

Attachment No. PC 4

KMA Addendum, Dated January 22, 2026

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KEYSER MARSTON
ASSOCIATES

MEMORANDUM

To: Jaime Murillo, Community Development Director
City of Newport Beach

From: Kathleen Head

Date: January 22, 2026

Subject: Airport Area Ownership Housing Development –
Addendum to March 19, 2025 Inclusionary Housing:
Financial Evaluation

Keyser Marston Associates, Inc. (KMA) prepared an Inclusionary Housing: Financial Evaluation (March 2025 Financial Evaluation) for the City of Newport Beach (City) in March 2025. The March 2025 Financial Evaluation analyzed the following focus areas within Newport Beach:

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

Ownership housing development in the Airport area was excluded from the March 2025 Financial Evaluation because a significant amount of this type of development was not anticipated to be attracted to the area. Recently the City has received proposals for the development of ownership housing projects in this area. In response, the City requested that KMA prepare an addendum to the March 2025 Financial Evaluation that assesses the Inclusionary Housing requirements that can be supported by ownership housing development in the Airport area.

EXECUTIVE SUMMARY

Methodology

This analysis is based on a methodology and assumptions that are consistent with those used in the March 2025 Financial Evaluation. This was done to allow for an “apples-to-apples” assessment of the Inclusionary Housing requirements that can be supported. A key factor in the analysis is the 2015 California Supreme Court ruling in *California Building Industry Association v. City of San Jose*, 61 Cal 4th 435 (San Jose), which imposed the following limitations on 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 March 2025 Financial Evaluation fully describes the basis for KMA’s assessment of Inclusionary Housing requirements that comport with the San Jose ruling. The benchmark standards that KMA applied in the analysis are presented in the following table:

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

Financial Analysis

KMA estimated the Inclusionary Housing requirements that can be supported in the Airport Area based on the following:

1. The difference between the achievable market rate sales price and the allowable moderate income sales price is estimated for each Inclusionary Unit. This difference is called the “Affordability Gap”.

2. Pro forma analyses are used to estimate the Affordability Gaps generated at varying income and affordability levels.
3. A significant amount of ownership housing development has occurred in the City of Irvine in proximity to John Wayne Airport. KMA compiled market information pertaining to this development and used it in creating a development prototype for the Airport area analysis.
4. KMA prepared a financial analysis of this prototype to estimate the Inclusionary Housing requirements that can be supported.

Findings

SUPPORTABLE INCLUSIONARY HOUSING REQUIREMENT

KMA concluded that an 8% moderate income Inclusionary Housing requirement can be supported for ownership housing development in the Airport Area. The estimated impacts associated with this requirement are presented in the following table:

8% Moderate Income Inclusionary Housing Requirement Airport Prototype Ownership Housing Development Prototypes	
Reduction in property acquisition cost needed to offset the impact created by the Inclusionary Housing requirements.	19%
Increase in the market rate sales prices that would be needed to offset the proposed requirements.	6.4%

The City requested that KMA prepare a pro forma analysis to identify the Inclusionary Housing requirement that could be supported for ownership housing development if the requirement is set at the low income level. The results of this analysis indicate that a 6% low income requirement can be supported in the Airport Area.

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

varying Inclusionary Housing production requirements. The results of these analyses can be summarized as follows:

1. A 5% moderate income Inclusionary Housing requirement generates impacts that are significantly lower than the benchmarks applied in the KMA evaluation. Thus, it can be concluded that a 5% moderate income Inclusionary Housing requirement is supportable.
2. The imposition of a 10% moderate income requirement meets the 25% benchmark KMA set for the property acquisition cost reduction test, but the percentage increase in market rate prices needed to offset the impact is materially higher than the 6% benchmark applied in the KMA evaluation.
3. The imposition of 15% and 20% moderate income Inclusionary Housing requirements exceeds both the benchmarks KMA applied in the analysis.

SUPPORTABLE IN-LIEU FEE PAYMENT

An in-lieu fee option is typically offered as part of an Inclusionary Housing program. In the March 2025 Financial Evaluation, KMA pegged the in-lieu fee payment amount to the Affordability Gaps identified in the pro forma analyses that were used to evaluate the supportable Inclusionary Housing obligations. KMA applied the same methodology in the analysis of ownership housing development in the Airport Area.

The resulting in lieu fee amounts are estimated as follows:

In-Lieu Fee Associated with the Supportable Inclusionary Housing Requirement Ownership Housing Development	
Affordability Gap Per Inclusionary Unit	\$980,500
Per Total Unit in the Project	\$83,450
Per Square Foot of Saleable Area in the Project	\$50.00

FINANCIAL ANALYSIS

The financial analysis is supported by the following Appendices:

Appendices	
Appendix A	Home Sales Survey
Appendix B	Affordable Sales Price Calculation Methodology
Appendix C	Affordable Sales Price Calculations
Appendix D	Pro Forma Analyses
Appendix E	In-Lieu Fee Analysis

To assist in establishing the Inclusionary Housing production requirements that can be supported, KMA prepared the following pro forma analyses for the Airport Area prototype ownership housing project:

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

The 100% market rate unit ownership housing development scenario provides the baseline against which to measure the impacts associated with the imposition of affordable housing requirements. The pro forma analysis is organized as follows:

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

The estimated developer profit for the 100% market rate scenarios is used as the benchmark profit for the purpose of estimating the impacts created by the imposition of Inclusionary Housing obligations. The resulting financial gap represents the impact created by the requirements being evaluated.

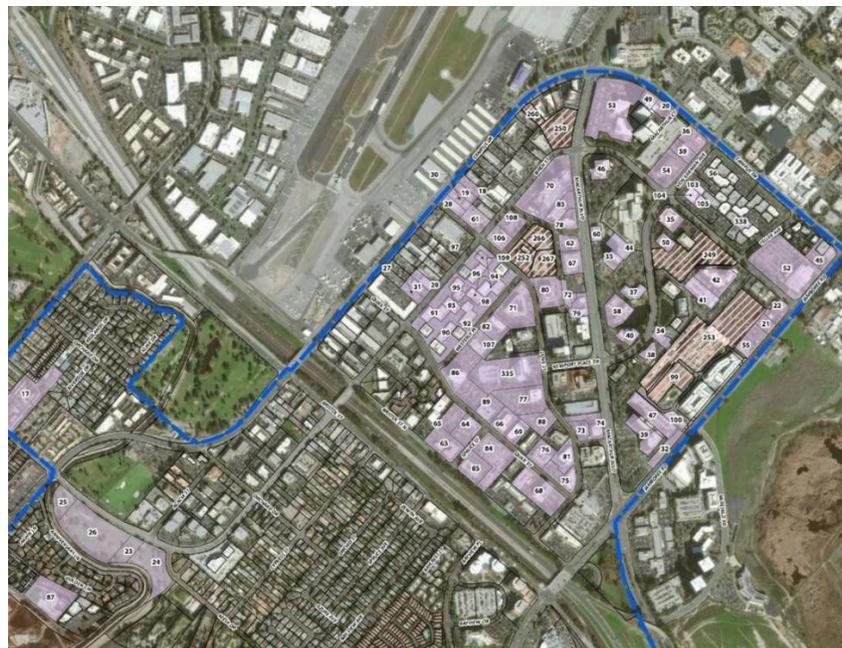
The pro forma analyses for the moderate income scenarios are organized as follows:

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

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

Airport Area Prototype Ownership Housing Development Analysis

The pro forma analyses for the Airport Area prototype ownership housing development are provided in Appendix D. A map of the Airport Area is presented below, and a summary of the development scope is presented on the following page.



Development Scope Summary Airport Prototype Ownership Housing Development Prototypes			
Site Area (Acres)	2.4	<u>Unit Mix</u>	
Total Number of Units	47	One-Bedroom Units	5
Density (Units/Acre)	20	Two-Bedroom Units	21
		Three-Bedroom Units	21
Parking Spaces Provided	Two car attached garages		

ESTIMATED DEVELOPMENT COSTS:

The total development cost for the prototype ownership housing development is estimated at \$55.54 million. This equates to \$1.18 million per unit, or \$708 per square foot of gross saleable area (GSA).

