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May 19, 2025
Mr. Chris Yeager
City of Costa Mesa
77 Fair Drive
Costa Mesa, CA 92626

RE: HIVE LIVE Government Code Section 65915 (Density Bonus Law)
Compliance and Request

Dear Chris,

Legacy Partners ("Applicant") recently submitted an application for The Hive Campus ("HIVE LIVE"), a multi-phased, master-planned residential community. HIVE LIVE proposes 1,050 dwelling units comprised of 875 *base* dwelling units and 175 *density bonus* dwelling units. The 175 bonus units are permitted under the State Density Bonus Law ("DBL") (Govt. Code § 65915) because the project would deed-restrict 105 of the 875 base dwelling units for low income households ("Affordable Units"). The reservation of the 105 Affordable Units (i.e., 12% of the base dwelling units) entitles the project to a 23% density bonus (or 202 bonus units). Therefore, the HIVE LIVE is a DBL project. ***The HIVE LIVE, however, only requests a 20% density bonus (or 175 units).***

The Applicant will deed-restrict the Affordable Units for a term of 55-years, consistent with the requirements of the DBL. The continued occupancy of the Affordable Units with qualifying households will be ensured through implementation of the HIVE LIVE Affordable Dwelling Management Plan ("ADMP"), which is attached hereto.

The Applicant team very much appreciates your time and attention to the HIVE LIVE project. Please do not hesitate to contact me if you have any additional questions.

Sincerely,

Timothy O'Brien
Legacy Partners

AFFORDABLE DWELLING MANAGEMENT PLAN

The Hive Live

This Affordable Dwelling Management Plan (“ADMP”) provides obligations, procedures, and other management requirements for all deed-restricted affordable housing units constructed in conjunction with The HIVE LIVE (“HIVE”) project, as approved by the City of Costa Mesa (“City”) City Council on XXX. The HIVE project proposes the construction and reservation (though deed restriction) of one-hundred and five (105) dwelling units for low income households. Those units, as constructed, shall be governed by the requirements of this ADMP.

Section 1 – Definitions

The following terms shall have the definitions specified.

1. Adjusted for Household Size Appropriate for the Unit means a household of one person in the case of a studio unit, two persons in the case of a one-bedroom unit, three persons in the case of a two-bedroom unit and four persons in the case of a three-bedroom unit, all in accordance with California Health and Safety Code Section 50052.5(h).
2. Low Income Affordable Rent means a rent that, when added to the Utility Allowance, does not exceed thirty (30) percent of eighty (80) percent of the Orange County median income as determined annually by the California Department of Housing and Community Development, Adjusted for Household Size Appropriate for the Unit, all in accordance with California Health and Safety Code Section 50053(B)(3).
3. Affordable Unit means a dwelling unit that will be offered for rent exclusively to an Income Eligible Household at a Low Income Affordable Rent pursuant to this Agreement.
4. Director means City’s Director of Economic and Development Services, or his or her designee.
5. Income Eligible Household means a Low-Income Household that is eligible to rent a Low-Income Unit.
6. Income Documentation means documentation demonstrating a Tenant qualifies an Income Eligible Household. This shall include at least one of the following: (1) three pay stubs for the most recent pay periods; (2) an income tax return for the most recent tax year; (3) results from a credit agency or similar search; (4) an income verification form from the Tenant's current employer; (5) three most recent bank statements for all savings and checking accounts; (6) an income verification form from the Social Security Administration and/or the California Department of Social Services if the Tenant receives assistance from either of such agencies; or (7) if the Tenant is unemployed and has no such tax return, obtain another form of independent verification.
7. Low-Income Household means a household whose income does not exceed the low-income limits applicable to Orange County, adjusted for household size, as published and

periodically updated in Title 25, California Code of Regulations, Section 6932 (or successor provision) by the Department of Housing and Community Development (approximately equal to eighty (80%) of Median Household Income).

8. Occupancy Date means the earlier to occur of (i) issuance of a Certificate of Occupancy by the City; or (ii) issuance of a Temporary Certificate of Occupancy by the City.
9. Owner means any owner of the Property, or any portion of the Property.
10. Property shall have the meaning defined in Recital “A,” as more particularly described in Exhibit “A” attached hereto and incorporated herein.
11. HIVE means the development approved by the City Council on XXX, including the LIST ENTITLEMENTS.
12. Tenant means as person or persons legally entitled to occupy an Affordable Unit as a home or residence to the exclusion of others.
13. Utility Allowance means an amount designated annually by the Orange County Housing Authority as a reasonable estimate of the cost of utilities for the Affordable Unit, for purposes of calculating the applicable Affordable Rent, provided that such estimate is made as a part of the City of Costa Mesa’s designation of utility allowances for all affordable housing projects in the City.

