197 /Unit/Month	57,000

C. **Miscellaneous Income**

420 Units @	\$75 /Unit/Month	378,000
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Total Gross Income

\$17,203,000

Vacancy & Collection Allowance

5% Gross Income

(860,000)

II. **Effective Gross Income**

\$16,343,000

III. **Operating Expenses**

General Operating Expenses	420 Units @	\$4,500 /Unit	\$1,890,000
Property Taxes	420 Units @	\$6,200 /Unit	2,595,000
Replacement Reserve Deposits	420 Units @	\$150 /Unit	63,000

Total Operating Expenses

420 Units @	\$10,829 /Unit	(\$4,548,000)
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IV. **Stabilized Net Operating Income**

\$11,795,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT II. The weighted average monthly rent equates to \$3.78 per square foot of leasable area.

² Under Section 65915 (f) (2), 15% of the Base Units are set aside for very-low income households. Section 65915 (c) (1) (B) (i) calculates very low income rents based on household income at 50% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX D - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 DENSITY BONUS SCENARIO
 COYOTE CANYON PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX D - EXHIBIT III - TABLE 2	\$11,795,000
	Threshold Return on Total Investment ¹		4.40%
	Total Supportable Investment		\$268,268,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT III - TABLE 1	\$268,271,000
III.	<u>Total Financial Impact</u>		(\$3,000)
	Property Acquisition Cost Reduction	0% of Estimated Current Acquisition Prices	
	Developer Return	4.40% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	0.0% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX D - EXHIBIT IV

PRO FORMA ANALYSIS

5% LOW INCOME SCENARIO

**COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 5% LOW INCOME SCENARIO
 COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	304,920	Sf of Land	\$150 /Sf of Land	\$45,738,000
II.	Direct Costs	2				
	On-Site Improvements/Landscaping		304,920	Sf of Land	\$30 /Sf of Land	\$9,148,000
	Parking	3				
	At-Grade Spaces		140	Spaces	\$5,000 /Space	700,000
	Above-Ground Spaces		560	Spaces	\$25,000 /Space	14,000,000
	Building Costs		354,667	Sf of GBA	\$180 /Sf of GBA	63,840,000
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		17,538,000
	Total Direct Costs		354,667	Sf of GBA	\$297 /Sf of GBA	\$105,226,000
III.	Indirect Costs					
	Architecture, Engineering & Consulting			6% Direct Costs		\$6,314,000
	Public Permits & Fees	5	280	Units	\$68,000 /Unit	19,040,000
	Taxes, Insurance, Legal & Accounting			2% Direct Costs		2,105,000
	Marketing		280	Units	\$1,000 /Unit	280,000
	Developer Fee			5% Direct Costs		5,261,000
	Soft Cost Contingency Allowance			5% Other Indirect Costs		1,650,000
	Total Indirect Costs					\$34,650,000
IV.	Financing Costs					
	Interest During Construction					
	Land	6	\$45,374,300	Cost	3.6% Avg Rate	\$2,450,000
	Construction	7	\$148,068,000	Cost	3.6% Avg Rate	3,998,000
	Loan Origination Fees			60% Loan to Cost	1.5 Points	1,744,000
	Total Financing Costs					\$8,192,000
V.	Total Construction Cost		280	Units	\$529,000 /Unit	\$148,068,000
	Total Development Cost		280	Units	\$692,000 /Unit	\$193,806,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX D - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 5% LOW INCOME SCENARIO
 COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units	93 Units @	\$3,349 /Unit/Month	3,737,000
Two-Bedroom Units	146 Units @	\$3,593 /Unit/Month	6,295,000
Three-Bedroom Units	27 Units @	\$4,421 /Unit/Month	1,432,000

B. **Low Income Units**

²

Studio Units	0 Units @	\$1,054 /Unit/Month	0
One-Bedroom Units	5 Units @	\$1,203 /Unit/Month	72,000
Two-Bedroom Units	8 Units @	\$1,334 /Unit/Month	128,000
Three-Bedroom Units	1 Unit @	\$1,464 /Unit/Month	18,000

C. **Miscellaneous Income**

280 Units @	\$75 /Unit/Month	252,000
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Total Gross Income

\$11,934,000

Vacancy & Collection Allowance

5% Gross Income

(597,000)

II. **Effective Gross Income**

\$11,337,000

III. **Operating Expenses**

General Operating Expenses	280 Units @	\$4,500 /Unit	\$1,260,000
Property Taxes	280 Units @	\$6,500 /Unit	1,810,000
Replacement Reserve Deposits	280 Units @	\$150 /Unit	42,000

Total Operating Expenses

280 Units @	\$11,114 /Unit	(\$3,112,000)
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IV. **Stabilized Net Operating Income**

\$8,225,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT II. The weighted average monthly rent equates to \$3.78 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX D - EXHIBIT IV - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 5% LOW INCOME SCENARIO
 COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX D - EXHIBIT IV - TABLE 2	\$8,225,000
	Threshold Return on Total Investment ¹		4.40%
	Total Supportable Investment		\$187,071,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT IV - TABLE 1	\$193,806,000
III.	<u>Total Financial Impact</u>		(\$6,735,000)
	Property Acquisition Cost Reduction	15% of Estimated Current Acquisition Prices	
	Developer Return	4.2% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	3.4% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX D - EXHIBIT V

PRO FORMA ANALYSIS

10% LOW INCOME SCENARIO

**COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT V - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 10% LOW INCOME SCENARIO
 COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	304,920	Sf of Land	\$150 /Sf of Land		\$45,738,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		304,920	Sf of Land	\$30 /Sf of Land		\$9,148,000
Parking	3					
At-Grade Spaces		140	Spaces	\$5,000 /Space		700,000
Above-Ground Spaces		560	Spaces	\$25,000 /Space		14,000,000
Building Costs		354,667	Sf of GBA	\$180 /Sf of GBA		63,840,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			17,538,000
Total Direct Costs		354,667	Sf of GBA	\$297 /Sf of GBA		\$105,226,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$6,314,000
Public Permits & Fees	5	280	Units	\$68,000 /Unit		19,040,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			2,105,000
Marketing		280	Units	\$1,000 /Unit		280,000
Developer Fee			5% Direct Costs			5,261,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			1,650,000
Total Indirect Costs						\$34,650,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$45,003,200	Cost	3.6% Avg Rate		\$2,430,000
Construction	7	\$148,047,000	Cost	3.6% Avg Rate		3,997,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		1,744,000
Total Financing Costs						\$8,171,000
V. Total Construction Cost		280	Units	\$529,000 /Unit		\$148,047,000
Total Development Cost		280	Units	\$692,000 /Unit		\$193,785,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX D - EXHIBIT V - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 10% LOW INCOME SCENARIO
 COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units	88 Units @	\$3,349 /Unit/Month	3,536,000
Two-Bedroom Units	139 Units @	\$3,593 /Unit/Month	5,993,000
Three-Bedroom Units	25 Units @	\$4,421 /Unit/Month	1,326,000

B. **Low Income Units**

²

Studio Units	0 Units @	\$1,054 /Unit/Month	0
One-Bedroom Units	10 Units @	\$1,203 /Unit/Month	144,000
Two-Bedroom Units	15 Units @	\$1,334 /Unit/Month	240,000
Three-Bedroom Units	3 Units @	\$1,464 /Unit/Month	53,000

C. **Miscellaneous Income**

280 Units @	\$75 /Unit/Month	252,000
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Total Gross Income

\$11,544,000

Vacancy & Collection Allowance

5% Gross Income

(577,000)

II. **Effective Gross Income**

\$10,967,000

III. **Operating Expenses**

General Operating Expenses	280 Units @	\$4,500 /Unit	\$1,260,000
Property Taxes	280 Units @	\$6,200 /Unit	1,743,000
Replacement Reserve Deposits	280 Units @	\$150 /Unit	42,000

Total Operating Expenses

280 Units @	\$10,875 /Unit	(\$3,045,000)
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IV. **Stabilized Net Operating Income**

\$7,922,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT II. The weighted average monthly rent equates to \$3.78 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX D - EXHIBIT V - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 10% LOW INCOME SCENARIO
 COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX D - EXHIBIT V - TABLE 2	\$7,922,000
	Threshold Return on Total Investment ¹		4.40%
	Total Supportable Investment		\$180,179,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT V - TABLE 1	\$193,785,000
III.	<u>Total Financial Impact</u>		(\$13,606,000)
	Property Acquisition Cost Reduction	30% of Estimated Current Acquisition Prices	
	Developer Return	4.1% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	7.3% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX D - EXHIBIT VI