PROJECTED MARKET RATE SALES PRICES:

To assist in projecting the achievable market rate sales prices, KMA compiled sales data for homes located in the City of Irvine in proximity to John Wayne Airport (Appendix A). The market rate sales prices that were applied in the ownership housing development prototype analysis are presented in the following table:

Projected Sales Prices Market Rate Units Airport Prototype Ownership Housing Development Prototypes	
One-Bedroom Units	\$895,400
Two-Bedroom Units	\$1,242,500
Three-Bedroom Units	\$1,730,700
Weighted Average Price Per Square Foot of Saleable Area	\$852

AFFORDABLE SALES PRICE CALCULATIONS:

Based on the Affordable Sales Price calculation methodology described in Appendix B, and the calculations presented in Appendix C, the Affordable Sales Prices for the prototype ownership housing development are:

Affordable Sales Prices Airport Prototype Ownership Housing Development Prototypes	
One-Bedroom Units	\$392,100
Two-Bedroom Units	\$433,200
Three-Bedroom Units	\$473,000

FINDINGS:

The results of the KMA analyses of the ownership housing development can be summarized as follows:

1. The developer profit for the market rate scenario is estimated at 8.0%.
2. An 8% moderate income requirement can be supported.

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

8% Moderate Income Inclusionary Housing Requirement Airport Prototype Ownership Housing Development Prototypes	
Reduction in property acquisition cost needed to offset the impact created by the Inclusionary Housing requirements.	19%
Increase in the market rate sales prices that would be needed to offset the proposed requirements.	6.4%

ALTERNATIVE INCLUSIONARY HOUSING REQUIREMENTS

Low Income Inclusionary Housing Requirement

The City requested that KMA prepare a pro forma analysis to identify the Inclusionary Housing requirement that could be supported for ownership housing development if the requirement is set at the low income level. As shown in the following table, KMA estimates that a 6% low income Inclusionary Housing requirement can be supported in the Airport Area:

Project Economics Airport Prototype Ownership Housing Development Prototypes		
	Market Rate Scenario	Low Income Inclusionary Obligation
<u>Development Costs</u>		
Total	\$55,539,000	\$55,556,000
Per Unit	\$1,182,000	\$1,182,000
Per Sf of Saleable Area	\$708	\$708
<u>Weighted Average Sales Price</u>		
Market Rate Units	\$1,423,700	\$1,432,900
Moderate Income Units		\$199,300
Net Revenue	\$63,235,000	\$60,145,000
Developer Profit	\$7,696,000	\$4,589,000
Supportable Inclusionary Housing Percentage		6.0%
<u>Estimated Financial Impacts: Inclusionary Housing Requirement</u>		
Property Acquisition Cost Reduction		15%
% Price Increase to Offset Impact		6.0%

Range of Supportable Moderate Income Inclusionary Housing Requirements

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

Alternative Inclusionary Housing Requirements Airport Prototype Ownership Housing Development Prototypes	
Total Number of Units	47
Density (Units/Acre)	20
Developer Profit - Market Rate Scenario	13.9%
Supportable Inclusionary Housing Percentage	8%
Alternative Inclusionary Housing Requirements	
<u>Property Acquisition Cost Reduction</u>	
Supportable Inclusionary Housing Percentage	19%
5% Moderate Income Requirement	10%
10% Moderate Income Requirement	21%
15% Moderate Income Requirement	31%
20% Moderate Income Requirement	41%
<u>% Price Increase to Offset Impact</u>	
Supportable Inclusionary Housing Percentage	6.4%
5% Moderate Income Requirement	3.0%
10% Moderate Income Requirement	7.3%
15% Moderate Income Requirement	11.1%
20% Moderate Income Requirement	15.4%

The findings of these alternative analyses can be described as follows:

5% Moderate Income Inclusionary Housing Requirement

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

10% Moderate Income Inclusionary Housing Requirement

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

15% and 20% Moderate Income Inclusionary Housing Requirements

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

IN-LIEU FEE ANALYSIS

The March 2025 Financial Evaluation includes in-lieu fee analyses meant to assist the City in creating specific in-lieu fee policies to be applied as part of an Inclusionary Housing program. In the March 2025 Financial Evaluation KMA estimated the supportable in-lieu fee amounts based on the Affordability Gaps associated with the on-site development of Inclusionary Units within market rate ownership housing developments.

The KMA in-lieu fee estimates for the Airport Area ownership housing development are presented in Appendix E. The KMA in-lieu fee estimates for ownership housing development are summarized in the following table:

In-Lieu Fee Associated with the Supportable Inclusionary Housing Requirement Ownership Housing Development	
Affordability Gap Per Inclusionary Unit	\$980,500
Per Total Unit in the Project	\$83,450
Per Square Foot of Saleable Area in the Project	\$50.00

KMA illustrates the three calculation methodologies for contextual purposes. However, it is KMA’s recommendation that the in-lieu fee be assessed against the total saleable area in a 100% market rate development. Using this methodology the in-lieu fee amount will be lower for developments with small units and higher for developments with large units. This corresponds more closely to the Affordability Gaps than an in-lieu fee measured against the number of units in the development.

RECOMMENDATIONS

Recommended Inclusionary Housing Requirement

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

Recommended In-Lieu Fee

The KMA in-lieu fee estimate of the supportable in-lieu fee is based on the assumption that an 8% moderate income Inclusionary Housing requirement is imposed on ownership housing development in the Airport Area. Based on that assumption KMA recommends that the in-lieu fee be set at \$50 per square foot of saleable area in 2026 dollars.

APPENDIX A

**HOME SALES SURVEY
OWNERSHIP HOUSING DEVELOPMENT
AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
NEWPORT BEACH, CALIFORNIA**

APPENDIX A

HOME SALES SURVEY 1
 AIRPORT AREA
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

Address	Unit Size (SF)	Sales Price		Year Built		
		Total	Per SF			
I. One-Bedroom Units						
1464 Scholarship	Irvine	92612	610	\$560,000	\$918	2006
1133 Scholarship	Irvine	92612	610	\$565,000	\$926	2007
3267 Watermarke Pl	Irvine	92612	648	\$524,000	\$809	2003
3136 Watermarke Pl	Irvine	92612	648	\$560,000	\$864	2005
3416 Watermarke Pl	Irvine	92612	648	\$577,000	\$890	2005
3417 Watermarke Pl	Irvine	92612	648	\$585,000	\$903	2003
3420 Watermarke Pl	Irvine	92612	648	\$585,000	\$903	2003
2124 Watermarke Pl	Irvine	92612	648	\$600,000	\$926	2003
2117 Watermarke Pl	Irvine	92612	648	\$619,243	\$956	2003
2240 Scholarship	Irvine	92612	734	\$590,000	\$804	2007
1148 Scholarship	Irvine	92612	734	\$665,000	\$906	2006
3342 Watermarke Pl	Irvine	92612	746	\$636,000	\$853	2005
2359 Watermarke Pl	Irvine	92612	835	\$689,000	\$825	2003
3428 Watermarke Pl	Irvine	92612	835	\$695,000	\$832	2005
2348 Watermarke Pl	Irvine	92612	868	\$585,000	\$674	2003
3357 Watermarke Pl #3357	Irvine	92612	868	\$620,000	\$714	2003
2158 Watermarke Pl	Irvine	92612	868	\$650,000	\$749	2003
3151 Watermarke Pl	Irvine	92612	868	\$685,000	\$789	2005
2518 Nolita	Irvine	92612	948	\$710,000	\$749	2018
1512 Nolita	Irvine	92612	948	\$745,000	\$786	2018
2530 Nolita	Irvine	92612	948	\$760,000	\$802	2018
1312 nolita	Irvine	92612	980	\$720,000	\$735	2019
5065 Scholarship	Irvine	92612	1,188	\$1,200,000	\$1,010	2007
161 Bowery	Irvine	92612	1,257	\$825,000	\$656	2019
171 Bowery	Irvine	92612	1,257	\$825,000	\$656	2019
3209 Rivington	Irvine	92612	1,278	\$1,048,000	\$820	2023
5052 Scholarship	Irvine	92612	1,349	\$910,000	\$675	2005
8052 Scholarship	Irvine	92612	1,349	\$1,150,000	\$852	2007
3208 Rivington	Irvine	92612	1,378	\$1,029,000	\$747	2023
2209 Rivington	Irvine	92618	1,410	\$774,990	\$550	2023
523 Rockefeller	Irvine	92612	1,426	\$847,000	\$594	2013
3502 Rivington	Irvine	92618	1,473	\$899,990	\$611	2023
1302 Rivington	Irvine	92618	1,540	\$869,990	\$565	2023
2608 Rivington	Irvine	92618	1,540	\$894,990	\$581	2023
3203 Rivington	Irvine	92618	1,551	\$866,465	\$559	2023
Minimum			610	\$524,000	\$550	2003
Maximum			1,551	\$1,200,000	\$1,010	2023
Average			998	\$744,700	\$746	2011

