



KEYSER MARSTON ASSOCIATES

**INCLUSIONARY HOUSING:
FINANCIAL EVALUATION**

Prepared for:

City of Costa Mesa

Prepared by:

Keyser Marston Associates, Inc.

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I. EXECUTIVE SUMMARY

A. Background

The City of Costa Mesa (City) recently received California Department of Housing and Community Development (HCD) approval of its the Sixth Cycle Housing Element (Housing Element).¹ The Housing Element includes numerous implementation strategies including:

1. An evaluation of the potential for imposing Inclusionary Housing obligations on specific sites; and
2. Amending zoning code standards in defined areas throughout Costa Mesa.

Keyser Marston Associates, Inc. (KMA) was engaged by the City to prepare an Inclusionary Housing: Financial Evaluation (Financial Evaluation) to assess the viability of enacting an Inclusionary Housing program. Fundamental to this analysis is the assumption that the City will tie the zoning code amendments to the creation and adoption of an Inclusionary Housing Ordinance (Ordinance).

By way of background, over the past 20+ years the KMA Los Angeles office has assisted 37 jurisdictions in the Inclusionary Housing program adoption and updating processes. 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.

The KMA Financial Evaluation identifies supportable Inclusionary Housing program requirements for apartment and ownership housing developments. The fundamental purpose 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 time. Each study is tailored to reflect the specific characteristics of the jurisdiction being evaluated.

¹ The Housing Element covers the period between 2021 and 2029.

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 2 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 2015, the California Supreme Court ruled in *California Building Industry Association v. City of San Jose*, 61 Cal 4th 435 (*San Jose*) that Inclusionary Housing Programs should be viewed as use restrictions that are 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 evaluating potential requirements 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. The characteristics of the unmet need for affordable housing in the community are commonly assessed for this purpose. The Financial Evaluation uses information presented in the Housing Element for this purpose.

D. Financial Analyses

The Financial Evaluation considers the impacts created by the structure of the proposed Ordinance:

1. Zoning code amendments are proposed to be enacted in defined overlay areas within Costa Mesa. The Financial Evaluation analyses the impact the amended standards could potentially have on the values supported by the impacted properties.
2. An Inclusionary Housing Ordinance establishes affordable housing obligations that will be imposed on residential development. The Financial Evaluation estimates the difference between the achievable market rate rent or sales price and the allowable rent or sales price for each “Inclusionary Unit”. This difference is called the “Affordability Gap”.

Working in conjunction with the City staff, KMA created prototype apartment and ownership housing developments for analysis purposes. The apartment prototypes are described in the following table:

Area	Base Zoning Density	Existing Use of the Site
North Costa Mesa	60 Units Per Acre	Vacant Business Park Land
Harbor Mixed Use	40 Units Per Acre	Improved Auto Property
Mesa West	40 Units Per Acre	Improved Industrial + Retail
19 West	40 Units Per Acre	Improved Industrial + Retail
SoBECA	50 Units Per Acre	Improved Industrial
Corridors	60 Units Per Acre	Improved Auto Property

The ownership prototypes analyzed in the Financial Evaluation are described in the following table:

Area	Base Zoning Density	Existing Use of the Site
North Costa Mesa	25 Units Per Acre	Vacant Residential Land
Harbor Mixed Use	15 Units Per Acre	Improved Warehouse
Mesa West	17 Units Per Acre	Improved Auto Property
19 West	20 Units Per Acre	Improved Warehouse
SoBECA	16 Units Per Acre	Improved Warehouse
Corridors	16 Units Per Acre	Improved Motel

The apartment and ownership housing development prototypes were used to test the impacts associated with the following development characteristics:

1. Site size;
2. Achievable density;
3. Maximum allowable height;
4. Parking requirements; and
5. Value of the development site:
 - a. The value supported prior to any amendment to the zoning code standards; and
 - b. The value created by the amendment to the zoning code standards.

The Financial Evaluation methodology can be described as follows:

1. KMA surveyed the market to compile information pertaining to:
 - a. Land and improved property sales values;
 - b. Common densities of apartment and ownership housing developments;
 - c. Unit mixes in apartment and ownership housing developments; and
 - d. Apartment rents and ownership housing sales prices.
2. City staff identified density and height standards that would be appropriate for application in the various overlay areas. The impacts created by the application of the California Government Code Section 65915 et seq. (Section 65915) density bonus were considered in creating the standards applied in this Financial Evaluation.
3. KMA prepared pro forma analyses to determine the following:
 - a. The land value supported by a 100% market rate apartment or ownership housing development.

- b. The magnitude of the value enhancement created by the identified modifications to the zoning code standards.
- c. The share of the value enhancement that can reasonably be committed to the provision of “Inclusionary Units” within a market rate residential development.

It is the City’s intention to create an Inclusionary Housing program that provides sufficient incentives to create opportunities for new housing development to occur. The findings of the KMA financial analysis were used to create benefits and incentives that offset the financial impacts created by the imposition of affordable housing requirements.

E. Findings

APARTMENT DEVELOPMENT

KMA concluded that the City could reasonably offer the following Inclusionary Housing production options for apartment developments:²

Recommended Inclusionary Housing Production Options Apartment Development					
Density Range	Low Income Units	+	Very Low Income Units	=	Total Obligation
0 to 39 Units Per Acre	6%	+	0%	=	6%
<u>40 to 59 Units Per Acre</u>					
Low Income Only	11%	+	0%	=	11%
Very Low Income Only	0%	+	7%	=	7%
Low & Very Low Income	6%	+	3%	=	9%
<u>60+ Units Per Acre</u>					
Low Income Only	19%	+	0%	=	19%
Very Low Income Only	0%	+	12%	=	12%
Low & Very Low Income	11%	+	5%	=	16%

² Only one option is provided for the lowest density category due to the limited requirement that is supported.

OWNERSHIP HOUSING DEVELOPMENT

The KMA analysis of ownership housing developments identified Affordability Gaps that range from \$557,000 to \$745,000 per moderate income unit. Given the magnitude of the gaps, it is KMA's recommendation that developers be permitted to pay a fee in lieu of producing affordable housing units. It is further our recommendation that the in-lieu revenue be used to create a first time homebuyer program that provides assistance to households who wish to purchase an existing home in Costa Mesa.

The Financial Evaluation is meant to assist the City in creating an Inclusionary Housing program that provides sufficient incentives and benefits to offset the impacts created by the affordable housing requirements being imposed. By definition, a program that is set up in this manner is not confiscatory and it does not deprive property owners of a fair and reasonable return on their investment.

F. Preliminary Recommendations

Based on the results of the Financial Evaluation, and to provide context to the City Council's decision making process, KMA has prepared general policy recommendations for consideration. These recommendations are presented in a memorandum that accompanies this Financial Evaluation. The topics covered include:

1. The minimum project size that would be subject to the Ordinance requirements;
2. The income and affordability standards to be imposed on apartment and ownership housing developments;
3. The covenant periods to be imposed on apartment and ownership housing developments;
4. Alternative means of fulfilling the Inclusionary Housing obligations; and
5. Recommended administrative procedures.

II. INCLUSIONARY HOUSING PROGRAM CHARACTERISTICS

A. Survey of Existing Inclusionary Housing Programs

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 99 Inclusionary Housing Programs being implemented throughout California. The survey information is presented in Attachment 1.

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 found in the survey fall between three and 10 units, with a 5 unit median threshold and a seven unit average threshold.
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. As shown in the survey, 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. However, an option for projects to pay a fee in lieu of producing affordable units is 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 state and federal funding sources that are not available to market rate projects. These funding sources 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. Low and Moderate Income Housing Asset funds generated by affordable housing projects that received assistance from the former Costa Mesa Redevelopment Agency;
 - b. HOME Program funds that are awarded to the City by the United States Department of Housing and Urban Development (HUD);
 - c. Funds allocated to the City by HCD under the Permanent Local Housing Allocation (PLHA) for Senate Bill 2 (Chapter 364, Statutes of 2017);
 - d. County funding sources and the Section 8 rental assistance program;

- e. State funding sources such as the Infill Infrastructure Grant (IIG), the Multifamily Housing Program (MHP), the Middle Income Program (MIP), the Affordable Housing and Sustainable Communities (AHSC) Program, and Project Homekey; and
- f. Federal and state Low-Income Housing Tax Credits (Tax Credits) offered under Internal Revenue Code Section 42.

B. State Density Bonus and Inclusionary Housing Requirements

A tool that is commonly used to reduce the financial impact created by the imposition of Inclusionary Housing requirements is the Section 65915 density bonus. The City is required 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 Chapter IX of the Costa Mesa Municipal Code (Chapter 9), and it was last amended in 2007. The City is currently in the process of amending the density bonus ordinance to reflect changes the State Legislature has made during the intervening period. Until the update is codified, State law will automatically prevail over any inconsistencies between State law and Chapter 9.

In July 2013, the First District Court of Appeal held that jurisdictions must agree to count the affordable units used to fulfill Section 65915 affordable housing requirements towards the Inclusionary Housing requirements that will be imposed on a project.³ 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.

³ *Latinos Unidos del Valle de Napa y Solano v. County of Napa*, 217 Cal. App. 4th 1160 (Napa).

C. Structuring Issues

In structuring an Inclusionary Housing Program it is important to understand that the courts and the State Legislature have placed the following key limitations on the requirements that can be imposed Inclusionary Housing Programs:

SAN JOSE CASE

In the *San Jose* case, the California Supreme Court ruled 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 California Government Code §66000 et seq..

While Inclusionary Housing Programs are not subject to the Mitigation Fee Act, these programs must comply with the following criteria:

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

Since the court did not provide criteria under which jurisdictions can evaluate these limitations, each jurisdiction is left to create an evaluation methodology. The objective is to balance 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 identifying requirements that comport with the court's ruling.

ASSEMBLY BILL 1505

Assembly Bill (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 developments.

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)

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. HCD has the discretion to require the City to demonstrate that the Inclusionary Housing requirements do not create a constraint to housing development.

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 Costa Mesa.

III. METHODOLOGY

The purpose of the Financial Evaluation is to evaluate the financial feasibility of imposing Inclusionary Housing requirements on residential development in Costa Mesa. 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 Costa Mesa allocations are detailed in the following table:

Sixth Cycle RHNA Allocation October 2021 through October 2029		
Income Category	Total Obligation	% of Total
Very Low	2,919	25%
Low	1,794	15%
Moderate	2,088	18%
Above Moderate	4,959	42%
Totals	11,760	100%

Notable factors to be considered are:

1. By far, the largest identified unmet need for affordable housing falls in the above moderate income category. Based on historical development patterns it can be assumed that these units will be produced by market rate developers without City intervention.
2. Outside financial assistance sources are widely available to affordable housing projects targeted to extremely low and very low income households. There are numerous nonprofit housing organizations in the region that have experience obtaining these funding sources.

3. There are a limited number of outside funding available to assist low income units and effectively no outside funding sources available to assist moderate income units.

For these reasons it is KMA’s opinion that the Inclusionary Housing Program should focus on attracting development that serves households at the low and moderate income levels. In addition, the Inclusionary Housing Program should balance the interests of property owners and developers against the public benefit created by the production of affordable housing units.

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.

Recognizing that the courts have not provided guidance for determining how these limitations should be measured, it is left to the City to create a methodology for testing the financial impacts created by proposed Inclusionary Housing requirements. It is the City’s goal to create an Inclusionary Housing program that provides meaningful incentives and benefits that will encourage developers to produce affordable housing units.

C. Financial Evaluation Structure

The KMA financial analyses components are described in the following sections of this report.

DEVELOPMENT PROTOTYPES

KMA and the City staff worked together to create prototype residential developments to be evaluated. 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 for development and the results of KMA market surveys.

PRO FORMA ANALYSES

KMA prepared pro forma analyses to determine the following:

1. The land value supported by a 100% market rate apartment or ownership housing development.
2. The magnitude of the value enhancement created by the modifications to the zoning code standards.
3. The share of the value enhancement that can reasonably be committed to the provision of Inclusionary Units within the residential development.

The results of the pro forma analyses were used to identify the range of Inclusionary Housing production requirements that can be supported.

D. Financial Analysis Organization

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

Financial Analysis Organization	
Attachment 2:	Property Sales Surveys
Attachment 3:	Affordable Housing Cost Calculation Methodology
Attachment 4:	Apartment Development
Attachment 5:	Ownership Housing Development

IV. APARTMENT DEVELOPMENT ANALYSIS

KMA created six prototype apartment development scenarios that were used to evaluate the impacts created by variations in site sizes and densities of the project types anticipated to be developed in Costa Mesa. The characteristics of the apartment development prototypes are described in the following table:

Project Descriptions Apartment Development Prototypes					
Area / Existing Use	Site Area (Acres)	Total Units	Density (Units/Acre)	Number of Stories	Parking Spaces Per Unit
North Costa Mesa Vacant Business Park Land	4.00	240	60	5	1.75
Harbor Mixed Use Improved Auto Property	2.40	96	40	4	1.75
Mesa West Improved .39 FAR Industrial + Retail	4.30	172	40	4	1.75
19 West Improved .39 FAR Industrial + Retail	2.00	80	40	4	1.75
SoBECA Improved .49 FAR Industrial	2.40	120	50	4	1.75
Corridors Improved Auto Property	3.15	189	60	5	1.75

A. Pro Forma Organization and Assumptions

MARKET RATE SCENARIOS

The 100% market rate apartment development prototypes are used to estimate the value enhancement created by the proposed changes to the zoning code in the overlay areas. The pro forma analyses are organized as follows:

Pro Forma Analysis - 100% Market Rate Scenario Apartment Development Prototypes	
Table 1:	Estimated Construction Costs
Table 2:	Estimated Stabilized Net Operating Income
Table 3:	Estimated Residual Land Value
Table 4:	Target Residual Land Value Analysis

AFFORDABLE HOUSING SCENARIOS

To assist in establishing the Inclusionary Housing production requirements that can be supported, KMA created the following affordability scenarios:

1. A low income scenario;
2. A very low income scenario;
3. A scenario that includes a mix of low and very low income units; and
4. A Section 65915 density bonus scenario.

KMA prepared sensitivity analyses for each scenario to identify the percentage of affordable housing units that could be supported by the enhanced value created by the zoning code modifications. The pro forma analyses for the affordable housing scenarios are organized as follows:

Pro Forma Analysis – Affordable Housing Scenarios Apartment Development Prototypes	
Table 1:	Estimated Construction Costs
Table 2:	Estimated Stabilized Net Operating Income
Table 3:	Estimated Residual Land Value

COMMON ASSUMPTIONS

To assist in gaining a consistent analysis of the impacts created by the zoning code changes being considered, the following assumptions are applied consistently to all the scenarios being evaluated.

Unit Mix Assumptions Apartment Development Prototypes		
Number of Bedrooms	Unit Size (Square Feet)	Percentage Of Total
Studio	525	5%
One Bedroom	770	50%
Two Bedrooms	1,130	40%
Three Bedrooms	1,400	5%
Average / Total	933	100%

Projected Market Rents Apartment Development Prototypes		
Number of Bedrooms	Total	Per Square Foot
Studio	\$2,410	\$4.59
One Bedroom	\$2,970	\$3.86
Two Bedrooms	\$3,660	\$3.23
Three Bedrooms	\$4,400	\$3.14
Averages	\$3,290	\$3.52

The “Affordable Rent” calculation methodology is described in Attachment 3: Appendix A and the Affordable Rent calculations are detailed in Attachment 4: Appendix B. The results are presented in the following table:

Affordable Rents (2023) Apartment Development Prototypes		
Number of Bedrooms	Low Income	Very Low Income
Studio	\$1,698	\$1,027
One Bedroom	\$1,939	\$1,172
Two Bedrooms	\$2,159	\$1,297
Three Bedrooms	\$2,382	\$1,424

B. Residual Land Value Analyses: Market Rate Scenarios

The residual land value estimates generated by the pro forma analyses of the unrestricted market rate apartment prototypes are presented in the following table:

Estimated Residual Land Values 100% Market Rate Apartment Development Prototypes					
Area	Construction Costs		Stabilized NOI	Residual Land Value	
	Total	Per Unit		Total	Per Square Foot
North Costa Mesa	\$96,481,000	\$402,000	\$6,512,000	\$29,646,000	\$170
Harbor Mixed Use	\$35,058,000	\$365,000	\$2,604,000	\$15,377,000	\$147
Mesa West	\$61,735,000	\$359,000	\$4,657,000	\$28,464,000	\$152
19 West	\$28,766,000	\$360,000	\$2,170,000	\$13,263,000	\$152
SoBECA	\$43,841,000	\$365,000	\$3,257,000	\$19,242,000	\$184
Corridors	\$75,975,000	\$402,000	\$5,128,000	\$23,346,000	\$170

C. Funds Available for Inclusionary Housing

The funds available for Inclusionary Housing are set at a percentage share of the value enhancement estimated to be achieved by the modifications to the zoning code that are being considered. The results of the analyses are presented in the following table:

Funds Available for Inclusionary Housing Apartment Development Prototypes					
Area	Estimated Land Value / Sq. Ft.			Contribution	
	Market Rate Apartments	- Existing Use	= Value Enhancement	Percentage Share	Total Contribution
North Costa Mesa	\$29,646,000	- \$11,326,000	= \$18,320,000	50%	\$9,160,000
Harbor Mixed Use	\$15,377,000	- \$11,182,000	= \$4,195,000	50%	\$2,098,000
Mesa West	\$28,464,000	- \$23,953,000	= \$4,511,000	50%	\$2,256,000
19 West	\$13,263,000	- \$11,141,000	= \$2,122,000	50%	\$1,061,000
SoBECA	\$19,242,000	- \$16,586,000	= \$2,656,000	50%	\$1,328,000
Corridors	\$23,346,000	- \$14,677,000	= \$8,669,000	50%	\$4,335,000

D. Supportable Inclusionary Housing Requirements

The results of the single income category analyses are summarized in the following table:

Supportable Inclusionary Housing Requirements Single Income Category Analyses Apartment Development Prototypes			
Area	Low Income Units	OR	Very Low Income Units
North Costa Mesa	19%		12%
Harbor Mixed Use	11%		7%
Mesa West	6%		4%
19 West	8%		4%
SoBECA	6%		3%
Corridors	12%		7%

The results of the analyses that include a combination of low and very low income housing requirements are presented in the following table:⁴

Supportable Inclusionary Housing Requirements Mix of Income Categories Analyses Apartment Development Prototypes					
Area	Low Income Units	+	Very Low Income Units	=	Total Obligation
North Costa Mesa	11%	+	5%	=	16%
Harbor Mixed Use	6%	+	3%	=	9%
Corridors	7%	+	3%	=	10%

SECTION 65915 DENSITY BONUS SCENARIOS

KMA’s primary analysis is based on prototype apartment developments that comport with a development site’s base zoning requirements. 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 density bonus analyses are presented in Attachment 4 - Exhibit V of Appendices C, D and H, and Exhibit IV of Appendices E, F and G.

Section 65915 Density Bonus Analyses Apartment Development Prototypes				
Area	Density Bonus %	Very Low Income %	Units / Acre	Financial Impact
North Costa Mesa	50%	15%	90	Equivalent to base zoning
Harbor Mixed Use	50%	15%	60	Marginally worse than base zoning
Mesa West	50%	15%	60	Significantly worse than base zoning
19 West	50%	15%	60	Marginally worse than base zoning
SoBECA	20%	5%	60	Marginally better than base zoning
Corridors	50%	15%	90	Equivalent to base zoning

⁴ Areas with less than a 10% supportable requirement were excluded from the Mix of Income Categories Analyses.

The key finding of the Section 65915 density bonus analyses is that in general the additional density is not anticipated to enhance the project economics. The primary reason is that the zoning code modifications being considered by the City provide significant parking relief. Parking relief is a major reason that developers opt to use the Section 65915 density bonus.

E. Recommended Inclusionary Housing Production Requirements

Based on all the factors considered in the apartment developments evaluation, KMA recommends that the City provide a menu of Inclusionary Housing production options from which developers can select. The recommended array of options is presented in the following table:

Recommended Inclusionary Housing Production Options Apartment Development					
Density Range	Low Income Units	+	Very Low Income Units	=	Total Obligation
0 to 39 Units Per Acre	6%	+	0%	=	6%
<u>40 to 59 Units Per Acre</u>					
Low Income Only	11%	+	0%	=	11%
Very Low Income Only	0%	+	7%	=	7%
Low & Very Low Income	6%	+	3%	=	9%
<u>60+ Units Per Acre</u>					
Low Income Only	19%	+	0%	=	19%
Very Low Income Only	0%	+	12%	=	12%
Low & Very Low Income	11%	+	5%	=	16%

V. OWNERSHIP HOUSING ANALYSES

Ownership housing development in Costa Mesa is focused on detached single family homes and townhome developments. Stacked flat condominiums are not currently a factor in the ownership housing development inventory. In recognition of this, KMA created a variety of townhome development types with densities ranging from 15 to 25 units per acre.

The characteristics of the ownership housing development prototypes are described in the following table:

Project Descriptions Ownership Housing Development Prototypes					
Area / Existing Use	Site Area (Acres)	Total Units	Density (Units/Acre)	Bedroom Mix	Parking Spaces Per Unit
North Costa Mesa Vacant Residential Land @ 20 Units/Acre	3.40	85	25	2 - 4	2.00
Harbor Mixed Use Improved .39 FAR Industrial + Retail	0.53	8	15	3 & 4	2.00
Mesa West Improved Auto Property	1.18	20	17	3 & 4	2.00
19 West Improved .39 FAR Industrial + Retail	2.00	40	20	2 - 4	2.00
SoBECA Improved .42 FAR Industrial + Retail	0.67	11	16	3 & 4	2.00
Corridors 31 Room Motel	0.63	10	16	3 & 4	2.00

A. Pro Forma Organization and Assumptions

MARKET RATE SCENARIOS

The 100% market rate ownership development prototypes are used to estimate the value enhancement created by the proposed changes to the zoning code in the overlay areas. The pro forma analyses are organized as follows:

Pro Forma Analysis - 100% Market Rate Scenario Ownership Housing Development Prototypes	
Table 1:	Estimated Construction Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Estimated Residual Land Value
Table 4:	Value Enhancement Analysis

MODERATE INCOME HOUSING SCENARIOS

Inclusionary Housing programs generally set the affordability requirements for ownership housing development at the moderate income level. This is done as a reflection of the fact that higher income households are likely to have more discretionary income to devote to the ongoing costs associated with home ownership than that of lower income households.

KMA prepared Affordability Gap analyses for each scenario to identify the percentage of moderate income housing units that could be supported by the enhanced value created by the zoning code modifications. The Affordability Gap analyses are presented in Exhibit II of Appendices C – H of Attachment 5.

B. Residual Land Value Analyses: Market Rate Scenarios

The residual land values generated by the market rate ownership housing developments are:

Estimated Residual Land Values 100% Market Rate Ownership Housing Development Prototypes					
Area	Construction Costs		Average Sales Price Per Unit	Residual Land Value	
	Total	Per Unit		Total	Per Square Foot
North Costa Mesa	\$55,435,000	\$652,000	\$1,055,000	\$20,826,000	\$141
Harbor Mixed Use	\$5,448,000	\$681,000	\$1,252,000	\$3,262,000	\$141
Mesa West	\$13,348,000	\$667,000	\$1,193,000	\$7,174,000	\$140
19 West	\$25,986,000	\$650,000	\$1,103,000	\$11,961,000	\$137
SoBECA	\$7,389,000	\$672,000	\$1,222,000	\$4,298,000	\$147
Corridors	\$6,701,000	\$670,000	\$1,210,000	\$3,818,000	\$139

C. Funds Available for Inclusionary Housing

The funds available for Inclusionary Housing are set at a percentage share of the value enhancement estimated to be achieved by the modifications to the zoning code that are being considered. The results of the analyses are presented in the following table:

Funds Available for Inclusionary Housing Ownership Housing Development Prototypes						
Area	Estimated Land Value / Sq. Ft.			Contribution		
	Market Rate Units	- Existing Use	= Value Enhancement	Percentage Share	Total Contribution	
North Costa Mesa	\$20,826,000	- \$11,552,000	= \$9,274,000	50%	\$4,637,000	
Harbor Mixed Use	\$3,262,000	- \$2,955,000	= \$307,000	50%	\$154,000	
Mesa West	\$7,174,000	- \$5,500,000	= \$1,674,000	50%	\$837,000	
19 West	\$11,961,000	- \$11,151,000	= \$810,000	50%	\$405,000	
SoBECA	\$4,298,000	- \$3,736,000	= \$562,000	50%	\$281,000	
Corridors	\$3,818,000	- \$6,504,000	= (\$2,686,000)	No Contribution is Supported		

As can be seen in the preceding table, the ownership housing development prototype being evaluated in the Corridors area does not generate any value enhancement. This does not mean that ownership housing development is infeasible in the Corridors area. Rather, it indicates that the premium costs associated with acquiring an operating motel currently exceed the land values associated with the development of a residential use.

D. Affordability Gap Analyses

The “Affordable Sales Price” calculation methodology is described in Attachment 3: Appendix B and the Affordable Sales Price calculations are detailed in Attachment 5: Appendix B. The results are presented in the following table:

Affordable Sales Prices (2023)	
Ownership Housing Development Prototypes	
Number of Bedrooms	Moderate Income Affordable Sales Prices
Two Bedrooms	\$472,000
Three Bedrooms	\$500,400
Four Bedrooms	\$528,300

The weighted average Affordability Gaps exhibited by the ownership housing development prototypes are presented in the following table:

Weighted Average Affordability Gap Per Unit Ownership Housing Development	
Area	Moderate Income Units
North Costa Mesa	\$557,000
Harbor Mixed Use	\$745,000
Mesa West	\$684,000
19 West	\$603,000
SoBECA	\$714,000
Corridors	N/A

As can be seen in the preceding table, the gaps between the average market rate prices for new townhome development and the designated Affordable Sales Prices range from \$557,000 to \$745,000 per unit. Affordability Gaps of this magnitude severely limit the percentage of units in a new ownership housing development that can be required to be sold to moderate income households.

E. Supportable Inclusionary Housing Requirements

The preceding section of the Financial Evaluation used pro forma analyses of prototype ownership housing developments to assist in identifying the Inclusionary Housing requirements that can currently be supported. The resulting supportable requirements are summarized in the following table:

Supportable Inclusionary Housing Requirements Ownership Housing Development	
Area	Moderate Income Units
North Costa Mesa	9.8%
Harbor Mixed Use	2.5%
Mesa West	6.1%
19 West	1.7%
SoBECA	3.5%
Corridors	N/A

F. Recommended Inclusionary Housing Production Requirements

Given the magnitude of the Affordability Gaps associated with new ownership housing units it is KMA’s recommendation that developers be permitted to pay a fee in lieu of producing affordable housing units. It is further our recommendation that the in-lieu revenue be used to create a first time homebuyer program that provides assistance to households who wish to purchase an existing home in Costa Mesa.

VI. SUMMARY

This section of the report summarizes the results of the Financial Evaluation. The analysis findings provide the first step towards developing a recommended package of requirements to be imposed by an Inclusionary Housing program. A policy recommendations memorandum accompanies this report.

A. Apartment Development

Based on the results of the Financial evaluation, KMA recommends that following menu of Inclusionary Housing production options be offered to apartment developers:

Recommended Inclusionary Housing Production Options Apartment Development					
Density Range	Low Income Units	+	Very Low Income Units	=	Total Obligation
0 to 39 Units Per Acre	6%	+	0%	=	6%
<u>40 to 59 Units Per Acre</u>					
Low Income Only	11%	+	0%	=	11%
Very Low Income Only	0%	+	7%	=	7%
Low & Very Low Income	6%	+	3%	=	9%
<u>60+ Units Per Acre</u>					
Low Income Only	19%	+	0%	=	19%
Very Low Income Only	0%	+	12%	=	12%
Low & Very Low Income	11%	+	5%	=	16%

B. Ownership Housing Development

For ownership housing developments, KMA recommends that developers be permitted to pay a fee in lieu of producing affordable housing units. The revenues generated by the in-lieu fee could be dedicated to a first time homebuyer program that focused on the acquisition of existing homes in the Costa Mesa inventory.