PRO FORMA ANALYSIS

15% LOW INCOME SCENARIO

**COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT VI - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 15% LOW INCOME SCENARIO
 COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	304,920	Sf of Land	\$150 /Sf of Land		\$45,738,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		304,920	Sf of Land	\$30 /Sf of Land		\$9,148,000
Parking	3					
At-Grade Spaces		140	Spaces	\$5,000 /Space		700,000
Above-Ground Spaces		560	Spaces	\$25,000 /Space		14,000,000
Building Costs		354,667	Sf of GBA	\$180 /Sf of GBA		63,840,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			17,538,000
Total Direct Costs		354,667	Sf of GBA	\$297 /Sf of GBA		\$105,226,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$6,314,000
Public Permits & Fees	5	280	Units	\$68,000 /Unit		19,040,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			2,105,000
Marketing		280	Units	\$1,000 /Unit		280,000
Developer Fee			5% Direct Costs			5,261,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			1,650,000
Total Indirect Costs						\$34,650,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$44,639,500	Cost	3.6% Avg Rate		\$2,411,000
Construction	7	\$148,028,000	Cost	3.6% Avg Rate		3,997,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		1,744,000
Total Financing Costs						\$8,152,000
V. Total Construction Cost		280	Units	\$529,000 /Unit		\$148,028,000
Total Development Cost		280	Units	\$692,000 /Unit		\$193,766,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX D - EXHIBIT VI - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 15% LOW INCOME SCENARIO
 COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units	83 Units @	\$3,349 /Unit/Month	3,335,000
Two-Bedroom Units	131 Units @	\$3,593 /Unit/Month	5,648,000
Three-Bedroom Units	24 Units @	\$4,421 /Unit/Month	1,273,000

B. **Low Income Units**

²

Studio Units	0 Units @	\$1,054 /Unit/Month	0
One-Bedroom Units	15 Units @	\$1,203 /Unit/Month	217,000
Two-Bedroom Units	23 Units @	\$1,334 /Unit/Month	368,000
Three-Bedroom Units	4 Units @	\$1,464 /Unit/Month	70,000

C. **Miscellaneous Income**

280 Units @	\$75 /Unit/Month	252,000
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Total Gross Income

\$11,163,000

Vacancy & Collection Allowance

5% Gross Income

(558,000)

II. **Effective Gross Income**

\$10,605,000

III. **Operating Expenses**

General Operating Expenses	280 Units @	\$4,500 /Unit	\$1,260,000
Property Taxes	280 Units @	\$6,000 /Unit	1,678,000
Replacement Reserve Deposits	280 Units @	\$150 /Unit	42,000

Total Operating Expenses

280 Units @	\$10,643 /Unit	(\$2,980,000)
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IV. **Stabilized Net Operating Income**

\$7,625,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT II. The weighted average monthly rent equates to \$3.78 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX D - EXHIBIT VI - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 15% LOW INCOME SCENARIO
 COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX D - EXHIBIT VI - TABLE 2	\$7,625,000
	Threshold Return on Total Investment ¹		4.40%
	Total Supportable Investment		\$173,424,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT VI - TABLE 1	\$193,766,000
III.	<u>Total Financial Impact</u>		(\$20,342,000)
	Property Acquisition Cost Reduction	44% of Estimated Current Acquisition Prices	
	Developer Return	3.9% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	11.6% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX D - EXHIBIT VII

PRO FORMA ANALYSIS

20% LOW INCOME SCENARIO

**COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT VII - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 20% LOW INCOME SCENARIO
 COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	304,920	Sf of Land	\$150 /Sf of Land		\$45,738,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		304,920	Sf of Land	\$30 /Sf of Land		\$9,148,000
Parking	3					
At-Grade Spaces		140	Spaces	\$5,000 /Space		700,000
Above-Ground Spaces		560	Spaces	\$25,000 /Space		14,000,000
Building Costs		354,667	Sf of GBA	\$180 /Sf of GBA		63,840,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			17,538,000
Total Direct Costs		354,667	Sf of GBA	\$297 /Sf of GBA		\$105,226,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$6,314,000
Public Permits & Fees	5	280	Units	\$68,000 /Unit		19,040,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			2,105,000
Marketing		280	Units	\$1,000 /Unit		280,000
Developer Fee			5% Direct Costs			5,261,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			1,650,000
Total Indirect Costs						\$34,650,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$44,267,300	Cost	3.6% Avg Rate		\$2,390,000
Construction	7	\$148,006,000	Cost	3.6% Avg Rate		3,996,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		1,744,000
Total Financing Costs						\$8,130,000
V. Total Construction Cost		280	Units	\$529,000 /Unit		\$148,006,000
Total Development Cost		280	Units	\$692,000 /Unit		\$193,744,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX D - EXHIBIT VII - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 20% LOW INCOME SCENARIO
 COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units	78 Units @	\$3,349 /Unit/Month	3,134,000
Two-Bedroom Units	124 Units @	\$3,593 /Unit/Month	5,346,000
Three-Bedroom Units	22 Units @	\$4,421 /Unit/Month	1,167,000

B. **Low Income Units**

²

Studio Units	0 Units @	\$1,054 /Unit/Month	0
One-Bedroom Units	20 Units @	\$1,203 /Unit/Month	289,000
Two-Bedroom Units	30 Units @	\$1,334 /Unit/Month	480,000
Three-Bedroom Units	6 Units @	\$1,464 /Unit/Month	105,000

C. **Miscellaneous Income**

280 Units @	\$75 /Unit/Month	252,000
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Total Gross Income

\$10,773,000

Vacancy & Collection Allowance

5% Gross Income

(539,000)

II. **Effective Gross Income**

\$10,234,000

III. **Operating Expenses**

General Operating Expenses	280 Units @	\$4,500 /Unit	\$1,260,000
Property Taxes	280 Units @	\$5,800 /Unit	1,611,000
Replacement Reserve Deposits	280 Units @	\$150 /Unit	42,000

Total Operating Expenses

280 Units @	\$10,404 /Unit	(\$2,913,000)
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IV. **Stabilized Net Operating Income**

\$7,321,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT II. The weighted average monthly rent equates to \$3.78 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX D - EXHIBIT VII - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 20% LOW INCOME SCENARIO
 COYOTE CANYON PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Supportable Investment		
	Stabilized Net Operating Income	See APPENDIX D - EXHIBIT VII - TABLE 2	\$7,321,000
	Threshold Return on Total Investment ¹		4.40%
	Total Supportable Investment		\$166,510,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT VII - TABLE 1	\$193,744,000
III.	Total Financial Impact		(\$27,234,000)
	Property Acquisition Cost Reduction	60% of Estimated Current Acquisition Prices	
	Developer Return	3.8% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	16.6% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX E

**PRO FORMA ANALYSES
NEWPORT CENTER PROTOTYPE
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX E - EXHIBIT I

PRO FORMA ANALYSIS

MARKET RATE SCENARIO

**NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX E - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 MARKET RATE SCENARIO
 NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	261,360	Sf of Land	\$300 /Sf of Land		\$78,408,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		261,360	Sf of Land	\$40 /Sf of Land	\$10,454,000	
	Parking	3					
	At-Grade Spaces		120	Spaces	\$5,000 /Space	600,000	
	Above-Ground Spaces		480	Spaces	\$25,000 /Space	12,000,000	
	Building Costs		388,000	Sf of GBA	\$225 /Sf of GBA	87,300,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		22,071,000	
	Total Direct Costs		388,000	Sf of GBA	\$341 /Sf of GBA		\$132,425,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6% Direct Costs		\$7,946,000	
	Public Permits & Fees	5	240	Units	\$68,000 /Unit	16,320,000	
	Taxes, Insurance, Legal & Accounting			2% Direct Costs		2,649,000	
	Marketing		240	Units	\$5,000 /Unit	1,200,000	
	Developer Fee			5% Direct Costs		6,621,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		1,737,000	
	Total Indirect Costs						\$36,473,000
IV.	Financing Costs						
	Interest During Construction						
	Land	6	\$78,408,000	Cost	3.6% Avg Rate	\$4,234,000	
	Construction	7	\$180,330,000	Cost	3.6% Avg Rate	4,869,000	
	Loan Origination Fees			60% Loan to Cost	1.5 Points	2,329,000	
	Total Financing Costs						\$11,432,000
V.	Total Construction Cost		240	Units	\$751,000 /Unit		\$180,330,000
	Total Development Cost		240	Units	\$1,078,000 /Unit		\$258,738,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX E - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 MARKET RATE SCENARIO
 NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units	72 Units @	\$4,652 /Unit/Month	4,019,000
Two-Bedroom Units	144 Units @	\$6,569 /Unit/Month	11,352,000
Three-Bedroom Units	24 Units @	\$7,002 /Unit/Month	2,017,000

B. **Miscellaneous Income**

240 Units @	\$300 /Unit/Month	864,000
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Total Gross Income

\$18,252,000

Vacancy & Collection Allowance

5% Gross Income

(913,000)

II. **Effective Gross Income**

\$17,339,000

III. **Operating Expenses**

General Operating Expenses	240 Units @	\$4,500 /Unit	\$1,080,000
Property Taxes	240 Units @	\$12,200 /Unit	2,925,000
Replacement Reserve Deposits	240 Units @	\$150 /Unit	36,000

Total Operating Expenses

(\$4,041,000)

IV. **Stabilized Net Operating Income**

\$13,298,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT III. The weighted average monthly rent equates to \$4.98 per square foot of leasable area.