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Address	Unit Size (SF)	Sales Price		Year Built		
		Total	Per SF			
II. Two-Bedroom Units						
2123 Scholarship	Irvine	92612	1,038	\$689,000	\$664	2005
2275 Scholarship	Irvine	92612	1,038	\$741,000	\$714	2006
1362 Scholarship	Irvine	92612	1,038	\$740,000	\$713	2006
2330 Scholarship	Irvine	92612	1,052	\$810,000	\$770	2006
2352 Scholarship	Irvine	92612	1,052	\$818,000	\$778	2005
1344 Nolita	Irvine	92612	1,075	\$788,000	\$733	2018
1238 Nolita	Irvine	92612	1,075	\$873,000	\$812	2018
2204 Nolita	Irvine	92612	1,079	\$788,000	\$730	2018
2506 Nolita	Irvine	92612	1,079	\$831,000	\$770	2017
1502 Nolita	Irvine	92612	1,088	\$784,000	\$721	2018
1202 Nolita	Irvine	92612	1,088	\$770,000	\$708	2018
1306 Nolita	Irvine	92612	1,088	\$800,000	\$735	2018
1426 Nolita	Irvine	92612	1,088	\$770,000	\$708	2019
3106 Watermarke Pl	Irvine	92612	1,123	\$800,000	\$712	2005
303 Placemark	Irvine	92614	1,127	\$765,000	\$679	2020
222 Placemark	Irvine	92614	1,127	\$845,000	\$750	2019
2223 Watermarke Pl	Irvine	92612	1,137	\$838,000	\$737	2005
3432 Watermarke Pl	Irvine	92612	1,137	\$820,000	\$721	2004
3235 Watermarke Pl	Irvine	92612	1,137	\$860,000	\$756	2003
2426 Watermarke	Irvine	92612	1,148	\$865,000	\$753	2004
2408 Nolita	Irvine	92612	1,161	\$758,000	\$653	2019
1224 Nolita	Irvine	92612	1,161	\$785,000	\$676	2019
3131 Michelson Dr #303	Irvine	92612	1,249	\$820,000	\$657	2006
3141 Michelson Dr #605	Irvine	92612	1,249	\$890,000	\$713	2006
2122 Watermarke Pl	Irvine	92612	1,260	\$853,000	\$677	2003
2424 Scholarship	Irvine	92612	1,260	\$715,000	\$567	2006
2402 Scholarship	Irvine	92612	1,260	\$820,000	\$651	2005
2417 Scholarship	Irvine	92612	1,260	\$860,000	\$683	2006
2423 Scholarship	Irvine	92612	1,260	\$885,000	\$702	2005
3308 Watermarke Pl	Irvine	92612	1,260	\$930,000	\$738	2003
3221 Watermarke Pl	Irvine	92612	1,260	\$940,000	\$746	2005
1432 Scholarship	Irvine	92612	1,274	\$795,000	\$624	2007
3131 Michelson Dr #804	Irvine	92612	1,292	\$960,000	\$743	2006
3141 Michelson Dr #805	Irvine	92612	1,300	\$860,000	\$662	2006
3141 Michelson Dr #803	Irvine	92612	1,330	\$880,000	\$662	2006
3141 Michelson Dr #403	Irvine	92612	1,367	\$925,000	\$677	2006
2246 Synergy	Irvine	92614	1,414	\$1,020,000	\$721	2018
5046 Scholarship	Irvine	92612	1,463	\$1,305,000	\$892	2007
3075 Scholarship	Irvine	92612	1,477	\$1,120,000	\$758	2008
3064 Scholarship	Irvine	92612	1,477	\$1,080,000	\$731	2007
2250 Watermarke Pl	Irvine	92612	1,482	\$880,000	\$594	2005
124 Tribeca	Irvine	92612	1,483	\$960,000	\$647	2018
111 Bowery	Irvine	92612	1,483	\$985,000	\$664	2019
154 Tribeca	Irvine	92612	1,483	\$1,050,000	\$708	2018
105 Bowery	Irvine	92612	1,483	\$1,025,000	\$691	2019
3141 Michelson Dr #1507	Irvine	92612	1,520	\$1,195,000	\$786	2006

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		Total	Per SF			
2360 Watermarke Pl	Irvine	92612	1,523	\$935,000	\$614	2005
2365 Watermarke Pl	Irvine	92612	1,539	\$926,000	\$602	2003
45 Soho	Irvine	92612	1,576	\$1,080,000	\$685	2013
21 Gramercy #110	Irvine	92612	1,583	\$900,000	\$569	2007
3141 Michelson Dr #604	Irvine	92612	1,583	\$1,140,000	\$720	2006
198 Tribeca	Irvine	92612	1,599	\$980,000	\$613	2019
147 Bowery	Irvine	92612	1,599	\$1,000,000	\$625	2019
8031 Scholarship	Irvine	92612	1,701	\$1,555,000	\$914	2007
1301 Rivington	Irvine	92618	1,727	\$1,153,990	\$668	2023
21 Gramercy #406	Irvine	92612	1,775	\$940,000	\$530	2010
3126 Scholarship	Irvine	92612	1,781	\$1,645,000	\$924	2007
3215 Rivington	Irvine	92618	1,797	\$999,990	\$556	2023
3200 Rivington	Irvine	92618	1,801	\$1,049,990	\$583	2023
15 Waldorf	Irvine	92612	1,801	\$1,040,000	\$577	2010
4310 Rivington	Irvine	92612	1,807	\$1,230,000	\$681	2023
3315 Rivington	Irvine	92612	1,807	\$1,210,000	\$670	2023
21 Gramercy #306	Irvine	92612	1,810	\$1,000,000	\$552	2011
3314 Rivington	Irvine	92618	1,813	\$984,990	\$543	2023
2412 Rivington	Irvine	92618	1,813	\$1,079,990	\$596	2023
8079 Scholarship	Irvine	92612	1,847	\$1,630,000	\$883	2007
3204 Rivington	Irvine	92618	1,870	\$987,990	\$528	2023
2410 Rivington	Irvine	92618	1,880	\$1,047,990	\$557	2023
402 Rockefeller #405	Irvine	92612	1,917	\$1,100,000	\$574	2011
1210 Rivington	Irvine	92618	1,926	\$1,189,990	\$618	2023
1110 Rivington	Irvine	92618	1,926	\$1,239,000	\$643	2024
3131 Michelson Dr #1803	Irvine	92612	1,980	\$1,800,000	\$909	2006
2401 Rivington	Irvine	92618	1,995	\$1,335,000	\$669	2024
8124 Scholarship	Irvine	92612	2,052	\$2,000,000	\$975	2007
8142 Scholarship	Irvine	92612	2,052	\$2,049,800	\$999	2007
3131 Michelson Dr #1503	Irvine	92612	2,063	\$1,340,000	\$650	2006
3408 Rivington	Irvine	92612	2,065	\$1,250,000	\$605	2023
402 Rockefeller #208	Irvine	92612	2,081	\$1,240,000	\$596	2012
3515 Rivington	Irvine	92612	2,087	\$1,388,000	\$665	2024
4307 Rivington	Irvine	92612	2,129	\$1,150,000	\$540	2023
402 Rockefeller #101	Irvine	92612	2,200	\$1,350,000	\$614	2012
402 Rockefeller #312	Irvine	92612	2,250	\$1,380,000	\$613	2012
3140 Scholarship	Irvine	92612	2,377	\$2,300,000	\$968	2008
Minimum			1,038	\$689,000	\$528	2003
Maximum			2,377	\$2,300,000	\$999	2024
Average			1,517	\$1,047,200	\$690	2012