ATTACHMENT 1

**INCLUSIONARY HOUSING PROGRAM SURVEYS
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, 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									
Agoura Hills	Create on-site units; pay an in-lieu fee for the required Low and/or Moderate Income Units. In-lieu fee cannot be paid to fulfill the very low income requirement.	15%	No	10	7% @ VL + 4% @ Low + 4% @ mod	55	10	7% @ VL + 4% @ Low + 4% @ mod	45
Alameda	Create on-site units; create off-site units; pay in-lieu fee. Full sch€	15%	No	5	4% @ VL + 4% @ Low + 7% @ Mod	59	5	4% @ VL + 4% @ Low + 7% @ Mod	59
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. Program requirements are only applied in designated areas.	15%	No	5	9% @ 120% + 6% @ 80%		5	9% at 120% + 6% at 80%	
Avalon	Create on-site units; create off-site units; pay in-lieu fee. Full sch€	20%	No	4	Decided per project	55	4	Decided per project	55
Berkeley	Create on-site units; pay in-lieu fee.	20%	No	5	80% unless subsidies are available	Life of the Building	5	80%	Life of the Building
Brea	Create on-site units; pay in-lieu fee. City provides incentives to mitigate the impact of the requirement.	10%	No	20	Undefined Percentages of Very Low & Low	55	20	120%	45
Calabasas	Create on-site units; create off-site units; convert market rate units; preserve or rehab existing housing; pay in-lieu fee.	20%	No	5	20% @ 110%; 15% @ 90%; 10% @ 75%; or 5% at 50%		5	20% @ 110%; 15% @ 90%; 10% @ 75%; or 5% at 50% of AMI	
Campbell	Create on-site units; create off-site units; preserve or rehab existing housing; pay in-lieu fee; donate land.	15%	No	10	6% @ VL + 9% @ Low	55	10	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. Reduced requirement is provided if the affordable units are set at very low or extremely low income.	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	5% @ VL + 5% @ Low + 10% @ Mod	55	5	5% @ VL + 5% @ Low + 10% @ Mod	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

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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
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	3% @ VL + 12% @ Lower		5		3
Coronado	Create units; pay in-lieu fee. Reduced requirement is provided if the affordable units are set at very low or extremely low income.	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.	10% - 25%	No	5-19 , 20+	5-19: 15% @ 80% or 10% @ 50%. 20+: 25% @ 80% or 10% @ 50%	Perpetual	5	120%	Perpetual
Downey	Create on-site units; create off-site units; pay in-lieu fee in the case of extreme hardship for apartments.	11%/10%	No		Mod	>55 or as long as resid		Mod	45
Dublin	Create on-site units; create off-site units; pay in-lieu fee; donate land. Program requirements are only applied in designated areas.	12.5%	No	20	50% @ 120% + 20% @ 80% + 30% @ 50%	55	20	5% @ 80% + 7.5% @ 120%	55
Emeryville	Create on-site units; pay impact/linkage fee.	12%/20%	No		4% @ VL + 8% @ Low	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
Fillmore	Create on-site units; pay in-lieu fee; donate land.	15%	No	4	20+: 5% ELI or VL & 10%; Low 17-19: 2 low + one ELI or VL; 10-16: 2 low; 5-9: 1 low	55	4	20+: 5% ELI or VL & 10%; Low 17-19: 2 low + one ELI or VL; 10-16: 2 low; 5-9: 1 low	45
Fremont	Has a production option, but the in-lieu fee option is more cost effective.	15%	No	2	10% @ Low		2	5% @ Mod + 10% @ Low	
Fort Bragg	Create on-site units	10% to 20%		5	80% / 120%		5	100% / 120%	15
Goleta	Create on-site units; create off-site units; donate land; pay in-lieu fee; acquisition/rehabilitation. Income/Affordability trade off of extremely low and very low income units to low and moderate income units in demonstrated extreme hardship.	25% - reduced to 20% with public benefit	No	2	2.5% @ ELI + 2.5% @ VL+ 5% @ Low + 5% @ Mod + 5% at Above Mod	In general 45 to 55 years, but not less than 30 years	2	2.5% @ ELI + 2.5% @ VL+ 5% @ Low + 5% @ Mod + 5% at Above Mod	In general 45 to 55 years, but not less than 30 years
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

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 COSTA MESA, 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
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; convert market rate housing to affordable housing; extend the term of an existing affordable project; pay in-lieu fee; transfer units to a nonpofot housing agency; create off-site units; donate land. Projects with 50+ units must produce the affordable units on site.	15%	No	Ordinance applies to all housing projects. 50 unit threshold for the production requirement	5% @ 50% + 5% @ 80% + 5% @ 120%. Defined credits for deeper affordability & # of bedrooms.	30	50	5% @ 50% + 5% @ 80% + 5% @ 120%. Defined credits for deeper affordability & # of bedrooms.	30
Jurupa Valley	Create on-site units; create off-site units; pay in-lieu fee; convert market rate units to affordable units; preserve at-risk housing; donate land.	7%	No	1	25% Mod + 25% Low + 50% VL	55	1	25% Mod + 25% Low + 50% VL	45
Laguna Beach	Create on-site units; pay in-lieu fee.	25%	No	2-subdivision 3-other	Low and Moderate		2-subdivision 3-other	Low and Moderate	
Laguna Woods	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	7.5% @ VL + 7.5% @ Low	45	5	10% @ Low + 5% @ Mod	45
La Habra	Create on-site units; create off-site units; pay in-lieu fee; acquisition/rehabilitation.	9% / 15%	No	10	9% @ Mod or 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 or as long as resid	10	110%	>55 or as long as resid
Los Altos	Create on-site units; create off-site units. Program requirements are only imposed in designated areas.	Rental: 5-9 @ 15% & 10+ @ 30%. Ownership @ 15%	No	5	5-9: 15% @ Mod, 10+: 5% @ Low + 15% @ Mod	30	10	7.5% @ Mod, 7.5% @ Low	30

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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
Los Angeles County	Create on-site units; create off-site units. Program requirements vary by subarea.	5%-20% depending on project size & income standard	No	5	Averages: <40% AMI: 10% or 5% - sm proj <65% AMI: 15% or 7% - sm proj <80% AMI: 20% or 10% sm proj	55 or Perpetual	5	Mod/Middle Inc: Avg 135% AMI: Coastal SLA, SLA (exc condos), & ELA: 20% or 10% - sm proj SG Valley: 15% or 7% - sm proj Santa Clarita & Antelope Valleys (exc condos): 5%	Equity share on first sale
Menlo Park	Create on-site units; create off-site units; pay in-lieu fee. Full sch	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
Norco	Create on-site units; create off-site units; pay in-lieu fee for projects with 20 or fewer units; donate land.	15%	No	5	6% Mod+9% Low Credits for deeper affordability	Perpetual	5	6% Mod+9% Low Credits for deeper affordability	45%
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 (80%)	55	3	Mod (120%)	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. Program requirements are only applied in designated areas.	15%	No	8	6% @ VL + 4.5% @ Low + 4.5% @ Mod	55	8		45
Pasadena	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".	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	5	7.5% @ VL; 7.5% @ Low	45	5	7.5% @ Low + 7.5% @ Mod	55
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	50% to 80%		15	50% to 120%	Perpetual
Pomona	Create on-site units; create off-site units; pay in-lieu fee; donate land. Program requirements are only applied in designated areas.	13% / 7%-11%	Yes	3	120%	Perpetual	3	120%	45

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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
Poway	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% / 15%-20%	No		Very Low	55		15% @ Low or 20% @ Mod	45
Redondo Beach (Proposed)	Create on-site units; create off-site units; pay in-lieu fee up to nine units. Fractional unit obligations are rounded down	10%-15% / 9%-15%	Yes	2	Moderate	>75 or as long as resid	2	Moderate	55
Redwood City	Create on-site units; create off-site units; preserve or rehab units; pay impact/linkage fee; donate land	20% / 15%	No	20	10% @ Mod + 5% @ Low + 5% @ VL	30	5	Moderate	30
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. Excludes area	15%	No	10	6% VL + 4.5% Low + 4.5% Mod	55	10	6% Low + 9% Mod	45
San Buenaventura	Create on-site units; create off-site units; pay in-lieu fee; preserve or rehab existing housing; donate land.	15% / 10%	No	7	Low	55	7	Mod	45
San Clemente	Create on-site units; create off-site units, pay in-lieu fee; donate land.	4%	No	6	Very Low	30	6	Very Low	30
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% or 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%	99	10	120%	99
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	120%	55
San Luis Obispo (City)	Create on-site units; pay an in-lieu fee to fulfill the entire obligation and pay an in-lieu fee for fractional unit obligations.	6% / 10%	No	1	5% Very Low + 5% Low	55	1	5% Low + 5% Moderate	45
San Mateo County	Create on-site units, pay in-lieu fee.	20%	Yes	5	10% @ ELI + 10% @ Low	Life of Bldg	11	10% @ Low + 10% @ Mod	45
San Rafael	Create on-site units; pay in-lieu fee. City provides incentives to mitigate the impact of the requirement.	10%	No	2			2	120%	

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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 Ana	Only applies to changes in land use and zoning designations. Create on-site units; off-site units; substantially rehab existing units; pay in-lieu fee.	Rental: 5% - 15% & Own: 5%	No	5	15% @ Low or 10% @ VL or 5% @ ELI or 5% Low + 3% VL +2% ELI	55	5	120%	55
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 Clara (City)	Create on-site units; create off-site units; dedicate land; pay an in-lieu fee for fractional unit obligations.	15%	No	10	Mix of ELI, VL, Low & Mod. Must average less than 100% of AMI	55	10	Mix of ELI, VL, Low & Mod. Must average less than 100% of AMI	20
Santa Clara County (Excludes Unincorp Areas and Stanford Community Plan Area)	Create on-site units; create off-site units; in-lieu fee payments for projects with six or fewer units and for fractional unit obligations; conversion of existing market rate units.	16%	No	4	Lower	55	4	Moderate	55
Santa Cruz	Create on-site units; create off-site units; pay in-lieu fee; donate land. Program requirements are only applied in designated areas.	20%	Yes	2	50% for SRO's 80% all other	Perpetual	2	120%	Perpetual
Santa Monica	Create on-site units; create off-site units; pay in-lieu fee; donate land. Program requirements are only applied in designated areas.	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. Full schedule goes into effect in 2023 for rental and 2025 for ownership.	10% to 17%	Yes	10	15% Low or 10% VL	55	10	15% Low or 10% VL	45
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.	20%	Yes	5	120%	55	5	120%	55
Sonoma County	Create on-site units; create off-site units; pay in-lieu fee; donate land. Program requirements are only applied in designated areas.	10% or 15% / 20%	Yes	1	7.5% @ VL + 7.5% @ Low, or 5% @ ELI + 5% @ VL	55	1	10% @ Low + 10% @ Mod	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

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 COSTA MESA, 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
South Pasadena	Create on-site units; create off-site units; pay in-lieu fee for 3 or 4 rental unit projects, ownership for any size project, & fractional units; rehab existing market rate units; donate land.	20%	No	3	10 or fewer units: multiple options 11 or more units: 10% ELI or VL + 10% Low	55	3	Moderate	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. Full sche	15%		3	5% @ Low + 10% @ Mod	Perpetual	3	5% @ Low + 10% @ Mod	Perpetual
Union City	Create on-site units; create off-site units; pay in-lieu fee. Full sche	15%	No	7	4.5% @ VL + 10.5% @ Low		7	1.5% @ Low + 4.5% @ 100% + 9% @ 120%	
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	As long as resid	2	Low / Mod	As long as resid

APPENDIX A

INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, 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**

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	Create on-site units; create off-site units.	15%	No	2	9% @ Mod + 6% @ VL	45
Monterey	Create on-site units; donate land.	20%	No	6		Perpetual
Mountain View	Create on-site units; pay in-lieu fee.	15%	No	3	100%	55
Rohnert Park	Create on-site units; create off-site units; pay in-lieu fee.	15%	No	50		55
San Leandro	Create on-site units; pay in-lieu fee.	15%	Yes	2	9% @ Mod + 6% @ Low	55
San Mateo County	Create on-site units; create off-site units; pay in-lieu fee; donate land.	20%	No	5	10% @ Low + 10% @ Mod	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% Workforce Santa Ynez: No Workforce 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

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INCLUSIONARY HOUSING PROGRAM SURVEYS - CALIFORNIA
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

Jurisdiction	Compliance Options	Set Aside %	On-site % Varies	Rental Development		Ownership Development		
				Threshold Project Size	% of AMI	Threshold Project Size	% of AMI	Covenant Period

III. Inclusionary for Ownership Projects & Impact Fee for Rental Projects

Fontana	Create on-site units; pay in-lieu fee; develop a reduced percentage at deeper affordability.	10%	No			5	4% @ VL + 4% @ Low + 2% @ Mod	55
Palo Alto	Create on-site units; create off-site units; in-lieu for fractional unit; convert market rate units to affordable units; preserve at-risk housing; donate land.	15% < 5 / 20% 5 acres +	Yes		\$22.69/sf Impact Fee	1	67% @ 80-100% 33% @ 100-120%	99
San Carlos	Create on-site units; create off-site units; pay impact/linkage fee.	15%	Yes			55	10% @ Mod + 5% @ Low	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. Mandatory Inclusionary for Ownership Projects & Voluntary Inclusionary for Rental Projects

Pittsburg	Create on-site units; pay in-lieu fee.	15%/20%	Yes			5	9% @ Mod + 6% @ Low, or 20% @ Mod	30
Salinas	Create on-site units; create off-site units; donate land.	20%	No			10		
San Juan Bautista	Create on-site units; pay impact/linkage fee.	6%				6	80%	
San Luis Obispo	Create on-site units; pay in-lieu fee; donate land.	3% or 5%	Yes			55	3% low or 5% Moderate	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. Rental Projects Only

Fullerton	Applies only to the Transportation Specific Plan area. Create on-site units.	15%	No				5% @ VL + 5% @ Low + 5% @ Mod	55
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, SAN DIEGO, VENTURA & SANTA BARBARA COUNTIES
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, 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%		Fee Schedule: 5 -20 units. Rental: \$0.89 - \$14.30/SF; Ownership: \$1.88 - \$30.00/SF
Agoura Hills	Create on-site units; pay an in-lieu fee for the required Low and/or Moderate Income Units. In-lieu fee cannot be paid to fulfill the very low income requirement.	15%	N/A	10	7% @ VL + 4% @ Low + 4% @ mod	55	10	7% @ VL + 4% @ Low + 4% @ mod	45	Set in 2018 to be consistent with the Affordability gap. \$285,336 per VL apartment unit, \$262,541 per low income condominium unit, and \$427,002 per moderate income single family home.
Brea	Create on-site units; pay in-lieu fee. City provides incentives to mitigate the impact of the requirement.	10%	No	20	Undefined Percentages of Very Low & Low Income	55	20	120%	10	Calculated per project. Based on the Affordability Gap
Carlsbad	Create units; pay in-lieu fee. Reduced requirement is provided if the affordable units are set at very low or extremely low income.	15%	No	1	Low		1	Low		Available up to 6 units. \$8,529 for on SFH. \$15.00/SF for 2-6 unit projects.
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. Reduced requirement is provided if the affordable units are set at very low or extremely low income.	20%	No	2	Low		2	Mod		In-lieu fee paid by right. \$7,000 per market rate unit
Downey	Create on-site units; create off-site units; pay in-lieu fee.	11%/10%	No	10	Mod	>55 or as long as resid	10	Mod	45	Rental: \$23.50/SF - only allowed under extreme hardship. Ownership: \$15.90/SF payable based on City Council criteria

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INCLUSIONARY HOUSING PROGRAM SURVEYS - LOS ANGELES, ORANGE, SAN DIEGO, VENTURA & SANTA BARBARA COUNTIES
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, 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	
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	45	One to 6 unit projects pay an in-lieu fee based on a sliding scale. 7+ unit projects pay \$20 per sf in-lieu fee.
Fillmore	Create on-site units; pay in-lieu fee; donate land.	15%	No	4	20+: 5% ELI or VL & 10%; Low 17-19: 2 low + one ELI or VL; 10-16: 2 low; 5-9:: 1 low	55	4	20+: 5% ELI or VL & 10%; Low 17-19: 2 low + one ELI or VL; 10-16: 2 low; 5-9:: 1 low		
Goleta	Create on-site units; create off-site units; donate land, pay in-lieu fee; acquisition/rehabilitation. Income/Affordability trade off of extremely low and very low income units to low and moderate income units in demonstrated extreme hardship.	25% - reduced to 20% with public benefit	No	2	2.5% @ ELI + 2.5% @ VL+ 5% @ Low + 5% @ Mod + 5% at Above Mod	In general 45 to 55 years, but not less than 30 years	2	2.5% @ ELI + 2.5% @ VL+ 5% @ Low + 5% @ Mod + 5% at Above Mod	In general 45 to 55 years, but not less than 30 years	Equal to the Affordability Gap associated with providing the requisite number of affordable units on site within the market rate project.
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.
Irvine	Projects with fewer than 50 units can create on-site units; convert market rate housing to affordable housing; extend the term of an existing affordable project; pay in-lieu fee; transfer units to a nonprofit housing agency; create off-site units; donate land. Projects with 50+ units must produce the affordable units on site.	15%	No	50 unit threshold for the production requirement	5% @ 50% + 5% @ 80% + 5% @ 120%. Defined credits for deeper affordability & # of bedrooms.	30	50 unit threshold for the production requirement	5% @ 50% + 5% @ 80% + 5% @ 120%. Defined credits for deeper affordability & # of bedrooms.	30	Calculated per project. The calculation methodology is based on the average land value in Irvine, the average density of housing in Irvine, and a defined predevelopment cost allowance. Formula: [(Land Value ÷ Density) + Predevelopment Allowance] x Percentage Share of Cost related to affordable units not being produced

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INCLUSIONARY HOUSING PROGRAM SURVEYS - LOS ANGELES, ORANGE, SAN DIEGO, VENTURA & SANTA BARBARA COUNTIES
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, 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	
Jurupa Valley	Create on-site units; create off-site units; pay in-lieu fee; convert market rate units to affordable units; preserve at-risk housing; donate land.	7%	No	1	25% Mod + 25% Low + 50% VL	55	1	25% Mod + 25% Low + 50% VL	45	\$2.50 per net square foot of living area including garages.
Laguna Beach	Create on-site; pay in-lieu fee.	25%	No	2-subdivision 3-other	Low and Moderate		2-subdivision 3-other	Low and Moderate		\$247,317 per affordable rental unit. \$348,197 per affordable ownership unit or lot.
Laguna Woods	Create on-site units; create off-site units; pay in-lieu fee; donate land.	15%	No	5	7.5% @ VL + 7.5% @ Low	45	5	10% @ Low + 5% @ Mod	45	In-lieu fee is allowed for ownership housing developments that can prove to the City Council's satisfaction that including affordable units is financially infeasible. The fee is calculated based on: the median price of homes sold in Laguna Woods during the last quarter of the previous calendar year minus the affordable price for a 2-bedroom unit.
La Habra	Create on-site units; create off-site units; pay in-lieu fee; acquisition/rehabilitation.	15%	No	10	9% Mod or 6% VL & Low	55	10	110%	45	\$6.50 per square foot of total building area
Long Beach	Create on-site units; pay in-lieu fee; donate land.	11%/10%	No	10	50%	> of 55 yrs or as long as resid	10	120%	> of 55 yrs or as long as resid	Rental @ \$38.00/SF; Ownership @ \$29.10/SF
Norco	Create on-site units; create off-site units; pay in-lieu fee for projects with 20 or fewer units; donate land.	15%	No	5	6% Mod+9% Low Credits for deeper affordability	Perpetual	5	6% Mod+9% Low Credits for deeper affordability	45%	Sliding scale based on square feet of leasable/saleable area: Rental: \$1.34 - \$21.50 Ownership: \$2.91 - \$46.50
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 was set at \$15/SF on 1/1/23 and will increase to \$20/SF on 1/1/24.

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INCLUSIONARY HOUSING PROGRAM SURVEYS - LOS ANGELES, ORANGE, SAN DIEGO, VENTURA & SANTA BARBARA COUNTIES
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, 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	
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	Fee charged per total unit in the project. In 2022: SFH \$36,000; MF Ownership \$35,000; Rental \$28,000
Pasadena	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".	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; SFH @ \$11.40/SF Condominiums @ \$9.30/SF
Poway	Create on-site units; create off-site units; pay in-lieu fee.	15% / 15%- 20%	No		Very Low	55		15% @ Low or 20% @ Mod	45	In-lieu fee is payable by right and is set at \$500 per unit for both rental and ownership housing
Redondo Beach (Proposed)	Create on-site units; created off-site units; pay in-lieu fee up to nine units. Fractional unit obligations are rounded down.	10%-15% / 9%-15%	Yes	2	Moderate	>75 or as long as resid	2	Mod	55	Sliding scale for 2 to 9 unit projects: Rental: extrapolated from \$34.20/SF of total project area. Ownership: extrapolated from \$43.20/SF of total project area.
San Buenaventura	Create on-site units; create off-site units; pay in-lieu fee; preserve or rehab existing housing; donate land.	15% / 10%	No	7	Low	55	7	Mod	45	Ownership @ \$29.80 - \$66.30/SF; Apartments @ \$20.30 - \$48.90/SF
San Clemente	Create on-site units; create off-site units; pay in-lieu fee; donate land.	4%	No	6	Very Low	30	6	Very Low	30	Based on the greater of 1% of construction costs as determined by the Building Division or 2% of the affordability gap determined by the formula in the Housing Element.
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

APPENDIX B

INCLUSIONARY HOUSING PROGRAM SURVEYS - LOS ANGELES, ORANGE, SAN DIEGO, VENTURA & SANTA BARBARA COUNTIES
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, 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	
San Juan Capistrano	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	2		55	2		55	Based on 90% of the Affordability Gap, which is updated monthly based on benchmark market prices
Santa Ana	Only applies to changes in land use and zoning designations. Create on-site units; off-site units; pay in-lieu fee.	Rental: 5% / 15% & Own: 5%	No	5	15% @ Low or 10% @ VL or 5% @ ELI or 5% Low + 3% VL +2% ELI	55	5	120%	55	Fee charged per sf of habitable area: 5-9: \$6.00; 10-14: \$9.00; 15-19: \$12; 20+: \$15. Discounts for use of skilled and trained labor force
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	In 2020 the in-lieu fee for rental projects was set at \$25 per SF. Adjusted annually by the Engineering News Record (ENR) Building Cost Index for Los Angeles. In-lieu fee for ownership units is calculated based on the median price for 2-bedroom condos, a low income standard, and the estimated production cost (sales price - 15% profit). A discount schedule is provided from small units.
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
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	In-Lieu Fee is set on a project-by-project basis.
South Pasadena	Create on-site units; create off-site units; pay in-lieu fee for 3 or 4 rental unit projects, ownership for any size project, & fractional units; rehab existing market rate units; donate land.	20%	No	3	10 or fewer units: multiple options 11 or more units: 10% ELI or VL + 10% Low	55	3	Moderate	55	The in-lieu fee will be set by the City Council. Until that occurs, the fee will be calculated on a project-by-project basis.
West Hollywood	Create on-site units; create off-site units; pay in-lieu fee for 2-10 units projects.	20%	No	2	Low / Mod	As long as resid	2	Low / Mod	As long as resid	Sliding scale: 2 Units @ \$13.63/SF - 10 Units @ \$29.23/SF

APPENDIX B

INCLUSIONARY HOUSING PROGRAM SURVEYS - LOS ANGELES, ORANGE, SAN DIEGO, VENTURA & SANTA BARBARA COUNTIES
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, 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	

II. Inclusionary Requirements: Ownership Projects Only

Carpinteria	Create on-site units; pay in-lieu fee in limited circumstances.	12%	No				5	200%	30	In-lieu fee allowed if infeasibility can be proved. The fee is based on the difference between the median sales price of condominiums and/or single family homes and the affordable price at 121% of AMI with 30% of income dedicated to housing expenses
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% Workforce Santa Ynez: No Workforce Santa Maria & Lompoc: 2.5% VL + 2.5 Low	45 - restarts up to 90	In-Lieu fee is measured per affordable unit. Varies by HMA & income / affordability level. Fee: Very Low & Low are based on the estimated cost for the County to subsidize very low & low income units. Cost of Construction Fee: Moderate & Workforce are based on the median condo sales prices minus 15% of the median price of condos. 2020 Very Low & Low Fees: South Coast \$176,000; Santa Maria \$96,600; Santa Ynez \$146,200; Lompoc \$99,500 2020 Mod & Workforce Fees: South Coast \$658,000; Santa Maria \$248,000; Santa Ynez \$431,600; Lompoc \$227,600

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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APPENDIX C

INCLUSIONARY HOUSING PROGRAM SURVEYS - ORANGE COUNTY
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, 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	
Brea	Create on-site units; pay in-lieu fee. City provides incentives to mitigate the impact of the requirement.	10%	No	20	Undefined Percentages of Very Low & Low Income	55	20	120%	10	Calculated per project. 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.
Irvine	Projects with fewer than 50 units can create on-site units; convert market rate housing to affordable housing; extend the term of an existing affordable project; pay in-lieu fee; transfer units to a nonprofit housing agency; create off-site units; donate land. Projects with 50+ units must produce the affordable units on site.	15%	No	Ordinance applies to all housing projects. 50 unit threshold for the production requirement	5% @ 50% + 5% @ 80% + 5% @ 120%. Defined credits for deeper affordability & # of bedrooms.	30	Ordinance applies to all housing projects. 50 unit threshold for the production requirement	5% @ 50% + 5% @ 80% + 5% @ 120%. Defined credits for deeper affordability & # of bedrooms.	30	Calculated per project. The calculation methodology is based on the average land value in Irvine, the average density of housing in Irvine, and a defined predevelopment cost allowance. Formula: [(Land Value ÷ Density) + Predevelopment Allowance] x Percentage Share of Cost related to affordable units not being produced
Laguna Beach	Create on-site; pay in-lieu fee.	25%	No	2-subdivision 3-other	Low and Moderate		2-subdivision 3-other	Low and Moderate		\$247,317 per affordable rental unit. \$348,197 per affordable ownership unit or lot.
Laguna Woods	Create on-site units; create off-site units; pay in-lieu fee; donate land.	15%	No	5	7.5% @ VL + 7.5% @ Low	45	5	10% @ Low + 5% @ Mod	45	In-lieu fee is allowed for ownership housing developments that can prove to the City Council's satisfaction that including affordable units is financially infeasible. The fee is calculated based on: the median price of homes sold in Laguna Woods during the last quarter of the previous calendar year minus the affordable price for a 2-bedroom unit.
La Habra	Create on-site units; create off-site units; pay in-lieu fee; acquisition/rehabilitation.	15%	No	10	9% Mod or 6% VL & Low	55	10	110%	45	\$6.50 per square foot of total building area

APPENDIX C

INCLUSIONARY HOUSING PROGRAM SURVEYS - ORANGE COUNTY
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, 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	
San Clemente	Create on-site units; create off-site units, pay in-lieu fee; donate land.	4%	No	6	Very Low	30	6	Very Low	30	Based on the greater of 1% of construction costs as determined by the Building Division or 2% of the affordability gap determined by the formula in the Housing Element.
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
Santa Ana	Only applies to changes in land use and zoning designations. Create on-site units; off-site units; pay in-lieu fee.	Rental: 5% / 15% & Own: 5%	No	5	15% @ Low or 10% @ VL or 5% @ ELI or 5% Low + 3% VL +2% ELI	55	5	120%	55	Fee charged per sf of habitable area: 5-9: \$6.00; 10-14: \$9.00; 15-19: \$12; 20+: \$15. Discounts for use of skilled and trained labor force

ATTACHMENT 2

**PROPERTY SALES SURVEYS
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 2: APPENDIX A

LAND SALES
PROPERTY SALES SURVEYS
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA

Address	City	Sale Date	Site Size (SF)	Zoning	Sales Price	
					Total	Per SF
I. Residential Land Sales ¹						
390 Ford Road	Costa Mesa	11/18	19,166	Commercial	\$1,765,000	\$92
17532 Cameron Ln	Huntington Beach	7/22	40,946	R3	\$5,700,000	\$139
2089-2099 Harbor Blvd	Costa Mesa	12/19	66,699	Residential	\$6,000,000	\$90
2602 McGaw Ave	Irvine	3/23	80,586	5.1 IBC Multi Use	\$11,000,000	\$137
671 W 17th Street	Costa Mesa	6/17	94,090	Residential	\$17,100,000	\$182
8371-8461 Talbert Ave	Huntington Beach	8/22	104,544	RL	\$6,150,000	\$59
929 Baker Street	Costa Mesa	1/17	206,004	Industrial	\$21,350,000	\$104
671 W 17th Street	Costa Mesa	5/17	313,632	Commercial	\$35,000,000	\$112
Minimum			19,166		\$1,765,000	\$59
Maximum			313,632		\$35,000,000	\$182
Weighted Average			115,708		\$13,008,125	\$112
II. Commercial Land Sales						
7422 Warner Ave	Huntington Beach	9/22	7,780	RT Flex	\$739,000	\$95
7942 Speer Dr	Huntington Beach	8/22	22,978	Commercial	\$2,100,000	\$91
17850 Von Karman Ave	Irvine	5/23	28,314	5.1 IBC	\$7,500,000	\$265
17771 Fitch	Irvine	3/22	31,000	IBC	\$1,700,000	\$55
17931 Von Karman Ave	Irvine	11/22	67,953	5.1 IBC Multi Use	\$10,800,000	\$159
SWC Main St & Garfield Ave	Huntington Beach	2/22	74,052	Neighborhood Cml	\$5,350,000	\$72
101-105 E 17th Street	Costa Mesa	10/21	114,583	Commercial	\$14,300,000	\$125
18700 Delaware St	Huntington Beach	6/22	169,448	SP 14	\$25,200,000	\$149
18582 Teller Ave	Irvine	11/21	274,428	5.1 IBC	\$38,740,000	\$141
Minimum			7,780		\$739,000	\$55
Maximum			274,428		\$38,740,000	\$265
Weighted Average			87,837		\$11,825,444	\$198

Source: Costar; June 2023

¹ The commercially zoned properties were acquired for subsequent residential development.