APPENDIX E - EXHIBIT I - TABLE 3

ESTIMATED STABILIZED RETURN ON INVESTMENT
MARKET RATE SCENARIO
NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

I.	Stabilized Net Operating Income	See APPENDIX E - EXHIBIT I - TABLE 2	\$13,298,000
II.	Total Development Cost	See APPENDIX E - EXHIBIT I - TABLE 1	<u>\$258,738,000</u>
III.	Estimated Stabilized Return on Investment		5.1%

APPENDIX E - EXHIBIT II

PRO FORMA ANALYSIS

RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS

NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

NEWPORT BEACH, CALIFORNIA

APPENDIX E - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS
 NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	261,360	Sf of Land	\$300 /Sf of Land		\$78,408,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		261,360	Sf of Land	\$40 /Sf of Land		\$10,454,000
Parking	3					
At-Grade Spaces		120	Spaces	\$5,000 /Space		600,000
Above-Ground Spaces		480	Spaces	\$25,000 /Space		12,000,000
Building Costs		388,000	Sf of GBA	\$225 /Sf of GBA		87,300,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			22,071,000
Total Direct Costs		388,000	Sf of GBA	\$341 /Sf of GBA		\$132,425,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$7,946,000
Public Permits & Fees	5	240	Units	\$68,000 /Unit		16,320,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			2,649,000
Marketing		240	Units	\$5,000 /Unit		1,200,000
Developer Fee			5% Direct Costs			6,621,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			1,737,000
Total Indirect Costs						\$36,473,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$77,618,200	Cost	3.6% Avg Rate		\$4,191,000
Construction	7	\$180,285,000	Cost	3.6% Avg Rate		4,868,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		2,328,000
Total Financing Costs						\$11,387,000
V. Total Construction Cost		240	Units	\$751,000 /Unit		\$180,285,000
Total Development Cost		240	Units	\$1,078,000 /Unit		\$258,693,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX E - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS
 NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units	67 Units @	\$4,652 /Unit/Month	3,740,000
Two-Bedroom Units	134 Units @	\$6,569 /Unit/Month	10,564,000
Three-Bedroom Units	22 Units @	\$7,002 /Unit/Month	1,849,000

B. **Low Income Units**

²

Studio Units	0 Units @	\$1,054 /Unit/Month	0
One-Bedroom Units	5 Units @	\$1,203 /Unit/Month	72,000
Two-Bedroom Units	10 Units @	\$1,334 /Unit/Month	160,000
Three-Bedroom Units	2 Units @	\$1,464 /Unit/Month	35,000

C. **Miscellaneous Income**

240 Units @	\$300 /Unit/Month	864,000
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Total Gross Income

\$17,284,000

Vacancy & Collection Allowance

5% Gross Income

(864,000)

II. **Effective Gross Income**

\$16,420,000

III. **Operating Expenses**

General Operating Expenses	240 Units @	\$4,500 /Unit	\$1,080,000
Property Taxes	240 Units @	\$11,500 /Unit	2,760,000
Replacement Reserve Deposits	240 Units @	\$150 /Unit	36,000

Total Operating Expenses

240 Units @	\$16,150 /Unit	(\$3,876,000)
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IV. **Stabilized Net Operating Income**

\$12,544,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT III. The weighted average monthly rent equates to \$4.98 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX E - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS
 NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX E - EXHIBIT II - TABLE 2	\$12,544,000
	Threshold Return on Total Investment ¹		5.14%
	Total Supportable Investment		\$244,067,000
II.	Total Development Cost	See APPENDIX E - EXHIBIT II - TABLE 1	\$258,693,000
III.	<u>Total Financial Impact</u>		(\$14,626,000)
	Property Acquisition Cost Reduction	19% of Estimated Current Acquisition Prices	
	Developer Return	4.8% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	5.9% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX E - EXHIBIT III

PRO FORMA ANALYSIS

DENSITY BONUS SCENARIO

**NEWPORT CENTER PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX E - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 DENSITY BONUS SCENARIO
 NEWPORT CENTER PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	261,360	Sf of Land	\$300 /Sf of Land		\$78,408,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		261,360	Sf of Land	\$40 /Sf of Land		\$10,454,000
Parking	3					
At-Grade Spaces		0	Spaces	\$5,000 /Space		0
Above-Ground Spaces		612	Spaces	\$25,000 /Space		15,300,000
Semi-Subterranean Spaces		0	Spaces	\$35,000 /Space		0
Building Costs		582,000	Sf of GBA	\$225 /Sf of GBA		130,950,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			31,341,000
Total Direct Costs		582,000	Sf of GBA	\$323 /Sf of GBA		\$188,045,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$11,283,000
Public Permits & Fees	5	360	Units	\$68,000 /Unit		24,480,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			3,761,000
Marketing		360	Units	\$5,000 /Unit		1,800,000
Developer Fee			5% Direct Costs			9,402,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			2,536,000
Total Indirect Costs						\$53,262,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$78,408,000	Cost	3.6% Avg Rate		\$4,234,000
Construction	7	\$255,443,000	Cost	3.6% Avg Rate		6,897,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		3,005,000
Total Financing Costs						\$14,136,000
V. Total Construction Cost		360	Units	\$710,000 /Unit		\$255,443,000
Total Development Cost		360	Units	\$927,000 /Unit		\$333,851,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 Section 65915 (p) requires jurisdictions to allow projects to meet statutorily established parking standards. For marketability reasons, KMA set the parking standards at 1.0 space per Studio Units unit; 1.0 space per One-Bedroom Units unit; 2.0 spaces per Two-Bedroom Units unit; and 2.0

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX E - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 DENSITY BONUS SCENARIO
 NEWPORT CENTER PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units	97 Units @	\$4,652 /Unit/Month	5,415,000
Two-Bedroom Units	194 Units @	\$6,569 /Unit/Month	15,294,000
Three-Bedroom Units	32 Units @	\$7,002 /Unit/Month	2,689,000

B. **Density Bonus Units**

²

Studio Units	0 Units @	\$867 /Unit/Month	0
One-Bedroom Units	11 Units @	\$990 /Unit/Month	131,000
Two-Bedroom Units	22 Units @	\$1,094 /Unit/Month	289,000
Three-Bedroom Units	4 Units @	\$1,197 /Unit/Month	57,000

C. **Miscellaneous Income**

360 Units @	\$300 /Unit/Month	1,296,000
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Total Gross Income

\$25,171,000

Vacancy & Collection Allowance

5% Gross Income

(1,259,000)

II. **Effective Gross Income**

\$23,912,000

III. **Operating Expenses**

General Operating Expenses	360 Units @	\$4,500 /Unit	\$1,620,000
Property Taxes	360 Units @	\$11,100 /Unit	4,010,000
Replacement Reserve Deposits	360 Units @	\$150 /Unit	54,000

Total Operating Expenses

360 Units @	\$15,789 /Unit	(\$5,684,000)
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IV. **Stabilized Net Operating Income**

\$18,228,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT III. The weighted average monthly rent equates to \$4.98 per square foot of leasable area.