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		Total	Per SF			
Three-Bedroom Units						
2346 Watermarke Pl	Irvine	92612	1,456	\$925,000	\$635	2003
3250 Watermarke Pl	Irvine	92612	1,456	\$950,000	\$652	2003
3450 Watermarke Pl	Irvine	92612	1,456	\$1,008,888	\$693	2003
2155 Watermarke Pl	Irvine	92612	1,456	\$1,050,000	\$721	2004
3141 Michelson Dr #404	Irvine	92612	1,583	\$1,095,000	\$692	2006
105 Schick	Irvine	92614	1,587	\$1,239,000	\$781	2019
213 Steely	Irvine	92614	1,592	\$1,080,000	\$678	2021
29 Soho	Irvine	92612	1,733	\$978,000	\$564	2015
43 Soho	Irvine	92612	1,733	\$1,174,500	\$678	2015
201 Bowery	Irvine	92612	1,736	\$1,066,000	\$614	2020
205 Bowery	Irvine	92612	1,760	\$1,050,000	\$597	2019
45 Gramercy	Irvine	92612	1,832	\$1,320,000	\$721	2014
612 Rockefeller	Irvine	92612	1,832	\$1,370,000	\$748	2013
2302 Synergy	Irvine	92614	1,900	\$1,239,900	\$653	2019
192 Tribeca	Irvine	92612	1,967	\$1,300,000	\$661	2020
182 Tribeca	Irvine	92612	1,967	\$1,410,000	\$717	2018
147 Placemark	Irvine	92614	1,990	\$1,285,000	\$646	2021
117 Placemark	Irvine	92614	1,991	\$1,288,000	\$647	2022
149 Placemark	Irvine	92614	1,991	\$1,285,000	\$645	2021
176 Placemark	Irvine	92614	1,996	\$1,340,000	\$671	2020
4271 Uptown Newport Dr #	Newport Beach	92660	2,052	\$2,228,637	\$1,086	2024
209 placemark	Irvine	92614	2,100	\$1,284,000	\$611	2020
4281 Uptown Newport Dr #	Newport Beach	92660	2,219	\$2,650,000	\$1,194	2023
3301 Rivington	Irvine	92618	2,235	\$1,204,990	\$539	2023
2290 Synergy	Irvine	92614	2,245	\$1,275,000	\$568	2018
250 Rockefeller	Irvine	92612	2,251	\$1,360,000	\$604	2013
604 Rockefeller	Irvine	92612	2,251	\$1,300,000	\$578	2013
810 Rockefeller	Irvine	92612	2,288	\$1,262,500	\$552	2010
39 Gramercy	Irvine	92612	2,290	\$1,580,000	\$690	2013
3107 Scholarship	Irvine	92612	2,385	\$2,050,000	\$860	2007
4201 Rivington	Irvine	92612	2,483	\$1,650,000	\$665	2023
3409 Rivington	Irvine	92618	2,548	\$1,199,990	\$471	2023
8090 Scholarship	Irvine	92612	2,621	\$2,879,900	\$1,099	2007
4271 Uptown Newport Dr U	Newport Beach	92660	2,849	\$3,535,318	\$1,241	2023
Minimum			1,456	\$925,000	\$471	2003
Maximum			2,849	\$3,535,318	\$1,241	2024
Average			1,995	\$1,438,700	\$721	2016

¹ Source: Redfin Corporation. Based on a January 2026 survey of condominiums and townhomes constructed after 2000 that were sold between February 2023 and February 2025.

APPENDIX B
AFFORDABLE HOUSING COST CALCULATION METHODOLOGY
AIRPORT AREA
OWNERSHIP HOUSING DEVELOPMENT
NEWPORT BEACH, CALIFORNIA

APPENDIX B

AFFORDABLE SALES PRICE CALCULATION METHODOLOGY

The Affordable Sales Price calculations for the Airport Area are presented in Appendix C. The calculations are based on the following assumptions:

1. The household income information used in the calculations is based on 2024 income statistics for Orange County as a whole. The household incomes for moderate income households are produced and distributed annually by the California Department of Housing and Community Development (HCD).
2. The Affordable Sales Price estimates are based on the calculation methodology imposed by California Health and Safety Code (H&SC) Section 50052.5.

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

HOUSEHOLD SIZE

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

HOUSEHOLD INCOME

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

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

Benchmark Household Incomes Affordable Sales Price Calculations Ownership Housing Development Prototypes	
Moderate Income	110%
Low Income	70%
Very Low Income	50%

The identified benchmark percentages of AMI are not income caps. The household income qualification standard is based on 120% of AMI for moderate income households based on the actual size of the homebuyer’s household.

INCOME ALLOCATED TO HOUSING-RELATED EXPENSES

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

HOUSING-RELATED EXPENSES

The following table presents the variable housing related expense assumptions used in this analysis:

Variable Housing Related Expenses – Monthly Affordable Sales Price Calculations Ownership Housing Development Prototypes		
Number of Bedrooms	Utilities Allowances ²	HOA, Insurance & Maintenance ³
One	\$216	\$250
Two	\$283	\$300
Three	\$358	\$350

²Utilities allowances are based on utilities costs comprised of electric cooking, heating and water heating; basic electric; air conditioning; and water, sewer and trash services. The allowances are based on the Orange County Housing Authority schedule effective as of October 1, 2024.

³ Based in part on the HOA dues identified in the home sales surveys.

The property tax expense estimate is based on 1.10% of the home’s estimated Affordable Sales Price. This assumes that the City will require the homes to be subject to long-term income and affordability resale controls.

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 analysis were based on a 30-year fully amortizing loan at a 7.03% 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 Price for the Airport Area ownership housing development are estimated as follows:

Affordable Sales Prices Airport Prototype Ownership Housing Development Prototypes			
	Moderate Income Units	Low Income Units	Very Low Income Units
One-Bedroom Units	\$392,100	\$184,700	\$113,600
Two-Bedroom Units	\$433,200	\$199,600	\$119,700
Three-Bedroom Units	\$473,000	\$213,600	\$124,700

⁴ Based on a 25 basis points premium applied to the Freddie Mac monthly average, between March 2024 and February 2025, for a fixed interest rate loan with a 30-year amortization period.

APPENDIX C

**AFFORDABLE SALES PRICE CALCULATIONS
OWNERSHIP HOUSING DEVELOPMENT
AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
NEWPORT BEACH, CALIFORNIA**

APPENDIX C - TABLE 1

AFFORDABLE SALES PRICE CALCULATIONS
AIRPORT PROTOTYPE
2024 INCOME STANDARDS - MODERATE INCOME UNITS
OWNERSHIP HOUSING DEVELOPMENT
AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
NEWPORT BEACH, CALIFORNIA

1

		One-Bedroom Units	Two-Bedroom Units	Three-Bedroom Units
I. <u>General Assumptions</u>				
Estimated Market Rate Sales Price	2	\$895,400		
Area Median Income	3	\$103,200	\$1,242,500	\$1,730,700
Annual Utilities Allowance	4	\$2,592	\$116,100	\$129,000
HOA, Maintenance & Insurance		\$3,000	\$3,396	\$4,296
			\$3,600	\$4,200
II. <u>Affordable Sales Price Calculations</u>				
A. Affordable Sales Price Based on 110% AMI				
Benchmark Annual Household Income		\$113,520	\$127,710	\$141,900
Income Allotted to Housing @ 35% of Income		\$39,730	\$44,700	\$49,670
B. Property Taxes @ 1.10% of Affordable Sales Price		\$4,310	\$4,760	\$5,200
C. Income Available for Mortgage	5	\$29,828	\$32,944	\$35,974
D. <u>Affordable Sales Price</u>				
Supportable Mtg @ 7.03% Interest	6	\$372,500	\$411,500	\$449,300
Home Buyer Down Payment @ 5% of ASP		19,600	21,700	23,700
Affordable Sales Price		\$392,100	\$433,200	\$473,000

¹ Based on 2024 Orange County household incomes published by the California Housing & Community Development Department (HCD). The Affordable Sales Price calculations are based on the California Health and Safety Code Section 50052.5 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.