ATTACHMENT 2: APPENDIX B

**SALES OF IMPROVED PROPERTIES
PROPERTY SALES SURVEYS
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 2: APPENDIX B - EXHIBIT I

RETAIL BUILDING SALES
 SALES OF IMPROVED PROPERTIES
 PROPERTY SALES SURVEYS
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

Address	City	Sale Date	Tenant	Building Area (SF)	Site Area (SF)	Sales Price		
						Total	Per SF Building Area	Per SF Land Area
I. Commercial Streets								
A. Harbor Boulevard								
2112 Harbor Blvd	Costa Mesa	12/21	OC Archery	1,564	5,227	\$1,325,000	\$847	\$253
2075 Harbor Blvd	Costa Mesa	12/21	Red-e-rentals	3,993	28,314	\$4,200,000	\$1,052	\$148
2035 Harbor Blvd	Costa Mesa	1/23	Multiple Tenants	4,116	17,860	\$1,818,500	\$442	\$102
1921-1925 Harbor Blvd	Costa Mesa	9/21	Multiple Tenants	7,360	16,553	\$6,400,000	\$870	\$387
Minimum				1,564	5,227	\$1,325,000	\$442	\$102
Maximum				7,360	28,314	\$6,400,000	\$1,052	\$387
Weighted Average				4,258	16,988	\$3,435,875	\$803	\$202
B. Newport Boulevard								
1854 Newport Blvd	Costa Mesa	8/21	Dippity Donut	1,236	11,326	\$5,000,000	\$4,045	\$441
2013 Newport Blvd	Costa Mesa	6/21	Chiropractor	3,566	13,473	\$5,000,000	\$1,402	\$371
2332 Newport Blvd	Costa Mesa	6/21	Multiple Tenants	3,790	9,148	\$2,100,000	\$554	\$230
1816 Newport Blvd	Costa Mesa	9/22	Storefront	5,300	5,663	\$2,225,000	\$420	\$393
Minimum				1,236	5,663	\$2,100,000	\$420	\$230
Maximum				5,300	13,473	\$5,000,000	\$4,045	\$441
Weighted Average				3,473	9,902	\$3,581,250	\$1,605	\$362
C. 17th Street								
424 E 17th St	Costa Mesa	12/21	Peet's Coffee & Tea	1,534	27,007	\$1,365,072	\$890	\$51
124 E 17th St	Costa Mesa	9/21	2 tenants	2,340	8,712	\$3,800,000	\$1,624	\$436
428 E 17th Street	Costa Mesa	12/21	Restaurant	4,759	13,068	\$4,234,928	\$890	\$324
Minimum				1,534	8,712	\$1,365,072	\$890	\$51
Maximum				4,759	27,007	\$4,234,928	\$1,624	\$436
Weighted Average				2,878	16,262	\$3,133,333	\$1,135	\$193

ATTACHMENT 2: APPENDIX B - EXHIBIT I

RETAIL BUILDING SALES
 SALES OF IMPROVED PROPERTIES
 PROPERTY SALES SURVEYS
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

Address	City	Sale Date	Tenant	Building Area (SF)	Site Area (SF)	Sales Price		
						Total	Per SF Building Area	Per SF Land Area
II. <u>Anchor Retail</u>¹								
1750 Newport Blvd	Costa Mesa	7/21	Grant Boys	12,000	23,522	\$3,200,000	\$267	\$136
1844 Newport Blvd	Costa Mesa	7/21	Lightstyles	15,784	21,000	\$6,000,000	\$380	\$286
620 W 17th St	Costa Mesa	9/22	Petsmart	19,730	58,806	\$11,500,000	\$583	\$196
851 N Harbor Blvd	La Habra	10/21	Stater Bros.	20,784	74,052	\$7,000,000	\$337	\$95
26752 Portola Pky	Foothill Ranch	6/21	Michael's	25,000	114,563	\$4,850,000	\$194	\$42
Minimum				12,000	21,000	\$3,200,000	\$194	\$42
Maximum				25,000	114,563	\$11,500,000	\$583	\$286
Weighted Average				18,660	58,389	\$6,510,000	\$352	\$111
III. <u>Auto Retail</u>								
400 E 17th St	Costa Mesa	6/21	Valvoline	1,533	9,583	\$3,109,000	\$2,028	\$324
12972 Newport Ave	Tustin	9/21	Valvoline	1,800	13,504	\$3,200,000	\$1,778	\$237
9032 Adams Ave	Huntington Beach	6/22	Jiffy Lube	2,511	14,810	\$2,248,000	\$895	\$152
1470 Dale Way	Costa Mesa	7/21	McClaren Auto Repair	6,439	11,761	\$2,668,528	\$414	\$227
3005 Harbor Blvd	Costa Mesa	12/22	Just Tires	8,402	25,700	\$3,700,000	\$440	\$144
2541 El Camino Real	Tustin	7/21	Goodyear	8,900	44,431	\$6,596,000	\$741	\$148
2146-2156 W Lincolna Ave	Anaheim	10/22	Firestone	9,440	38,986	\$3,225,000	\$342	\$83
2929 Harbor Blvd	Costa Mesa	9/21	Auto Dealership	18,368	148,104	\$11,600,000	\$632	\$78
1425 Baker St	Costa Mesa	7/21	Auto Dealership	20,705	82,764	\$5,331,472	\$257	\$64
Minimum				1,533	9,583	\$2,248,000	\$257	\$64
Maximum				20,705	148,104	\$11,600,000	\$2,028	\$324
Weighted Average				8,678	43,294	\$4,630,889	\$458	\$107

Source: Costar; June 2023

¹ Anchor Retail consists of stores between 10,000 and 25,000 square feet. They can be on single use sites or located in a center but under separate ownership.

ATTACHMENT 2: APPENDIX B - EXHIBIT II

INDUSTRIAL & OFFICE BUILDING SALES
 SALES OF IMPROVED PROPERTIES
 PROPERTY SALES SURVEYS
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

Address	City	Sale Date	Zoning	Building Area (SF)	Site Area (SF)	Sales Price		
						Total	Per SF Building Area	Per SF Land Area
I. Industrial Buildings								
3539 Howard Way	Costa Mesa	9/22	MP	12,588	135,472	\$23,250,000	\$1,847	\$172
3128 Red Hill Ave	Costa Mesa	1/22	MP	28,583	144,184	\$20,259,079	\$709	\$141
3115 Red Hill Ave	Costa Mesa	12/21	MP	12,463	53,579	\$6,435,000	\$516	\$120
141 E 16th St	¹ Costa Mesa	12/21	C-2	7,586	29,621	\$6,500,000	\$857	\$219
770 W 19th St	Costa Mesa	6/22	C-1	3,000	10,454	\$2,200,000	\$733	\$210
3121 Red Hill Ave	Costa Mesa	12/21	C-L	15,571	48,352	\$6,880,000	\$442	\$142
1720 Whittier Ave	Costa Mesa	9/21	MG	2,562	7,841	\$2,290,000	\$894	\$292
722 W 16th St	Costa Mesa	11/21	MG	3,000	9,148	\$1,623,000	\$541	\$177
3130 Airway Ave	Costa Mesa	8/21	CL	20,069	55,321	\$5,100,000	\$254	\$92
385 Clinton St	Costa Mesa	5/22	MP	53,120	139,392	\$16,500,000	\$311	\$118
1618 Ohms Way	Costa Mesa	7/22	MG	6,572	16,117	\$4,400,000	\$670	\$273
333 McCormick Ave	Costa Mesa	2/22	MP	22,500	52,272	\$9,000,000	\$400	\$172
775-777 W 16th St	Costa Mesa	11/21	MG	17,180	37,897	\$2,550,000	\$148	\$67
1690 Scenic Ave	Costa Mesa	5/22	MP	34,885	67,082	\$10,605,500	\$304	\$158
345 McCormick Ave	Costa Mesa	11/21	MP	28,400	52,708	\$11,155,200	\$393	\$212
Minimum				2,562	7,841	\$1,623,000	\$148	\$67
Maximum				53,120	144,184	\$23,250,000	\$1,847	\$292
Weighted Average				17,872	57,296	\$8,583,185	\$601	\$150

ATTACHMENT 2: APPENDIX B - EXHIBIT II

INDUSTRIAL & OFFICE BUILDING SALES
 SALES OF IMPROVED PROPERTIES
 PROPERTY SALES SURVEYS
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

Address	City	Sale Date	Zoning	Building Area (SF)	Site Area (SF)	Sales Price		
						Total	Per SF Building Area	Per SF Land Area
II. Office Building Sales								
534 W 19th St	Costa Mesa	5/23	C2	3,828	12,197	\$2,630,000	\$687	\$216
3161 Airway Ave	Costa Mesa	2/22		4,360	5,227	\$480,000	\$110	\$92
2925 Bristol St	Costa Mesa	3/23	C2	5,226	17,424	\$3,800,000	\$727	\$218
1831 Orange Ave	Costa Mesa	4/22	66 Pro, Med	6,420	23,958	\$3,200,000	\$498	\$134
1122 Bristol St - Bldg B	Costa Mesa	3/22	C3	14,193	34,848	\$5,950,000	\$419	\$171
345 E Baker St	Costa Mesa	8/22	PDI	33,463	67,518	\$11,042,790	\$330	\$164
3330 Harbor Blvd	Costa Mesa	1/22	MP	53,908	134,165	\$16,579,000	\$308	\$124
Minimum				3,828	5,227	\$480,000	\$110	\$92
Maximum				53,908	134,165	\$16,579,000	\$727	\$218
Weighted Average				17,343	42,191	\$6,240,256	\$440	\$148

Source: Costar; June 2023

¹ The property is located in the 19 West Overlay Plan area. This allows for mixed use and live/work development at up to 1.0 FAR.

ATTACHMENT 2: APPENDIX B - EXHIBIT III

MOTEL SALES
 SALES OF IMPROVED PROPERTIES
 PROPERTY SALES SURVEYS
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

Name	Address	City	Sale Date	Number of Rooms	Site Area (SF)	Sales Price		
						Total	Per Room	Per SF Land Area
Pine Knot Motel	6302 W Coast Hwy	Newport Beach	8/21	12	8,712	\$2,200,000	\$183,333	\$253
La Vista Inn Motel	¹ 2435 S El Camino Real	San Clemente	5/23	12	12,197	\$3,190,000	\$265,833	\$262
Sun N Sands Motel	1102 Pacific Coast Hwy	Huntington Beach	3/22	17	16,177	\$2,370,000	\$139,412	\$147
Star Inn	2656 Newport Blvd	Costa Mesa	10/22	30	19,824	\$5,750,000	\$191,667	\$290
Minimum				12	8,712	\$2,200,000	\$139,412	\$147
Maximum				30	19,824	\$5,750,000	\$265,833	\$290
Weighted Average				18	14,228	\$3,377,500	\$195,061	\$237

Source: Costar; June 2023

¹ The motel was purchased by the Friendship Shelter for affordable housing purposes.

ATTACHMENT 3
AFFORDABLE HOUSING COST CALCULATION METHODOLOGIES
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA

APPENDIX A

AFFORDABLE RENT CALCULATION METHODOLOGY

ASSUMPTIONS

The Affordable Rent calculations are presented in Attachment 4 – Appendix B. The calculations are based on the following assumptions:

1. The household income information used in the calculations is based on 2023 income statistics for Orange County as a whole. This information is published annually by the United States Department of Housing and Urban Development (HUD) and distributed by the California Department of Housing and Community Development (HCD).
2. The household size appropriate for the unit is based on the California Health and Safety Code (H&SC) Section 50052.5 standard of 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 a benchmark that is used for calculation purposes only. It is neither an occupancy minimum nor a maximum.
3. The benchmark household incomes used in the Affordable Rent analyses are based on the following standards:
 - a. The low income rents are based on 80% of area median income (AMI). This percentage of AMI is based on the standard imposed in Assembly Bill 1505.
 - b. The very low income rents are based on 50% of AMI, which is the standard imposed by H&SC Section 50053.
 - c. The affordable rents used in the California Government Code Section 65915 et seq. density bonus analyses are based on the household income standards imposed by H&SC Section 50053.
4. Thirty percent (30%) of defined household income is allocated to housing-related expenses.

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

5. The following monthly utilities allowances were applied in this analysis.²

Utility Allowances Apartment Development Prototypes	
Number of Bedrooms	Monthly Utilities Allowances
Studio	\$91
1	\$106
2	\$141
3	\$174

AFFORDABLE RENTS

The resulting affordable rents are presented in the following table:

Affordable Rents Apartment Development Prototypes		
Number of Bedrooms	Low Income	Very Low Income
Studio	\$1,698	\$1,027
1	\$1,939	\$1,172
2	\$2,159	\$1,297
3	\$2,382	\$1,424

² Utilities allowances are based on utilities costs comprised of electric heating, cooking and water heating; and basic electric. The allowances are based on the Orange County Housing Authority schedule effective as of October 1, 2022.

APPENDIX B

AFFORDABLE SALES PRICE CALCULATION METHODOLOGY

ASSUMPTIONS

The Affordable Sales Price calculations are presented in Attachment 5 – Appendix B. The calculations are based on the following assumptions:

1. The household income information used in the calculations is based on 2023 income statistics for Orange County as a whole:
 - a. The household incomes for low income households is produced by HUD and distributed by HCD.
 - b. The household incomes for moderate income households are produced and distributed annually by HCD.
2. The Affordable Sales Price estimates are based on the calculation methodology imposed by 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. As discussed previously, this is not an occupancy minimum or maximum. Rather, it is a benchmark that creates a consistent Affordable Sales Price calculation methodology.

Household Income

For calculation purposes only, H&SC Section 50052.5 applies benchmark household incomes as the standard for determining the Affordable Sales Prices. These benchmarks are based on the following percentages of the Orange County AMI:

Income Category	% of AMI
Moderate	110%
Low	70%

The identified benchmark percentages of AMI are not income caps. The household income qualification standards are set at the upper limits presented in the HCD and are based on the actual size of the homebuyer’s household.

Income Allocated to Housing-Related Expenses

H&SC Section 50052.5 allocates the following percentages of the benchmark household incomes to the payment of housing-related expenses:

Income Category	% of Benchmark Income
Moderate	35%
Low	30%

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		
Number of Bedrooms	Monthly Utilities Allowances ³	Monthly HOA, Insurance & Maintenance
2	\$242	\$350
3	\$308	\$400
4	\$381	\$450

³Utilities allowances are based on utilities costs comprised of electric heating, cooking and water heating; basic electric; and water, sewer and trash services. The allowances are based on the Orange County Housing Authority schedule effective as of October 1, 2022.

The property tax expense estimates are based on 1.15% of the defined Affordable Sales Prices. This assumes that the City will require the homes to be resold on an Affordable Sales Price throughout one cumulative 45-year covenant period.

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 7.24% interest rate.⁴

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.

AFFORDABLE SALES PRICES

The resulting Affordable Sales Prices are estimated as follows:

Affordable Sales Prices		
Ownership Housing Development Prototypes		
Number of Bedrooms	Moderate Income	Low Income
2	\$472,000	\$221,300
3	\$500,400	\$229,700
4	\$528,300	\$237,300

⁴ Based on a 100 basis points premium applied to the Freddie Mac monthly average, between July 2022 and June 2022, for a fixed-interest rate loan with a 30-year amortization period.

ATTACHMENT 4

**APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4

RENT SURVEY

APARTMENT DEVELOPMENT

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

COSTA MESA, CALIFORNIA

ATTACHMENT 4: APPENDIX A

RENT SURVEY
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

Name	Address			# of Units	Unit Size (SF)	Average Effective Rent		Year Built	
						Total	Per SF		
I. Studio Units									
580 Anton	580 Anton Blvd	Costa Mesa	92626	5	506	\$2,365	\$4.67	2018	
3400 Avenue of the Arts Apartments	3400 Avenue of the Arts	Costa Mesa	92626	85	539	\$2,315	\$4.29	1987	
Baker Block	123 Baker Street E	Costa Mesa	92626	31	623	\$2,346	\$3.77	2018	
Wimbledon Glen	1142 Buckingham Dr	Costa Mesa	92626	50	505	\$1,999	\$3.96	1985	
27 Seventy Five Mesa Verde	2775 Mesa Verde Dr	Costa Mesa	92626	64	480	\$2,084	\$4.34	1979	
					Minimum	480	\$1,999	\$3.77	
					Maximum	623	\$2,365	\$4.67	
					Weighted Average	526	\$2,190	\$4.17	
II. One-Bedroom Units									
580 Anton	580 Anton Blvd	Costa Mesa	92626	165	745	\$2,879	\$3.86		
Halcyon House	585 Anton Blvd	Costa Mesa	92626	221	741	\$3,022	\$4.08		
3400 Avenue of the Arts Apartments	3400 Avenue of the Arts	Costa Mesa	92626	349	756	\$2,637	\$3.49		
Baker Block	123 Baker Street E	Costa Mesa	92626	108	789	\$2,730	\$3.46		
Blue Sol	421 Bernard Street	Costa Mesa	92627	73	771	\$2,592	\$3.36	2014	
Wimbledon Glen	1142 Buckingham Dr	Costa Mesa	92626	102	942	\$2,649	\$2.81		
The Enclave at South Coast	400 Enclave Circle	Costa Mesa	92626	459	731	\$2,787	\$3.81	2008	
27 Seventy Five Mesa Verde	2775 Mesa Verde Dr	Costa Mesa	92626	468	780	\$2,451	\$3.14		
Azulon at Mesa Verde	1500 Mesa Verde Dr E	Costa Mesa	92626	132	834	\$2,559	\$3.07	2014	
					Minimum	731	\$2,451	\$2.81	
					Maximum	942	\$3,022	\$4.08	
					Weighted Average	770	\$2,687	\$3.51	

ATTACHMENT 4: APPENDIX A

RENT SURVEY
 APARTMENT DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

Name	Address			# of Units	Unit Size (SF)	Average Effective Rent		Year Built
						Total	Per SF	
III. Two-Bedroom Units								
580 Anton	580 Anton Blvd	Costa Mesa	92626	80	1,144	\$3,780	\$3.30	
Halcyon House	585 Anton Blvd	Costa Mesa	92626	172	1,230	\$4,149	\$3.37	
3400 Avenue of the Arts Apartments	3400 Avenue of the Arts	Costa Mesa	92626	336	1,228	\$3,306	\$2.69	
Baker Block	123 Baker Street E	Costa Mesa	92626	93	1,124	\$3,376	\$3.00	
Blue Sol	421 Bernard Street	Costa Mesa	92627	30	1,110	\$3,555	\$3.20	
Wimbledon Glen	1142 Buckingham Dr	Costa Mesa	92626	92	1,146	\$2,872	\$2.51	
The Enclave at South Coast	400 Enclave Circle	Costa Mesa	92626	431	1,033	\$3,353	\$3.25	
27 Seventy Five Mesa Verde	2775 Mesa Verde Dr	Costa Mesa	92626	408	1,119	\$2,972	\$2.66	
Azulon at Mesa Verde	1500 Mesa Verde Dr E	Costa Mesa	92626	83	1,075	\$3,045	\$2.83	
					Minimum	1,033	\$2,872	\$2.51
					Maximum	1,230	\$4,149	\$3.37
					Weighted Average	1,130	\$3,317	\$2.94
IV. Three-Bedroom Units								
321 Avocado Street	321 Avocado Street	Costa Mesa	92627	18	1,222	\$3,406	\$2.79	
Baker Block	123 Baker Street E	Costa Mesa	92626	8	1,452	\$4,540	\$3.13	
Blue Sol	421 Bernard Street	Costa Mesa	92627	10	1,448	\$4,539	\$3.13	
27 Seventy Five Mesa Verde	2775 Mesa Verde Dr	Costa Mesa	92626	24	1,456	\$3,931	\$2.70	
					Minimum	1,222	\$3,406	\$2.70
					Maximum	1,456	\$4,540	\$3.13
					Weighted Average	1,384	\$3,956	\$2.86

Source: CoStar; April 2023

ATTACHMENT 4: APPENDIX B

**AFFORDABLE RENT CALCULATIONS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX B

**AFFORDABLE RENT CALCULATIONS
2023 INCOME STANDARDS
APARTMENT DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

		Studio Units	One-Bedroom Units	Two-Bedroom Units	Three- Bedroom Units
I. <u>General Assumptions</u>					
Area Median Income (AMI)	1	\$89,450	\$102,250	\$115,000	\$127,800
Monthly Utilities Allowance	2	\$91	\$106	\$141	\$174
II. <u>Affordable Rent Calculations</u>					
A. <u>Low Income - Rent Based on 80% AMI</u>	3				
Benchmark Annual Household Income		\$71,560	\$81,800	\$92,000	\$102,240
Percentage of Income Allotted to Housing Expenses		30%	30%	30%	30%
Annual Income Available for Housing Expenses		\$21,468	\$24,540	\$27,600	\$30,672
Monthly Income Available for Housing Expenses		\$1,789	\$2,045	\$2,300	\$2,556
(Less) Monthly Utilities Allowance		(91)	(106)	(141)	(174)
Maximum Allowable Rent		\$1,698	\$1,939	\$2,159	\$2,382
B. <u>Very Low Income - Rent Based on 50% AMI</u>	4				
Benchmark Annual Household Income		\$44,725	\$51,125	\$57,500	\$63,900
Percentage of Income Allotted to Housing Expenses		30%	30%	30%	30%
Annual Income Available for Housing Expenses		\$13,418	\$15,338	\$17,250	\$19,170
Monthly Income Available for Housing Expenses		\$1,118	\$1,278	\$1,438	\$1,598
(Less) Monthly Utilities Allowance		(91)	(106)	(141)	(174)
Maximum Allowable Rent		\$1,027	\$1,172	\$1,297	\$1,424

¹ Based on the 2023 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 allowance schedule effective as of October 1, 2022. Assumes: Electric Cooking, Electric Heating, and Electric Water Heater; and Basic Electric.

³ Based on 80% of AMI. This percentage of AMI is based on the standard identified in AB 1505.

⁴ Based on 50% of AMI. This percentage of AMI is based on the standard identified in California Health & Safety Code Section 50053.

ATTACHMENT 4: APPENDIX C

**PRO FORMA ANALYSES
NORTH COSTA MESA
OVERLAY ZONE APARTMENT PROPERTIES
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX C - EXHIBIT I

**PRO FORMA ANALYSIS
MARKET RATE SCENARIO
NORTH COSTA MESA: BASE ZONING
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX C - EXHIBIT I - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 MARKET RATE SCENARIO
 NORTH COSTA MESA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	1				
On-Site Improvements / Landscaping		174,240	Sf of Land	\$20 /Sf of Land	\$3,485,000
Parking	2				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		232	Spaces	\$20,000 /Space	4,640,000
1st Level Subterranean		188	Spaces	\$35,000 /Space	6,580,000
Building Costs		223,980	Sf of GLA	\$195 /Sf of GLA	43,676,000
Contractor/DC Contingency Allow	3		20% Other Direct Costs		11,676,000
Total Direct Costs		223,980	Sf of GLA	\$313 /Sf of GLA	\$70,057,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$4,203,000
Public Permits & Fees	4	240	Units	\$27,600 /Unit	6,624,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		1,401,000
Marketing		240	Units	\$2,500 /Unit	600,000
Developer Fee			5% Direct Costs		3,503,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		817,000
Total Indirect Costs					\$17,148,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	5	\$29,646,000	Cost	6.2% Avg Rate	\$2,757,000
Construction	6	\$96,481,000	Cost	6.2% Avg Rate	5,384,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	1,135,000
Total Financing Costs					\$9,276,000
IV. Total Construction Cost		240	Units	\$402,000 /Unit	\$96,481,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX C - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 MARKET RATE SCENARIO
 NORTH COSTA MESA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>				
A. Market Rate Units ¹				
Studio Units	12 Units @	\$2,410 /Unit/Month	\$347,000	
One-Bedroom Units	120 Units @	\$2,970 /Unit/Month	4,277,000	
Two-Bedroom Units	96 Units @	\$3,660 /Unit/Month	4,216,000	
Three-Bedroom Units	12 Units @	\$4,400 /Unit/Month	634,000	
B. Miscellaneous Income				
	240 Units @	\$75 /Unit/Month	216,000	
Total Gross Income			\$9,690,000	
Vacancy & Collection Allowance	5% Gross Income		(485,000)	
II. Effective Gross Income				\$9,205,000
III. <u>Operating Expenses</u>				
General Operating Expenses	240 Units @	\$4,500 /Unit	\$1,080,000	
Property Taxes	240 Units @	\$6,600 /Unit	1,577,000	
Replacement Reserve Deposits	240 Units @	\$150 /Unit	36,000	
Total Operating Expenses			(\$2,693,000)	
IV. <u>Stabilized Net Operating Income</u>				\$6,512,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.52 per square foot of leasable area.

² The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX C - EXHIBIT I - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 MARKET RATE SCENARIO
 NORTH COSTA MESA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX C - EXHIBIT I - TABLE 2			\$6,512,000
Capitalization Rate				4.75%
Estimated Project Value				<u>\$137,095,000</u>
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX C - EXHIBIT I - TABLE 1			\$96,481,000
Threshold Developer Profit	8% of Value			<u>10,968,000</u>
Total Project Cost				(\$107,449,000)
III. <u>Estimated Residual Land Value</u>	174,240 Sf of Land	\$170 /Sf of Land		<u>\$29,646,000</u>

ATTACHMENT 4: APPENDIX C - EXHIBIT I - TABLE 4

TARGET RESIDUAL LAND VALUE ANALYSIS
 MARKET RATE SCENARIO
 NORTH COSTA MESA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Land Value</u>					
North Costa Mesa			See ATTACHMENT 4: APPENDIX C - EXHIBIT I - TABLE 3		\$29,646,000
Vacant Business Park Land	¹	174,240	Sf of Land	\$65 /Sf of Land	11,326,000
Estimated Value Enhancement					\$18,320,000
II. <u>Value Enhancement Funds Available for Inclusionary Housing</u>					
Estimated Value Enhancement					\$18,320,000
Share Allocated to Inclusionary Housing					50%
Value Enhancement Funds Available for Inclusionary Housing					\$9,160,000
III. <u>Target Residual Land Value</u>					
Estimated Land Value: North Costa Mesa					\$29,646,000
Minus Value Enhancement Funds Available for Inclusionary Housing					(9,160,000)
Target Residual Land Value					\$20,486,000
IV. <u>Supportable In-Lieu Fee</u>					
	²	223,980	Sf of GLA	\$41 /Sf of GLA	\$9,160,000

¹ See ATTACHMENT 2: PROPERTY SALES SURVEYS.

² Based on the Value Enhancement Funds Available for Inclusionary Housing.

ATTACHMENT 4: APPENDIX C - EXHIBIT II

**PRO FORMA ANALYSIS
RECOMMENDED REQUIREMENT: 19% LOW INCOME UNITS
NORTH COSTA MESA: BASE ZONING
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX C - EXHIBIT II - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 RECOMMENDED REQUIREMENT: 19% LOW INCOME UNITS
 NORTH COSTA MESA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		174,240	Sf of Land	\$20 /Sf of Land	\$3,485,000
Parking	²				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		232	Spaces	\$20,000 /Space	4,640,000
1st Level Subterranean		188	Spaces	\$35,000 /Space	6,580,000
Building Costs		223,980	Sf of GLA	\$195 /Sf of GLA	43,676,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		11,676,000
Total Direct Costs		223,980	Sf of GLA	\$313 /Sf of GLA	\$70,057,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$4,203,000
Public Permits & Fees - All Converted to	⁵	240	Units	\$27,600 /Unit	6,624,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		1,401,000
Marketing		240	Units	\$2,500 /Unit	600,000
Developer Fee			5% Direct Costs		3,503,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		817,000
Total Indirect Costs					\$17,148,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁴	\$20,635,000	Cost	6.2% Avg Rate	\$1,919,000
Construction	⁵	\$95,498,000	Cost	6.2% Avg Rate	5,329,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	1,045,000
Total Financing Costs					\$8,293,000
IV. Total Construction Cost		240	Units	\$398,000 /Unit	\$95,498,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX C - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 19% LOW INCOME UNITS
 NORTH COSTA MESA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>				
A. Market Rate Units ¹				
Studio Units	10 Units @	\$2,410 /Unit/Month		\$289,000
One-Bedroom Units	97 Units @	\$2,970 /Unit/Month		3,457,000
Two-Bedroom Units	78 Units @	\$3,660 /Unit/Month		3,426,000
Three-Bedroom Units	10 Units @	\$4,400 /Unit/Month		528,000
B. Low Income Units ²				
Studio Units	2 Units @	\$1,698 /Unit/Month		41,000
One-Bedroom Units	23 Units @	\$1,939 /Unit/Month		535,000
Two-Bedroom Units	18 Units @	\$2,159 /Unit/Month		466,000
Three-Bedroom Units	2 Units @	\$2,382 /Unit/Month		57,000
C. Miscellaneous Income				
	240 Units @	\$75 /Unit/Month		216,000
Total Gross Income				\$9,015,000
Vacancy & Collection Allowance	5% Gross Income			(451,000)
II. Effective Gross Income				\$8,564,000
III. <u>Operating Expenses</u>				
General Operating Expenses	240 Units @	\$4,500 /Unit		\$1,080,000
Property Taxes	240 Units @	\$6,100 /Unit		1,452,000
Replacement Reserve Deposits	240 Units @	\$150 /Unit		36,000
Total Operating Expenses				(\$2,568,000)
IV. <u>Stabilized Net Operating Income</u>				\$5,996,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.52 per square foot of leasable area.