² Under Section 65915 (f) (2), 15% of the Base Units are set aside for very-low income households. Section 65915 (c) (1) (B) (i) calculates very low income rents based on household income at 50% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX E - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 DENSITY BONUS SCENARIO
 NEWPORT CENTER PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX E - EXHIBIT III - TABLE 2	\$18,228,000
	Threshold Return on Total Investment ¹		5.14%
	Total Supportable Investment		\$354,661,000
II.	Total Development Cost	See APPENDIX E - EXHIBIT III - TABLE 1	\$333,851,000
III.	<u>Total Financial Impact</u>		\$20,810,000
	Property Acquisition Cost Reduction	0% of Estimated Current Acquisition Prices	
	Developer Return	5.46% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	0.0% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX E - EXHIBIT IV

PRO FORMA ANALYSIS

5% LOW INCOME SCENARIO

NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

NEWPORT BEACH, CALIFORNIA

APPENDIX E - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 5% LOW INCOME SCENARIO
 NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	261,360	Sf of Land	\$300 /Sf of Land		\$78,408,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		261,360	Sf of Land	\$40 /Sf of Land		\$10,454,000
Parking	3					
At-Grade Spaces		120	Spaces	\$5,000 /Space		600,000
Above-Ground Spaces		480	Spaces	\$25,000 /Space		12,000,000
Building Costs		388,000	Sf of GBA	\$225 /Sf of GBA		87,300,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			22,071,000
Total Direct Costs		388,000	Sf of GBA	\$341 /Sf of GBA		\$132,425,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$7,946,000
Public Permits & Fees	5	240	Units	\$68,000 /Unit		16,320,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			2,649,000
Marketing		240	Units	\$5,000 /Unit		1,200,000
Developer Fee			5% Direct Costs			6,621,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			1,737,000
Total Indirect Costs						\$36,473,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$77,860,200	Cost	3.6% Avg Rate		\$4,204,000
Construction	7	\$180,298,000	Cost	3.6% Avg Rate		4,868,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		2,328,000
Total Financing Costs						\$11,400,000
V. Total Construction Cost		240	Units	\$751,000 /Unit		\$180,298,000
Total Development Cost		240	Units	\$1,078,000 /Unit		\$258,706,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX E - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 5% LOW INCOME SCENARIO
 NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units	68 Units @	\$4,652 /Unit/Month	3,796,000
Two-Bedroom Units	137 Units @	\$6,569 /Unit/Month	10,800,000
Three-Bedroom Units	23 Units @	\$7,002 /Unit/Month	1,933,000

B. **Low Income Units**

²

Studio Units	0 Units @	\$1,054 /Unit/Month	0
One-Bedroom Units	4 Units @	\$1,203 /Unit/Month	58,000
Two-Bedroom Units	7 Units @	\$1,334 /Unit/Month	112,000
Three-Bedroom Units	1 Unit @	\$1,464 /Unit/Month	18,000

C. **Miscellaneous Income**

240 Units @	\$300 /Unit/Month	864,000
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Total Gross Income

\$17,581,000

Vacancy & Collection Allowance

5% Gross Income

(879,000)

II. **Effective Gross Income**

\$16,702,000

III. **Operating Expenses**

General Operating Expenses	240 Units @	\$4,500 /Unit	\$1,080,000
Property Taxes	240 Units @	\$11,700 /Unit	2,811,000
Replacement Reserve Deposits	240 Units @	\$150 /Unit	36,000

Total Operating Expenses

240 Units @	\$16,363 /Unit	(\$3,927,000)
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IV. **Stabilized Net Operating Income**

\$12,775,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT III. The weighted average monthly rent equates to \$4.98 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX E - EXHIBIT IV - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 5% LOW INCOME SCENARIO
 NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Supportable Investment		
	Stabilized Net Operating Income	See APPENDIX E - EXHIBIT IV - TABLE 2	\$12,775,000
	Threshold Return on Total Investment ¹		5.14%
	Total Supportable Investment		\$248,562,000
II.	Total Development Cost	See APPENDIX E - EXHIBIT IV - TABLE 1	\$258,706,000
III.	Total Financial Impact		(\$10,144,000)
	Property Acquisition Cost Reduction	13% of Estimated Current Acquisition Prices	
	Developer Return	4.9% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	4.0% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX E - EXHIBIT V

PRO FORMA ANALYSIS

10% LOW INCOME SCENARIO

**NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX E - EXHIBIT V - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 10% LOW INCOME SCENARIO
 NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	261,360	Sf of Land	\$300 /Sf of Land		\$78,408,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		261,360	Sf of Land	\$40 /Sf of Land		\$10,454,000
Parking	3					
At-Grade Spaces		120	Spaces	\$5,000 /Space		600,000
Above-Ground Spaces		480	Spaces	\$25,000 /Space		12,000,000
Building Costs		388,000	Sf of GBA	\$225 /Sf of GBA		87,300,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			22,071,000
Total Direct Costs		388,000	Sf of GBA	\$341 /Sf of GBA		\$132,425,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$7,946,000
Public Permits & Fees	5	240	Units	\$68,000 /Unit		16,320,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			2,649,000
Marketing		240	Units	\$5,000 /Unit		1,200,000
Developer Fee			5% Direct Costs			6,621,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			1,737,000
Total Indirect Costs						\$36,473,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$77,294,500	Cost	3.6% Avg Rate		\$4,174,000
Construction	7	\$180,267,000	Cost	3.6% Avg Rate		4,867,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		2,328,000
Total Financing Costs						\$11,369,000
V. Total Construction Cost		240	Units	\$751,000 /Unit		\$180,267,000
Total Development Cost		240	Units	\$1,078,000 /Unit		\$258,675,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX E - EXHIBIT V - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 10% LOW INCOME SCENARIO
 NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units	65 Units @	\$4,652 /Unit/Month	3,629,000
Two-Bedroom Units	129 Units @	\$6,569 /Unit/Month	10,169,000
Three-Bedroom Units	22 Units @	\$7,002 /Unit/Month	1,849,000

B. **Low Income Units**

²

Studio Units	0 Units @	\$1,054 /Unit/Month	0
One-Bedroom Units	7 Units @	\$1,203 /Unit/Month	101,000
Two-Bedroom Units	15 Units @	\$1,334 /Unit/Month	240,000
Three-Bedroom Units	2 Units @	\$1,464 /Unit/Month	35,000

C. **Miscellaneous Income**

240 Units @	\$300 /Unit/Month	864,000
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Total Gross Income

\$16,887,000

Vacancy & Collection Allowance

5% Gross Income

(844,000)

II. **Effective Gross Income**

\$16,043,000

III. **Operating Expenses**

General Operating Expenses	240 Units @	\$4,500 /Unit	\$1,080,000
Property Taxes	240 Units @	\$11,200 /Unit	2,692,000
Replacement Reserve Deposits	240 Units @	\$150 /Unit	36,000

Total Operating Expenses

240 Units @	\$15,867 /Unit	(\$3,808,000)
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IV. **Stabilized Net Operating Income**

\$12,235,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT III. The weighted average monthly rent equates to \$4.98 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX E - EXHIBIT V - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 10% LOW INCOME SCENARIO
 NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Supportable Investment		
	Stabilized Net Operating Income	See APPENDIX E - EXHIBIT V - TABLE 2	\$12,235,000
	Threshold Return on Total Investment ¹		5.14%
	Total Supportable Investment		\$238,055,000
II.	Total Development Cost	See APPENDIX E - EXHIBIT V - TABLE 1	\$258,675,000
III.	Total Financial Impact		(\$20,620,000)
	Property Acquisition Cost Reduction	26% of Estimated Current Acquisition Prices	
	Developer Return	4.7% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	8.6% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX E - EXHIBIT VI

PRO FORMA ANALYSIS

15% LOW INCOME SCENARIO

**NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX E - EXHIBIT VI - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 15% LOW INCOME SCENARIO
 NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	261,360	Sf of Land	\$300 /Sf of Land		\$78,408,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		261,360	Sf of Land	\$40 /Sf of Land		\$10,454,000
Parking	3					
At-Grade Spaces		120	Spaces	\$5,000 /Space		600,000
Above-Ground Spaces		480	Spaces	\$25,000 /Space		12,000,000
Building Costs		388,000	Sf of GBA	\$225 /Sf of GBA		87,300,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			22,071,000
Total Direct Costs		388,000	Sf of GBA	\$341 /Sf of GBA		\$132,425,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$7,946,000
Public Permits & Fees	5	240	Units	\$68,000 /Unit		16,320,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			2,649,000
Marketing		240	Units	\$5,000 /Unit		1,200,000
Developer Fee			5% Direct Costs			6,621,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			1,737,000
Total Indirect Costs						\$36,473,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$76,746,600	Cost	3.6% Avg Rate		\$4,144,000
Construction	7	\$180,237,000	Cost	3.6% Avg Rate		4,866,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		2,328,000
Total Financing Costs						\$11,338,000
V. Total Construction Cost		240	Units	\$751,000 /Unit		\$180,236,000
Total Development Cost		240	Units	\$1,078,000 /Unit		\$258,644,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX E - EXHIBIT VI - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 15% LOW INCOME SCENARIO
 NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units	61 Units @	\$4,652 /Unit/Month	3,405,000
Two-Bedroom Units	122 Units @	\$6,569 /Unit/Month	9,618,000
Three-Bedroom Units	21 Units @	\$7,002 /Unit/Month	1,765,000

B. **Low Income Units**

²

Studio Units	0 Units @	\$1,054 /Unit/Month	0
One-Bedroom Units	11 Units @	\$1,203 /Unit/Month	159,000
Two-Bedroom Units	22 Units @	\$1,334 /Unit/Month	352,000
Three-Bedroom Units	3 Units @	\$1,464 /Unit/Month	53,000

C. **Miscellaneous Income**

240 Units @	\$300 /Unit/Month	864,000
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Total Gross Income

\$16,216,000

Vacancy & Collection Allowance

5% Gross Income

(811,000)