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

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

⁴ Based on the Orange County Housing Authority utility allowance schedule effective as of 10/1/24. Assumes: Electric Cooking, Electric Heating, Electric Water Heater, Basic Electric, Air Conditioning, Water, Sewer, and Trash.

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

⁶ Based on a 25 basis points premium applied to the Freddie Mac monthly average, between March 2024 and February 2025, for a fixed-interest rate loan with a 30-year amortization period.

APPENDIX C - TABLE 2

AFFORDABLE SALES PRICE CALCULATIONS
AIRPORT PROTOTYPE
2024 INCOME STANDARDS - LOW INCOME UNITS
OWNERSHIP HOUSING DEVELOPMENT
AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
NEWPORT BEACH, CALIFORNIA

1

		One-Bedroom Units	Two-Bedroom Units	Three-Bedroom Units
I. <u>General Assumptions</u>				
Estimated Market Rate Sales Price	2	\$895,400		
Area Median Income	3	\$103,200	\$1,242,500	\$1,730,700
Annual Utilities Allowance	4	\$2,592	\$116,100	\$129,000
HOA, Maintenance & Insurance		\$3,000	\$3,396	\$4,296
			\$3,600	\$4,200
II. <u>Affordable Sales Price Calculations</u>				
A. Affordable Sales Price Based on 70% AMI				
Benchmark Annual Household Income		\$72,240	\$81,270	\$90,300
Income Allotted to Housing @ 30% of Income		\$21,670	\$24,380	\$27,090
B. Property Taxes @ 1.10% of Affordable Sales Price		\$2,030	\$2,200	\$2,350
C. Income Available for Mortgage	5	\$14,048	\$15,184	\$16,244
D. Affordable Sales Price				
Supportable Mtg @ 7.03% Interest	6	\$175,500	\$189,600	\$202,900
Home Buyer Down Payment @ 5% of ASP		9,200	10,000	10,700
Affordable Sales Price		\$184,700	\$199,600	\$213,600

¹ Based on 2024 Orange County household incomes published by the California Housing & Community Development Department (HCD). The Affordable Sales Price calculations are based on the California Health and Safety Code Section

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

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

⁴ Based on the Orange County Housing Authority utility allowance schedule effective as of 10/1/24. Assumes: Electric Cooking, Electric Heating, Electric Water Heater, Basic Electric, Air Conditioning, Water, Sewer, and Trash.

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

⁶ Based on a 25 basis points premium applied to the Freddie Mac monthly average, between March 2024 and February 2025, for a fixed-interest rate loan with a 30-year amortization period.

APPENDIX D

PRO FORMA ANALYSES

AIRPORT PROTOTYPE

OWNERSHIP HOUSING DEVELOPMENT

AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM

NEWPORT BEACH, CALIFORNIA

APPENDIX D - EXHIBIT I

**PRO FORMA ANALYSIS
MARKET RATE SCENARIO
AIRPORT PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 MARKET RATE SCENARIO
 AIRPORT PROTOTYPE
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	¹	102,366	Sf of Land	\$180 /Sf of Land		\$18,426,000
II.	Direct Costs	²					
	On-Site Improvements/Landscaping		102,366	Sf of Land	\$40 /Sf of Land	\$4,095,000	
	Parking	³	94	Spaces	\$0 /Space	0	
	Building Costs		78,500	Sf of GSA	\$200 /Sf of GSA	15,700,000	
	Contractor/DC Contingency Allow	⁴		20% Other Direct Costs		<u>3,959,000</u>	
	Total Direct Costs						\$23,754,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6.0% Direct Costs		\$1,425,000	
	Public Permits & Fees	⁵	47	Units	\$84,900 /Unit	3,990,000	
	Taxes, Insurance, Legal & Accounting			1.5% Direct Costs		356,000	
	Marketing		47	Units	\$5,000 /Unit	235,000	
	Developer Fee			3.0% Gross Sales Revenue		2,007,000	
	Soft Cost Contingency Allowance			5.0% Other Indirect Costs		<u>401,000</u>	
	Total Indirect Costs						\$8,414,000
IV.	Financing Costs						
	Interest During Construction	⁶				\$4,490,000	
	Loan Origination Fees		60.0%	Loan to Cost	1.5 Points	<u>455,000</u>	
	Total Financing Costs						\$4,945,000
V.	Total Construction Cost		47	Units	\$790,000 /Unit		\$37,113,000
	Total Development Cost		47	Units	\$1,182,000 /Unit		\$55,539,000

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

² Based on the estimated costs for similar uses.

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

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

⁵ Based on estimates provided in the Sixth Cycle Housing Element plus Development Impact Fees that went into effect on January 12, 2025.

⁶ Assumes a 7.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 7 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX D - EXHIBIT I - TABLE 2

PROJECTED NET SALES REVENUE
 MARKET RATE SCENARIO
 AIRPORT PROTOTYPE
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I.	Gross Sales Revenue		1	
	One-Bedroom Units	5 Units @	\$895,400 /Unit	\$4,477,000
	Two-Bedroom Units	21 Units @	\$1,242,500 /Unit	26,093,000
	Three-Bedroom Units	21 Units @	\$1,730,700 /Unit	36,345,000
	Total Gross Sales Revenue			\$66,915,000
II.	Cost of Sales			
	Commissions	3.0% Gross Sales Revenue		\$2,007,000
	Closing	2.0% Gross Sales Revenue		1,338,000
	Warranty	0.5% Gross Sales Revenue		335,000
	Total Cost of Sales			(\$3,680,000)
III.	Net Revenue			\$63,235,000

¹ Based in part on a sales survey undertaken by KMA in February 2025. See APPENDIX A. The weighted average sales price equates to \$852 per square foot of saleable area.

APPENDIX D - EXHIBIT I - TABLE 3

**PROJECTED DEVELOPER PROFIT
MARKET RATE SCENARIO
AIRPORT PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
NEWPORT BEACH, CALIFORNIA**

I.	Net Revenue	See APPENDIX D - EXHIBIT I - TABLE 2	\$63,235,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT I - TABLE 1	<u>\$55,539,000</u>
III.	Developer Profit	13.9% Total Development Cost	\$7,696,000

APPENDIX D - EXHIBIT II

**PRO FORMA ANALYSIS
RECOMMENDED REQUIREMENT: 8% MODERATE INCOME UNITS
AIRPORT PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 AIRPORT PROTOTYPE
 RECOMMENDED REQUIREMENT: 8% MODERATE INCOME UNITS
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	1	102,366	Sf of Land	\$180 /Sf of Land		\$18,426,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		102,366	Sf of Land	\$40 /Sf of Land	\$4,095,000	
	Parking	3	94	Spaces	\$0 /Space	0	
	Building Costs		78,500	Sf of GSA	\$200 /Sf of GSA	15,700,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		<u>3,959,000</u>	
	Total Direct Costs						\$23,754,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6.0% Direct Costs		\$1,425,000	
	Public Permits & Fees	5	47	Units	\$84,900 /Unit	3,990,000	
	Taxes, Insurance, Legal & Accounting			1.5% Direct Costs		356,000	
	Marketing		47	Units	\$5,000 /Unit	235,000	
	Developer Fee	6	47	Units	\$42,702 /Unit	2,007,000	
	Soft Cost Contingency Allowance			5.0% Other Indirect Costs		<u>401,000</u>	
	Total Indirect Costs						\$8,414,000
IV.	Financing Costs						
	Interest During Construction	7				\$4,491,000	
	Loan Origination Fees		60.0%	Loan to Cost	1.5 Points	<u>455,000</u>	
	Total Financing Costs						\$4,946,000
V.	Total Construction Cost		47	Units	\$790,000 /Unit		\$37,114,000
	Total Development Cost		47	Units	\$1,182,000 /Unit		\$55,540,000

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

² Based on the estimated costs for similar uses.