² Based on 80% of AMI. This percentage of AMI is based on the standard identified in AB 1505. See ATTACHMENT 4: APPENDIX B.

³ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX C - EXHIBIT II - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 RECOMMENDED REQUIREMENT: 19% LOW INCOME UNITS
 NORTH COSTA MESA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX C - EXHIBIT II - TABLE 2			\$5,996,000
Capitalization Rate				4.75%
Estimated Project Value				<u>\$126,232,000</u>
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX C - EXHIBIT II - TABLE 1			\$95,498,000
Threshold Developer Profit	8% of Value			10,099,000
Total Project Cost				<u>(\$105,597,000)</u>
III. <u>Estimated Residual Land Value</u>	174,240 Sf of Land	\$118 /Sf of Land		<u>\$20,635,000</u>

ATTACHMENT 4: APPENDIX C - EXHIBIT III

**PRO FORMA ANALYSIS
RECOMMENDED REQUIREMENT: 12% VERY LOW INCOME UNITS
NORTH COSTA MESA: BASE ZONING
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX C - EXHIBIT III - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 RECOMMENDED REQUIREMENT: 12% VERY LOW INCOME UNITS
 NORTH COSTA MESA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		174,240	Sf of Land	\$20 /Sf of Land	\$3,485,000
Parking	²				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		232	Spaces	\$20,000 /Space	4,640,000
1st Level Subterranean		188	Spaces	\$35,000 /Space	6,580,000
Building Costs		223,980	Sf of GLA	\$195 /Sf of GLA	43,676,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		11,676,000
Total Direct Costs		223,980	Sf of GLA	\$313 /Sf of GLA	\$70,057,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$4,203,000
Public Permits & Fees - All Converted to	⁵	240	Units	\$27,600 /Unit	6,624,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		1,401,000
Marketing		240	Units	\$2,500 /Unit	600,000
Developer Fee			5% Direct Costs		3,503,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		817,000
Total Indirect Costs					\$17,148,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁴	\$20,531,000	Cost	6.2% Avg Rate	\$1,909,000
Construction	⁵	\$95,486,000	Cost	6.2% Avg Rate	5,328,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	1,044,000
Total Financing Costs					\$8,281,000
IV. Total Construction Cost			240 Units	\$398,000 /Unit	\$95,486,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX C - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 12% VERY LOW INCOME UNITS
 NORTH COSTA MESA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>				
A. Market Rate Units 1				
Studio Units	10 Units @	\$2,410 /Unit/Month		\$289,000
One-Bedroom Units	106 Units @	\$2,970 /Unit/Month		3,778,000
Two-Bedroom Units	85 Units @	\$3,660 /Unit/Month		3,733,000
Three-Bedroom Units	11 Units @	\$4,400 /Unit/Month		581,000
B. Very Low Income Units 2				
Studio Units	2 Units @	\$1,027 /Unit/Month		25,000
One-Bedroom Units	14 Units @	\$1,172 /Unit/Month		197,000
Two-Bedroom Units	11 Units @	\$1,297 /Unit/Month		171,000
Three-Bedroom Units	1 Unit @	\$1,424 /Unit/Month		17,000
C. Miscellaneous Income 240 Units @				
		\$75 /Unit/Month		216,000
Total Gross Income				\$9,007,000
Vacancy & Collection Allowance	5% Gross Income			(450,000)
II. Effective Gross Income				\$8,557,000
III. <u>Operating Expenses</u>				
General Operating Expenses	240 Units @	\$4,500 /Unit		\$1,080,000
Property Taxes	240 Units @	\$6,000 /Unit		1,451,000
Replacement Reserve Deposits	240 Units @	\$150 /Unit		36,000
Total Operating Expenses				(\$2,567,000)
IV. <u>Stabilized Net Operating Income</u>				\$5,990,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.52 per square foot of leasable area.

² Based on 50% of AMI. This percentage of AMI is based on the standard identified in California Health & Safety Code Section 50053. See ATTACHMENT 4: APPENDIX B.

³ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX C - EXHIBIT III - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 RECOMMENDED REQUIREMENT: 12% VERY LOW INCOME UNITS
 NORTH COSTA MESA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX C - EXHIBIT III - TABLE 2			\$5,990,000
Capitalization Rate				4.75%
Estimated Project Value				<u>\$126,105,000</u>
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX C - EXHIBIT III - TABLE 1			\$95,486,000
Threshold Developer Profit	8% of Value			<u>10,088,000</u>
Total Project Cost				(\$105,574,000)
III. <u>Estimated Residual Land Value</u>	174,240	Sf of Land	\$118	/Sf of Land
				\$20,531,000

ATTACHMENT 4: APPENDIX C - EXHIBIT IV

PRO FORMA ANALYSIS

RECOMMENDED REQUIREMENT:

11% LOW INCOME UNITS + 5% VERY LOW INCOME UNITS

NORTH COSTA MESA: BASE ZONING

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

COSTA MESA, CALIFORNIA

ATTACHMENT 4: APPENDIX C - EXHIBIT IV - TABLE 1

ESTIMATED CONSTRUCTION COSTS
RECOMMENDED REQUIREMENT: 11% LOW INCOME UNITS + 5% VERY LOW INCOME UNITS
NORTH COSTA MESA: BASE ZONING
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		174,240	Sf of Land	\$20 /Sf of Land	\$3,485,000
Parking	²				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		232	Spaces	\$20,000 /Space	4,640,000
1st Level Subterranean		188	Spaces	\$35,000 /Space	6,580,000
Building Costs		223,980	Sf of GLA	\$195 /Sf of GLA	43,676,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		11,676,000
Total Direct Costs		223,980	Sf of GLA	\$313 /Sf of GLA	\$70,057,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$4,203,000
Public Permits & Fees - All Converted to	⁵	240	Units	\$27,600 /Unit	6,624,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		1,401,000
Marketing		240	Units	\$2,500 /Unit	600,000
Developer Fee			5% Direct Costs		3,503,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		817,000
Total Indirect Costs					\$17,148,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁴	\$20,321,000	Cost	6.2% Avg Rate	\$1,890,000
Construction	⁵	\$95,464,000	Cost	6.2% Avg Rate	5,327,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	1,042,000
Total Financing Costs					\$8,259,000
IV. Total Construction Cost		240	Units	\$398,000 /Unit	\$95,464,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX C - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 11% LOW INCOME UNITS + 5% VERY LOW INCOME UNITS
 NORTH COSTA MESA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

1

Studio Units	11 Units @	\$2,410 /Unit/Month	\$318,000
One-Bedroom Units	101 Units @	\$2,970 /Unit/Month	3,600,000
Two-Bedroom Units	80 Units @	\$3,660 /Unit/Month	3,514,000
Three-Bedroom Units	10 Units @	\$4,400 /Unit/Month	528,000

B. **Low Income Units**

2

Studio Units	1 Unit @	\$1,698 /Unit/Month	20,000
One-Bedroom Units	13 Units @	\$1,939 /Unit/Month	302,000
Two-Bedroom Units	11 Units @	\$2,159 /Unit/Month	285,000
Three-Bedroom Units	1 Unit @	\$2,382 /Unit/Month	29,000

B. **Very Low Income Units**

3

Studio Units	0 Units @	\$1,027 /Unit/Month	0
One-Bedroom Units	6 Units @	\$1,172 /Unit/Month	84,000
Two-Bedroom Units	5 Units @	\$1,297 /Unit/Month	78,000
Three-Bedroom Units	1 Unit @	\$1,424 /Unit/Month	17,000

C. **Miscellaneous Income**

240 Units @	\$75 /Unit/Month	216,000
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Total Gross Income

\$8,991,000

Vacancy & Collection Allowance

5% Gross Income

(450,000)

II. **Effective Gross Income**

\$8,541,000

III. **Operating Expenses**

General Operating Expenses	240 Units @	\$4,500 /Unit	\$1,080,000
Property Taxes	240 Units @	\$6,000 /Unit	1,447,000
Replacement Reserve Deposits	240 Units @	\$150 /Unit	36,000

Total Operating Expenses

240 Units @	\$10,679 /Unit	(\$2,563,000)
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IV. **Stabilized Net Operating Income**

\$5,978,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.53 per square foot of leasable area.

² Based on 80% of AMI. This percentage of AMI is based on the standard identified in AB 1505. See ATTACHMENT 4: APPENDIX B.

³ Based on 50% of AMI. This percentage of AMI is based on the standard identified in California Health & Safety Code Section 50053. See ATTACHMENT 4: APPENDIX B.

⁴ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX C - EXHIBIT IV - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 RECOMMENDED REQUIREMENT: 11% LOW INCOME UNITS + 5% VERY LOW INCOME UNITS
 NORTH COSTA MESA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX C - EXHIBIT IV - TABLE 2			\$5,978,000
Capitalization Rate				4.75%
Estimated Project Value				<u>\$125,853,000</u>
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX C - EXHIBIT IV - TABLE 1			\$95,464,000
Threshold Developer Profit	8% of Value			<u>10,068,000</u>
Total Project Cost				(\$105,532,000)
III. <u>Estimated Residual Land Value</u>	174,240	Sf of Land	\$117	/Sf of Land
				\$20,321,000

ATTACHMENT 4: APPENDIX C - EXHIBIT V

**PRO FORMA ANALYSIS
50% §65915 DENSITY BONUS
NORTH COSTA MESA:
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX C - EXHIBIT V - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 50% §65915 DENSITY BONUS
 NORTH COSTA MESA:
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs					
On-Site Improvements / Landscaping	1	174,240	Sf of Land	\$30 /Sf of Land	\$5,227,000
Parking	2				
At-Grade Spaces		86	Spaces	\$5,000 /Space	430,000
Above-Ground Parking Spaces		0	Spaces	\$20,000 /Space	0
1st Level Subterranean		436	Spaces	\$35,000 /Space	15,260,000
Building Costs		335,970	Sf of GLA	\$205 /Sf of GLA	68,874,000
Contractor/DC Contingency Allow	3		20% Other Direct Costs		17,958,000
Total Direct Costs		335,970	Sf of GLA	\$321 /Sf of GLA	\$107,749,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$6,465,000
Public Permits & Fees - All Converted to	4	360	Units	\$27,600 /Unit	9,936,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		2,155,000
Marketing		360	Units	\$2,500 /Unit	900,000
Developer Fee			5% Direct Costs		5,387,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		1,242,000
Total Indirect Costs					\$26,085,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	5	\$29,694,000	Cost	6.2% Avg Rate	\$2,762,000
Construction	6	\$146,346,000	Cost	6.2% Avg Rate	8,166,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	1,584,000
Total Financing Costs					\$12,512,000
IV. Total Construction Cost		360	Units	\$407,000 /Unit	\$146,346,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² 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

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX C - EXHIBIT V - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 50% §65915 DENSITY BONUS
 NORTH COSTA MESA:
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>				
A. Market Rate Units ¹				
Studio Units	16 Units @	\$2,410 /Unit/Month		\$463,000
One-Bedroom Units	162 Units @	\$2,970 /Unit/Month		5,774,000
Two-Bedroom Units	130 Units @	\$3,660 /Unit/Month		5,710,000
Three-Bedroom Units	16 Units @	\$4,400 /Unit/Month		845,000
B. Density Bonus Very Low Income Units ²				
Studio Units	2 Units @	\$1,027 /Unit/Month		25,000
One-Bedroom Units	18 Units @	\$1,172 /Unit/Month		253,000
Two-Bedroom Units	14 Units @	\$1,297 /Unit/Month		218,000
Three-Bedroom Units	2 Units @	\$1,424 /Unit/Month		34,000
C. Miscellaneous Income				
	360 Units @	\$75 /Unit/Month		324,000
Total Gross Income				\$13,646,000
Vacancy & Collection Allowance	5% Gross Income			(682,000)
II. Effective Gross Income				\$12,964,000
III. <u>Operating Expenses</u>				
General Operating Expenses	360 Units @	\$4,500 /Unit		\$1,620,000
Property Taxes	360 Units @	\$6,100 /Unit		2,201,000
Replacement Reserve Deposits	360 Units @	\$150 /Unit		54,000
Total Operating Expenses				(\$3,875,000)
IV. <u>Stabilized Net Operating Income</u>				\$9,089,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.52 per square foot of leasable area.

² Section 65915 (c) (1) (B) (i) calculates very low income rents based on household income based on 50% of AMI. This represents the standard identified in California Health & Safety Code Section 50503. See ATTACHMENT 4: APPENDIX B.

³ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX C - EXHIBIT V - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT

50% §65915 DENSITY BONUS

NORTH COSTA MESA:

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX C - EXHIBIT V - TABLE 2			\$9,089,000
Capitalization Rate				4.75%
Estimated Project Value				<u>\$191,347,000</u>
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX C - EXHIBIT V - TABLE 1			\$146,346,000
Threshold Developer Profit	8% of Value			<u>15,308,000</u>
Total Project Cost				(\$161,654,000)
III. <u>Estimated Residual Land Value</u>	174,240	Sf of Land	\$170	/Sf of Land
				<u>\$29,693,000</u>

ATTACHMENT 4: APPENDIX D

**PRO FORMA ANALYSES
HARBOR MIXED USE
OVERLAY ZONE APARTMENT PROPERTIES
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX D - EXHIBIT I

**PRO FORMA ANALYSIS
MARKET RATE SCENARIO
HARBOR MIXED USE: BASE ZONING
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX D - EXHIBIT I - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 MARKET RATE SCENARIO
 HARBOR MIXED USE: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		104,544	Sf of Land	\$20 /Sf of Land	\$2,091,000
Parking	²				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		139	Spaces	\$20,000 /Space	2,780,000
1st Level Subterranean		29	Spaces	\$35,000 /Space	1,015,000
Building Costs		89,525	Sf of GLA	\$165 /Sf of GLA	14,772,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		4,132,000
Total Direct Costs		89,525	Sf of GLA	\$277 /Sf of GLA	\$24,790,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$1,487,000
Public Permits & Fees	⁴	96	Units	\$27,700 /Unit	2,659,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		496,000
Marketing		96	Units	\$2,500 /Unit	240,000
Developer Fee			5% Direct Costs		1,240,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		306,000
Total Indirect Costs					\$6,428,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁵	\$15,377,000	Cost	6.2% Avg Rate	\$1,430,000
Construction	⁶	\$35,058,000	Cost	6.2% Avg Rate	1,956,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	454,000
Total Financing Costs					\$3,840,000
IV. Total Construction Cost			96 Units	\$365,000 /Unit	\$35,058,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX D - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 MARKET RATE SCENARIO
 HARBOR MIXED USE: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>			
A. Market Rate Units ¹			
Studio Units	5 Units @	\$2,410 /Unit/Month	\$145,000
One-Bedroom Units	48 Units @	\$2,970 /Unit/Month	1,711,000
Two-Bedroom Units	38 Units @	\$3,660 /Unit/Month	1,669,000
Three-Bedroom Units	5 Units @	\$4,400 /Unit/Month	264,000
B. Miscellaneous Income			96 Units @
			\$75 /Unit/Month
			86,000
Total Gross Income			\$3,875,000
Vacancy & Collection Allowance	5% Gross Income		(194,000)
II. Effective Gross Income			\$3,681,000
III. <u>Operating Expenses</u>			
General Operating Expenses	96 Units @	\$4,500 /Unit	\$432,000
Property Taxes	96 Units @	\$6,600 /Unit	631,000
Replacement Reserve Deposits	96 Units @	\$150 /Unit	14,000
Total Operating Expenses			(\$1,077,000)
IV. <u>Stabilized Net Operating Income</u>			\$2,604,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.53 per square foot of leasable area.

² The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX D - EXHIBIT I - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 MARKET RATE SCENARIO
 HARBOR MIXED USE: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX D - EXHIBIT I - TABLE 2		\$2,604,000	
Capitalization Rate			4.75%	
Estimated Project Value				\$54,821,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX D - EXHIBIT I - TABLE 1		\$35,058,000	
Threshold Developer Profit	8% of Value		4,386,000	
Total Project Cost				(\$39,444,000)
III. <u>Estimated Residual Land Value</u>	104,544 Sf of Land	\$147 /Sf of Land		\$15,377,000

ATTACHMENT 4: APPENDIX D - EXHIBIT I - TABLE 4

TARGET RESIDUAL LAND VALUE ANALYSIS
 MARKET RATE SCENARIO
 HARBOR MIXED USE: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Land Value</u>					
Harbor Mixed Use			See ATTACHMENT 4: APPENDIX D - EXHIBIT I - TABLE 3		\$15,377,000
Improved Auto Property	¹	104,544	Sf of Land	\$107 /Sf of Land	11,182,000
Estimated Value Enhancement					\$4,195,000
II. <u>Value Enhancement Funds Available for Inclusionary Housing</u>					
Estimated Value Enhancement					\$4,195,000
Share Allocated to Inclusionary Housing					50%
Value Enhancement Funds Available for Inclusionary Housing					\$2,098,000
III. <u>Target Residual Land Value</u>					
Estimated Land Value: Harbor Mixed Use					\$15,377,000
Minus Value Enhancement Funds Available for Inclusionary Housing					(2,098,000)
Target Residual Land Value					\$13,279,000
IV. Supportable In-Lieu Fee	²	89,525	Sf of GLA	\$23 /Sf of GLA	\$2,098,000

¹ See ATTACHMENT 2: PROPERTY SALES SURVEYS.

² Based on the Value Enhancement Funds Available for Inclusionary Housing.

ATTACHMENT 4: APPENDIX D - EXHIBIT II

**PRO FORMA ANALYSIS
RECOMMENDED REQUIREMENT: 11% LOW INCOME UNITS
HARBOR MIXED USE: BASE ZONING
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX D - EXHIBIT II - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 RECOMMENDED REQUIREMENT: 11% LOW INCOME UNITS
 HARBOR MIXED USE: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		104,544	Sf of Land	\$20 /Sf of Land	\$2,091,000
Parking	²				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		139	Spaces	\$20,000 /Space	2,780,000
1st Level Subterranean		29	Spaces	\$35,000 /Space	1,015,000
Building Costs		89,525	Sf of GLA	\$165 /Sf of GLA	14,772,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		4,132,000
Total Direct Costs		89,525	Sf of GLA	\$277 /Sf of GLA	\$24,790,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$1,487,000
Public Permits & Fees - All Converted to	⁵	96	Units	\$27,700 /Unit	2,659,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		496,000
Marketing		96	Units	\$2,500 /Unit	240,000
Developer Fee			5% Direct Costs		1,240,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		306,000
Total Indirect Costs					\$6,428,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁴	\$13,124,000	Cost	6.2% Avg Rate	\$1,221,000
Construction	⁵	\$34,813,000	Cost	6.2% Avg Rate	1,943,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	431,000
Total Financing Costs					\$3,595,000
IV. Total Construction Cost			96 Units	\$363,000 /Unit	\$34,813,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX D - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 11% LOW INCOME UNITS
 HARBOR MIXED USE: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>				
A. Market Rate Units 1				
Studio Units	5 Units @	\$2,410 /Unit/Month	\$145,000	
One-Bedroom Units	42 Units @	\$2,970 /Unit/Month	1,497,000	
Two-Bedroom Units	34 Units @	\$3,660 /Unit/Month	1,493,000	
Three-Bedroom Units	4 Units @	\$4,400 /Unit/Month	211,000	
B. Low Income Units 2				
Studio Units	0 Units @	\$1,698 /Unit/Month	0	
One-Bedroom Units	6 Units @	\$1,939 /Unit/Month	140,000	
Two-Bedroom Units	4 Units @	\$2,159 /Unit/Month	104,000	
Three-Bedroom Units	1 Unit @	\$2,382 /Unit/Month	29,000	
C. Miscellaneous Income				
	96 Units @	\$75 /Unit/Month	86,000	
Total Gross Income			\$3,705,000	
Vacancy & Collection Allowance	5% Gross Income		(185,000)	
II. Effective Gross Income			\$3,520,000	
III. <u>Operating Expenses</u>				
General Operating Expenses	96 Units @	\$4,500 /Unit	\$432,000	
Property Taxes	96 Units @	\$6,200 /Unit	599,000	
Replacement Reserve Deposits	96 Units @	\$150 /Unit	14,000	
Total Operating Expenses			(1,045,000)	
IV. <u>Stabilized Net Operating Income</u>			\$2,475,000	

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.53 per square foot of leasable area.

² Based on 80% of AMI. This percentage of AMI is based on the standard identified in AB 1505. See ATTACHMENT 4: APPENDIX B.

³ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX D - EXHIBIT II - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 RECOMMENDED REQUIREMENT: 11% LOW INCOME UNITS
 HARBOR MIXED USE: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX D - EXHIBIT II - TABLE 2		\$2,475,000	
Capitalization Rate			4.75%	
Estimated Project Value				\$52,105,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX D - EXHIBIT II - TABLE 1		\$34,813,000	
Threshold Developer Profit	8% of Value		4,168,000	
Total Project Cost				(\$38,981,000)
III. <u>Estimated Residual Land Value</u>	104,544 Sf of Land	\$126 /Sf of Land		\$13,124,000

ATTACHMENT 4: APPENDIX D - EXHIBIT III

PRO FORMA ANALYSIS

RECOMMENDED REQUIREMENT: 7% VERY LOW INCOME UNITS

HARBOR MIXED USE: BASE ZONING

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

COSTA MESA, CALIFORNIA

ATTACHMENT 4: APPENDIX D - EXHIBIT III - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 RECOMMENDED REQUIREMENT: 7% VERY LOW INCOME UNITS
 HARBOR MIXED USE: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		104,544	Sf of Land	\$20 /Sf of Land	\$2,091,000
Parking	²				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		139	Spaces	\$20,000 /Space	2,780,000
1st Level Subterranean		29	Spaces	\$35,000 /Space	1,015,000
Building Costs		89,525	Sf of GLA	\$165 /Sf of GLA	14,772,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		4,132,000
Total Direct Costs		89,525	Sf of GLA	\$277 /Sf of GLA	\$24,790,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$1,487,000
Public Permits & Fees - All Converted to	⁵	96	Units	\$27,700 /Unit	2,659,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		496,000
Marketing		96	Units	\$2,500 /Unit	240,000
Developer Fee			5% Direct Costs		1,240,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		306,000
Total Indirect Costs					\$6,428,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁴	\$13,386,000	Cost	6.2% Avg Rate	\$1,245,000
Construction	⁵	\$34,841,000	Cost	6.2% Avg Rate	1,944,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	434,000
Total Financing Costs					\$3,623,000
IV. Total Construction Cost			96 Units	\$363,000 /Unit	\$34,841,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX D - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 7% VERY LOW INCOME UNITS
 HARBOR MIXED USE: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>				
A. Market Rate Units ¹				
Studio Units	5 Units @	\$2,410 /Unit/Month		\$145,000
One-Bedroom Units	45 Units @	\$2,970 /Unit/Month		1,604,000
Two-Bedroom Units	35 Units @	\$3,660 /Unit/Month		1,537,000
Three-Bedroom Units	5 Units @	\$4,400 /Unit/Month		264,000
B. Very Low Income Units ²				
Studio Units	0 Units @	\$1,027 /Unit/Month		0
One-Bedroom Units	3 Units @	\$1,172 /Unit/Month		42,000
Two-Bedroom Units	3 Units @	\$1,297 /Unit/Month		47,000
Three-Bedroom Units	0 Units @	\$1,424 /Unit/Month		0
C. Miscellaneous Income				
	96 Units @	\$75 /Unit/Month		86,000
Total Gross Income				\$3,725,000
Vacancy & Collection Allowance	5% Gross Income			(186,000)
II. Effective Gross Income				\$3,539,000
III. <u>Operating Expenses</u>				
General Operating Expenses	96 Units @	\$4,500 /Unit		\$432,000
Property Taxes	96 Units @	\$6,300 /Unit		603,000
Replacement Reserve Deposits	96 Units @	\$150 /Unit		14,000
Total Operating Expenses				(\$1,049,000)
IV. <u>Stabilized Net Operating Income</u>				\$2,490,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.53 per square foot of leasable area.

² Based on 50% of AMI. This percentage of AMI is based on the standard identified in California Health & Safety Code Section 50053. See ATTACHMENT 4: APPENDIX B.

³ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX D - EXHIBIT III - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 RECOMMENDED REQUIREMENT: 7% VERY LOW INCOME UNITS
 HARBOR MIXED USE: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX D - EXHIBIT III - TABLE 2		\$2,490,000	
Capitalization Rate			4.75%	
Estimated Project Value				\$52,421,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX D - EXHIBIT III - TABLE 1		\$34,841,000	
Threshold Developer Profit	8% of Value		4,194,000	
Total Project Cost				(\$39,035,000)
III. <u>Estimated Residual Land Value</u>	104,544	Sf of Land	\$128	/Sf of Land
				\$13,386,000

ATTACHMENT 4: APPENDIX C - EXHIBIT IV

PRO FORMA ANALYSIS

RECOMMENDED REQUIREMENT:

6% LOW INCOME UNITS + 3% VERY LOW INCOME UNITS

HARBOR MIXED USE: BASE ZONING

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

COSTA MESA, CALIFORNIA

ATTACHMENT 4: APPENDIX C - EXHIBIT IV - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 RECOMMENDED REQUIREMENT: 6% LOW INCOME UNITS + 3% VERY LOW INCOME UNITS
 HARBOR MIXED USE: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		104,544	Sf of Land	\$20 /Sf of Land	\$2,091,000
Parking	²				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		139	Spaces	\$20,000 /Space	2,780,000
1st Level Subterranean		29	Spaces	\$35,000 /Space	1,015,000
Building Costs		89,525	Sf of GLA	\$165 /Sf of GLA	14,772,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		4,132,000
Total Direct Costs		89,525	Sf of GLA	\$277 /Sf of GLA	\$24,790,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$1,487,000
Public Permits & Fees - All Converted to	⁵	96	Units	\$27,700 /Unit	2,659,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		496,000
Marketing		96	Units	\$2,500 /Unit	240,000
Developer Fee			5% Direct Costs		1,240,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		306,000
Total Indirect Costs					\$6,428,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁴	\$13,404,000	Cost	6.2% Avg Rate	\$1,247,000
Construction	⁵	\$34,843,000	Cost	6.2% Avg Rate	1,944,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	434,000
Total Financing Costs					\$3,625,000
IV. Total Construction Cost			96 Units	\$363,000 /Unit	\$34,843,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX C - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 6% LOW INCOME UNITS + 3% VERY LOW INCOME UNITS
 HARBOR MIXED USE: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

1

Studio Units	3 Units @	\$2,410 /Unit/Month	\$87,000
One-Bedroom Units	44 Units @	\$2,970 /Unit/Month	1,568,000
Two-Bedroom Units	35 Units @	\$3,660 /Unit/Month	1,537,000
Three-Bedroom Units	5 Units @	\$4,400 /Unit/Month	264,000

B. **Low Income Units**

2

Studio Units	1 Unit @	\$1,698 /Unit/Month	20,000
One-Bedroom Units	3 Units @	\$1,939 /Unit/Month	70,000
Two-Bedroom Units	2 Units @	\$2,159 /Unit/Month	52,000
Three-Bedroom Units	0 Units @	\$2,382 /Unit/Month	0

B. **Very Low Income Units**

3

Studio Units	1 Unit @	\$1,027 /Unit/Month	12,000
One-Bedroom Units	1 Unit @	\$1,172 /Unit/Month	14,000
Two-Bedroom Units	1 Unit @	\$1,297 /Unit/Month	16,000
Three-Bedroom Units	0 Units @	\$1,424 /Unit/Month	0

C. **Miscellaneous Income**

96 Units @	\$75 /Unit/Month	86,000
------------	------------------	--------

Total Gross Income

\$3,726,000

Vacancy & Collection Allowance

5% Gross Income

(186,000)

II. **Effective Gross Income**

\$3,540,000

III. **Operating Expenses**

General Operating Expenses	96 Units @	\$4,500 /Unit	\$432,000
Property Taxes	96 Units @	\$6,300 /Unit	603,000
Replacement Reserve Deposits	96 Units @	\$150 /Unit	14,000

Total Operating Expenses

96 Units @ \$10,927 /Unit

(\$1,049,000)

IV. **Stabilized Net Operating Income**

\$2,491,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.51 per square foot of leasable area.

² Based on 80% of AMI. This percentage of AMI is based on the standard identified in AB 1505. See ATTACHMENT 4: APPENDIX B.