II. **Effective Gross Income**

\$15,405,000

III. **Operating Expenses**

General Operating Expenses	240 Units @	\$4,500 /Unit	\$1,080,000
Property Taxes	240 Units @	\$10,700 /Unit	2,577,000
Replacement Reserve Deposits	240 Units @	\$150 /Unit	36,000

Total Operating Expenses

240 Units @	\$15,388 /Unit	(\$3,693,000)
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IV. **Stabilized Net Operating Income**

\$11,712,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT III. The weighted average monthly rent equates to \$4.98 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX E - EXHIBIT VI - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 15% LOW INCOME SCENARIO
 NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Supportable Investment		
	Stabilized Net Operating Income	See APPENDIX E - EXHIBIT VI - TABLE 2	\$11,712,000
	Threshold Return on Total Investment ¹		5.14%
	Total Supportable Investment		\$227,879,000
II.	Total Development Cost	See APPENDIX E - EXHIBIT VI - TABLE 1	\$258,644,000
III.	Total Financial Impact		(\$30,765,000)
	Property Acquisition Cost Reduction	39% of Estimated Current Acquisition Prices	
	Developer Return	4.5% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	13.6% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX E - EXHIBIT VII

PRO FORMA ANALYSIS

20% LOW INCOME SCENARIO

**NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX E - EXHIBIT VII - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 20% LOW INCOME SCENARIO
 NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	261,360	Sf of Land	\$300 /Sf of Land		\$78,408,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		261,360	Sf of Land	\$40 /Sf of Land		\$10,454,000
Parking	3					
At-Grade Spaces		120	Spaces	\$5,000 /Space		600,000
Above-Ground Spaces		480	Spaces	\$25,000 /Space		12,000,000
Building Costs		388,000	Sf of GBA	\$225 /Sf of GBA		87,300,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			22,071,000
Total Direct Costs		388,000	Sf of GBA	\$341 /Sf of GBA		\$132,425,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$7,946,000
Public Permits & Fees	5	240	Units	\$68,000 /Unit		16,320,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			2,649,000
Marketing		240	Units	\$5,000 /Unit		1,200,000
Developer Fee			5% Direct Costs			6,621,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			1,737,000
Total Indirect Costs						\$36,473,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$76,177,800	Cost	3.6% Avg Rate		\$4,114,000
Construction	7	\$180,206,000	Cost	3.6% Avg Rate		4,866,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		2,328,000
Total Financing Costs						\$11,308,000
V. Total Construction Cost		240	Units	\$751,000 /Unit		\$180,206,000
Total Development Cost		240	Units	\$1,078,000 /Unit		\$258,614,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX E - EXHIBIT VII - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 20% LOW INCOME SCENARIO
 NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	0 Units @	\$0 /Unit/Month	\$0
One-Bedroom Units	58 Units @	\$4,652 /Unit/Month	3,238,000
Two-Bedroom Units	115 Units @	\$6,569 /Unit/Month	9,066,000
Three-Bedroom Units	19 Units @	\$7,002 /Unit/Month	1,596,000

B. **Low Income Units**

²

Studio Units	0 Units @	\$1,054 /Unit/Month	0
One-Bedroom Units	14 Units @	\$1,203 /Unit/Month	202,000
Two-Bedroom Units	29 Units @	\$1,334 /Unit/Month	464,000
Three-Bedroom Units	5 Units @	\$1,464 /Unit/Month	88,000

C. **Miscellaneous Income**

240 Units @	\$300 /Unit/Month	864,000
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Total Gross Income

\$15,518,000

Vacancy & Collection Allowance

5% Gross Income

(776,000)

II. **Effective Gross Income**

\$14,742,000

III. **Operating Expenses**

General Operating Expenses	240 Units @	\$4,500 /Unit	\$1,080,000
Property Taxes	240 Units @	\$10,200 /Unit	2,457,000
Replacement Reserve Deposits	240 Units @	\$150 /Unit	36,000

Total Operating Expenses

240 Units @	\$14,888 /Unit	(\$3,573,000)
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IV. **Stabilized Net Operating Income**

\$11,169,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT III. The weighted average monthly rent equates to \$4.98 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX E - EXHIBIT VII - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 20% LOW INCOME SCENARIO
 NEWPORT CENTER PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Supportable Investment		
	Stabilized Net Operating Income	See APPENDIX E - EXHIBIT VII - TABLE 2	\$11,169,000
	Threshold Return on Total Investment ¹		5.14%
	Total Supportable Investment		\$217,314,000
II.	Total Development Cost	See APPENDIX E - EXHIBIT VII - TABLE 1	\$258,614,000
III.	Total Financial Impact		(\$41,300,000)
	Property Acquisition Cost Reduction	53% of Estimated Current Acquisition Prices	
	Developer Return	4.3% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	19.4% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX F

**PRO FORMA ANALYSES
WEST NEWPORT MESA & BANNING RANCH PROTOTYPE
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX F - EXHIBIT I

PRO FORMA ANALYSIS

MARKET RATE SCENARIO

**WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX F - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 MARKET RATE SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	Property Acquisition Costs	1	108,900	Sf of Land	\$150 /Sf of Land		\$16,335,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		108,900	Sf of Land	\$30 /Sf of Land	\$3,267,000	
	Parking	3					
	At-Grade Spaces		42	Spaces	\$5,000 /Space	210,000	
	Above-Ground Spaces		166	Spaces	\$25,000 /Space	4,150,000	
	Building Costs		108,200	Sf of GBA	\$160 /Sf of GBA	17,312,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		4,988,000	
	Total Direct Costs		108,200	Sf of GBA	\$277 /Sf of GBA		\$29,927,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6% Direct Costs		\$1,796,000	
	Public Permits & Fees	5	83	Units	\$68,000 /Unit	5,644,000	
	Taxes, Insurance, Legal & Accounting			2% Direct Costs		599,000	
	Marketing		83	Units	\$1,000 /Unit	83,000	
	Developer Fee			5% Direct Costs		1,496,000	
	Soft Cost Contingency Allowance			5% Other Indirect Costs		481,000	
	Total Indirect Costs						\$10,099,000
IV.	Financing Costs						
	Interest During Construction						
	Land	6	\$16,335,000	Cost	3.6% Avg Rate	\$882,000	
	Construction	7	\$42,588,000	Cost	3.6% Avg Rate	1,150,000	
	Loan Origination Fees			60% Loan to Cost	1.5 Points	530,000	
	Total Financing Costs						\$2,562,000
V.	Total Construction Cost		83	Units	\$513,000 /Unit		\$42,588,000
	Total Development Cost		83	Units	\$710,000 /Unit		\$58,923,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX F - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 MARKET RATE SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	8 Units @	\$2,665 /Unit/Month	\$256,000
One-Bedroom Units	42 Units @	\$3,745 /Unit/Month	1,888,000
Two-Bedroom Units	33 Units @	\$4,002 /Unit/Month	1,585,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. **Miscellaneous Income**

83 Units @	\$75 /Unit/Month	75,000
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Total Gross Income

\$3,804,000

Vacancy & Collection Allowance

5% Gross Income

(190,000)

II. **Effective Gross Income**

\$3,614,000

III. **Operating Expenses**

General Operating Expenses	83 Units @	\$4,500 /Unit	\$374,000
Property Taxes	83 Units @	\$7,000 /Unit	582,000
Replacement Reserve Deposits	83 Units @	\$150 /Unit	12,000

Total Operating Expenses

(\$968,000)

IV. **Stabilized Net Operating Income**

\$2,646,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT IV. The weighted average monthly rent equates to \$3.83 per square foot of leasable area.