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

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

⁵ Based on estimates provided in the Sixth Cycle Housing Element plus Development Impact Fees that went into effect on January 12, 2025.

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

⁷ Assumes a 7.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 6 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX D - EXHIBIT II - TABLE 2

PROJECTED NET SALES REVENUE
 AIRPORT PROTOTYPE
 RECOMMENDED REQUIREMENT: 8% MODERATE INCOME UNITS
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
One-Bedroom Units		5 Units @	\$895,400 /Unit	\$4,477,000
Two-Bedroom Units		19 Units @	\$1,242,500 /Unit	23,608,000
Three-Bedroom Units		19 Units @	\$1,730,700 /Unit	32,883,000
Moderate Income Units	2			
One-Bedroom Units		0 Units @	\$392,100 /Unit	0
Two-Bedroom Units		2 Units @	\$433,200 /Unit	866,000
Three-Bedroom Units		2 Units @	\$473,000 /Unit	946,000
Total Gross Sales Revenue				\$62,780,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$1,883,000
Closing		2.0% Gross Sales Revenue		1,256,000
Warranty		0.5% Gross Sales Revenue		314,000
Total Cost of Sales				(\$3,453,000)

III.	Net Revenue	\$59,327,000
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¹ Based in part on a sales survey undertaken by KMA in February 2025. See APPENDIX A. The weighted average sales price equates to \$853 per square foot of saleable area.

² See APPENDIX C for the Affordable Sales Price calculations.

APPENDIX D - EXHIBIT II - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 AIRPORT PROTOTYPE
 RECOMMENDED REQUIREMENT: 8% MODERATE INCOME UNITS
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX D - EXHIBIT II - TABLE 2		\$59,327,000
(Less) Threshold Developer Profit	¹ 13.9% Total Development Cost		<u>(\$7,696,000)</u>
Total Funds Available for Development Costs			\$51,631,000
II. Total Development Cost	See APPENDIX D - EXHIBIT II - TABLE 1		\$55,540,000
III. <u>Total Financial Impact</u>			(\$3,909,000)
Property Acquisition Cost Reduction	19% of Estimated Current Acquisition Prices		
% Price Increase to Offset Impact	6.4% Market Rate Units		

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

APPENDIX D - EXHIBIT III

**PRO FORMA ANALYSIS
RECOMMENDED REQUIREMENT: 6% LOW INCOME UNITS
AIRPORT PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 AIRPORT PROTOTYPE
 RECOMMENDED REQUIREMENT: 6% LOW INCOME UNITS
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	1	102,366	Sf of Land	\$180 /Sf of Land		\$18,426,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		102,366	Sf of Land	\$40 /Sf of Land	\$4,095,000	
	Parking	3	94	Spaces	\$0 /Space	0	
	Building Costs		78,500	Sf of GSA	\$200 /Sf of GSA	15,700,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		<u>3,959,000</u>	
	Total Direct Costs						\$23,754,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6.0% Direct Costs		\$1,425,000	
	Public Permits & Fees	5	47	Units	\$84,900 /Unit	3,990,000	
	Taxes, Insurance, Legal & Accounting			1.5% Direct Costs		356,000	
	Marketing		47	Units	\$5,000 /Unit	235,000	
	Developer Fee	6	47	Units	\$42,702 /Unit	2,007,000	
	Soft Cost Contingency Allowance			5.0% Other Indirect Costs		<u>401,000</u>	
	Total Indirect Costs						\$8,414,000
IV.	Financing Costs						
	Interest During Construction	7				\$4,507,000	
	Loan Origination Fees		60.0%	Loan to Cost	1.5 Points	<u>455,000</u>	
	Total Financing Costs						\$4,962,000
V.	Total Construction Cost		47	Units	\$790,000 /Unit		\$37,130,000
	Total Development Cost		47	Units	\$1,182,000 /Unit		\$55,556,000

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

² Based on the estimated costs for similar uses.

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

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

⁵ Based on estimates provided in the Sixth Cycle Housing Element plus Development Impact Fees that went into effect on January 12, 2025.

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

⁷ Assumes a 7.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 7 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX D - EXHIBIT III - TABLE 2

PROJECTED NET SALES REVENUE
 AIRPORT PROTOTYPE
 RECOMMENDED REQUIREMENT: 6% LOW INCOME UNITS
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
One-Bedroom Units		4 Units @	\$895,400 /Unit	\$3,582,000
Two-Bedroom Units		20 Units @	\$1,242,500 /Unit	24,850,000
Three-Bedroom Units		20 Units @	\$1,730,700 /Unit	34,614,000
Low Income Units	2			
One-Bedroom Units		1 Unit @	\$184,700 /Unit	185,000
Two-Bedroom Units		1 Unit @	\$199,600 /Unit	200,000
Three-Bedroom Units		1 Unit @	\$213,600 /Unit	214,000
Total Gross Sales Revenue				\$63,645,000

II. **Cost of Sales**

Commissions	3.0%	Gross Sales Revenue	\$1,909,000
Closing	2.0%	Gross Sales Revenue	1,273,000
Warranty	0.5%	Gross Sales Revenue	318,000
Total Cost of Sales			(\$3,500,000)

III.	Net Revenue	\$60,145,000
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¹ Based in part on a sales survey undertaken by KMA in February 2025. See APPENDIX A. The weighted average sales price equates to \$852 per square foot of saleable area.

² See APPENDIX C for the Affordable Sales Price calculations.

APPENDIX D - EXHIBIT III - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 AIRPORT PROTOTYPE
 RECOMMENDED REQUIREMENT: 6% LOW INCOME UNITS
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX D - EXHIBIT III - TABLE 2		\$60,145,000
(Less) Threshold Developer Profit	¹ 13.9% Total Development Cost		<u>(\$7,698,000)</u>
Total Funds Available for Development Costs			\$52,447,000
II. Total Development Cost	See APPENDIX D - EXHIBIT III - TABLE 1		\$55,556,000
III. <u>Total Financial Impact</u>			(\$3,109,000)
Property Acquisition Cost Reduction	15% of Estimated Current Acquisition Prices		
% Price Increase to Offset Impact	4.9% Market Rate Units		

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

APPENDIX D - EXHIBIT IV

**PRO FORMA ANALYSIS
5% MODERATE INCOME SCENARIO
AIRPORT PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT IV - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 AIRPORT PROTOTYPE
 5% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	1	102,366	Sf of Land	\$180 /Sf of Land		\$18,426,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		102,366	Sf of Land	\$40 /Sf of Land	\$4,095,000	
	Parking	3	94	Spaces	\$0 /Space	0	
	Building Costs		78,500	Sf of GSA	\$200 /Sf of GSA	15,700,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		<u>3,959,000</u>	
	Total Direct Costs						\$23,754,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6.0% Direct Costs		\$1,425,000	
	Public Permits & Fees	5	47	Units	\$84,900 /Unit	3,990,000	
	Taxes, Insurance, Legal & Accounting			1.5% Direct Costs		356,000	
	Marketing		47	Units	\$5,000 /Unit	235,000	
	Developer Fee	6	47	Units	\$42,702 /Unit	2,007,000	
	Soft Cost Contingency Allowance			5.0% Other Indirect Costs		<u>401,000</u>	
	Total Indirect Costs						\$8,414,000
IV.	Financing Costs						
	Interest During Construction	7				\$4,472,000	
	Loan Origination Fees		60.0%	Loan to Cost	1.5 Points	<u>455,000</u>	
	Total Financing Costs						\$4,927,000
V.	Total Construction Cost		47	Units	\$789,000 /Unit		\$37,095,000
	Total Development Cost		47	Units	\$1,181,000 /Unit		\$55,521,000

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

² Based on the estimated costs for similar uses.