³ Based on 50% of AMI. This percentage of AMI is based on the standard identified in California Health & Safety Code Section 50053. See ATTACHMENT 4: APPENDIX B.

⁴ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX C - EXHIBIT IV - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 RECOMMENDED REQUIREMENT: 6% LOW INCOME UNITS + 3% VERY LOW INCOME UNITS
 HARBOR MIXED USE: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX C - EXHIBIT IV - TABLE 2		\$2,491,000	
Capitalization Rate			4.75%	
Estimated Project Value				\$52,442,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX C - EXHIBIT IV - TABLE 1		\$34,843,000	
Threshold Developer Profit	8% of Value		4,195,000	
Total Project Cost				(\$39,038,000)
III. <u>Estimated Residual Land Value</u>	104,544 Sf of Land	\$128 /Sf of Land		\$13,404,000

ATTACHMENT 4: APPENDIX D - EXHIBIT V

**PRO FORMA ANALYSIS
50% §65915 DENSITY BONUS
HARBOR MIXED USE:
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX D - EXHIBIT V - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 50% §65915 DENSITY BONUS
 HARBOR MIXED USE:
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		104,544	Sf of Land	\$30 /Sf of Land	\$3,136,000
Parking	²				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		139	Spaces	\$20,000 /Space	2,780,000
1st Level Subterranean		70	Spaces	\$35,000 /Space	2,450,000
Building Costs		134,455	Sf of GLA	\$195 /Sf of GLA	26,219,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		6,917,000
Total Direct Costs		134,455	Sf of GLA	\$309 /Sf of GLA	\$41,502,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$2,490,000
Public Permits & Fees - All Converted to	⁴	144	Units	\$27,700 /Unit	3,989,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		830,000
Marketing		144	Units	\$2,500 /Unit	360,000
Developer Fee			5% Direct Costs		2,075,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		487,000
Total Indirect Costs					\$10,231,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁵	\$14,035,000	Cost	6.2% Avg Rate	\$1,088,000
Construction	⁶	\$56,059,000	Cost	6.2% Avg Rate	2,607,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	631,000
Total Financing Costs					\$4,326,000
IV. Total Construction Cost		144	Units	\$389,000 /Unit	\$56,059,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² 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

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX D - EXHIBIT V - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 50% §65915 DENSITY BONUS
 HARBOR MIXED USE:
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>			
A. Market Rate Units ¹			
Studio Units	7 Units @	\$2,410 /Unit/Month	\$202,000
One-Bedroom Units	64 Units @	\$2,970 /Unit/Month	2,281,000
Two-Bedroom Units	52 Units @	\$3,660 /Unit/Month	2,284,000
Three-Bedroom Units	6 Units @	\$4,400 /Unit/Month	317,000
B. Density Bonus Very Low Income Units ²			
Studio Units	0 Units @	\$1,027 /Unit/Month	0
One-Bedroom Units	8 Units @	\$1,172 /Unit/Month	113,000
Two-Bedroom Units	6 Units @	\$1,297 /Unit/Month	93,000
Three-Bedroom Units	1 Unit @	\$1,424 /Unit/Month	17,000
C. Miscellaneous Income			
	144 Units @	\$75 /Unit/Month	130,000
Total Gross Income			\$5,437,000
Vacancy & Collection Allowance	5% Gross Income		(272,000)
II. Effective Gross Income			\$5,165,000
III. <u>Operating Expenses</u>			
General Operating Expenses	144 Units @	\$4,500 /Unit	\$648,000
Property Taxes	144 Units @	\$6,100 /Unit	876,000
Replacement Reserve Deposits	144 Units @	\$150 /Unit	22,000
Total Operating Expenses			(\$1,546,000)
IV. <u>Stabilized Net Operating Income</u>			\$3,619,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.53 per square foot of leasable area.

² Section 65915 (c) (1) (B) (i) calculates very low income rents based on household income based on 50% of AMI. This represents the standard identified in California Health & Safety Code Section 50503. See ATTACHMENT 4: APPENDIX B.

³ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX D - EXHIBIT V - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 50% §65915 DENSITY BONUS
 HARBOR MIXED USE:
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX D - EXHIBIT V - TABLE 2			\$3,619,000
Capitalization Rate				4.75%
				<hr/>
Estimated Project Value				\$76,189,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX D - EXHIBIT V - TABLE 1			\$56,059,000
Threshold Developer Profit	8% of Value			6,095,000
				<hr/>
Total Project Cost				(\$62,154,000)
III. <u>Estimated Residual Land Value</u>	104,544	Sf of Land	\$134	/Sf of Land
				\$14,035,000

ATTACHMENT 4: APPENDIX E

PRO FORMA ANALYSES

MESA WEST

OVERLAY ZONE APARTMENT PROPERTIES

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

COSTA MESA, CALIFORNIA

ATTACHMENT 4: APPENDIX E - EXHIBIT I

**PRO FORMA ANALYSIS
MARKET RATE SCENARIO
MESA WEST: BASE ZONING
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX E - EXHIBIT I - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 MARKET RATE SCENARIO
 MESA WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	1				
On-Site Improvements / Landscaping		187,308	Sf of Land	\$20 /Sf of Land	\$3,746,000
Parking	2				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		250	Spaces	\$20,000 /Space	5,000,000
1st Level Subterranean		51	Spaces	\$35,000 /Space	1,785,000
Building Costs		160,115	Sf of GLA	\$165 /Sf of GLA	26,419,000
Contractor/DC Contingency Allow	3		20% Other Direct Costs		7,390,000
Total Direct Costs		160,115	Sf of GLA	\$277 /Sf of GLA	\$44,340,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$2,660,000
Public Permits & Fees	4	172	Units	\$27,700 /Unit	4,764,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		887,000
Marketing		172	Units	\$2,500 /Unit	430,000
Developer Fee			5% Direct Costs		2,217,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		548,000
Total Indirect Costs					\$11,506,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	5	\$28,464,000	Cost	6.2% Avg Rate	\$2,206,000
Construction	6	\$61,735,000	Cost	6.2% Avg Rate	2,871,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	812,000
Total Financing Costs					\$5,889,000
IV. Total Construction Cost		172	Units	\$359,000 /Unit	\$61,735,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX E - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 MARKET RATE SCENARIO
 MESA WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>			
A. Market Rate Units ¹			
Studio Units	9 Units @	\$2,410 /Unit/Month	\$260,000
One-Bedroom Units	86 Units @	\$2,970 /Unit/Month	3,065,000
Two-Bedroom Units	69 Units @	\$3,660 /Unit/Month	3,030,000
Three-Bedroom Units	8 Units @	\$4,400 /Unit/Month	422,000
B. Miscellaneous Income			172 Units @
			\$75 /Unit/Month
			155,000
Total Gross Income			\$6,932,000
Vacancy & Collection Allowance	5% Gross Income		(347,000)
II. Effective Gross Income			
III. <u>Operating Expenses</u>			
General Operating Expenses	172 Units @	\$4,500 /Unit	\$774,000
Property Taxes	172 Units @	\$6,600 /Unit	1,128,000
Replacement Reserve Deposits	172 Units @	\$150 /Unit	26,000
Total Operating Expenses			(\$1,928,000)
IV. <u>Stabilized Net Operating Income</u>			
\$4,657,000			

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.53 per square foot of leasable area.

² The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX E - EXHIBIT I - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 MARKET RATE SCENARIO
 MESA WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX E - EXHIBIT I - TABLE 2			\$4,657,000
Capitalization Rate				4.75%
Estimated Project Value				<u>\$98,042,000</u>
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX E - EXHIBIT I - TABLE 1			\$61,735,000
Threshold Developer Profit	8% of Value			<u>7,843,000</u>
Total Project Cost				(\$69,578,000)
III. <u>Estimated Residual Land Value</u>	187,308	Sf of Land	\$152	/Sf of Land
				\$28,464,000

ATTACHMENT 4: APPENDIX E - EXHIBIT I - TABLE 4

TARGET RESIDUAL LAND VALUE ANALYSIS
 MARKET RATE SCENARIO
 MESA WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Land Value</u>					
Mesa West		See ATTACHMENT 4: APPENDIX E - EXHIBIT I - TABLE 3			\$28,464,000
Improved .39 FAR Industrial + Retail	¹	187,308 Sf of Land	\$128 /Sf of Land		23,953,000
Estimated Value Enhancement					\$4,511,000
II. <u>Value Enhancement Funds Available for Inclusionary Housing</u>					
Estimated Value Enhancement					\$4,511,000
Share Allocated to Inclusionary Housing					50%
Value Enhancement Funds Available for Inclusionary Housing					\$2,256,000
III. <u>Target Residual Land Value</u>					
Estimated Land Value: Mesa West					\$28,464,000
Minus Value Enhancement Funds Available for Inclusionary Housing					(2,256,000)
Target Residual Land Value					\$26,208,000
IV. Supportable In-Lieu Fee	²	160,115 Sf of GLA	\$14 /Sf of GLA		\$2,256,000

¹ See ATTACHMENT 2: PROPERTY SALES SURVEYS.

² Based on the Value Enhancement Funds Available for Inclusionary Housing.

ATTACHMENT 4: APPENDIX E - EXHIBIT II

**PRO FORMA ANALYSIS
RECOMMENDED REQUIREMENT: 6% LOW INCOME UNITS
MESA WEST: BASE ZONING
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX E - EXHIBIT II - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 RECOMMENDED REQUIREMENT: 6% LOW INCOME UNITS
 MESA WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		187,308	Sf of Land	\$20 /Sf of Land	\$3,746,000
Parking	²				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		250	Spaces	\$20,000 /Space	5,000,000
1st Level Subterranean		51	Spaces	\$35,000 /Space	1,785,000
Building Costs		160,115	Sf of GLA	\$165 /Sf of GLA	26,419,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		7,390,000
Total Direct Costs		160,115	Sf of GLA	\$277 /Sf of GLA	\$44,340,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$2,660,000
Public Permits & Fees - All Converted to	⁵	172	Units	\$27,700 /Unit	4,764,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		887,000
Marketing		172	Units	\$2,500 /Unit	430,000
Developer Fee			5% Direct Costs		2,217,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		548,000
Total Indirect Costs					\$11,506,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁴	\$26,193,000	Cost	6.2% Avg Rate	\$2,030,000
Construction	⁵	\$61,526,000	Cost	6.2% Avg Rate	2,861,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	789,000
Total Financing Costs					\$5,680,000
IV. Total Construction Cost			172 Units	\$358,000 /Unit	\$61,526,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX E - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 6% LOW INCOME UNITS
 MESA WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>				
A. Market Rate Units 1				
Studio Units	9 Units @	\$2,410 /Unit/Month		\$260,000
One-Bedroom Units	80 Units @	\$2,970 /Unit/Month		2,851,000
Two-Bedroom Units	65 Units @	\$3,660 /Unit/Month		2,855,000
Three-Bedroom Units	7 Units @	\$4,400 /Unit/Month		370,000
B. Low Income Units 2				
Studio Units	0 Units @	\$1,698 /Unit/Month		0
One-Bedroom Units	6 Units @	\$1,939 /Unit/Month		140,000
Two-Bedroom Units	4 Units @	\$2,159 /Unit/Month		104,000
Three-Bedroom Units	1 Unit @	\$2,382 /Unit/Month		29,000
C. Miscellaneous Income 172 Units @				
		\$75 /Unit/Month		155,000
Total Gross Income				\$6,764,000
Vacancy & Collection Allowance	5% Gross Income			(338,000)
II. Effective Gross Income				\$6,426,000
III. <u>Operating Expenses</u>				
General Operating Expenses	172 Units @	\$4,500 /Unit		\$774,000
Property Taxes	172 Units @	\$6,400 /Unit		1,097,000
Replacement Reserve Deposits	172 Units @	\$150 /Unit		26,000
Total Operating Expenses				(\$1,897,000)
IV. <u>Stabilized Net Operating Income</u>				\$4,529,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.53 per square foot of leasable area.

² Based on 80% of AMI. This percentage of AMI is based on the standard identified in AB 1505. See ATTACHMENT 4: APPENDIX B.

³ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX E - EXHIBIT II - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 RECOMMENDED REQUIREMENT: 6% LOW INCOME UNITS
 MESA WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX E - EXHIBIT II - TABLE 2		\$4,529,000	
Capitalization Rate			4.75%	
			<hr/>	
Estimated Project Value				\$95,347,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX E - EXHIBIT II - TABLE 1		\$61,526,000	
Threshold Developer Profit	8% of Value		7,628,000	
			<hr/>	
Total Project Cost				(\$69,154,000)
III. <u>Estimated Residual Land Value</u>	187,308 Sf of Land	\$140 /Sf of Land		\$26,193,000

ATTACHMENT 4: APPENDIX E - EXHIBIT III

PRO FORMA ANALYSIS

RECOMMENDED REQUIREMENT: 4% VERY LOW INCOME UNITS

MESA WEST: BASE ZONING

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

COSTA MESA, CALIFORNIA

ATTACHMENT 4: APPENDIX E - EXHIBIT III - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 RECOMMENDED REQUIREMENT: 4% VERY LOW INCOME UNITS
 MESA WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		187,308	Sf of Land	\$20 /Sf of Land	\$3,746,000
Parking	²				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		250	Spaces	\$20,000 /Space	5,000,000
1st Level Subterranean		51	Spaces	\$35,000 /Space	1,785,000
Building Costs		160,115	Sf of GLA	\$165 /Sf of GLA	26,419,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		7,390,000
Total Direct Costs		160,115	Sf of GLA	\$277 /Sf of GLA	\$44,340,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$2,660,000
Public Permits & Fees - All Converted to	⁵	172	Units	\$27,700 /Unit	4,764,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		887,000
Marketing		172	Units	\$2,500 /Unit	430,000
Developer Fee			5% Direct Costs		2,217,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		548,000
Total Indirect Costs					\$11,506,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁴	\$26,158,000	Cost	6.2% Avg Rate	\$2,027,000
Construction	⁵	\$61,523,000	Cost	6.2% Avg Rate	2,861,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	789,000
Total Financing Costs					\$5,677,000
IV. Total Construction Cost		172	Units	\$358,000 /Unit	\$61,523,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX E - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 4% VERY LOW INCOME UNITS
 MESA WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>				
A. Market Rate Units 1				
Studio Units	9 Units @	\$2,410 /Unit/Month	\$260,000	
One-Bedroom Units	82 Units @	\$2,970 /Unit/Month	2,922,000	
Two-Bedroom Units	66 Units @	\$3,660 /Unit/Month	2,899,000	
Three-Bedroom Units	8 Units @	\$4,400 /Unit/Month	422,000	
B. Very Low Income Units 2				
Studio Units	0 Units @	\$1,027 /Unit/Month	0	
One-Bedroom Units	4 Units @	\$1,172 /Unit/Month	56,000	
Two-Bedroom Units	3 Units @	\$1,297 /Unit/Month	47,000	
Three-Bedroom Units	0 Units @	\$1,424 /Unit/Month	0	
C. Miscellaneous Income 172 Units @				
		\$75 /Unit/Month	155,000	
Total Gross Income			\$6,761,000	
Vacancy & Collection Allowance	5% Gross Income		(338,000)	
II. Effective Gross Income				\$6,423,000
III. <u>Operating Expenses</u>				
General Operating Expenses	172 Units @	\$4,500 /Unit	\$774,000	
Property Taxes	172 Units @	\$6,400 /Unit	1,096,000	
Replacement Reserve Deposits	172 Units @	\$150 /Unit	26,000	
Total Operating Expenses			(\$1,896,000)	
IV. <u>Stabilized Net Operating Income</u>				\$4,527,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.53 per square foot of leasable area.

² Based on 50% of AMI. This percentage of AMI is based on the standard identified in California Health & Safety Code Section 50053. See ATTACHMENT 4: APPENDIX B.

³ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX E - EXHIBIT III - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 RECOMMENDED REQUIREMENT: 4% VERY LOW INCOME UNITS
 MESA WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX E - EXHIBIT III - TABLE 2		\$4,527,000	
Capitalization Rate			4.75%	
Estimated Project Value				\$95,305,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX E - EXHIBIT III - TABLE 1		\$61,523,000	
Threshold Developer Profit	8% of Value		7,624,000	
Total Project Cost				(\$69,147,000)
III. <u>Estimated Residual Land Value</u>	187,308 Sf of Land	\$140 /Sf of Land		\$26,158,000

ATTACHMENT 4: APPENDIX E - EXHIBIT IV

**PRO FORMA ANALYSIS
50% §65915 DENSITY BONUS
MESA WEST:
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX E - EXHIBIT IV - TABLE 1

ESTIMATED CONSTRUCTION COSTS

50% §65915 DENSITY BONUS

MESA WEST:

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		187,308	Sf of Land	\$30 /Sf of Land	\$5,619,000
Parking	²				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		250	Spaces	\$20,000 /Space	5,000,000
1st Level Subterranean		124	Spaces	\$35,000 /Space	4,340,000
Building Costs		240,745	Sf of GLA	\$195 /Sf of GLA	46,945,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		12,381,000
Total Direct Costs		240,745	Sf of GLA	\$309 /Sf of GLA	\$74,285,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$4,457,000
Public Permits & Fees - All Converted to	⁴	258	Units	\$27,700 /Unit	7,147,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		1,486,000
Marketing		258	Units	\$2,500 /Unit	645,000
Developer Fee			5% Direct Costs		3,714,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		872,000
Total Indirect Costs					\$18,321,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁵	\$25,813,000	Cost	6.2% Avg Rate	\$2,001,000
Construction	⁶	\$100,412,000	Cost	6.2% Avg Rate	4,669,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	1,136,000
Total Financing Costs					\$7,806,000
IV. Total Construction Cost		258	Units	\$389,000 /Unit	\$100,412,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² 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

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX E - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 50% §65915 DENSITY BONUS
 MESA WEST:
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Gross Income				
A. Market Rate Units ¹				
Studio Units	11 Units @	\$2,410 /Unit/Month		\$318,000
One-Bedroom Units	116 Units @	\$2,970 /Unit/Month		4,134,000
Two-Bedroom Units	93 Units @	\$3,660 /Unit/Month		4,085,000
Three-Bedroom Units	12 Units @	\$4,400 /Unit/Month		634,000
B. Density Bonus Very Low Income Units ²				
Studio Units	2 Units @	\$1,027 /Unit/Month		25,000
One-Bedroom Units	13 Units @	\$1,172 /Unit/Month		183,000
Two-Bedroom Units	10 Units @	\$1,297 /Unit/Month		156,000
Three-Bedroom Units	1 Unit @	\$1,424 /Unit/Month		17,000
C. Miscellaneous Income				
	258 Units @	\$75 /Unit/Month		232,000
Total Gross Income				\$9,784,000
Vacancy & Collection Allowance	5% Gross Income			(489,000)
II. Effective Gross Income				\$9,295,000
III. Operating Expenses				
General Operating Expenses	258 Units @	\$4,500 /Unit		\$1,161,000
Property Taxes	258 Units @	\$6,100 /Unit		1,578,000
Replacement Reserve Deposits	258 Units @	\$150 /Unit		39,000
Total Operating Expenses				(\$2,778,000)
IV. Stabilized Net Operating Income				\$6,517,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.52 per square foot of leasable area.

² Section 65915 (c) (1) (B) (i) calculates very low income rents based on household income based on 50% of AMI. This represents the standard identified in California Health & Safety Code Section 50503. See ATTACHMENT 4: APPENDIX B.

³ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX E - EXHIBIT IV - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 50% §65915 DENSITY BONUS
 MESA WEST:
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX E - EXHIBIT IV - TABLE 2			\$6,517,000
Capitalization Rate				4.75%
				<hr/>
Estimated Project Value				\$137,200,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX E - EXHIBIT IV - TABLE 1			\$100,412,000
Threshold Developer Profit	8% of Value			10,976,000
				<hr/>
Total Project Cost				(\$111,388,000)
III. <u>Estimated Residual Land Value</u>	187,308 Sf of Land	\$138 /Sf of Land		\$25,812,000

ATTACHMENT 4: APPENDIX F

PRO FORMA ANALYSES

19 WEST

OVERLAY ZONE APARTMENT PROPERTIES

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

COSTA MESA, CALIFORNIA

ATTACHMENT 4: APPENDIX F - EXHIBIT I

**PRO FORMA ANALYSIS
MARKET RATE SCENARIO
19 WEST: BASE ZONING
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX F - EXHIBIT I - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 MARKET RATE SCENARIO
 19 WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	1				
On-Site Improvements / Landscaping		87,120	Sf of Land	\$20 /Sf of Land	\$1,742,000
Parking	2				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		116	Spaces	\$20,000 /Space	2,320,000
1st Level Subterranean		24	Spaces	\$35,000 /Space	840,000
Building Costs		74,660	Sf of GLA	\$165 /Sf of GLA	12,319,000
Contractor/DC Contingency Allow	3		20% Other Direct Costs		3,444,000
Total Direct Costs		74,660	Sf of GLA	\$277 /Sf of GLA	\$20,665,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$1,240,000
Public Permits & Fees	4	80	Units	\$27,700 /Unit	2,216,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		413,000
Marketing		80	Units	\$2,500 /Unit	200,000
Developer Fee			5% Direct Costs		1,033,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		255,000
Total Indirect Costs					\$5,357,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	5	\$13,263,000	Cost	6.2% Avg Rate	\$1,028,000
Construction	6	\$28,766,000	Cost	6.2% Avg Rate	1,338,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	378,000
Total Financing Costs					\$2,744,000
IV. Total Construction Cost			80 Units	\$360,000 /Unit	\$28,766,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX F - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 MARKET RATE SCENARIO
 19 WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>			
A. Market Rate Units ¹			
Studio Units	4 Units @	\$2,410 /Unit/Month	\$116,000
One-Bedroom Units	40 Units @	\$2,970 /Unit/Month	1,426,000
Two-Bedroom Units	32 Units @	\$3,660 /Unit/Month	1,405,000
Three-Bedroom Units	4 Units @	\$4,400 /Unit/Month	211,000
B. Miscellaneous Income			80 Units @
			\$75 /Unit/Month
			72,000
Total Gross Income			\$3,230,000
Vacancy & Collection Allowance	5% Gross Income		(162,000)
II. Effective Gross Income			\$3,068,000
III. <u>Operating Expenses</u>			
General Operating Expenses	80 Units @	\$4,500 /Unit	\$360,000
Property Taxes	80 Units @	\$6,600 /Unit	526,000
Replacement Reserve Deposits	80 Units @	\$150 /Unit	12,000
Total Operating Expenses			(\$898,000)
IV. <u>Stabilized Net Operating Income</u>			\$2,170,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.52 per square foot of leasable area.

² The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX F - EXHIBIT I - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 MARKET RATE SCENARIO
 19 WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX F - EXHIBIT I - TABLE 2		\$2,170,000	
Capitalization Rate			4.75%	
Estimated Project Value				\$45,684,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX F - EXHIBIT I - TABLE 1		\$28,766,000	
Threshold Developer Profit	8% of Value		3,655,000	
Total Project Cost				(\$32,421,000)
III. <u>Estimated Residual Land Value</u>	87,120 Sf of Land	\$152 /Sf of Land		\$13,263,000

ATTACHMENT 4: APPENDIX F - EXHIBIT I - TABLE 4

TARGET RESIDUAL LAND VALUE ANALYSIS
 MARKET RATE SCENARIO
 19 WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Land Value</u>				
19 West		See ATTACHMENT 4: APPENDIX F - EXHIBIT I - TABLE 3		\$13,263,000
Improved .39 FAR Industrial + Retail	¹	87,120 Sf of Land	\$128 /Sf of Land	11,141,000
Estimated Value Enhancement				\$2,122,000
II. <u>Value Enhancement Funds Available for Inclusionary Housing</u>				
Estimated Value Enhancement				\$2,122,000
Share Allocated to Inclusionary Housing				50%
Value Enhancement Funds Available for Inclusionary Housing				\$1,061,000
III. <u>Target Residual Land Value</u>				
Estimated Land Value: 19 West				\$13,263,000
Minus Value Enhancement Funds Available for Inclusionary Housing				(1,061,000)
Target Residual Land Value				\$12,202,000
IV. Supportable In-Lieu Fee	²	74,660 Sf of GLA	\$14 /Sf of GLA	\$1,061,000

¹ See ATTACHMENT 2: PROPERTY SALES SURVEYS.

² Based on the Value Enhancement Funds Available for Inclusionary Housing.

ATTACHMENT 4: APPENDIX F - EXHIBIT II

**PRO FORMA ANALYSIS
RECOMMENDED REQUIREMENT: 8% LOW INCOME UNITS
19 WEST: BASE ZONING
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX F - EXHIBIT II - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 RECOMMENDED REQUIREMENT: 8% LOW INCOME UNITS
 19 WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		87,120	Sf of Land	\$20 /Sf of Land	\$1,742,000
Parking	²				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		116	Spaces	\$20,000 /Space	2,320,000
1st Level Subterranean		24	Spaces	\$35,000 /Space	840,000
Building Costs		74,660	Sf of GLA	\$165 /Sf of GLA	12,319,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		3,444,000
Total Direct Costs		74,660	Sf of GLA	\$277 /Sf of GLA	\$20,665,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$1,240,000
Public Permits & Fees - All Converted to	⁵	80	Units	\$27,700 /Unit	2,216,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		413,000
Marketing		80	Units	\$2,500 /Unit	200,000
Developer Fee			5% Direct Costs		1,033,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		255,000
Total Indirect Costs					\$5,357,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁴	\$12,058,000	Cost	6.2% Avg Rate	\$934,000
Construction	⁵	\$28,654,000	Cost	6.2% Avg Rate	1,332,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	366,000
Total Financing Costs					\$2,632,000
IV. Total Construction Cost			80 Units	\$358,000 /Unit	\$28,654,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX F - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 8% LOW INCOME UNITS
 19 WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>				
A. Market Rate Units 1				
Studio Units	4 Units @	\$2,410 /Unit/Month	\$116,000	
One-Bedroom Units	37 Units @	\$2,970 /Unit/Month	1,319,000	
Two-Bedroom Units	29 Units @	\$3,660 /Unit/Month	1,274,000	
Three-Bedroom Units	4 Units @	\$4,400 /Unit/Month	211,000	
B. Low Income Units 2				
Studio Units	0 Units @	\$1,698 /Unit/Month	0	
One-Bedroom Units	3 Units @	\$1,939 /Unit/Month	70,000	
Two-Bedroom Units	3 Units @	\$2,159 /Unit/Month	78,000	
Three-Bedroom Units	0 Units @	\$2,382 /Unit/Month	0	
C. Miscellaneous Income				
	80 Units @	\$75 /Unit/Month	72,000	
Total Gross Income			\$3,140,000	
Vacancy & Collection Allowance	5% Gross Income		(157,000)	
II. Effective Gross Income				\$2,983,000
III. <u>Operating Expenses</u>				
General Operating Expenses	80 Units @	\$4,500 /Unit	\$360,000	
Property Taxes	80 Units @	\$6,400 /Unit	509,000	
Replacement Reserve Deposits	80 Units @	\$150 /Unit	12,000	
Total Operating Expenses			(\$881,000)	
IV. <u>Stabilized Net Operating Income</u>				\$2,102,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.53 per square foot of leasable area.

² Based on 80% of AMI. This percentage of AMI is based on the standard identified in AB 1505. See ATTACHMENT 4: APPENDIX B.

³ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX F - EXHIBIT II - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 RECOMMENDED REQUIREMENT: 8% LOW INCOME UNITS
 19 WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX F - EXHIBIT II - TABLE 2		\$2,102,000	
Capitalization Rate			4.75%	
Estimated Project Value				\$44,253,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX F - EXHIBIT II - TABLE 1		\$28,654,000	
Threshold Developer Profit	8% of Value		3,540,000	
Total Project Cost				(\$32,194,000)
III. <u>Estimated Residual Land Value</u>	87,120 Sf of Land	\$138 /Sf of Land		\$12,059,000

ATTACHMENT 4: APPENDIX F - EXHIBIT III

**PRO FORMA ANALYSIS
RECOMMENDED REQUIREMENT: 4% VERY LOW INCOME UNITS
19 WEST: BASE ZONING
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX F - EXHIBIT III - TABLE 1

ESTIMATED CONSTRUCTION COSTS
RECOMMENDED REQUIREMENT: 4% VERY LOW INCOME UNITS
19 WEST: BASE ZONING
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		87,120	Sf of Land	\$20 /Sf of Land	\$1,742,000
Parking	²				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		116	Spaces	\$20,000 /Space	2,320,000
1st Level Subterranean		24	Spaces	\$35,000 /Space	840,000
Building Costs		74,660	Sf of GLA	\$165 /Sf of GLA	12,319,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		3,444,000
Total Direct Costs		74,660	Sf of GLA	\$277 /Sf of GLA	\$20,665,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$1,240,000
Public Permits & Fees - All Converted to	⁵	80	Units	\$27,700 /Unit	2,216,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		413,000
Marketing		80	Units	\$2,500 /Unit	200,000
Developer Fee			5% Direct Costs		1,033,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		255,000
Total Indirect Costs					\$5,357,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁴	\$12,325,000	Cost	6.2% Avg Rate	\$955,000
Construction	⁵	\$28,678,000	Cost	6.2% Avg Rate	1,334,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	367,000
Total Financing Costs					\$2,656,000
IV. Total Construction Cost		80	Units	\$358,000 /Unit	\$28,678,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX F - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 4% VERY LOW INCOME UNITS
 19 WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>				
A. Market Rate Units 1				
Studio Units	4 Units @	\$2,410 /Unit/Month		\$116,000
One-Bedroom Units	38 Units @	\$2,970 /Unit/Month		1,354,000
Two-Bedroom Units	31 Units @	\$3,660 /Unit/Month		1,362,000
Three-Bedroom Units	4 Units @	\$4,400 /Unit/Month		211,000
B. Very Low Income Units 2				
Studio Units	0 Units @	\$1,027 /Unit/Month		0
One-Bedroom Units	2 Units @	\$1,172 /Unit/Month		28,000
Two-Bedroom Units	1 Unit @	\$1,297 /Unit/Month		16,000
Three-Bedroom Units	0 Units @	\$1,424 /Unit/Month		0
C. Miscellaneous Income 80 Units @				
		\$75 /Unit/Month		72,000
Total Gross Income				\$3,159,000
Vacancy & Collection Allowance	5% Gross Income			(158,000)
II. Effective Gross Income				\$3,001,000
III. <u>Operating Expenses</u>				
General Operating Expenses	80 Units @	\$4,500 /Unit		\$360,000
Property Taxes	80 Units @	\$6,400 /Unit		512,000
Replacement Reserve Deposits	80 Units @	\$150 /Unit		12,000
Total Operating Expenses				(\$884,000)
IV. <u>Stabilized Net Operating Income</u>				\$2,117,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.52 per square foot of leasable area.

² Based on 50% of AMI. This percentage of AMI is based on the standard identified in California Health & Safety Code Section 50053. See ATTACHMENT 4: APPENDIX B.

³ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX F - EXHIBIT III - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 RECOMMENDED REQUIREMENT: 4% VERY LOW INCOME UNITS
 19 WEST: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX F - EXHIBIT III - TABLE 2		\$2,117,000	
Capitalization Rate			4.75%	
			<hr/>	
Estimated Project Value				\$44,568,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX F - EXHIBIT III - TABLE 1		\$28,678,000	
Threshold Developer Profit	8% of Value		3,565,000	
			<hr/>	
Total Project Cost				(\$32,243,000)
III. <u>Estimated Residual Land Value</u>	87,120 Sf of Land	\$141 /Sf of Land		\$12,325,000

ATTACHMENT 4: APPENDIX F - EXHIBIT IV

**PRO FORMA ANALYSIS
50% §65915 DENSITY BONUS
19 WEST:
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX F - EXHIBIT IV - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 50% §65915 DENSITY BONUS
 19 WEST:
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs					
On-Site Improvements / Landscaping	1	87,120	Sf of Land	\$30 /Sf of Land	\$2,614,000
Parking	2				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		116	Spaces	\$20,000 /Space	2,320,000
1st Level Subterranean		58	Spaces	\$35,000 /Space	2,030,000
Building Costs		111,990	Sf of GLA	\$195 /Sf of GLA	21,838,000
Contractor/DC Contingency Allow	3		20% Other Direct Costs		5,760,000
Total Direct Costs		111,990	Sf of GLA	\$309 /Sf of GLA	\$34,562,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$2,074,000
Public Permits & Fees - All Converted to	4	120	Units	\$27,700 /Unit	3,324,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		691,000
Marketing		120	Units	\$2,500 /Unit	300,000
Developer Fee			5% Direct Costs		1,728,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		406,000
Total Indirect Costs					\$8,523,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	5	\$11,830,000	Cost	6.2% Avg Rate	\$917,000
Construction	6	\$46,701,000	Cost	6.2% Avg Rate	2,172,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	527,000
Total Financing Costs					\$3,616,000
IV. Total Construction Cost		120	Units	\$389,000 /Unit	\$46,701,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² 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

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX F - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 50% §65915 DENSITY BONUS
 19 WEST:
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>			
A. Market Rate Units ¹			
Studio Units	6 Units @	\$2,410 /Unit/Month	\$174,000
One-Bedroom Units	54 Units @	\$2,970 /Unit/Month	1,925,000
Two-Bedroom Units	43 Units @	\$3,660 /Unit/Month	1,889,000
Three-Bedroom Units	5 Units @	\$4,400 /Unit/Month	264,000
B. Density Bonus Very Low Income Units ²			
Studio Units	0 Units @	\$1,027 /Unit/Month	0
One-Bedroom Units	6 Units @	\$1,172 /Unit/Month	84,000
Two-Bedroom Units	5 Units @	\$1,297 /Unit/Month	78,000
Three-Bedroom Units	1 Unit @	\$1,424 /Unit/Month	17,000
C. Miscellaneous Income 120 Units @ \$75 /Unit/Month <u>108,000</u>			
Total Gross Income			\$4,539,000
Vacancy & Collection Allowance	5% Gross Income		<u>(227,000)</u>
II. Effective Gross Income			\$4,312,000
III. <u>Operating Expenses</u>			
General Operating Expenses	120 Units @	\$4,500 /Unit	\$540,000
Property Taxes	120 Units @	\$6,100 /Unit	732,000
Replacement Reserve Deposits	120 Units @	\$150 /Unit	<u>18,000</u>
Total Operating Expenses 120 Units @ \$10,750 /Unit			<u>(\$1,290,000)</u>
IV. <u>Stabilized Net Operating Income</u>			<u>\$3,022,000</u>

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.53 per square foot of leasable area.

² Section 65915 (c) (1) (B) (i) calculates very low income rents based on household income based on 50% of AMI. This represents the standard identified in California Health & Safety Code Section 50503. See ATTACHMENT 4: APPENDIX B.

³ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX F - EXHIBIT IV - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 50% §65915 DENSITY BONUS
 19 WEST:
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX F - EXHIBIT IV - TABLE 2		\$3,022,000	
Capitalization Rate			4.75%	
			<hr/>	
Estimated Project Value				\$63,621,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX F - EXHIBIT IV - TABLE 1		\$46,701,000	
Threshold Developer Profit	8% of Value		5,090,000	
			<hr/>	
Total Project Cost				(\$51,791,000)
III. <u>Estimated Residual Land Value</u>	87,120 Sf of Land	\$136 /Sf of Land		\$11,830,000

ATTACHMENT 4: APPENDIX G

PRO FORMA ANALYSES

SOBECA

OVERLAY ZONE APARTMENT PROPERTIES

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

COSTA MESA, CALIFORNIA

ATTACHMENT 4: APPENDIX G - EXHIBIT I

**PRO FORMA ANALYSIS
MARKET RATE SCENARIO
SOBECA: BASE ZONING
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX G - EXHIBIT I - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 MARKET RATE SCENARIO
 SOBECA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	1				
On-Site Improvements / Landscaping		104,544	Sf of Land	\$20 /Sf of Land	\$2,091,000
Parking	2				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		139	Spaces	\$20,000 /Space	2,780,000
1st Level Subterranean		71	Spaces	\$35,000 /Space	2,485,000
Building Costs		111,990	Sf of GLA	\$165 /Sf of GLA	18,478,000
Contractor/DC Contingency Allow	3		20% Other Direct Costs		5,167,000
Total Direct Costs		111,990	Sf of GLA	\$277 /Sf of GLA	\$31,001,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$1,860,000
Public Permits & Fees	4	120	Units	\$27,700 /Unit	3,324,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		620,000
Marketing		120	Units	\$2,500 /Unit	300,000
Developer Fee			5% Direct Costs		1,550,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		383,000
Total Indirect Costs					\$8,037,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	5	\$19,241,000	Cost	6.2% Avg Rate	\$1,789,000
Construction	6	\$43,841,000	Cost	6.2% Avg Rate	2,446,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	568,000
Total Financing Costs					\$4,803,000
IV. Total Construction Cost		120	Units	\$365,000 /Unit	\$43,841,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX G - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 MARKET RATE SCENARIO
 SOBECA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>			
A. Market Rate Units ¹			
Studio Units	6 Units @	\$2,410 /Unit/Month	\$174,000
One-Bedroom Units	60 Units @	\$2,970 /Unit/Month	2,138,000
Two-Bedroom Units	48 Units @	\$3,660 /Unit/Month	2,108,000
Three-Bedroom Units	6 Units @	\$4,400 /Unit/Month	317,000
B. Miscellaneous Income			120 Units @
			\$75 /Unit/Month
			108,000
Total Gross Income			\$4,845,000
Vacancy & Collection Allowance	5% Gross Income		(242,000)
II. Effective Gross Income			\$4,603,000
III. <u>Operating Expenses</u>			
General Operating Expenses	120 Units @	\$4,500 /Unit	\$540,000
Property Taxes	120 Units @	\$6,600 /Unit	788,000
Replacement Reserve Deposits	120 Units @	\$150 /Unit	18,000
Total Operating Expenses			(\$1,346,000)
IV. <u>Stabilized Net Operating Income</u>			\$3,257,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.52 per square foot of leasable area.

² The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX G - EXHIBIT I - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 MARKET RATE SCENARIO
 SOBECA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX G - EXHIBIT I - TABLE 2		\$3,257,000	
Capitalization Rate			4.75%	
Estimated Project Value				\$68,568,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX G - EXHIBIT I - TABLE 1		\$43,841,000	
Threshold Developer Profit	8% of Value		5,485,000	
Total Project Cost				(\$49,326,000)
III. <u>Estimated Residual Land Value</u>	104,544 Sf of Land	\$184 /Sf of Land		\$19,242,000

ATTACHMENT 4: APPENDIX G - EXHIBIT I - TABLE 4

TARGET RESIDUAL LAND VALUE ANALYSIS
 MARKET RATE SCENARIO
 SOBECA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Land Value</u>					
SoBECA		See ATTACHMENT 4: APPENDIX G - EXHIBIT I - TABLE 3			\$19,242,000
Improved .49 FAR Industrial	¹	104,544 Sf of Land	\$159 /Sf of Land		16,586,000
Estimated Value Enhancement					<u>\$2,656,000</u>
II. <u>Value Enhancement Funds Available for Inclusionary Housing</u>					
Estimated Value Enhancement					\$2,656,000
Share Allocated to Inclusionary Housing					<u>50%</u>
Value Enhancement Funds Available for Inclusionary Housing					<u>\$1,328,000</u>
III. <u>Target Residual Land Value</u>					
Estimated Land Value: SoBECA					\$19,242,000
Minus Value Enhancement Funds Available for Inclusionary Housing					<u>(1,328,000)</u>
Target Residual Land Value					\$17,914,000
IV. Supportable In-Lieu Fee	²	111,990 Sf of GLA	\$12 /Sf of GLA		\$1,328,000

¹ See ATTACHMENT 2: PROPERTY SALES SURVEYS.

² Based on the Value Enhancement Funds Available for Inclusionary Housing.

ATTACHMENT 4: APPENDIX G - EXHIBIT II

**PRO FORMA ANALYSIS
RECOMMENDED REQUIREMENT: 6% LOW INCOME UNITS
SOBECA: BASE ZONING
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX G - EXHIBIT II - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 RECOMMENDED REQUIREMENT: 6% LOW INCOME UNITS
 SOBECA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		104,544	Sf of Land	\$20 /Sf of Land	\$2,091,000
Parking	²				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		139	Spaces	\$20,000 /Space	2,780,000
1st Level Subterranean		71	Spaces	\$35,000 /Space	2,485,000
Building Costs		111,990	Sf of GLA	\$165 /Sf of GLA	18,478,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		5,167,000
Total Direct Costs		111,990	Sf of GLA	\$277 /Sf of GLA	\$31,001,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$1,860,000
Public Permits & Fees - All Converted to	⁵	120	Units	\$27,700 /Unit	3,324,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		620,000
Marketing		120	Units	\$2,500 /Unit	300,000
Developer Fee			5% Direct Costs		1,550,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		383,000
Total Indirect Costs					\$8,037,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁴	\$17,897,000	Cost	6.2% Avg Rate	\$1,664,000
Construction	⁵	\$43,694,000	Cost	6.2% Avg Rate	2,438,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	554,000
Total Financing Costs					\$4,656,000
IV. Total Construction Cost		120	Units	\$364,000 /Unit	\$43,694,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX G - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 6% LOW INCOME UNITS
 SOBECA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>				
A. Market Rate Units 1				
Studio Units	5 Units @	\$2,410 /Unit/Month		\$145,000
One-Bedroom Units	57 Units @	\$2,970 /Unit/Month		2,031,000
Two-Bedroom Units	45 Units @	\$3,660 /Unit/Month		1,976,000
Three-Bedroom Units	6 Units @	\$4,400 /Unit/Month		317,000
B. Low Income Units 2				
Studio Units	1 Unit @	\$1,698 /Unit/Month		20,000
One-Bedroom Units	3 Units @	\$1,939 /Unit/Month		70,000
Two-Bedroom Units	3 Units @	\$2,159 /Unit/Month		78,000
Three-Bedroom Units	0 Units @	\$2,382 /Unit/Month		0
C. Miscellaneous Income 120 Units @				
		\$75 /Unit/Month		108,000
Total Gross Income				\$4,745,000
Vacancy & Collection Allowance	5% Gross Income			(237,000)
II. Effective Gross Income				\$4,508,000
III. <u>Operating Expenses</u>				
General Operating Expenses	120 Units @	\$4,500 /Unit		\$540,000
Property Taxes	120 Units @	\$6,400 /Unit		770,000
Replacement Reserve Deposits	120 Units @	\$150 /Unit		18,000
Total Operating Expenses				(\$1,328,000)
IV. <u>Stabilized Net Operating Income</u>				\$3,180,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.52 per square foot of leasable area.

² Based on 80% of AMI. This percentage of AMI is based on the standard identified in AB 1505. See ATTACHMENT 4: APPENDIX B.

³ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX G - EXHIBIT II - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 RECOMMENDED REQUIREMENT: 6% LOW INCOME UNITS
 SOBECA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX G - EXHIBIT II - TABLE 2		\$3,180,000	
Capitalization Rate			4.75%	
			<hr/>	
Estimated Project Value				\$66,947,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX G - EXHIBIT II - TABLE 1		\$43,694,000	
Threshold Developer Profit	8% of Value		5,356,000	
			<hr/>	
Total Project Cost				(\$49,050,000)
III. <u>Estimated Residual Land Value</u>	104,544 Sf of Land	\$171 /Sf of Land		\$17,897,000

ATTACHMENT 4: APPENDIX G - EXHIBIT III

PRO FORMA ANALYSIS

RECOMMENDED REQUIREMENT: 3% VERY LOW INCOME UNITS

SOBECA: BASE ZONING

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

COSTA MESA, CALIFORNIA

ATTACHMENT 4: APPENDIX G - EXHIBIT III - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 RECOMMENDED REQUIREMENT: 3% VERY LOW INCOME UNITS
 SOBECA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		104,544	Sf of Land	\$20 /Sf of Land	\$2,091,000
Parking	²				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		139	Spaces	\$20,000 /Space	2,780,000
1st Level Subterranean		71	Spaces	\$35,000 /Space	2,485,000
Building Costs		111,990	Sf of GLA	\$165 /Sf of GLA	18,478,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		5,167,000
Total Direct Costs		111,990	Sf of GLA	\$277 /Sf of GLA	\$31,001,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$1,860,000
Public Permits & Fees - All Converted to	⁵	120	Units	\$27,700 /Unit	3,324,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		620,000
Marketing		120	Units	\$2,500 /Unit	300,000
Developer Fee			5% Direct Costs		1,550,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		383,000
Total Indirect Costs					\$8,037,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁴	\$17,897,000	Cost	6.2% Avg Rate	\$1,664,000
Construction	⁵	\$43,694,000	Cost	6.2% Avg Rate	2,438,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	554,000
Total Financing Costs					\$4,656,000
IV. Total Construction Cost		120	Units	\$364,000 /Unit	\$43,694,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX G - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 3% VERY LOW INCOME UNITS
 SOBECA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>				
A. Market Rate Units 1				
Studio Units	6 Units @	\$2,410 /Unit/Month	\$174,000	
One-Bedroom Units	58 Units @	\$2,970 /Unit/Month	2,067,000	
Two-Bedroom Units	46 Units @	\$3,660 /Unit/Month	2,020,000	
Three-Bedroom Units	6 Units @	\$4,400 /Unit/Month	317,000	
B. Very Low Income Units 2				
Studio Units	0 Units @	\$1,027 /Unit/Month	0	
One-Bedroom Units	2 Units @	\$1,172 /Unit/Month	28,000	
Two-Bedroom Units	2 Units @	\$1,297 /Unit/Month	31,000	
Three-Bedroom Units	0 Units @	\$1,424 /Unit/Month	0	
C. Miscellaneous Income 120 Units @				
		\$75 /Unit/Month	108,000	
Total Gross Income			\$4,745,000	
Vacancy & Collection Allowance	5% Gross Income		(237,000)	
II. Effective Gross Income			\$4,508,000	
III. <u>Operating Expenses</u>				
General Operating Expenses	120 Units @	\$4,500 /Unit	\$540,000	
Property Taxes	120 Units @	\$6,400 /Unit	770,000	
Replacement Reserve Deposits	120 Units @	\$150 /Unit	18,000	
Total Operating Expenses			(\$1,328,000)	
IV. <u>Stabilized Net Operating Income</u>			\$3,180,000	

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.53 per square foot of leasable area.

² Based on 50% of AMI. This percentage of AMI is based on the standard identified in California Health & Safety Code Section 50053. See ATTACHMENT 4: APPENDIX B.

³ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX G - EXHIBIT III - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 RECOMMENDED REQUIREMENT: 3% VERY LOW INCOME UNITS
 SOBECA: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX G - EXHIBIT III - TABLE 2		\$3,180,000	
Capitalization Rate			4.75%	
Estimated Project Value				\$66,947,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX G - EXHIBIT III - TABLE 1		\$43,694,000	
Threshold Developer Profit	8% of Value		5,356,000	
Total Project Cost				(\$49,050,000)
III. <u>Estimated Residual Land Value</u>	104,544 Sf of Land	\$171 /Sf of Land		\$17,897,000

ATTACHMENT 4: APPENDIX G - EXHIBIT IV

PRO FORMA ANALYSIS

20% §65915 DENSITY BONUS

SOBECA:

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

COSTA MESA, CALIFORNIA

ATTACHMENT 4: APPENDIX G - EXHIBIT IV - TABLE 1

ESTIMATED CONSTRUCTION COSTS

20% §65915 DENSITY BONUS

SOBECA:

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

COSTA MESA, CALIFORNIA

I. Direct Costs					
On-Site Improvements / Landscaping	1	104,544	Sf of Land	\$30 /Sf of Land	\$3,136,000
Parking	2				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		209	Spaces	\$20,000 /Space	4,180,000
1st Level Subterranean		0	Spaces	\$35,000 /Space	0
Building Costs		134,455	Sf of GLA	\$195 /Sf of GLA	26,219,000
Contractor/DC Contingency Allow	3		20% Other Direct Costs		6,707,000
Total Direct Costs		134,455	Sf of GLA	\$299 /Sf of GLA	\$40,242,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$2,415,000
Public Permits & Fees - All Converted to	4	144	Units	\$27,700 /Unit	3,989,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		805,000
Marketing		144	Units	\$2,500 /Unit	360,000
Developer Fee			5% Direct Costs		2,012,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		479,000
Total Indirect Costs					\$10,060,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	5	\$18,689,000	Cost	6.2% Avg Rate	\$1,448,000
Construction	6	\$54,969,000	Cost	6.2% Avg Rate	2,556,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	663,000
Total Financing Costs					\$4,667,000
IV. Total Construction Cost		144	Units	\$382,000 /Unit	\$54,969,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² 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

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 15 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 15 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX G - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 20% §65915 DENSITY BONUS
 SOBECA:
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>			
A. Market Rate Units ¹			
Studio Units	6 Units @	\$2,410 /Unit/Month	\$174,000
One-Bedroom Units	69 Units @	\$2,970 /Unit/Month	2,459,000
Two-Bedroom Units	56 Units @	\$3,660 /Unit/Month	2,460,000
Three-Bedroom Units	7 Units @	\$4,400 /Unit/Month	370,000
B. Density Bonus Very Low Income Units ²			
Studio Units	1 Unit @	\$1,027 /Unit/Month	12,000
One-Bedroom Units	3 Units @	\$1,172 /Unit/Month	42,000
Two-Bedroom Units	2 Units @	\$1,297 /Unit/Month	31,000
Three-Bedroom Units	0 Units @	\$1,424 /Unit/Month	0
C. Miscellaneous Income			
	144 Units @	\$75 /Unit/Month	130,000
Total Gross Income			\$5,678,000
Vacancy & Collection Allowance	5% Gross Income		(284,000)
II. Effective Gross Income			\$5,394,000
III. <u>Operating Expenses</u>			
General Operating Expenses	144 Units @	\$4,500 /Unit	\$648,000
Property Taxes	144 Units @	\$6,400 /Unit	921,000
Replacement Reserve Deposits	144 Units @	\$150 /Unit	22,000
Total Operating Expenses			(\$1,591,000)
IV. <u>Stabilized Net Operating Income</u>			\$3,803,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.52 per square foot of leasable area.

² Section 65915 (c) (1) (B) (i) calculates very low income rents based on household income based on 50% of AMI. This represents the standard identified in California Health & Safety Code Section 50503. See ATTACHMENT 4: APPENDIX B.

³ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX G - EXHIBIT IV - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT

20% §65915 DENSITY BONUS

SOBECA:

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX G - EXHIBIT IV - TABLE 2			\$3,803,000
Capitalization Rate				4.75%
Estimated Project Value				\$80,063,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX G - EXHIBIT IV - TABLE 1			\$54,969,000
Threshold Developer Profit	8% of Value			6,405,000
Total Project Cost				(\$61,374,000)
III. <u>Estimated Residual Land Value</u>	104,544	Sf of Land	\$179	/Sf of Land
				\$18,689,000

ATTACHMENT 4: APPENDIX H

PRO FORMA ANALYSES

CORRIDORS

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

COSTA MESA, CALIFORNIA

ATTACHMENT 4: APPENDIX H - EXHIBIT I

**PRO FORMA ANALYSIS
MARKET RATE SCENARIO
CORRIDORS: BASE ZONING
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX H - EXHIBIT I - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 MARKET RATE SCENARIO
 CORRIDORS: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	1				
On-Site Improvements / Landscaping		137,214	Sf of Land	\$20 /Sf of Land	\$2,744,000
Parking	2				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		183	Spaces	\$20,000 /Space	3,660,000
1st Level Subterranean		148	Spaces	\$35,000 /Space	5,180,000
Building Costs		176,355	Sf of GLA	\$195 /Sf of GLA	34,389,000
Contractor/DC Contingency Allow	3		20% Other Direct Costs		9,195,000
Total Direct Costs		176,355	Sf of GLA	\$313 /Sf of GLA	\$55,168,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$3,310,000
Public Permits & Fees	4	189	Units	\$27,600 /Unit	5,216,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		1,103,000
Marketing		189	Units	\$2,500 /Unit	473,000
Developer Fee			5% Direct Costs		2,758,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		643,000
Total Indirect Costs					\$13,503,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	5	\$23,346,000	Cost	6.2% Avg Rate	\$2,171,000
Construction	6	\$75,975,000	Cost	6.2% Avg Rate	4,239,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	894,000
Total Financing Costs					\$7,304,000
IV. Total Construction Cost		189	Units	\$402,000 /Unit	\$75,975,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX H - EXHIBIT I - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 MARKET RATE SCENARIO
 CORRIDORS: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>			
A. Market Rate Units ¹			
Studio Units	9 Units @	\$2,410 /Unit/Month	\$260,000
One-Bedroom Units	95 Units @	\$2,970 /Unit/Month	3,386,000
Two-Bedroom Units	76 Units @	\$3,660 /Unit/Month	3,338,000
Three-Bedroom Units	9 Units @	\$4,400 /Unit/Month	475,000
B. Miscellaneous Income			
	189 Units @	\$75 /Unit/Month	<u>170,000</u>
Total Gross Income			\$7,629,000
Vacancy & Collection Allowance	5% Gross Income		<u>(381,000)</u>
II. Effective Gross Income			
			\$7,248,000
III. <u>Operating Expenses</u>			
General Operating Expenses	189 Units @	\$4,500 /Unit	\$851,000
Property Taxes	189 Units @	\$6,600 /Unit	1,241,000
Replacement Reserve Deposits	189 Units @	\$150 /Unit	<u>28,000</u>
Total Operating Expenses			<u>(\$2,120,000)</u>
IV. <u>Stabilized Net Operating Income</u>			<u>\$5,128,000</u>

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.52 per square foot of leasable area.

² The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX H - EXHIBIT I - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 MARKET RATE SCENARIO
 CORRIDORS: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX H - EXHIBIT I - TABLE 2		\$5,128,000	
Capitalization Rate			4.75%	
Estimated Project Value				\$107,958,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX H - EXHIBIT I - TABLE 1		\$75,975,000	
Threshold Developer Profit	8% of Value		8,637,000	
Total Project Cost				(\$84,612,000)
III. <u>Estimated Residual Land Value</u>	137,214	Sf of Land	\$170	/Sf of Land
				\$23,346,000

ATTACHMENT 4: APPENDIX H - EXHIBIT I - TABLE 4

TARGET RESIDUAL LAND VALUE ANALYSIS
 MARKET RATE SCENARIO
 CORRIDORS: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Land Value</u>				
Corridors		See ATTACHMENT 4: APPENDIX H - EXHIBIT I - TABLE 3		\$23,346,000
Improved Auto Property	¹	137,214 Sf of Land	\$107 /Sf of Land	14,677,000
Estimated Value Enhancement				<u>\$8,669,000</u>
II. <u>Value Enhancement Funds Available for Inclusionary Housing</u>				
Estimated Value Enhancement				\$8,669,000
Share Allocated to Inclusionary Housing				<u>50%</u>
Value Enhancement Funds Available for Inclusionary Housing				<u>\$4,335,000</u>
III. <u>Target Residual Land Value</u>				
Estimated Land Value: Corridors				\$23,346,000
Minus Value Enhancement Funds Available for Inclusionary Housing				<u>(4,335,000)</u>
Target Residual Land Value				\$19,011,000
IV. Supportable In-Lieu Fee	²	176,355 Sf of GLA	\$25 /Sf of GLA	\$4,335,000

¹ See ATTACHMENT 2: PROPERTY SALES SURVEYS.

² Based on the Value Enhancement Funds Available for Inclusionary Housing.

ATTACHMENT 4: APPENDIX H - EXHIBIT II

**PRO FORMA ANALYSIS
RECOMMENDED REQUIREMENT: 12% LOW INCOME UNITS
CORRIDORS: BASE ZONING
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX H - EXHIBIT II - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 RECOMMENDED REQUIREMENT: 12% LOW INCOME UNITS
 CORRIDORS: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		137,214	Sf of Land	\$20 /Sf of Land	\$2,744,000
Parking	²				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		183	Spaces	\$20,000 /Space	3,660,000
1st Level Subterranean		148	Spaces	\$35,000 /Space	5,180,000
Building Costs		176,355	Sf of GLA	\$195 /Sf of GLA	34,389,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		9,195,000
Total Direct Costs		176,355	Sf of GLA	\$313 /Sf of GLA	\$55,168,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$3,310,000
Public Permits & Fees - All Converted to	⁵	189	Units	\$27,600 /Unit	5,216,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		1,103,000
Marketing		189	Units	\$2,500 /Unit	473,000
Developer Fee			5% Direct Costs		2,758,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		643,000
Total Indirect Costs					\$13,503,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁴	\$18,910,000	Cost	6.2% Avg Rate	\$1,759,000
Construction	⁵	\$75,492,000	Cost	6.2% Avg Rate	4,212,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	850,000
Total Financing Costs					\$6,821,000
IV. Total Construction Cost		189	Units	\$399,000 /Unit	\$75,492,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX H - EXHIBIT II - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 12% LOW INCOME UNITS
 CORRIDORS: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>				
A. Market Rate Units 1				
Studio Units	8 Units @	\$2,410 /Unit/Month		\$231,000
One-Bedroom Units	84 Units @	\$2,970 /Unit/Month		2,994,000
Two-Bedroom Units	67 Units @	\$3,660 /Unit/Month		2,943,000
Three-Bedroom Units	8 Units @	\$4,400 /Unit/Month		422,000
B. Low Income Units 2				
Studio Units	1 Unit @	\$1,698 /Unit/Month		20,000
One-Bedroom Units	11 Units @	\$1,939 /Unit/Month		256,000
Two-Bedroom Units	9 Units @	\$2,159 /Unit/Month		233,000
Three-Bedroom Units	1 Unit @	\$2,382 /Unit/Month		29,000
C. Miscellaneous Income				
	189 Units @	\$75 /Unit/Month		170,000
Total Gross Income				\$7,298,000
Vacancy & Collection Allowance	5% Gross Income			(365,000)
II. Effective Gross Income				\$6,933,000
III. <u>Operating Expenses</u>				
General Operating Expenses	189 Units @	\$4,500 /Unit		\$851,000
Property Taxes	189 Units @	\$6,200 /Unit		1,180,000
Replacement Reserve Deposits	189 Units @	\$150 /Unit		28,000
Total Operating Expenses				(\$2,059,000)
IV. <u>Stabilized Net Operating Income</u>				\$4,874,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.53 per square foot of leasable area.