APPENDIX F - EXHIBIT I - TABLE 3

ESTIMATED STABILIZED RETURN ON INVESTMENT
MARKET RATE SCENARIO
WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA

I.	Stabilized Net Operating Income	See APPENDIX F - EXHIBIT I - TABLE 2	\$2,646,000
II.	Total Development Cost	See APPENDIX F - EXHIBIT I - TABLE 1	<u>\$58,923,000</u>
III.	Estimated Stabilized Return on Investment		4.5%

APPENDIX F - EXHIBIT II

PRO FORMA ANALYSIS

RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS

**WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX F - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	108,900	Sf of Land	\$150 /Sf of Land		\$16,335,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		108,900	Sf of Land	\$30 /Sf of Land		\$3,267,000
Parking	3					
At-Grade Spaces		42	Spaces	\$5,000 /Space		210,000
Above-Ground Spaces		166	Spaces	\$25,000 /Space		4,150,000
Building Costs		108,200	Sf of GBA	\$160 /Sf of GBA		17,312,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			4,988,000
Total Direct Costs		108,200	Sf of GBA	\$277 /Sf of GBA		\$29,927,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$1,796,000
Public Permits & Fees	5	83	Units	\$68,000 /Unit		5,644,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			599,000
Marketing		83	Units	\$1,000 /Unit		83,000
Developer Fee			5% Direct Costs			1,496,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			481,000
Total Indirect Costs						\$10,099,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$16,171,900	Cost	3.6% Avg Rate		\$873,000
Construction	7	\$42,579,000	Cost	3.6% Avg Rate		1,150,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		530,000
Total Financing Costs						\$2,553,000
V. Total Construction Cost		83	Units	\$513,000 /Unit		\$42,579,000
Total Development Cost		83	Units	\$710,000 /Unit		\$58,914,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX F - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	7 Units @	\$2,665 /Unit/Month	\$224,000
One-Bedroom Units	39 Units @	\$3,745 /Unit/Month	1,753,000
Two-Bedroom Units	31 Units @	\$4,002 /Unit/Month	1,489,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. **Low Income Units**

²

Studio Units	1 Unit @	\$1,054 /Unit/Month	13,000
One-Bedroom Units	3 Units @	\$1,203 /Unit/Month	43,000
Two-Bedroom Units	2 Units @	\$1,334 /Unit/Month	32,000
Three-Bedroom Units	0 Units @	\$1,464 /Unit/Month	0

C. **Miscellaneous Income**

83 Units @	\$75 /Unit/Month	75,000
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Total Gross Income

\$3,629,000

Vacancy & Collection Allowance

5% Gross Income

(181,000)

II. **Effective Gross Income**

\$3,448,000

III. **Operating Expenses**

General Operating Expenses	83 Units @	\$4,500 /Unit	\$374,000
Property Taxes	83 Units @	\$6,700 /Unit	552,000
Replacement Reserve Deposits	83 Units @	\$150 /Unit	12,000

Total Operating Expenses

83 Units @	\$11,301 /Unit	(\$938,000)
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IV. **Stabilized Net Operating Income**

\$2,510,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT IV. The weighted average monthly rent equates to \$3.82 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX F - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX F - EXHIBIT II - TABLE 2	\$2,510,000
	Threshold Return on Total Investment ¹		4.49%
	Total Supportable Investment		\$55,894,000
II.	Total Development Cost	See APPENDIX F - EXHIBIT II - TABLE 1	\$58,914,000
III.	<u>Total Financial Impact</u>		(\$3,020,000)
	Property Acquisition Cost Reduction	18% of Estimated Current Acquisition Prices	
	Developer Return	4.3% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	5.2% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX F - EXHIBIT III

PRO FORMA ANALYSIS

DENSITY BONUS SCENARIO

**NEWPORT MESA & BANNING RANCH PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX F - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 DENSITY BONUS SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	108,900	Sf of Land	\$150 /Sf of Land		\$16,335,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		108,900	Sf of Land	\$30 /Sf of Land		\$3,267,000
Parking	3					
At-Grade Spaces		0	Spaces	\$5,000 /Space		0
Above-Ground Spaces		175	Spaces	\$25,000 /Space		4,375,000
Semi-Subterranean Spaces		0	Spaces	\$35,000 /Space		0
Building Costs		162,733	Sf of GBA	\$160 /Sf of GBA		26,037,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			6,736,000
Total Direct Costs		162,733	Sf of GBA	\$248 /Sf of GBA		\$40,415,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$2,425,000
Public Permits & Fees	5	125	Units	\$68,000 /Unit		8,500,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			808,000
Marketing		125	Units	\$1,000 /Unit		125,000
Developer Fee			5% Direct Costs			2,021,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			694,000
Total Indirect Costs						\$14,573,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$16,335,000	Cost	3.6% Avg Rate		\$882,000
Construction	7	\$58,109,000	Cost	3.6% Avg Rate		1,569,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		670,000
Total Financing Costs						\$3,121,000
V. Total Construction Cost		125	Units	\$465,000 /Unit		\$58,109,000
Total Development Cost		125	Units	\$596,000 /Unit		\$74,444,000

¹ Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

² Based on the estimated costs for similar uses.

³ Section 65915 (p) requires jurisdictions to allow projects to meet statutorily established parking standards. For marketability reasons, KMA set the parking standards at 1.0 space per Studio Units unit; 1.0 space per One-Bedroom Units unit; 2.0 spaces per Two-Bedroom Units unit; and 2.0

⁴ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁵ Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁷ Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX F - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 DENSITY BONUS SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	12 Units @	\$2,665 /Unit/Month	\$384,000
One-Bedroom Units	55 Units @	\$3,745 /Unit/Month	2,472,000
Two-Bedroom Units	45 Units @	\$4,002 /Unit/Month	2,161,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. **Density Bonus Units**

²

Studio Units	1 Unit @	\$867 /Unit/Month	10,000
One-Bedroom Units	7 Units @	\$990 /Unit/Month	83,000
Two-Bedroom Units	5 Units @	\$1,094 /Unit/Month	66,000
Three-Bedroom Units	0 Units @	\$1,197 /Unit/Month	0

C. **Miscellaneous Income**

125 Units @	\$75 /Unit/Month	113,000
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Total Gross Income

\$5,289,000

Vacancy & Collection Allowance

5% Gross Income

(264,000)

II. **Effective Gross Income**

\$5,025,000

III. **Operating Expenses**

General Operating Expenses	125 Units @	\$4,500 /Unit	\$563,000
Property Taxes	125 Units @	\$6,400 /Unit	801,000
Replacement Reserve Deposits	125 Units @	\$150 /Unit	19,000

Total Operating Expenses

125 Units @	\$11,064 /Unit	(\$1,383,000)
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IV. **Stabilized Net Operating Income**

\$3,642,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT II. The weighted average monthly rent equates to \$3.82 per square foot of leasable area.

² Under Section 65915 (f) (2), 15% of the Base Units are set aside for very-low income households. Section 65915 (c) (1) (B) (i) calculates very low income rents based on household income at 50% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX F - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 DENSITY BONUS SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: 50% SECTION 65915 DENSITY BONUS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX F - EXHIBIT III - TABLE 2	\$3,642,000
	Threshold Return on Total Investment ¹		4.49%
	Total Supportable Investment		\$81,103,000
II.	Total Development Cost	See APPENDIX F - EXHIBIT III - TABLE 1	\$74,444,000
III.	<u>Total Financial Impact</u>		\$6,659,000
	Property Acquisition Cost Reduction	0% of Estimated Current Acquisition Prices	
	Developer Return	4.89% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	0.0% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX F - EXHIBIT IV

PRO FORMA ANALYSIS

5% LOW INCOME SCENARIO

**WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX F - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 5% LOW INCOME SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	108,900	Sf of Land	\$150 /Sf of Land		\$16,335,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		108,900	Sf of Land	\$30 /Sf of Land		\$3,267,000
Parking	3					
At-Grade Spaces		42	Spaces	\$5,000 /Space		210,000
Above-Ground Spaces		166	Spaces	\$25,000 /Space		4,150,000
Building Costs		108,200	Sf of GBA	\$160 /Sf of GBA		17,312,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			4,988,000
Total Direct Costs		108,200	Sf of GBA	\$277 /Sf of GBA		\$29,927,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$1,796,000
Public Permits & Fees	5	83	Units	\$68,000 /Unit		5,644,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			599,000
Marketing		83	Units	\$1,000 /Unit		83,000
Developer Fee			5% Direct Costs			1,496,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			481,000
Total Indirect Costs						\$10,099,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$16,217,500	Cost	3.6% Avg Rate		\$876,000
Construction	7	\$42,582,000	Cost	3.6% Avg Rate		1,150,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		530,000
Total Financing Costs						\$2,556,000
V. Total Construction Cost		83	Units	\$513,000 /Unit		\$42,582,000
Total Development Cost		83	Units	\$710,000 /Unit		\$58,917,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX F - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 5% LOW INCOME SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. <u>Gross Income</u>			
A. Market Rate Units 1			
Studio Units	8 Units @	\$2,665 /Unit/Month	\$256,000
One-Bedroom Units	40 Units @	\$3,745 /Unit/Month	1,798,000
Two-Bedroom Units	31 Units @	\$4,002 /Unit/Month	1,489,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0
B. Low Income Units 2			
Studio Units	0 Units @	\$1,054 /Unit/Month	0
One-Bedroom Units	2 Units @	\$1,203 /Unit/Month	29,000
Two-Bedroom Units	2 Units @	\$1,334 /Unit/Month	32,000
Three-Bedroom Units	0 Units @	\$1,464 /Unit/Month	0
C. Miscellaneous Income	83 Units @	\$75 /Unit/Month	75,000
Total Gross Income			\$3,679,000
Vacancy & Collection Allowance	5% Gross Income		(184,000)
II. Effective Gross Income \$3,495,000			
III. <u>Operating Expenses</u>			
General Operating Expenses	83 Units @	\$4,500 /Unit	\$374,000
Property Taxes	83 Units @	\$6,800 /Unit	561,000
Replacement Reserve Deposits	83 Units @	\$150 /Unit	12,000
Total Operating Expenses	83 Units @	\$11,410 /Unit	(\$947,000)
IV. <u>Stabilized Net Operating Income</u>			\$2,548,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT IV. The weighted average monthly rent equates to \$3.83 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX F - EXHIBIT IV - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 5% LOW INCOME SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX F - EXHIBIT IV - TABLE 2	\$2,548,000
	Threshold Return on Total Investment ¹		4.49%
	Total Supportable Investment		<u>\$56,741,000</u>
II.	Total Development Cost	See APPENDIX F - EXHIBIT IV - TABLE 1	<u>\$58,917,000</u>
III.	<u>Total Financial Impact</u>		(\$2,176,000)
	Property Acquisition Cost Reduction	13% of Estimated Current Acquisition Prices	
	Developer Return	4.3% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	3.7% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX F - EXHIBIT V