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

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

⁵ Based on estimates provided in the Sixth Cycle Housing Element plus Development Impact Fees that went into effect on January 12, 2025.

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

⁷ Assumes a 7.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 7 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX D - EXHIBIT IV - TABLE 2

PROJECTED NET SALES REVENUE
 AIRPORT PROTOTYPE
 5% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
One-Bedroom Units		5 Units @	\$895,400 /Unit	\$4,477,000
Two-Bedroom Units		20 Units @	\$1,242,500 /Unit	24,850,000
Three-Bedroom Units		20 Units @	\$1,730,700 /Unit	34,614,000
Moderate Income Units	2			
One-Bedroom Units		0 Units @	\$392,100 /Unit	0
Two-Bedroom Units		1 Unit @	\$433,200 /Unit	433,000
Three-Bedroom Units		1 Unit @	\$473,000 /Unit	473,000
Total Gross Sales Revenue				\$64,847,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$1,945,000
Closing		2.0% Gross Sales Revenue		1,297,000
Warranty		0.5% Gross Sales Revenue		324,000
Total Cost of Sales				(\$3,566,000)

III.	Net Revenue	\$61,281,000
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¹ Based in part on a sales survey undertaken by KMA in February 2025. See APPENDIX A. The weighted average sales price equates to \$853 per square foot of saleable area.

² See APPENDIX C for the Affordable Sales Price calculations.

APPENDIX D - EXHIBIT IV - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 AIRPORT PROTOTYPE
 5% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I.	<u>Funds Available for Development Costs</u>		
	Net Revenue	See APPENDIX D - EXHIBIT IV - TABLE 2	\$61,281,000
	(Less) Threshold Developer Profit	¹ 13.9% Total Development Cost	<u>(\$7,694,000)</u>
	Total Funds Available for Development Costs		\$53,587,000
II.	Total Development Cost	See APPENDIX D - EXHIBIT IV - TABLE 1	\$55,521,000
III.	<u>Total Financial Impact</u>		(\$1,934,000)
	Property Acquisition Cost Reduction	10% of Estimated Current Acquisition Prices	
	% Price Increase to Offset Impact	3.0% Market Rate Units	

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

APPENDIX D - EXHIBIT V

**PRO FORMA ANALYSIS
10% MODERATE INCOME SCENARIO
AIRPORT PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT V - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 AIRPORT PROTOTYPE
 10% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	1	102,366	Sf of Land	\$180 /Sf of Land		\$18,426,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		102,366	Sf of Land	\$40 /Sf of Land	\$4,095,000	
	Parking	3	94	Spaces	\$0 /Space	0	
	Building Costs		78,500	Sf of GSA	\$200 /Sf of GSA	15,700,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		<u>3,959,000</u>	
	Total Direct Costs						\$23,754,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6.0% Direct Costs		\$1,425,000	
	Public Permits & Fees	5	47	Units	\$84,900 /Unit	3,990,000	
	Taxes, Insurance, Legal & Accounting			1.5% Direct Costs		356,000	
	Marketing		47	Units	\$5,000 /Unit	235,000	
	Developer Fee	6	47	Units	\$42,702 /Unit	2,007,000	
	Soft Cost Contingency Allowance			5.0% Other Indirect Costs		<u>401,000</u>	
	Total Indirect Costs						\$8,414,000
IV.	Financing Costs						
	Interest During Construction	7				\$4,473,000	
	Loan Origination Fees		60.0%	Loan to Cost	1.5 Points	<u>455,000</u>	
	Total Financing Costs						\$4,928,000
V.	Total Construction Cost		47	Units	\$789,000 /Unit		\$37,096,000
	Total Development Cost		47	Units	\$1,181,000 /Unit		\$55,522,000

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

² Based on the estimated costs for similar uses.

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

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

⁵ Based on estimates provided in the Sixth Cycle Housing Element plus Development Impact Fees that went into effect on January 12, 2025.

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

⁷ Assumes a 7.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 6 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX D - EXHIBIT V - TABLE 2

PROJECTED NET SALES REVENUE
 AIRPORT PROTOTYPE
 10% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
One-Bedroom Units		4 Units @	\$895,400 /Unit	\$3,582,000
Two-Bedroom Units		19 Units @	\$1,242,500 /Unit	23,608,000
Three-Bedroom Units		19 Units @	\$1,730,700 /Unit	32,883,000
Moderate Income Units	2			
One-Bedroom Units		1 Unit @	\$392,100 /Unit	392,000
Two-Bedroom Units		2 Units @	\$433,200 /Unit	866,000
Three-Bedroom Units		2 Units @	\$473,000 /Unit	946,000
Total Gross Sales Revenue				\$62,277,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$1,868,000
Closing		2.0% Gross Sales Revenue		1,246,000
Warranty		0.5% Gross Sales Revenue		311,000
Total Cost of Sales				(\$3,425,000)

III. Net Revenue	\$58,852,000
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¹ Based in part on a sales survey undertaken by KMA in February 2025. See APPENDIX A. The weighted average sales price equates to \$852 per square foot of saleable area.

² See APPENDIX C for the Affordable Sales Price calculations.

APPENDIX D - EXHIBIT V - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 AIRPORT PROTOTYPE
 10% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX D - EXHIBIT V - TABLE 2		\$58,852,000
(Less) Threshold Developer Profit	¹ 13.9% Total Development Cost		<u>(\$7,694,000)</u>
Total Funds Available for Development Costs			\$51,158,000
II. Total Development Cost	See APPENDIX D - EXHIBIT V - TABLE 1		\$55,522,000
III. <u>Total Financial Impact</u>			(\$4,364,000)
Property Acquisition Cost Reduction	21% of Estimated Current Acquisition Prices		
% Price Increase to Offset Impact	7.3% Market Rate Units		

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

APPENDIX D - EXHIBIT VI

**PRO FORMA ANALYSIS
15% MODERATE INCOME SCENARIO
AIRPORT PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT VI - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 AIRPORT PROTOTYPE
 15% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	1	102,366	Sf of Land	\$180 /Sf of Land		\$18,426,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		102,366	Sf of Land	\$40 /Sf of Land	\$4,095,000	
	Parking	3	94	Spaces	\$0 /Space	0	
	Building Costs		78,500	Sf of GSA	\$200 /Sf of GSA	15,700,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		<u>3,959,000</u>	
	Total Direct Costs						\$23,754,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6.0% Direct Costs		\$1,425,000	
	Public Permits & Fees	5	47	Units	\$84,900 /Unit	3,990,000	
	Taxes, Insurance, Legal & Accounting			1.5% Direct Costs		356,000	
	Marketing		47	Units	\$5,000 /Unit	235,000	
	Developer Fee	6	47	Units	\$42,702 /Unit	2,007,000	
	Soft Cost Contingency Allowance			5.0% Other Indirect Costs		<u>401,000</u>	
	Total Indirect Costs						\$8,414,000
IV.	Financing Costs						
	Interest During Construction	7				\$4,492,000	
	Loan Origination Fees		60.0%	Loan to Cost	1.5 Points	<u>455,000</u>	
	Total Financing Costs						\$4,947,000
V.	Total Construction Cost		47	Units	\$790,000 /Unit		\$37,115,000
	Total Development Cost		47	Units	\$1,182,000 /Unit		\$55,541,000

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

² Based on the estimated costs for similar uses.

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

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

⁵ Based on estimates provided in the Sixth Cycle Housing Element plus Development Impact Fees that went into effect on January 12, 2025.

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

⁷ Assumes a 7.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 6 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX D - EXHIBIT VI - TABLE 2

PROJECTED NET SALES REVENUE
 AIRPORT PROTOTYPE
 15% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
One-Bedroom Units		4 Units @	\$895,400 /Unit	\$3,582,000
Two-Bedroom Units		18 Units @	\$1,242,500 /Unit	22,365,000
Three-Bedroom Units		18 Units @	\$1,730,700 /Unit	31,153,000
Moderate Income Units	2			
One-Bedroom Units		1 Unit @	\$392,100 /Unit	392,000
Two-Bedroom Units		3 Units @	\$433,200 /Unit	1,300,000
Three-Bedroom Units		3 Units @	\$473,000 /Unit	1,419,000
Total Gross Sales Revenue				\$60,211,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$1,806,000
Closing		2.0% Gross Sales Revenue		1,204,000
Warranty		0.5% Gross Sales Revenue		301,000
Total Cost of Sales				(\$3,311,000)

III.	Net Revenue	\$56,900,000
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¹ Based in part on a sales survey undertaken by KMA in February 2025. See APPENDIX A. The weighted average sales price equates to \$852 per square foot of saleable area.