² Based on 80% of AMI. This percentage of AMI is based on the standard identified in AB 1505. See ATTACHMENT 4: APPENDIX B.

³ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX H - EXHIBIT II - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 RECOMMENDED REQUIREMENT: 12% LOW INCOME UNITS
 CORRIDORS: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX H - EXHIBIT II - TABLE 2		\$4,874,000	
Capitalization Rate			4.75%	
Estimated Project Value				\$102,611,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX H - EXHIBIT II - TABLE 1		\$75,492,000	
Threshold Developer Profit	8% of Value		8,209,000	
Total Project Cost				(\$83,701,000)
III. <u>Estimated Residual Land Value</u>	137,214	Sf of Land	\$138	/Sf of Land
				\$18,910,000

ATTACHMENT 4: APPENDIX H - EXHIBIT III

PRO FORMA ANALYSIS

RECOMMENDED REQUIREMENT: 7% VERY LOW INCOME UNITS

CORRIDORS: BASE ZONING

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

COSTA MESA, CALIFORNIA

ATTACHMENT 4: APPENDIX H - EXHIBIT III - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 RECOMMENDED REQUIREMENT: 7% VERY LOW INCOME UNITS
 CORRIDORS: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		137,214	Sf of Land	\$20 /Sf of Land	\$2,744,000
Parking	²				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		183	Spaces	\$20,000 /Space	3,660,000
1st Level Subterranean		148	Spaces	\$35,000 /Space	5,180,000
Building Costs		176,355	Sf of GLA	\$195 /Sf of GLA	34,389,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		9,195,000
Total Direct Costs		176,355	Sf of GLA	\$313 /Sf of GLA	\$55,168,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$3,310,000
Public Permits & Fees - All Converted to	⁵	189	Units	\$27,600 /Unit	5,216,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		1,103,000
Marketing		189	Units	\$2,500 /Unit	473,000
Developer Fee			5% Direct Costs		2,758,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		643,000
Total Indirect Costs					\$13,503,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁴	\$18,699,000	Cost	6.2% Avg Rate	\$1,739,000
Construction	⁵	\$75,470,000	Cost	6.2% Avg Rate	4,211,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	849,000
Total Financing Costs					\$6,799,000
IV. Total Construction Cost		189	Units	\$399,000 /Unit	\$75,470,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX H - EXHIBIT III - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 7% VERY LOW INCOME UNITS
 CORRIDORS: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>				
A. Market Rate Units 1				
Studio Units	8 Units @	\$2,410 /Unit/Month		\$231,000
One-Bedroom Units	88 Units @	\$2,970 /Unit/Month		3,136,000
Two-Bedroom Units	71 Units @	\$3,660 /Unit/Month		3,118,000
Three-Bedroom Units	8 Units @	\$4,400 /Unit/Month		422,000
B. Very Low Income Units 2				
Studio Units	1 Unit @	\$1,027 /Unit/Month		12,000
One-Bedroom Units	7 Units @	\$1,172 /Unit/Month		98,000
Two-Bedroom Units	5 Units @	\$1,297 /Unit/Month		78,000
Three-Bedroom Units	1 Unit @	\$1,424 /Unit/Month		17,000
C. Miscellaneous Income 189 Units @				
		\$75 /Unit/Month		170,000
Total Gross Income				\$7,282,000
Vacancy & Collection Allowance	5% Gross Income			(364,000)
II. Effective Gross Income				\$6,918,000
III. <u>Operating Expenses</u>				
General Operating Expenses	189 Units @	\$4,500 /Unit		\$851,000
Property Taxes	189 Units @	\$6,200 /Unit		1,177,000
Replacement Reserve Deposits	189 Units @	\$150 /Unit		28,000
Total Operating Expenses				(\$2,056,000)
IV. <u>Stabilized Net Operating Income</u>				\$4,862,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.52 per square foot of leasable area.

² Based on 50% of AMI. This percentage of AMI is based on the standard identified in California Health & Safety Code Section 50053. See ATTACHMENT 4: APPENDIX B.

³ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX H - EXHIBIT III - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 RECOMMENDED REQUIREMENT: 7% VERY LOW INCOME UNITS
 CORRIDORS: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX H - EXHIBIT III - TABLE 2			\$4,862,000
Capitalization Rate				4.75%
Estimated Project Value				<u>\$102,358,000</u>
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX H - EXHIBIT III - TABLE 1			\$75,470,000
Threshold Developer Profit	8% of Value			<u>8,189,000</u>
Total Project Cost				(\$83,659,000)
III. <u>Estimated Residual Land Value</u>				
	137,214 Sf of Land	\$136 /Sf of Land		<u>\$18,699,000</u>

ATTACHMENT 4: APPENDIX H - EXHIBIT IV

PRO FORMA ANALYSIS

RECOMMENDED REQUIREMENT:

7% LOW INCOME UNITS + 3% VERY LOW INCOME UNITS

CORRIDORS: BASE ZONING

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

COSTA MESA, CALIFORNIA

ATTACHMENT 4: APPENDIX H - EXHIBIT IV - TABLE 1

ESTIMATED CONSTRUCTION COSTS
 RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS + 3% VERY LOW INCOME UNITS
 CORRIDORS: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		137,214	Sf of Land	\$20 /Sf of Land	\$2,744,000
Parking	²				
At-Grade Spaces		0	Spaces	\$5,000 /Space	0
Above-Ground Parking Spaces		183	Spaces	\$20,000 /Space	3,660,000
1st Level Subterranean		148	Spaces	\$35,000 /Space	5,180,000
Building Costs		176,355	Sf of GLA	\$195 /Sf of GLA	34,389,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		9,195,000
Total Direct Costs		176,355	Sf of GLA	\$313 /Sf of GLA	\$55,168,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$3,310,000
Public Permits & Fees - All Converted to	⁵	189	Units	\$27,600 /Unit	5,216,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		1,103,000
Marketing		189	Units	\$2,500 /Unit	473,000
Developer Fee			5% Direct Costs		2,758,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		643,000
Total Indirect Costs					\$13,503,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁴	\$18,893,000	Cost	6.2% Avg Rate	\$1,757,000
Construction	⁵	\$75,489,000	Cost	6.2% Avg Rate	4,212,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	849,000
Total Financing Costs					\$6,818,000
IV. Total Construction Cost		189	Units	\$399,000 /Unit	\$75,489,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Based on an average of 1.75 per unit parking ratio.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX H - EXHIBIT IV - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS + 3% VERY LOW INCOME UNITS
 CORRIDORS: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. **Gross Income**

A. **Market Rate Units**

1

Studio Units	8 Units @	\$2,410 /Unit/Month	\$231,000
One-Bedroom Units	85 Units @	\$2,970 /Unit/Month	3,029,000
Two-Bedroom Units	69 Units @	\$3,660 /Unit/Month	3,030,000
Three-Bedroom Units	8 Units @	\$4,400 /Unit/Month	422,000

B. **Low Income Units**

2

Studio Units	1 Unit @	\$1,698 /Unit/Month	20,000
One-Bedroom Units	7 Units @	\$1,939 /Unit/Month	163,000
Two-Bedroom Units	5 Units @	\$2,159 /Unit/Month	130,000
Three-Bedroom Units	1 Unit @	\$2,382 /Unit/Month	29,000

B. **Very Low Income Units**

3

Studio Units	0 Units @	\$1,027 /Unit/Month	0
One-Bedroom Units	3 Units @	\$1,172 /Unit/Month	42,000
Two-Bedroom Units	2 Units @	\$1,297 /Unit/Month	31,000
Three-Bedroom Units	0 Units @	\$1,424 /Unit/Month	0

C. **Miscellaneous Income**

189 Units @	\$75 /Unit/Month	170,000
-------------	------------------	---------

Total Gross Income

\$7,297,000

Vacancy & Collection Allowance

5% Gross Income

(365,000)

II. **Effective Gross Income**

\$6,932,000

III. **Operating Expenses**

General Operating Expenses	189 Units @	\$4,500 /Unit	\$851,000
Property Taxes	189 Units @	\$6,200 /Unit	1,180,000
Replacement Reserve Deposits	189 Units @	\$150 /Unit	28,000

Total Operating Expenses

189 Units @	\$10,894 /Unit	(\$2,059,000)
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IV. **Stabilized Net Operating Income**

\$4,873,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.52 per square foot of leasable area.

² Based on 80% of AMI. This percentage of AMI is based on the standard identified in AB 1505. See ATTACHMENT 4: APPENDIX B.

³ Based on 50% of AMI. This percentage of AMI is based on the standard identified in California Health & Safety Code Section 50053. See ATTACHMENT 4: APPENDIX B.

⁴ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX H - EXHIBIT IV - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 RECOMMENDED REQUIREMENT: 7% LOW INCOME UNITS + 3% VERY LOW INCOME UNITS
 CORRIDORS: BASE ZONING
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX H - EXHIBIT IV - TABLE 2		\$4,873,000	
Capitalization Rate			4.75%	
Estimated Project Value				\$102,589,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX H - EXHIBIT IV - TABLE 1		\$75,489,000	
Threshold Developer Profit	8% of Value		8,207,000	
Total Project Cost				(\$83,696,000)
III. <u>Estimated Residual Land Value</u>				
	137,214 Sf of Land	\$138 /Sf of Land		\$18,893,000

ATTACHMENT 4: APPENDIX H - EXHIBIT V

**PRO FORMA ANALYSIS
50% §65915 DENSITY BONUS
CORRIDORS:
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 4: APPENDIX H - EXHIBIT V - TABLE 1

ESTIMATED CONSTRUCTION COSTS

50% §65915 DENSITY BONUS

CORRIDORS:

INCLUSIONARY HOUSING: FINANCIAL EVALUATION

COSTA MESA, CALIFORNIA

I. Direct Costs	¹				
On-Site Improvements / Landscaping		137,214	Sf of Land	\$30 /Sf of Land	\$4,116,000
Parking	²				
At-Grade Spaces		69	Spaces	\$5,000 /Space	345,000
Above-Ground Parking Spaces		0	Spaces	\$20,000 /Space	0
1st Level Subterranean		343	Spaces	\$35,000 /Space	12,005,000
Building Costs		265,110	Sf of GLA	\$205 /Sf of GLA	54,348,000
Contractor/DC Contingency Allow	³		20% Other Direct Costs		14,163,000
Total Direct Costs		265,110	Sf of GLA	\$321 /Sf of GLA	\$84,977,000
II. Indirect Costs					
Architecture, Engineering & Consulting			6% Direct Costs		\$5,099,000
Public Permits & Fees - All Converted to	⁴	284	Units	\$27,600 /Unit	7,838,000
Taxes, Insurance, Legal & Accounting			2% Direct Costs		1,700,000
Marketing		284	Units	\$2,500 /Unit	710,000
Developer Fee			5% Direct Costs		4,249,000
Soft Cost Contingency Allowance			5% Other Indirect Costs		980,000
Total Indirect Costs					\$20,576,000
III. Financing Costs					
Interest During Construction					
Land Acquisition	⁵	\$23,255,000	Cost	6.2% Avg Rate	\$2,163,000
Construction	⁶	\$115,404,000	Cost	6.2% Avg Rate	6,440,000
Loan Origination Fees			60% Loan to Cost	1.5 Points	1,248,000
Total Financing Costs					\$9,851,000
IV. Total Construction Cost		284	Units	\$406,000 /Unit	\$115,404,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² 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

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Based on an 18 month construction period following receipt of entitlements, and a 100% average outstanding loan balance.

⁶ Based on an 18 month construction period following receipt of entitlements, and a 60% average outstanding loan balance.

ATTACHMENT 4: APPENDIX H - EXHIBIT V - TABLE 2

ESTIMATED STABILIZED NET OPERATING INCOME
 50% §65915 DENSITY BONUS
 CORRIDORS:
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Gross Income</u>				
A. Market Rate Units ¹				
Studio Units	13 Units @	\$2,410 /Unit/Month		\$376,000
One-Bedroom Units	127 Units @	\$2,970 /Unit/Month		4,526,000
Two-Bedroom Units	102 Units @	\$3,660 /Unit/Month		4,480,000
Three-Bedroom Units	13 Units @	\$4,400 /Unit/Month		686,000
B. Density Bonus Very Low Income Units ²				
Studio Units	1 Unit @	\$1,027 /Unit/Month		12,000
One-Bedroom Units	15 Units @	\$1,172 /Unit/Month		211,000
Two-Bedroom Units	12 Units @	\$1,297 /Unit/Month		187,000
Three-Bedroom Units	1 Unit @	\$1,424 /Unit/Month		17,000
C. Miscellaneous Income				
	284 Units @	\$75 /Unit/Month		256,000
Total Gross Income				\$10,751,000
Vacancy & Collection Allowance	5% Gross Income			(538,000)
II. Effective Gross Income				\$10,213,000
III. <u>Operating Expenses</u>				
General Operating Expenses	284 Units @	\$4,500 /Unit		\$1,278,000
Property Taxes	284 Units @	\$6,100 /Unit		1,733,000
Replacement Reserve Deposits	284 Units @	\$150 /Unit		43,000
Total Operating Expenses				(\$3,054,000)
IV. <u>Stabilized Net Operating Income</u>				\$7,159,000

¹ Based in part on the rent survey presented in ATTACHMENT 4: APPENDIX A. The weighted average monthly rent equates to \$3.52 per square foot of leasable area.

² Section 65915 (c) (1) (B) (i) calculates very low income rents based on household income based on 50% of AMI. This represents the standard identified in California Health & Safety Code Section 50503. See ATTACHMENT 4: APPENDIX B.

³ The assessed value is estimated based on a 4.75% capitalization rate. The property tax rate is set at 1.15%.

ATTACHMENT 4: APPENDIX H - EXHIBIT V - TABLE 3

ESTIMATED STABILIZED RETURN ON TOTAL INVESTMENT
 50% §65915 DENSITY BONUS
 CORRIDORS:
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Project Value</u>				
Stabilized Net Operating Income	See ATTACHMENT 4: APPENDIX H - EXHIBIT V - TABLE 2			\$7,159,000
Capitalization Rate				4.75%
				<hr/>
Estimated Project Value				\$150,716,000
II. <u>Total Project Cost</u>				
Total Construction Cost	See ATTACHMENT 4: APPENDIX H - EXHIBIT V - TABLE 1			\$115,404,000
Threshold Developer Profit	8% of Value			12,057,000
				<hr/>
Total Project Cost				(\$127,461,000)
III. <u>Estimated Residual Land Value</u>	137,214	Sf of Land	\$169	/Sf of Land
				\$23,255,000

ATTACHMENT 5

**OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 5: APPENDIX A

**HOME SALES SURVEY
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

RESALE HOME SALES SURVEY
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

1

Address	Unit Size (SF)	Sales Price		Year Built		
		Total	Per SF			
Two-Bedroom Units						
2152 Harmony Way	Costa Mesa	92627	1,715	\$800,000	\$466	2014
597 Seabright Cir	Costa Mesa	92627	1,559	\$875,000	\$561	2014
2109 W Place Dr	Costa Mesa	92627	1,653	\$890,000	\$538	2015
2097 W Place Dr	Costa Mesa	92627	1,653	\$940,000	\$569	2015
2170 Harmony Way	Costa Mesa	92627	1,730	\$949,000	\$549	2014
605 Seabright Cir	Costa Mesa	92627	1,559	\$975,000	\$625	2015
2162 Harmony Way	Costa Mesa	92627	1,731	\$978,000	\$565	2014
577 Donovan Ln	Costa Mesa	92627	1,705	\$1,000,000	\$587	2017
1826 Coastal Way	Costa Mesa	92627	1,785	\$1,015,000	\$569	2014
1686 Topanga #111	Costa Mesa	92627	1,972	\$1,125,000	\$570	2018
3061 Paragon	Costa Mesa	92626	1,937	\$1,175,625	\$607	2016
1675 Grand Vw	Costa Mesa	92627	2,243	\$1,395,000	\$622	2017
Minimum			1,559	\$800,000	\$466	2014
Maximum			2,243	\$1,395,000	\$625	2018
Average			1,770	\$1,009,800	\$570	2015
Three-Bedroom Units						
797 Wonder Ln	Costa Mesa	92627	1,738	\$965,000	\$555	2016
2138 Palmilla Ct	Costa Mesa	92627	1,653	\$995,000	\$602	2015
585 Victoria St	Costa Mesa	92627	1,711	\$1,005,000	\$587	2016
307 Ford Rd	Costa Mesa	92627	1,688	\$1,100,000	\$652	2020
1941 Vitae Pl	Costa Mesa	92627	1,700	\$1,135,000	\$668	2017
693 W 17th St	Costa Mesa	92627	1,904	\$1,150,000	\$604	2019
649 W 17th St	Costa Mesa	92627	1,904	\$1,169,000	\$614	2018
1000 Katama Bay Dr	Costa Mesa	92627	1,820	\$1,185,000	\$651	2017
3063 Paragon	Costa Mesa	92626	1,847	\$1,200,000	\$650	2015
2998 Lumiere	Costa Mesa	92626	2,061	\$1,225,000	\$594	2019
617 W 17th St	Costa Mesa	92627	2,101	\$1,275,000	\$607	2015
1827 Coastal Way	Costa Mesa	92627	1,611	\$1,300,000	\$807	2014
634 Port Dr	Costa Mesa	92627	2,267	\$1,360,000	\$600	2015
1686 Grand Vw	Costa Mesa	92627	2,057	\$1,375,000	\$668	2017
1809 Ocean Ct	Costa Mesa	92627	1,873	\$1,375,000	\$734	2014
636 Channel Way	Costa Mesa	92627	2,267	\$1,398,000	\$617	2016
690 Malibu	Costa Mesa	92627	2,142	\$1,448,000	\$676	2019
1679 Topanga	Costa Mesa	92627	2,057	\$1,500,000	\$729	2019
1676 Grand Vw	Costa Mesa	92627	2,057	\$1,535,000	\$746	2018
1676 Pomona Ave	Costa Mesa	92627	2,057	\$1,565,000	\$761	2019
301 Shadow Bay Dr	Costa Mesa	92627	1,913	\$1,620,000	\$847	2015
607 Trestles	Costa Mesa	92627	2,366	\$1,740,000	\$735	2018
628 Cardiff Reef	Costa Mesa	92627	2,380	\$1,775,000	\$746	2019
Minimum			1,611	\$965,000	\$555	2014
Maximum			2,380	\$1,775,000	\$847	2020
Average			1,964	\$1,321,500	\$673	2017

ATTACHMENT 5: APPENDIX A

RESALE HOME SALES SURVEY ¹
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

Address	Unit Size (SF)	Sales Price		Year Built		
		Total	Per SF			
Four-Bedroom Units						
2120 Palmilla Ct	Costa Mesa	92627	1,763	\$1,049,000	\$595	2015
2108 Harper Way	Costa Mesa	92627	2,019	\$1,115,000	\$552	2016
2633 Clarion Ln	Costa Mesa	92626	2,230	\$1,320,000	\$592	2017
2988 Lumiere Dr	Costa Mesa	92626	2,227	\$1,335,000	\$599	2018
1648 Topanga	Costa Mesa	92627	2,142	\$1,375,000	\$642	2019
947 Tesla Ln	Costa Mesa	92626	2,453	\$1,400,000	\$571	2019
1669 Grand	Costa Mesa	92627	2,142	\$1,435,000	\$670	2018
174 Costa Mesa	Costa Mesa	92627	1,942	\$1,515,000	\$780	2019
137 Woodflower Ln	Costa Mesa	92627	2,361	\$1,515,000	\$642	2018
1034 Bridgewater Way	Costa Mesa	92627	1,869	\$1,625,000	\$869	2018
393 Latitude Pl E	Costa Mesa	92627	2,148	\$1,775,000	\$826	2016
1923 Church St	Costa Mesa	92627	2,432	\$1,860,000	\$765	2022
309 Anderson Ln	Costa Mesa	92627	2,344	\$2,000,000	\$853	2014
Minimum			1,763	\$1,049,000	\$552	2014
Maximum			2,453	\$2,000,000	\$869	2022
Average			2,159	\$1,486,100	\$688	2018

Source: Redfin; June 2023

¹ Based on a search of the Redfin data base for sales occurring between May 2022 and June 2023. The survey is limited to homes constructed within the past 10 years with a sales price of \$2 million or less.

ATTACHMENT 5: APPENDIX B

**AFFORDABLE SALES PRICE CALCULATIONS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 5: APPENDIX B

AFFORDABLE SALES PRICE CALCULATIONS 1
2023 INCOME STANDARDS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA

		Two-Bedroom Units	Three-Bedroom Units	Four-Bedroom Units
<u>General Assumptions</u>				
Area Median Income	2	\$127,800	\$138,000	\$148,250
Annual Utilities Allowance	3	\$2,904	\$3,696	\$4,572
HOA, Maintenance & Insurance	4	\$4,200	\$4,800	\$5,400
I. <u>Income Allotted to Housing Based on 110% AMI</u>				
Benchmark Annual Household Income		\$140,580	\$151,800	\$163,075
Income Allotted to Housing @ 35% of Income		\$49,200	\$53,130	\$57,080
II. <u>Property Taxes @ 1.15% of Affordable Sales Price</u>				
		\$5,430	\$5,760	\$6,070
III. <u>Income Available for Mortgage Debt Service</u>				
	5	\$36,666	\$38,874	\$41,038
V. <u>Affordable Sales Price</u>				
Supportable Mtg @ 7.24% Interest	6	\$448,400	\$475,400	\$501,900
Home Buyer Down Payment @ 5% of ASP		23,600	25,000	26,400
Affordable Sales Price		\$472,000	\$500,400	\$528,300

¹ Based on 2023 Orange County household incomes published by the California Department of Housing & Community Development (HCD). The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 methodology.

² 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.

³ Utilities allowances are based on the Orange County Housing Authority utilities allowance schedule effective as of October 1, 2022. Assumes: Electric Heating, Electric Cooking, Electric Water Heater, Basic Electric, Water, Sewer, and Trash.

⁴ Based in part on the HOA dues identified in the home sales survey.

ATTACHMENT 5: APPENDIX C

**PRO FORMA ANALYSES
NORTH COSTA MESA: 25 UNIT/ACRE TOWNHOMES & FLATS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 5: APPENDIX C - EXHIBIT I

**PRO FORMA ANALYSIS
NORTH COSTA MESA: 25 UNIT/ACRE TOWNHOMES & FLATS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 5: APPENDIX C - EXHIBIT I - TABLE 1

**ESTIMATED CONSTRUCTIONS COSTS
NORTH COSTA MESA: 25 UNIT/ACRE TOWNHOMES &FLATS
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

I	Direct Costs	1				
	On-Site Improvements/Landscaping		148,104 Sf of Land	\$30 /Sf of Land		\$4,443,000
	Parking	2	170 Spaces	\$0 /Space		0
	Building Costs		137,750 Sf of GSA	\$200 /Sf of GSA		27,550,000
	Contractor/DC Contingency Allow	3	20% Other Direct Costs			6,399,000
	Total Direct Costs					\$38,392,000
II.	Indirect Costs					
	Architecture, Engineering & Consulting		6.0% Direct Costs			\$2,304,000
	Public Permits & Fees	4	85 Units	\$34,420 /Unit		2,926,000
	Taxes, Insurance, Legal & Accounting		1.5% Direct Costs			576,000
	Marketing		85 Units	\$5,000 /Unit		425,000
	Developer Fee		3.0% Gross Sales Revenue			2,690,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			446,000
	Total Indirect Costs					\$9,367,000
III.	Financing Costs					
	Interest During Construction	5				\$7,059,000
	Loan Origination Fees		60.0% Loan to Cost	1.5 Points		617,000
	Total Financing Costs					\$7,676,000
IV.	Total Construction Cost		85 Units	\$652,000 /Unit		\$55,435,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Assumes that the required parking is provided in attached garages and that guest parking requirements are provided in surface parking spaces. The costs for the surface parking spaces are included in the on-site improvement cost estimates.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Assumes a 7.0% interest cost for debt; an 18 month construction period after receipt of entitlements; an 14 month absorption period; 10% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

ATTACHMENT 5: APPENDIX C - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
 NORTH COSTA MESA: 25 UNIT/ACRE TOWNHOMES & FLATS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I.	Gross Sales Revenue		1		
	Two-Bedroom Units	21 Units @	\$890,000 /Unit		\$18,690,000
	Three-Bedroom Units	51 Units @	\$1,083,000 /Unit		55,233,000
	Four-Bedroom Units	13 Units @	\$1,211,000 /Unit		15,743,000
	Total Gross Sales Revenue				\$89,666,000
II.	Cost of Sales				
	Commissions	3.0% Gross Sales Revenue			\$2,690,000
	Closing	2.0% Gross Sales Revenue			1,793,000
	Warranty	0.5% Gross Sales Revenue			448,000
	Total Cost of Sales				(\$4,931,000)
III.	Net Revenue				\$84,735,000

¹ Based in part on a survey of homes in Costa Mesa that were constructed after 2014 and resold between May 2022 and June 2023. See ATTACHMENT 5: APPENDIX A. The weighted average sales price equates to \$651 per square foot of saleable area.

ATTACHMENT 5: APPENDIX C - EXHIBIT I - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 NORTH COSTA MESA: 25 UNIT/ACRE TOWNHOMES & FLATS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I.	Net Revenue	See ATTACHMENT 5: APPENDIX C - EXHIBIT I - TABLE 2	\$84,735,000
II.	<u>Project Costs</u>		
	Total Construction Cost	See ATTACHMENT 5: APPENDIX C - EXHIBIT I - TABLE 1	\$55,435,000
	Threshold Developer Profit	10% Net Revenue	8,474,000
	Total Project Costs		\$63,909,000
III.	Estimated Residual Land Value	148,104 Sf of Land	\$141 /Sf of Land
			\$20,826,000

ATTACHMENT 5: APPENDIX C - EXHIBIT I - TABLE 4

VALUE ENHANCEMENT ANALYSIS
 NORTH COSTA MESA: 25 UNIT/ACRE TOWNHOMES & FLATS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Land Value</u>				
North Costa Mesa		See ATTACHMENT 5: APPENDIX C - EXHIBIT I - TABLE 3		\$20,826,000
Vacant Residential Land @ 20 Units/Acre ¹	148,104	Sf of Land	\$78 /Sf of Land	11,552,000
Estimated Value Enhancement				<u>\$9,274,000</u>
II. <u>Value Enhancement Funds Available for Inclusionary Housing</u>				
Estimated Value Enhancement				\$9,274,000
Share Allocated to Inclusionary Housing				<u>50%</u>
Value Enhancement Funds Available for Inclusionary Housing				<u>\$4,637,000</u>

¹ See ATTACHMENT 2: PROPERTY SALES SURVEYS.

**SUPPORTABLE INCLUSIONARY HOUSING REQUIREMENTS
 NORTH COSTA MESA: 25 UNIT/ACRE TOWNHOMES & FLATS
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA**

	<u>Two-Bedroom Units</u>	<u>Three-Bedroom Units</u>	<u>Four-Bedroom Units</u>
I. <u>Affordability Gap Calculation</u>			
Market Rate Sales Price	¹ \$890,000	\$1,083,000	\$1,211,000
Affordable Sales Price	² <u>472,000</u>	<u>500,400</u>	<u>528,300</u>
Affordability Gap Per Inclusionary Unit	\$418,000	\$582,600	\$682,700
II. <u>Number of Inclusionary Units</u>			
Unit Allocation	¹ 21	51	13
Supportable Inclusionary Housing Percentage	<u>9.75%</u>	<u>9.75%</u>	<u>9.75%</u>
Total Number of Inclusionary Units	2.0	5.0	1.3
III. Total Affordability Gap by Bedroom Type	\$855,860	\$2,896,980	\$865,320
IV. <u>Crosscheck</u>			
Value Enhancement Funds Available for Inclusionary Housing	\$4,637,000		
Total Affordability Gap / Impact of The Inclusionary Requirement	³ <u>4,618,160</u>		
Requirement is Lower than the Supportable Percentage	\$18,840		
V. <u>Supportable In-Lieu Fee</u>			
Value Enhancement Funds Available for Inclusionary Housing	\$4,637,000		
Gross Saleable Area	⁴ <u>137,750</u> Square Feet		
Supportable In-Lieu Fee	\$34 /Sf of GSA		

¹ See ATTACHMENT 5: APPENDIX C - EXHIBIT I - TABLE 2.

² See ATTACHMENT 5: APPENDIX B.

³ The Total Affordability Gap / Impact of The Inclusionary Requirement is equal to the sum of the Affordability Gap exhibited by each bedroom type.