Section 2 – Rental of Affordable Units

The one-hundred and five (105) Affordable Units in the HIVE shall be rented exclusively to Low Income Households at an Affordable Rent consistent with the terms outlined below.

1. Affordable Rent. Affordable Rents for Affordable Units, including Utility Allowances, shall be based on the Orange County Area Median Income published in Title 25, California Code of Regulations, Section 6932 by the California Department of Housing and Community Development, as may be amended from time to time. Affordable Rents may not be increased more frequently than annually to reflect increases in Area Median Income.
2. Marketing of Affordable Units. To market the Affordable Units to qualifying households, the Owner shall (1) establish a property-specific website and advertise on several other online apartment websites (such as apartments.com), and (2) explain that rents vary depending on resident income and household size.
3. Rental of Affordable Units to Eligible Households. The Owner shall ensure that the Affordable Units are occupied by Income Eligible Households as follows:
 - a. Income Documentation. The Owner may not enter into a lease or rental agreement or receive rent from a Tenant for an Affordable Unit unless the Owner has provided the City with Income Documentation that the Tenant household qualifies as an Income Eligible Household.

- b. Annual Report. The Owner shall certify the Tenant's household income on an annual basis. The Owner shall provide the City with a report no later than June 30th of each year setting forth the following information with respect to each Tenant occupying an Affordable Unit: unit address, Tenant name, size of Tenant's household, unit size, and date first occupied, and a copy of the annual Income Documentation.
- c. Increased Income of Tenants. If, upon recertification of a Tenant's income pursuant to Section 2.4 of this Agreement, the Owner determines that the Tenant household's income has increased and exceeds the qualifying income for the Affordable Unit, then the Tenant shall be given written notice that Tenant shall vacate the Affordable Unit six (6) months from the date of the notice or upon expiration of the Tenant's lease, whichever is later.
- d. Changes in Tenant Income. Notwithstanding subdivision (c) above, a Tenant who initially qualified as a Low-Income Household but whose income subsequently exceeds the initially qualifying income limit for an Affordable Unit shall continue to qualify as a Low-Income Household provided that (A) any vacant residential unit in the HIVE of comparable or smaller size is rented to a qualifying household of the same income level (Low-Income Household) and (B) such over-income Tenant shall not be required to pay rent that exceeds an amount that is the least of the amount that would be payable by the Tenant under (i) low-income housing tax credit regulations, (ii) State or local law or (iii) thirty percent (30%) of the household's adjusted gross income.
- e. Lease Agreement. A fully executed copy of the lease agreement for each Affordable Unit shall be delivered to the City's Economic and Development Services Department within ten (10) days after Owner's receipt of a written request for same by the City.
- f. Assignment and Sublease. A Tenant occupying an Affordable Unit may not assign or sublet the unit without the written permission of both Owner and City. The City shall not grant permission to lease, rent, assign or sublet the Affordable Unit if it finds that the prospective tenant or occupant is not an Income Eligible Household. Any individual who subleases or assumes an Affordable Unit in violation of the provisions of this Agreement shall be required to forfeit to City all monetary amounts so obtained.
- g. Records. The Owner shall maintain reasonably complete and accurate records pertaining to the rental of the Affordable Units throughout the duration of each tenancy. Owner shall permit any authorized representative of the City to inspect the records of any current Tenant of an Affordable Unit upon reasonable notice, for the purpose of confirming compliance with the terms, conditions and covenants of this ADMP.

Section 3 – Maintenance of Units

1. Utilization of Affordable Rental Units. All Affordable Units required by this ADMP shall be leased or rented and fully utilized in accordance with this ADMP. Notwithstanding any other provision of law to the contrary, no Affordable Unit shall be withdrawn from the market or otherwise held vacant except during maintenance or rehabilitation of the Affordable Unit.
2. Maintenance of Rental Units. Owner shall: (a) maintain and operate all units at the HIVE property so as to provide decent, safe and sanitary housing consistent with federal housing quality standards and the Costa Mesa Municipal Code; (b) make any required repairs or provide any required cleanup; and (c) provide the Affordable Units with the same levels of services and maintenance as are provided to any of the other dwelling units on the property.
3. City Right to Inspect Units. For purposes of confirming compliance with this ADMP, an Affordable Unit shall be made available by Owner to be inspected by the City during regular business hours upon seventy-two (72) hours' written notice; provided, however, that any such inspection shall occur only once during any twelve (12) calendar month period unless: (i) the City receives a complaint that a Tenant is occupying an Affordable Unit in violation of this ADMP; or (ii) a new Tenant is occupying an Affordable Unit, in which case City may reinspect.