PRO FORMA ANALYSIS

10% LOW INCOME SCENARIO

**WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX F - EXHIBIT V - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 10% LOW INCOME SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	108,900	Sf of Land	\$150 /Sf of Land		\$16,335,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		108,900	Sf of Land	\$30 /Sf of Land		\$3,267,000
Parking	3					
At-Grade Spaces		42	Spaces	\$5,000 /Space		210,000
Above-Ground Spaces		166	Spaces	\$25,000 /Space		4,150,000
Building Costs		108,200	Sf of GBA	\$160 /Sf of GBA		17,312,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			4,988,000
Total Direct Costs		108,200	Sf of GBA	\$277 /Sf of GBA		\$29,927,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$1,796,000
Public Permits & Fees	5	83	Units	\$68,000 /Unit		5,644,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			599,000
Marketing		83	Units	\$1,000 /Unit		83,000
Developer Fee			5% Direct Costs			1,496,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			481,000
Total Indirect Costs						\$10,099,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$16,113,200	Cost	3.6% Avg Rate		\$870,000
Construction	7	\$42,576,000	Cost	3.6% Avg Rate		1,150,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		530,000
Total Financing Costs						\$2,550,000
V. Total Construction Cost		83	Units	\$513,000 /Unit		\$42,576,000
Total Development Cost		83	Units	\$710,000 /Unit		\$58,911,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX F - EXHIBIT V - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 10% LOW INCOME SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	7 Units @	\$2,665 /Unit/Month	\$224,000
One-Bedroom Units	38 Units @	\$3,745 /Unit/Month	1,708,000
Two-Bedroom Units	30 Units @	\$4,002 /Unit/Month	1,441,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. **Low Income Units**

²

Studio Units	1 Unit @	\$1,054 /Unit/Month	13,000
One-Bedroom Units	4 Units @	\$1,203 /Unit/Month	58,000
Two-Bedroom Units	3 Units @	\$1,334 /Unit/Month	48,000
Three-Bedroom Units	0 Units @	\$1,464 /Unit/Month	0

C. **Miscellaneous Income**

83 Units @	\$75 /Unit/Month	75,000
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Total Gross Income

\$3,567,000

Vacancy & Collection Allowance

5% Gross Income

(178,000)

II. **Effective Gross Income**

\$3,389,000

III. **Operating Expenses**

General Operating Expenses	83 Units @	\$4,500 /Unit	\$374,000
Property Taxes	83 Units @	\$6,500 /Unit	542,000
Replacement Reserve Deposits	83 Units @	\$150 /Unit	12,000

Total Operating Expenses

83 Units @	\$11,181 /Unit	(\$928,000)
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IV. **Stabilized Net Operating Income**

\$2,461,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT IV. The weighted average monthly rent equates to \$3.83 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX F - EXHIBIT V - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 10% LOW INCOME SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX F - EXHIBIT V - TABLE 2	\$2,461,000
	Threshold Return on Total Investment ¹		4.49%
	Total Supportable Investment		\$54,803,000
II.	Total Development Cost	See APPENDIX F - EXHIBIT V - TABLE 1	\$58,911,000
III.	<u>Total Financial Impact</u>		(\$4,108,000)
	Property Acquisition Cost Reduction	25% of Estimated Current Acquisition Prices	
	Developer Return	4.2% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	7.2% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX F - EXHIBIT VI

PRO FORMA ANALYSIS

15% LOW INCOME SCENARIO

**WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX F - EXHIBIT VI - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 15% LOW INCOME SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	108,900	Sf of Land	\$150 /Sf of Land		\$16,335,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		108,900	Sf of Land	\$30 /Sf of Land		\$3,267,000
Parking	3					
At-Grade Spaces		42	Spaces	\$5,000 /Space		210,000
Above-Ground Spaces		166	Spaces	\$25,000 /Space		4,150,000
Building Costs		108,200	Sf of GBA	\$160 /Sf of GBA		17,312,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			4,988,000
Total Direct Costs		108,200	Sf of GBA	\$277 /Sf of GBA		\$29,927,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$1,796,000
Public Permits & Fees	5	83	Units	\$68,000 /Unit		5,644,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			599,000
Marketing		83	Units	\$1,000 /Unit		83,000
Developer Fee			5% Direct Costs			1,496,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			481,000
Total Indirect Costs						\$10,099,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$15,997,000	Cost	3.6% Avg Rate		\$864,000
Construction	7	\$42,569,000	Cost	3.6% Avg Rate		1,149,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		530,000
Total Financing Costs						\$2,543,000
V. Total Construction Cost		83	Units	\$513,000 /Unit		\$42,569,000
Total Development Cost		83	Units	\$710,000 /Unit		\$58,904,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX F - EXHIBIT VI - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 15% LOW INCOME SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	7 Units @	\$2,665 /Unit/Month	\$224,000
One-Bedroom Units	36 Units @	\$3,745 /Unit/Month	1,618,000
Two-Bedroom Units	28 Units @	\$4,002 /Unit/Month	1,345,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. **Low Income Units**

²

Studio Units	1 Unit @	\$1,054 /Unit/Month	13,000
One-Bedroom Units	6 Units @	\$1,203 /Unit/Month	87,000
Two-Bedroom Units	5 Units @	\$1,334 /Unit/Month	80,000
Three-Bedroom Units	0 Units @	\$1,464 /Unit/Month	0

C. **Miscellaneous Income**

83 Units @	\$75 /Unit/Month	75,000
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Total Gross Income

\$3,442,000

Vacancy & Collection Allowance

5% Gross Income

(172,000)

II. **Effective Gross Income**

\$3,270,000

III. **Operating Expenses**

General Operating Expenses	83 Units @	\$4,500 /Unit	\$374,000
Property Taxes	83 Units @	\$6,300 /Unit	520,000
Replacement Reserve Deposits	83 Units @	\$150 /Unit	12,000

Total Operating Expenses

83 Units @	\$10,916 /Unit	(\$906,000)
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IV. **Stabilized Net Operating Income**

\$2,364,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT IV. The weighted average monthly rent equates to \$3.83 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX F - EXHIBIT VI - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 15% LOW INCOME SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX F - EXHIBIT VI - TABLE 2	\$2,364,000
	Threshold Return on Total Investment ¹		4.49%
	Total Supportable Investment		\$52,643,000
II.	Total Development Cost	See APPENDIX F - EXHIBIT VI - TABLE 1	\$58,904,000
III.	<u>Total Financial Impact</u>		(\$6,261,000)
	Property Acquisition Cost Reduction	38% of Estimated Current Acquisition Prices	
	Developer Return	4.0% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	11.7% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

APPENDIX F - EXHIBIT VII

PRO FORMA ANALYSIS

20% LOW INCOME SCENARIO

**WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX F - EXHIBIT VII - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 20% LOW INCOME SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. Property Acquisition Costs	1	108,900	Sf of Land	\$150 /Sf of Land		\$16,335,000
II. Direct Costs	2					
On-Site Improvements/Landscaping		108,900	Sf of Land	\$30 /Sf of Land		\$3,267,000
Parking	3					
At-Grade Spaces		42	Spaces	\$5,000 /Space		210,000
Above-Ground Spaces		166	Spaces	\$25,000 /Space		4,150,000
Building Costs		108,200	Sf of GBA	\$160 /Sf of GBA		17,312,000
Contractor/DC Contingency Allow	4		20% Other Direct Costs			4,988,000
Total Direct Costs		108,200	Sf of GBA	\$277 /Sf of GBA		\$29,927,000
III. Indirect Costs						
Architecture, Engineering & Consulting			6% Direct Costs			\$1,796,000
Public Permits & Fees	5	83	Units	\$68,000 /Unit		5,644,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs			599,000
Marketing		83	Units	\$1,000 /Unit		83,000
Developer Fee			5% Direct Costs			1,496,000
Soft Cost Contingency Allowance			5% Other Indirect Costs			481,000
Total Indirect Costs						\$10,099,000
IV. Financing Costs						
Interest During Construction						
Land	6	\$15,861,500	Cost	3.6% Avg Rate		\$857,000
Construction	7	\$42,562,000	Cost	3.6% Avg Rate		1,149,000
Loan Origination Fees			60% Loan to Cost	1.5 Points		530,000
Total Financing Costs						\$2,536,000
V. Total Construction Cost		83	Units	\$513,000 /Unit		\$42,562,000
Total Development Cost		83	Units	\$710,000 /Unit		\$58,897,000

1 Estimated in part based on a sales survey of properties available for residential development in Newport Beach.

2 Based on the estimated costs for similar uses.

3 The base requirement is for 2.0 spaces per unit plus 0.50 spaces per unit for guest parking.

4 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

5 Based on the public permits and fees estimates and impact fee estimates provided in the August 2021 draft Housing Element.