² See APPENDIX C for the Affordable Sales Price calculations.

APPENDIX D - EXHIBIT VI - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 AIRPORT PROTOTYPE
 15% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX D - EXHIBIT VI - TABLE 2		\$56,900,000
(Less) Threshold Developer Profit	¹ 13.9% Total Development Cost		<u>(\$7,696,000)</u>
Total Funds Available for Development Costs			\$49,204,000
II. Total Development Cost	See APPENDIX D - EXHIBIT VI - TABLE 1		\$55,541,000
III. <u>Total Financial Impact</u>			(\$6,337,000)
Property Acquisition Cost Reduction	31% of Estimated Current Acquisition Prices		
% Price Increase to Offset Impact	11.1% Market Rate Units		

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

APPENDIX D - EXHIBIT VII

**PRO FORMA ANALYSIS
20% MODERATE INCOME SCENARIO
AIRPORT PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
NEWPORT BEACH, CALIFORNIA**

APPENDIX D - EXHIBIT VII - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 AIRPORT PROTOTYPE
 20% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I.	Land Acquisition & Infrastructure Costs	1	102,366	Sf of Land	\$180 /Sf of Land		\$18,426,000
II.	Direct Costs	2					
	On-Site Improvements/Landscaping		102,366	Sf of Land	\$40 /Sf of Land	\$4,095,000	
	Parking	3	94	Spaces	\$0 /Space	0	
	Building Costs		78,500	Sf of GSA	\$200 /Sf of GSA	15,700,000	
	Contractor/DC Contingency Allow	4		20% Other Direct Costs		<u>3,959,000</u>	
	Total Direct Costs						\$23,754,000
III.	Indirect Costs						
	Architecture, Engineering & Consulting			6.0% Direct Costs		\$1,425,000	
	Public Permits & Fees	5	47	Units	\$84,900 /Unit	3,990,000	
	Taxes, Insurance, Legal & Accounting			1.5% Direct Costs		356,000	
	Marketing		47	Units	\$5,000 /Unit	235,000	
	Developer Fee	6	47	Units	\$42,702 /Unit	2,007,000	
	Soft Cost Contingency Allowance			5.0% Other Indirect Costs		<u>401,000</u>	
	Total Indirect Costs						\$8,414,000
IV.	Financing Costs						
	Interest During Construction	7				\$4,538,000	
	Loan Origination Fees		60.0%	Loan to Cost	1.5 Points	<u>455,000</u>	
	Total Financing Costs						\$4,993,000
V.	Total Construction Cost		47	Units	\$791,000 /Unit		\$37,161,000
	Total Development Cost		47	Units	\$1,183,000 /Unit		\$55,587,000

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

² Based on the estimated costs for similar uses.

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

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

⁵ Based on estimates provided in the Sixth Cycle Housing Element plus Development Impact Fees that went into effect on January 12, 2025.

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

⁷ Assumes a 7.0% interest cost for debt; an 18 month construction period after receipt of entitlements; a 6 month absorption period; 30% of the units are presold and close during first month after completion; and 1.5 points for loan origination fees.

APPENDIX D - EXHIBIT VII - TABLE 2

PROJECTED NET SALES REVENUE
 AIRPORT PROTOTYPE
 20% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I. **Gross Sales Revenue**

Market Rate Units	1			
One-Bedroom Units		4 Units @	\$895,400 /Unit	\$3,582,000
Two-Bedroom Units		17 Units @	\$1,242,500 /Unit	21,123,000
Three-Bedroom Units		17 Units @	\$1,730,700 /Unit	29,422,000
Moderate Income Units	2			
One-Bedroom Units		1 Unit @	\$392,100 /Unit	392,000
Two-Bedroom Units		4 Units @	\$433,200 /Unit	1,733,000
Three-Bedroom Units		4 Units @	\$473,000 /Unit	1,892,000
Total Gross Sales Revenue				\$58,144,000

II. **Cost of Sales**

Commissions		3.0% Gross Sales Revenue		\$1,744,000
Closing		2.0% Gross Sales Revenue		1,163,000
Warranty		0.5% Gross Sales Revenue		291,000
Total Cost of Sales				(\$3,198,000)

III. Net Revenue	\$54,946,000
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¹ Based in part on a sales survey undertaken by KMA in February 2025. See APPENDIX A. The weighted average sales price equates to \$852 per square foot of saleable area.

² See APPENDIX C for the Affordable Sales Price calculations.

APPENDIX D - EXHIBIT VII - TABLE 3

INCLUSIONARY HOUSING IMPACTS
 AIRPORT PROTOTYPE
 20% MODERATE INCOME SCENARIO
 OWNERSHIP HOUSING DEVELOPMENT
 AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
 NEWPORT BEACH, CALIFORNIA

I. <u>Funds Available for Development Costs</u>			
Net Revenue	See APPENDIX D - EXHIBIT VII - TABLE 2		\$54,946,000
(Less) Threshold Developer Profit	¹ 13.9% Total Development Cost		<u>(\$7,703,000)</u>
Total Funds Available for Development Costs			\$47,243,000
II. Total Development Cost	See APPENDIX D - EXHIBIT VII - TABLE 1		\$55,587,000
III. <u>Total Financial Impact</u>			(\$8,344,000)
Property Acquisition Cost Reduction	41% of Estimated Current Acquisition Prices		
% Price Increase to Offset Impact	15.4% Market Rate Units		

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

APPENDIX E

**IN-LIEU FEE CALCULATIONS
OWNERSHIP HOUSING DEVELOPMENT
AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
NEWPORT BEACH, CALIFORNIA**

APPENDIX E

IN-LIEU FEE CALCULATIONS
AIRPORT PROTOTYPE
OWNERSHIP HOUSING DEVELOPMENT
AIRPORT AREA OWNERSHIP HOUSING DEVELOPMENT ADDENDUM
NEWPORT BEACH, CALIFORNIA

I. Sales Price Difference

A. **One-Bedroom Units**

Market Rate Sales Prices	1	\$895,400
Affordable Sales Price	2	<u>392,100</u>
Difference		\$503,300

B. **Two-Bedroom Units**

Market Rate Sales Prices	1	\$1,242,500
Affordable Sales Price	2	<u>433,200</u>
Difference		\$809,300

C. **Three-Bedroom Units**

Market Rate Sales Prices	1	\$1,730,700
Affordable Sales Price	2	<u>473,000</u>
Difference		\$1,257,700

D. **Four-Bedroom Units**

Market Rate Sales Prices	1	
Affordable Sales Price	2	
Difference		

II. Distribution of Total Units

One-Bedroom Units	10%
Two-Bedroom Units	45%
Three-Bedroom Units	45%
Four-Bedroom Units	

III. Assumptions

Total Units	47
Gross Saleable Area	78,500
Weighted Avg Unit Size (Sf)	1,670
Inclusionary Housing Percentage	8%
Inclusionary Units	4
Affordability Gap Per Inclusionary Unit	4 \$980,500

IV. In-Lieu Fee

Total In-Lieu Fee	\$3,922,000
Per Total Unit in the Project	\$83,450
Per Sf of Saleable Area	\$50.00

1 The market rate sales prices are drawn from the pro forma analyses.
2 See APPENDIX C - EXHIBIT I, APPENDIX C - EXHIBIT II, APPENDIX C - EXHIBIT III, APPENDIX C - EXHIBIT IV; and APPENDIX C - TABLE 1.
3 Based on the unit mix distribution applied in the pro forma analyses.
4 Based on the weighted average difference between the market rate prices and the Affordable Sales Prices.