⁴ See ATTACHMENT 5: APPENDIX C - EXHIBIT I - TABLE 1

ATTACHMENT 5: APPENDIX D

**PRO FORMA ANALYSES
HARBOR MIXED USE: 15 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 5: APPENDIX D - EXHIBIT I

**PRO FORMA ANALYSIS
HARBOR MIXED USE: 15 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 5: APPENDIX D - EXHIBIT I - TABLE 1

**ESTIMATED CONSTRUCTIONS COSTS
HARBOR MIXED USE: 15 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

I	Direct Costs	1				
	On-Site Improvements/Landscaping		23,087 Sf of Land	\$30 /Sf of Land		\$693,000
	Parking	2	16 Spaces	\$0 /Space		0
	Building Costs		14,800 Sf of GSA	\$165 /Sf of GSA		2,442,000
	Contractor/DC Contingency Allow	3	20% Other Direct Costs			627,000
	Total Direct Costs					\$3,762,000
II.	Indirect Costs					
	Architecture, Engineering & Consulting		6.0% Direct Costs			\$226,000
	Public Permits & Fees	4	8 Units	\$34,660 /Unit		277,000
	Taxes, Insurance, Legal & Accounting		1.5% Direct Costs			56,000
	Marketing		8 Units	\$5,000 /Unit		40,000
	Developer Fee		3.0% Gross Sales Revenue			301,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			45,000
	Total Indirect Costs					\$945,000
III.	Financing Costs					
	Interest During Construction	5				\$669,000
	Loan Origination Fees		60.0% Loan to Cost	1.5 Points		72,000
	Total Financing Costs					\$741,000
IV.	Total Construction Cost		8 Units	\$681,000 /Unit		\$5,448,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Assumes that the required parking is provided in attached garages and that guest parking requirements are provided in surface parking spaces. The costs for the surface parking spaces are included in the on-site improvement cost estimates.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Assumes a 7.0% interest cost for debt; an 18 month construction period after receipt of entitlements; an 3 month absorption period; 10% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

ATTACHMENT 5: APPENDIX D - EXHIBIT I - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
HARBOR MIXED USE: 15 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA

I.	Net Revenue	See ATTACHMENT 5: APPENDIX D - EXHIBIT I - TABLE 2	\$9,467,000
II.	<u>Project Costs</u>		
	Total Construction Cost	See ATTACHMENT 5: APPENDIX D - EXHIBIT I - TABLE 1	\$5,448,000
	Threshold Developer Profit	8% Net Revenue	757,000
	Total Project Costs		\$6,205,000
III.	Estimated Residual Land Value	23,087 Sf of Land	\$141 /Sf of Land
			\$3,262,000

ATTACHMENT 5: APPENDIX D - EXHIBIT I - TABLE 4

VALUE ENHANCEMENT ANALYSIS
HARBOR MIXED USE: 15 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA

I. <u>Estimated Land Value</u>					
Harbor Mixed Use		See ATTACHMENT 5: APPENDIX D - EXHIBIT I - TABLE 3			\$3,262,000
Improved .39 FAR Industrial + Retail	¹	23,087 Sf of Land	\$128 /Sf of Land		2,955,000
Estimated Value Enhancement					<u>\$307,000</u>
II. <u>Value Enhancement Funds Available for Inclusionary Housing</u>					
Estimated Value Enhancement					\$307,000
Share Allocated to Inclusionary Housing					<u>50%</u>
Value Enhancement Funds Available for Inclusionary Housing					<u>\$154,000</u>

¹ See ATTACHMENT 2: PROPERTY SALES SURVEYS.

**SUPPORTABLE INCLUSIONARY HOUSING REQUIREMENTS
HARBOR MIXED USE: 15 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

	<u>Two-Bedroom Units</u>	<u>Three-Bedroom Units</u>	<u>Four-Bedroom Units</u>
I. <u>Affordability Gap Calculation</u>			
Market Rate Sales Price	¹ \$0	\$1,211,000	\$1,376,000
Affordable Sales Price	² <u>0</u>	<u>500,400</u>	<u>528,300</u>
Affordability Gap Per Inclusionary Unit	\$0	\$710,600	\$847,700
II. <u>Number of Inclusionary Units</u>			
Unit Allocation	¹ 0	6	2
Supportable Inclusionary Housing Percentage	<u>2.5%</u>	<u>2.5%</u>	<u>2.5%</u>
Total Number of Inclusionary Units	0.0	0.2	0.1
III. Total Affordability Gap by Bedroom Type	\$0	\$106,590	\$42,390
IV. <u>Crosscheck</u>			
Value Enhancement Funds Available for Inclusionary Housing	\$154,000		
Total Affordability Gap / Impact of The Inclusionary Requirement	³ <u>148,980</u>		
Requirement is Lower than the Supportable Percentage	\$5,020		
V. <u>Supportable In-Lieu Fee</u>			
Value Enhancement Funds Available for Inclusionary Housing	\$154,000		
Gross Saleable Area	⁴ <u>14,800</u> Square Feet		
Supportable In-Lieu Fee	\$10 /Sf of GSA		

¹ See ATTACHMENT 5: APPENDIX D - EXHIBIT I - TABLE 2.

² See ATTACHMENT 5: APPENDIX B.

³ The Total Affordability Gap / Impact of The Inclusionary Requirement is equal to the sum of the Affordability Gap exhibited by each bedroom type.

⁴ See ATTACHMENT 5: APPENDIX D - EXHIBIT I - TABLE 1

ATTACHMENT 5: APPENDIX E

**PRO FORMA ANALYSES
MESA WEST: 17 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 5: APPENDIX E - EXHIBIT I

**PRO FORMA ANALYSIS
MESA WEST: 17 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 5: APPENDIX E - EXHIBIT I - TABLE 1

**ESTIMATED CONSTRUCTIONS COSTS
MESA WEST: 17 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

I	Direct Costs	1				
	On-Site Improvements/Landscaping		51,401 Sf of Land	\$30 /Sf of Land		\$1,542,000
	Parking	2	40 Spaces	\$0 /Space		0
	Building Costs		35,200 Sf of GSA	\$175 /Sf of GSA		6,160,000
	Contractor/DC Contingency Allow	3	20% Other Direct Costs			1,540,000
	Total Direct Costs					\$9,242,000
II.	Indirect Costs					
	Architecture, Engineering & Consulting		6.0% Direct Costs			\$555,000
	Public Permits & Fees	4	20 Units	\$34,590 /Unit		692,000
	Taxes, Insurance, Legal & Accounting		1.5% Direct Costs			139,000
	Marketing		20 Units	\$5,000 /Unit		100,000
	Developer Fee		3.0% Gross Sales Revenue			716,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			110,000
	Total Indirect Costs					\$2,312,000
III.	Financing Costs					
	Interest During Construction	5				\$1,625,000
	Loan Origination Fees		60.0% Loan to Cost	1.5 Points		169,000
	Total Financing Costs					\$1,794,000
IV.	Total Construction Cost		20 Units	\$667,000 /Unit		\$13,348,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Assumes that the required parking is provided in attached garages and that guest parking requirements are provided in surface parking spaces. The costs for the surface parking spaces are included in the on-site improvement cost estimates.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Assumes a 7.0% interest cost for debt; an 18 month construction period after receipt of entitlements; an 4 month absorption period; 10% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

ATTACHMENT 5: APPENDIX E - EXHIBIT I - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 MESA WEST: 17 UNIT/ACRE TOWNHOMES
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I.	Net Revenue	See ATTACHMENT 5: APPENDIX E - EXHIBIT I - TABLE 2	\$22,552,000
II.	<u>Project Costs</u>		
	Total Construction Cost	See ATTACHMENT 5: APPENDIX E - EXHIBIT I - TABLE 1	\$13,348,000
	Threshold Developer Profit	9% Net Revenue	2,030,000
	Total Project Costs		\$15,378,000
III.	Estimated Residual Land Value	51,401 Sf of Land	\$140 /Sf of Land
			\$7,174,000

ATTACHMENT 5: APPENDIX E - EXHIBIT I - TABLE 4

VALUE ENHANCEMENT ANALYSIS
MESA WEST: 17 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA

I. <u>Estimated Land Value</u>					
Mesa West			See ATTACHMENT 5: APPENDIX E - EXHIBIT I - TABLE 3		\$7,174,000
Improved Auto Property	¹	51,401	Sf of Land	\$107 /Sf of Land	5,500,000
Estimated Value Enhancement					<u>\$1,674,000</u>
II. <u>Value Enhancement Funds Available for Inclusionary Housing</u>					
Estimated Value Enhancement					\$1,674,000
Share Allocated to Inclusionary Housing					<u>50%</u>
Value Enhancement Funds Available for Inclusionary Housing					<u>\$837,000</u>

¹ See ATTACHMENT 2: PROPERTY SALES SURVEYS.

ATTACHMENT 5: APPENDIX E - EXHIBIT II

**SUPPORTABLE INCLUSIONARY HOUSING REQUIREMENTS
MESA WEST: 17 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

	<u>Two-Bedroom Units</u>	<u>Three-Bedroom Units</u>	<u>Four-Bedroom Units</u>
I. <u>Affordability Gap Calculation</u>			
Market Rate Sales Price	1 \$0	\$1,144,000	\$1,308,000
Affordable Sales Price	2 <u>0</u>	<u>500,400</u>	<u>528,300</u>
Affordability Gap Per Inclusionary Unit	\$0	\$643,600	\$779,700
II. <u>Number of Inclusionary Units</u>			
Unit Allocation	1 0	14	6
Supportable Inclusionary Housing Percentage	<u>6.1%</u>	<u>6.1%</u>	<u>6.1%</u>
Total Number of Inclusionary Units	0.0	0.9	0.4
III. Total Affordability Gap by Bedroom Type	\$0	\$549,630	\$285,370
IV. <u>Crosscheck</u>			
Value Enhancement Funds Available for Inclusionary Housing	\$837,000		
Total Affordability Gap / Impact of The Inclusionary Requirement	3 <u>835,000</u>		
Requirement is Lower than the Supportable Percentage	\$2,000		
V. <u>Supportable In-Lieu Fee</u>			
Value Enhancement Funds Available for Inclusionary Housing	\$837,000		
Gross Saleable Area	4 <u>35,200</u> Square Feet		
Supportable In-Lieu Fee	\$24 /Sf of GSA		

¹ See ATTACHMENT 5: APPENDIX E - EXHIBIT I - TABLE 2.

² See ATTACHMENT 5: APPENDIX B.

³ The Total Affordability Gap / Impact of The Inclusionary Requirement is equal to the sum of the Affordability Gap exhibited by each bedroom type.

⁴ See ATTACHMENT 5: APPENDIX E - EXHIBIT I - TABLE 1

ATTACHMENT 5: APPENDIX F

**PRO FORMA ANALYSES
19 WEST: 20 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 5: APPENDIX F - EXHIBIT I

**PRO FORMA ANALYSIS
19 WEST: 20 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 5: APPENDIX F - EXHIBIT I - TABLE 1

**ESTIMATED CONSTRUCTIONS COSTS
19 WEST: 20 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

I	Direct Costs	1				
	On-Site Improvements/Landscaping		87,120 Sf of Land	\$30 /Sf of Land		\$2,614,000
	Parking	2	80 Spaces	\$0 /Space		0
	Building Costs		67,200 Sf of GSA	\$185 /Sf of GSA		12,432,000
	Contractor/DC Contingency Allow	3	20% Other Direct Costs			3,009,000
	Total Direct Costs					\$18,055,000
II.	Indirect Costs					
	Architecture, Engineering & Consulting		6.0% Direct Costs			\$1,083,000
	Public Permits & Fees	4	40 Units	\$34,510 /Unit		1,380,000
	Taxes, Insurance, Legal & Accounting		1.5% Direct Costs			271,000
	Marketing		40 Units	\$5,000 /Unit		200,000
	Developer Fee		3.0% Gross Sales Revenue			1,324,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			213,000
	Total Indirect Costs					\$4,471,000
III.	Financing Costs					
	Interest During Construction	5				\$3,150,000
	Loan Origination Fees		60.0% Loan to Cost	1.5 Points		310,000
	Total Financing Costs					\$3,460,000
IV.	Total Construction Cost		40 Units	\$650,000 /Unit		\$25,986,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Assumes that the required parking is provided in attached garages and that guest parking requirements are provided in surface parking spaces. The costs for the surface parking spaces are included in the on-site improvement cost estimates.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Assumes a 7.0% interest cost for debt; an 18 month construction period after receipt of entitlements; an 7 month absorption period; 10% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

ATTACHMENT 5: APPENDIX F - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
 19 WEST: 20 UNIT/ACRE TOWNHOMES
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I.	<u>Gross Sales Revenue</u>	1		
	Two-Bedroom Units		8 Units @ \$913,000 /Unit	\$7,304,000
	Three-Bedroom Units		24 Units @ \$1,110,000 /Unit	26,640,000
	Four-Bedroom Units		8 Units @ \$1,273,000 /Unit	10,184,000
	Total Gross Sales Revenue			\$44,128,000
II.	<u>Cost of Sales</u>			
	Commissions		3.0% Gross Sales Revenue	\$1,324,000
	Closing		2.0% Gross Sales Revenue	883,000
	Warranty		0.5% Gross Sales Revenue	221,000
	Total Cost of Sales			(\$2,428,000)
III.	<u>Net Revenue</u>			\$41,700,000

¹ Based in part on a survey of homes in Costa Mesa that were constructed after 2014 and resold between May 2022 and June 2023. See ATTACHMENT 5: APPENDIX A. The weighted average sales price equates to \$657 per square foot of saleable area.

ATTACHMENT 5: APPENDIX F - EXHIBIT I - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 19 WEST: 20 UNIT/ACRE TOWNHOMES
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I.	Net Revenue	See ATTACHMENT 5: APPENDIX F - EXHIBIT I - TABLE 2	\$41,700,000
II.	<u>Project Costs</u>		
	Total Construction Cost	See ATTACHMENT 5: APPENDIX F - EXHIBIT I - TABLE 1	\$25,986,000
	Threshold Developer Profit	9% Net Revenue	3,753,000
	Total Project Costs		\$29,739,000
III.	Estimated Residual Land Value	87,120 Sf of Land	\$137 /Sf of Land
			\$11,961,000

ATTACHMENT 5: APPENDIX F - EXHIBIT I - TABLE 4

VALUE ENHANCEMENT ANALYSIS
 19 WEST: 20 UNIT/ACRE TOWNHOMES
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Land Value</u>				
19 West		See ATTACHMENT 5: APPENDIX F - EXHIBIT I - TABLE 3		\$11,961,000
Improved .39 FAR Industrial + Retail	¹	87,120 Sf of Land	\$128 /Sf of Land	11,151,000
Estimated Value Enhancement				<u>\$810,000</u>
II. <u>Value Enhancement Funds Available for Inclusionary Housing</u>				
Estimated Value Enhancement				\$810,000
Share Allocated to Inclusionary Housing				<u>50%</u>
Value Enhancement Funds Available for Inclusionary Housing				<u>\$405,000</u>

¹ See ATTACHMENT 2: PROPERTY SALES SURVEYS.

**SUPPORTABLE INCLUSIONARY HOUSING REQUIREMENTS
 19 WEST: 20 UNIT/ACRE TOWNHOMES
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA**

	<u>Two-Bedroom Units</u>	<u>Three-Bedroom Units</u>	<u>Four-Bedroom Units</u>
I. <u>Affordability Gap Calculation</u>			
Market Rate Sales Price	¹ \$913,000	\$1,110,000	\$1,273,000
Affordable Sales Price	² <u>472,000</u>	<u>500,400</u>	<u>528,300</u>
Affordability Gap Per Inclusionary Unit	\$441,000	\$609,600	\$744,700
II. <u>Number of Inclusionary Units</u>			
Unit Allocation	¹ 8	24	8
Supportable Inclusionary Housing Percentage	<u>1.7%</u>	<u>1.7%</u>	<u>1.7%</u>
Total Number of Inclusionary Units	0.1	0.4	0.1
III. <u>Total Affordability Gap by Bedroom Type</u>	\$58,920	\$244,330	\$99,490
IV. <u>Crosscheck</u>			
Value Enhancement Funds Available for Inclusionary Housing	\$405,000		
Total Affordability Gap / Impact of The Inclusionary Requirement	³ <u>402,740</u>		
Requirement is Lower than the Supportable Percentage	\$2,260		
V. <u>Supportable In-Lieu Fee</u>			
Value Enhancement Funds Available for Inclusionary Housing	\$405,000		
Gross Saleable Area	⁴ <u>67,200</u> Square Feet		
Supportable In-Lieu Fee	\$6 /Sf of GSA		

¹ See ATTACHMENT 5: APPENDIX F - EXHIBIT I - TABLE 2.

² See ATTACHMENT 5: APPENDIX B.

³ The Total Affordability Gap / Impact of The Inclusionary Requirement is equal to the sum of the Affordability Gap exhibited by each bedroom type.

⁴ See ATTACHMENT 5: APPENDIX F - EXHIBIT I - TABLE 1

ATTACHMENT 5: APPENDIX G

**PRO FORMA ANALYSES
SOBECA: 16 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 5: APPENDIX G - EXHIBIT I

**PRO FORMA ANALYSIS
SOBECA: 16 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 5: APPENDIX G - EXHIBIT I - TABLE 1

**ESTIMATED CONSTRUCTIONS COSTS
SOBECA: 16 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

I	Direct Costs	1				
	On-Site Improvements/Landscaping		29,185 Sf of Land	\$30 /Sf of Land		\$876,000
	Parking	2	22 Spaces	\$0 /Space		0
	Building Costs		19,850 Sf of GSA	\$170 /Sf of GSA		3,375,000
	Contractor/DC Contingency Allow	3	20% Other Direct Costs			850,000
	Total Direct Costs					\$5,101,000
II.	Indirect Costs					
	Architecture, Engineering & Consulting		6.0% Direct Costs			\$306,000
	Public Permits & Fees	4	11 Units	\$34,610 /Unit		381,000
	Taxes, Insurance, Legal & Accounting		1.5% Direct Costs			77,000
	Marketing		11 Units	\$5,000 /Unit		55,000
	Developer Fee		3.0% Gross Sales Revenue			403,000
	Soft Cost Contingency Allowance		5.0% Other Indirect Costs			61,000
	Total Indirect Costs					\$1,283,000
III.	Financing Costs					
	Interest During Construction	5				\$909,000
	Loan Origination Fees		60.0% Loan to Cost	1.5 Points		96,000
	Total Financing Costs					\$1,005,000
IV.	Total Construction Cost		11 Units	\$672,000 /Unit		\$7,389,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Assumes that the required parking is provided in attached garages and that guest parking requirements are provided in surface parking spaces. The costs for the surface parking spaces are included in the on-site improvement cost estimates.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Assumes a 7.0% interest cost for debt; an 18 month construction period after receipt of entitlements; an 3 month absorption period; 10% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

ATTACHMENT 5: APPENDIX G - EXHIBIT I - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 SOBECA: 16 UNIT/ACRE TOWNHOMES
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I.	Net Revenue	See ATTACHMENT 5: APPENDIX G - EXHIBIT I - TABLE 2	\$12,703,000
II.	<u>Project Costs</u>		
	Total Construction Cost	See ATTACHMENT 5: APPENDIX G - EXHIBIT I - TABLE 1	\$7,389,000
	Threshold Developer Profit	8% Net Revenue	1,016,000
	Total Project Costs		\$8,405,000
III.	Estimated Residual Land Value	29,185 Sf of Land	\$147 /Sf of Land
			\$4,298,000

ATTACHMENT 5: APPENDIX G - EXHIBIT I - TABLE 4

VALUE ENHANCEMENT ANALYSIS
 SOBECA: 16 UNIT/ACRE TOWNHOMES
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Land Value</u>				
SoBECA		See ATTACHMENT 5: APPENDIX G - EXHIBIT I - TABLE 3		\$4,298,000
Improved .42 FAR Industrial + Retail	¹	29,185 Sf of Land	\$128 /Sf of Land	<u>3,736,000</u>
Estimated Value Enhancement				\$562,000
II. <u>Value Enhancement Funds Available for Inclusionary Housing</u>				
Estimated Value Enhancement				\$562,000
Share Allocated to Inclusionary Housing				<u>50%</u>
Value Enhancement Funds Available for Inclusionary Housing				\$281,000

¹ See ATTACHMENT 2: PROPERTY SALES SURVEYS.

**SUPPORTABLE INCLUSIONARY HOUSING REQUIREMENTS
 SOBECA: 16 UNIT/ACRE TOWNHOMES
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA**

	<u>Two-Bedroom Units</u>	<u>Three-Bedroom Units</u>	<u>Four-Bedroom Units</u>
I. <u>Affordability Gap Calculation</u>			
Market Rate Sales Price	¹ \$0	\$1,177,000	\$1,342,000
Affordable Sales Price	² 0	500,400	528,300
Affordability Gap Per Inclusionary Unit	\$0	\$676,600	\$813,700
II. <u>Number of Inclusionary Units</u>			
Unit Allocation	¹ 0	8	3
Supportable Inclusionary Housing Percentage	3.5%	3.5%	3.5%
Total Number of Inclusionary Units	0.0	0.3	0.1
III. Total Affordability Gap by Bedroom Type	\$0	\$189,450	\$85,440
IV. <u>Crosscheck</u>			
Value Enhancement Funds Available for Inclusionary Housing	\$281,000		
Total Affordability Gap / Impact of The Inclusionary Requirement	³ 274,890		
Requirement is Lower than the Supportable Percentage	\$6,110		
V. <u>Supportable In-Lieu Fee</u>			
Value Enhancement Funds Available for Inclusionary Housing	\$281,000		
Gross Saleable Area	⁴ 19,850	Square Feet	
Supportable In-Lieu Fee	\$14	/Sf of GSA	

¹ See ATTACHMENT 5: APPENDIX G - EXHIBIT I - TABLE 2.

² See ATTACHMENT 5: APPENDIX B.

³ The Total Affordability Gap / Impact of The Inclusionary Requirement is equal to the sum of the Affordability Gap exhibited by each bedroom type.

⁴ See ATTACHMENT 5: APPENDIX G - EXHIBIT I - TABLE 1

ATTACHMENT 5: APPENDIX H

**PRO FORMA ANALYSES
CORRIDORS: 16 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 5: APPENDIX H - EXHIBIT I

**PRO FORMA ANALYSIS
CORRIDORS: 16 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

ATTACHMENT 5: APPENDIX H - EXHIBIT I - TABLE 1

**ESTIMATED CONSTRUCTIONS COSTS
CORRIDORS: 16 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

I	Direct Costs	1				
	On-Site Improvements/Landscaping		27,443	Sf of Land	\$30 /Sf of Land	\$823,000
	Parking	2	20	Spaces	\$0 /Space	0
	Building Costs		17,900	Sf of GSA	\$170 /Sf of GSA	3,043,000
	Contractor/DC Contingency Allow	3	20%	Other Direct Costs		773,000
	Total Direct Costs					\$4,639,000
II.	Indirect Costs					
	Architecture, Engineering & Consulting		6.0%	Direct Costs		\$278,000
	Public Permits & Fees	4	10	Units	\$34,620 /Unit	346,000
	Taxes, Insurance, Legal & Accounting		1.5%	Direct Costs		70,000
	Marketing		10	Units	\$5,000 /Unit	50,000
	Developer Fee		3.0%	Gross Sales Revenue		363,000
	Soft Cost Contingency Allowance		5.0%	Other Indirect Costs		55,000
	Total Indirect Costs					\$1,162,000
III.	Financing Costs					
	Interest During Construction	5				\$813,000
	Loan Origination Fees		60.0%	Loan to Cost	1.5 Points	87,000
	Total Financing Costs					\$900,000
IV.	Total Construction Cost		10	Units	\$670,000 /Unit	\$6,701,000

¹ Direct costs assume that prevailing wage requirements will NOT be imposed on the Project.

² Assumes that the required parking is provided in attached garages and that guest parking requirements are provided in surface parking spaces. The costs for the surface parking spaces are included in the on-site improvement cost estimates.

³ Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.

⁴ Includes an allowance for permits and fees cost and estimates of the Parking Development Fee, the Drainage Impact Fee, the Traffic Impact Fee, and the Newport-Mesa Unified School District Developer Fee.

⁵ Assumes a 7.0% interest cost for debt; an 18 month construction period after receipt of entitlements; an 3 month absorption period; 10% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

ATTACHMENT 5: APPENDIX H - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
 CORRIDORS: 16 UNIT/ACRE TOWNHOMES
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I.	<u>Gross Sales Revenue</u>	1		
	Two-Bedroom Units	0 Units @	\$0 /Unit	\$0
	Three-Bedroom Units	8 Units @	\$1,177,000 /Unit	9,416,000
	Four-Bedroom Units	2 Units @	\$1,342,000 /Unit	2,684,000
	Total Gross Sales Revenue			\$12,100,000
II.	<u>Cost of Sales</u>			
	Commissions	3.0% Gross Sales Revenue		\$363,000
	Closing	2.0% Gross Sales Revenue		242,000
	Warranty	0.5% Gross Sales Revenue		61,000
	Total Cost of Sales			(\$666,000)
III.	<u>Net Revenue</u>			\$11,434,000

¹ Based in part on a survey of homes in Costa Mesa that were constructed after 2014 and resold between May 2022 and June 2023. See ATTACHMENT 5: APPENDIX A. The weighted average sales price equates to \$676 per square foot of saleable area.

ATTACHMENT 5: APPENDIX H - EXHIBIT I - TABLE 3

ESTIMATED RESIDUAL LAND VALUE
 CORRIDORS: 16 UNIT/ACRE TOWNHOMES
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I.	Net Revenue	See ATTACHMENT 5: APPENDIX H - EXHIBIT I - TABLE 2	\$11,434,000
II.	<u>Project Costs</u>		
	Total Construction Cost	See ATTACHMENT 5: APPENDIX H - EXHIBIT I - TABLE 1	\$6,701,000
	Threshold Developer Profit	8% Net Revenue	915,000
	Total Project Costs		\$7,616,000
III.	Estimated Residual Land Value	27,443 Sf of Land	\$139 /Sf of Land
			\$3,818,000

ATTACHMENT 5: APPENDIX H - EXHIBIT I - TABLE 4

VALUE ENHANCEMENT ANALYSIS
 CORRIDORS: 16 UNIT/ACRE TOWNHOMES
 OWNERSHIP HOUSING DEVELOPMENT
 INCLUSIONARY HOUSING: FINANCIAL EVALUATION
 COSTA MESA, CALIFORNIA

I. <u>Estimated Land Value</u>				
Corridors		See ATTACHMENT 5: APPENDIX H - EXHIBIT I - TABLE 3		\$3,818,000
31 Room Motel	¹	27,443 Sf of Land	\$237 /Sf of Land	6,504,000
Estimated Value Enhancement				<u>(\$2,686,000)</u>
II. <u>Value Enhancement Funds Available for Inclusionary Housing</u>				
Estimated Value Enhancement				(\$2,686,000)
Share Allocated to Inclusionary Housing				<u>50%</u>
Value Enhancement Funds Available for Inclusionary Housing				<u>(\$1,343,000)</u>

¹ See ATTACHMENT 2: PROPERTY SALES SURVEYS.

**SUPPORTABLE INCLUSIONARY HOUSING REQUIREMENTS
CORRIDORS: 16 UNIT/ACRE TOWNHOMES
OWNERSHIP HOUSING DEVELOPMENT
INCLUSIONARY HOUSING: FINANCIAL EVALUATION
COSTA MESA, CALIFORNIA**

	Two-Bedroom Units	Three-Bedroom Units	Four-Bedroom Units
I. <u>Affordability Gap Calculation</u>			
Market Rate Sales Price	¹ \$0	\$1,177,000	\$1,342,000
Affordable Sales Price	² 0	500,400	528,300
Affordability Gap Per Inclusionary Unit	\$0	\$676,600	\$813,700
II. <u>Number of Inclusionary Units</u>			
Unit Allocation	¹ 0	8	2
Supportable Inclusionary Housing Percentage	0.0%	0.0%	0.0%
Total Number of Inclusionary Units	0.0	0.0	0.0
III. Total Affordability Gap by Bedroom Type	\$0	\$0	\$0
IV. <u>Crosscheck</u>			
Value Enhancement Funds Available for Inclusionary Housing	(\$1,343,000)		
Total Affordability Gap / Impact of The Inclusionary Requirement	³ 0		
Requirement is Higher than the Supportable Percentage	(\$1,343,000)		
V. <u>Supportable In-Lieu Fee</u>			
Value Enhancement Funds Available for Inclusionary Housing	(\$1,343,000)		
Gross Saleable Area	⁴ 17,900	Square Feet	
Supportable In-Lieu Fee	(\$75)	/Sf of GSA	

¹ See ATTACHMENT 5: APPENDIX H - EXHIBIT I - TABLE 2.

² See ATTACHMENT 5: APPENDIX B.

³ The Total Affordability Gap / Impact of The Inclusionary Requirement is equal to the sum of the Affordability Gap exhibited by each bedroom type.

⁴ See ATTACHMENT 5: APPENDIX H - EXHIBIT I - TABLE 1