6 Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

7 Based on an 18 month construction period following receipt of entitlements, and a 50% average outstanding loan balance.

APPENDIX F - EXHIBIT VII - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 20% LOW INCOME SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

¹

Studio Units	6 Units @	\$2,665 /Unit/Month	\$192,000
One-Bedroom Units	34 Units @	\$3,745 /Unit/Month	1,528,000
Two-Bedroom Units	26 Units @	\$4,002 /Unit/Month	1,249,000
Three-Bedroom Units	0 Units @	\$0 /Unit/Month	0

B. **Low Income Units**

²

Studio Units	2 Units @	\$1,054 /Unit/Month	25,000
One-Bedroom Units	8 Units @	\$1,203 /Unit/Month	116,000
Two-Bedroom Units	7 Units @	\$1,334 /Unit/Month	112,000
Three-Bedroom Units	0 Units @	\$1,464 /Unit/Month	0

C. **Miscellaneous Income**

83 Units @	\$75 /Unit/Month	75,000
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Total Gross Income

\$3,297,000

Vacancy & Collection Allowance

5% Gross Income

(165,000)

II. **Effective Gross Income**

\$3,132,000

III. **Operating Expenses**

General Operating Expenses	83 Units @	\$4,500 /Unit	\$374,000
Property Taxes	83 Units @	\$6,000 /Unit	495,000
Replacement Reserve Deposits	83 Units @	\$150 /Unit	12,000

Total Operating Expenses

83 Units @	\$10,614 /Unit	(\$881,000)
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IV. **Stabilized Net Operating Income**

\$2,251,000

¹ Based in part on the rent survey presented in APPENDIX A - EXHIBIT IV. The weighted average monthly rent equates to \$3.83 per square foot of leasable area.

² Under Section 50053, the low income rent calculations are based on household income at 60% of AMI, with 30% of income allotted to housing related expenses. See APPENDIX B.

APPENDIX F - EXHIBIT VII - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 20% LOW INCOME SCENARIO
 WEST NEWPORT MESA & BANNING RANCH PROTOTYPE: ZONING COMPLIANT
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

I.	<u>Supportable Investment</u>		
	Stabilized Net Operating Income	See APPENDIX F - EXHIBIT VII - TABLE 2	\$2,251,000
	Threshold Return on Total Investment ¹		4.49%
	Total Supportable Investment		\$50,127,000
II.	Total Development Cost	See APPENDIX F - EXHIBIT VII - TABLE 1	\$58,897,000
III.	<u>Total Financial Impact</u>		(\$8,770,000)
	Property Acquisition Cost Reduction	54% of Estimated Current Acquisition Prices	
	Developer Return	3.8% Based on Estimated Current Property Acquisition Costs	
	% Rent Increase to Offset Impact	17.6% Market Rate Units	

¹ Based on the Developer Return estimated to be generated by the ZONING COMPLIANT: MARKET RATE SCENARIO.

ATTACHMENT 5

**IN-LIEU FEE CALCULATIONS
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX A

**IN-LIEU FEE CALCULATIONS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX A

IN-LIEU FEE CALCULATIONS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

		Coyote Canyon Prototype	Dover Westcliff Prototype	West Newport Mesa & Banning Ranch Prototype
I.	<u>Sales Price Difference</u>			
	A. Two-Bedroom Units			
	Market Rate Sales Price	1	\$953,200	
	Affordable Sales Price	2	381,200	
	Difference		\$572,000	
	B. Three-Bedroom Units			
	Market Rate Sales Price	1	\$1,320,100	\$1,517,900
	Affordable Sales Price	2	356,600	316,000
	Difference		\$963,500	\$1,201,900
	C. Four-Bedroom Units			
	Market Rate Sales Price	1		\$1,742,500
	Affordable Sales Price	2		303,500
	Difference			\$1,439,000
	III. <u>Assumptions</u>			
	Total Units	90	30	120
	Total Saleable Area	144,000	64,800	251,400
	Weighted Avg Unit Size (Sf)	1,600	2,160	2,100
	Inclusionary Housing Percentage	8%	8%	8%
	Inclusionary Units	7	2	9
	Affordability Gap Per Inclusionary Unit ⁴	\$767,800	\$1,296,700	\$944,200
	IV. <u>In-Lieu Fee</u>			
	Total In-Lieu Fee	\$5,374,600	\$2,593,400	\$8,497,800
	Per Total Unit in the Project	\$59,720	\$86,450	\$70,820
	Per Sf of Total Saleable Area	\$37.30	\$40.00	\$33.80

¹ The market rate sales prices are drawn from the pro forma analyses.

² See APPENDIX B - EXHIBIT I, APPENDIX B - EXHIBIT II, and APPENDIX B - EXHIBIT III.

³ Based on the unit mix distribution applied in the pro forma analyses.

⁴ Based on the weighted average difference between the market rate prices and the Affordable Sales Prices.

APPENDIX B

**IN-LIEU FEE CALCULATIONS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
NEWPORT BEACH, CALIFORNIA**

APPENDIX B

IN-LIEU FEE CALCULATIONS
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 NEWPORT BEACH, CALIFORNIA

	Airport Area Prototype	Coyote Canyon Prototype	Newport Center Prototype	West Newport Mesa & Banning Ranch Prototype
I. Rent Difference				
A. Studio Units				
Market Rate Units	\$2,780	\$0	\$0	\$2,665
Inclusionary Units	1,054	0	0	1,054
Difference	\$1,726	\$0	\$0	\$1,611
B. One-Bedroom Units				
Market Rate Units	\$3,511	\$3,349	\$4,652	\$3,745
Inclusionary Units	1,203	1,203	1,203	1,203
Difference	\$2,308	\$2,145	\$3,449	\$2,542
C. Two-Bedroom Units				
Market Rate Units	\$4,019	\$3,593	\$6,569	\$4,002
Inclusionary Units	1,334	1,334	1,334	1,334
Difference	\$2,686	\$2,259	\$5,236	\$2,668
D. Three-Bedroom Units				
Market Rate Units	\$0	\$4,421	\$7,002	\$0
Inclusionary Units	0	1,464	1,464	0
Difference	\$0	\$2,957	\$5,539	\$0
II. Distribution of Total Units				
Studio Units	5%	0%	0%	10%
One-Bedroom Units	47%	35%	30%	50%
Two-Bedroom Units	48%	55%	60%	40%
Three-Bedroom Units	0%	10%	10%	0%
III. Annual Rent Difference Per Inclusionary Unit	\$29,521	\$27,469	\$56,758	\$29,993
Less: Property Tax Difference	(6,490)	(6,040)	(12,490)	(6,600)
Net Annual Rent Difference Per Inclusionary Unit	\$23,031	\$21,429	\$44,268	\$23,393
IV. Assumptions				
Total Units	450	280	240	83
Total Leasable Area	430,650	266,000	291,000	81,150
Weighted Average Unit Size (Sf)	957	950	1,213	978
Inclusionary Housing Percentage	7%	7%	7%	7%
Inclusionary Units	32	20	17	6
Affordability Gap Per Inclusionary Unit	\$516,000	\$487,000	\$861,000	\$521,000
V. In-Lieu Fee				
Total In-Lieu Fee	\$16,512,000	\$9,740,000	\$14,637,000	\$3,126,000
Per Total Unit in the Project	\$36,690	\$34,790	\$60,990	\$37,660
Per Square Foot of Total Leasable Area	\$38.30	\$36.60	\$50.30	\$38.50

¹ The market rents are drawn from the pro forma analyses. The Affordable Rents are based on the H&SC Section 50053 calculation methodology. (See APPENDIX B).

² Based on the unit mix distribution applied in the pro forma analyses.

³ Based on the rent differential capitalized at a 5.0% rate to establish the value, and a 1.10% property tax rate.

⁴ Based on the Inclusionary Housing percentage obligation supported by the pro forma analyses.

⁵ Based on the Annual Rent Difference Per Inclusionary Unit capitalized at the Threshold Return on Total Investment.