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RECORDING REQUESTED BY
FIRST AMERICAN TITLE COMPANY
NATIONAL/COMMERCIAL SERVICES
COMMERCIAL/INDUSTRIAL DIVISION

NCS-546208-VH

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

City of Newport Beach
3300 Newport Boulevard
Newport Beach, CA 92663-3884
Attn: City Clerk

(Space Above This Line Is for Recorder's Use Only)

This Amendment is recorded at the request and for the benefit of the City of Newport Beach and is exempt from the payment of a recording fee pursuant to Government Code §§ 6103 and 27383.

**AMENDED AND RESTATED AMENDMENT TO ZONING
IMPLEMENTATION AND PUBLIC BENEFIT AGREEMENT**

between

CITY OF NEWPORT BEACH

and

THE IRVINE COMPANY LLC

**CONCERNING ADDITION OF PROPERTIES AND RESIDENTIAL UNITS TO
ZONING IMPLEMENTATION AND PUBLIC BENEFIT AGREEMENT
(PORTIONS OF NEWPORT CENTER BLOCKS 100, 400 AND 800 AND SAN JOAQUIN
PLAZA)**

**AMENDED AND RESTATED AMENDMENT TO ZONING IMPLEMENTATION AND
PUBLIC BENEFIT AGREEMENT**

THIS AMENDED AND RESTATED AMENDMENT TO ZONING IMPLEMENTATION AND PUBLIC BENEFIT AGREEMENT (the "Amendment") is executed this 25th day of February, 2013, by and between: (1) CITY OF NEWPORT BEACH ("City"), and (2) THE IRVINE COMPANY LLC ("Landowner") (Landowner and City together shall be referred to as "Parties").

RECITALS

1. This Amendment is a new document that continues in effect the existing Amendment to Zoning Implementation and Public Benefit Agreement ("Existing Amendment") which was approved on August 14, 2012, became effective on September 13, 2012, and was recorded in the Official Records of the County of Orange on August 31, 2012, as Document Number 2012000508849. Through a clerical error, the Existing Amendment was recorded without its accompanying exhibits. To correct this clerical error, this Amendment has been prepared and signed by the Parties. This Amendment is identical in every way to the Existing Amendment, but for this Recital 1, the new signatures of the Parties, and the attached exhibits on the recorded copy of this Amendment.
2. City and Landowner entered into Development Agreement No. DA 2007-002, entitled Zoning Implementation and Public Benefit Agreement Between the City of Newport Beach and The Irvine Company LLC Concerning North Newport Center (Block 600, Fashion Island, and Portions of Block 500, and San Joaquin Plaza), ("2007 Development Agreement"), which the City of Newport Beach adopted by Ordinance No. 2007-21 on December 18, 2007. The 2007 Development Agreement provides for the Landowner's entitlement and transfer rights within the North Newport Center Planned Community (PC-56).
3. This Amendment is intended to be an amendment pursuant to California Government Code Section 65868. This Amendment has been considered and approved in the same manner as the 2007 Development Agreement with public hearings pursuant to California Government Code Section 65867.
4. The 2006 City of Newport Beach General Plan ("General Plan") established a development intensity of 450 residential units within the Newport Center Statistical Area L1 sub-areas designated MU-H3, including Block 500, Block 600, and San Joaquin Plaza. The North Newport Center Planned Community has been assigned 430 such residential units, which could be built in any of the sub-areas of the North Newport Center Planned Community designated MU-H3. As of the Effective Date of this Amendment, fifteen such residential units within the General Plan have not been vested or assigned to a specific property. In light of market demand in the North Newport Center Planned Community, the Parties have decided to assign such residential units to San Joaquin Plaza.

5. As of the Effective Date of this Amendment, 79 unbuilt hotel rooms were assigned by the General Plan to Block 900 (Anomaly Location 43 in Statistical Area L1), located outside of the North Newport Center Planned Community. In light of existing development needs in Block 900 and the North Newport Center Planned Community, the Parties desire to convert such 79 unbuilt hotel rooms into 79 residential units. Subsequent to such conversion and pursuant to the terms of this Amendment, such 79 residential units shall transfer into the North Newport Center Planned Community and be allocated to San Joaquin Plaza sub-area.
6. Subsequent to the original adoption of the North Newport Center Planned Community in 2007, Block 800 and the portions of Blocks 100 and 400 have been added to the North Newport Center Planned Community through subsequent amendments. The legal descriptions of Newport Center Block 100, Newport Center Block 400, and Newport Center Block 800 are attached hereto as Exhibit A.
7. In light of the time that has passed since the adoption of the 2007 Development Agreement and the actions described above, the Parties have decided that portions of the 2007 Development Agreement should be amended to include 94 new residential units in the North Newport Center Planned Community, which include the 79 hotel units and the 15 residential units, and the addition of the Block 800 and the portions of Block 100 and 400, which have been added into the North Newport Center Planned Community.
8. This Amendment is consistent with the City of Newport Beach General Plan Policy LU 6.14.8, which applies to Newport Center and requires the execution of development agreements for residential projects and mixed-use development projects with a residential component.
9. The City Council has found, based on appropriate findings as required by the City of Newport Beach General Plan Policy LU 6.14.3 and the analysis included in the *North Newport Center San Joaquin Plaza TPO Traffic Analysis* (May 2012), that the inclusion of the 94 additional residential units in the San Joaquin Plaza sub-area of the North Newport Center Planned Community would not result in adverse traffic impacts.
10. The City Council has evaluated the potential environmental impacts of this Amendment and has determined that any potential impacts have been analyzed pursuant to the Final Environmental Impact Report for the City of Newport Beach General Plan 2006 Update (State Clearinghouse No. 2006011119), the North Newport Center Addendum (Addendum No. 1), and the second Addendum (Addendum No. 2) to the City of Newport Beach General Plan 2006 Update Final Program Environmental Impact Report (State Clearinghouse No. 2006011119). There are no circumstances present that would require a new, subsequent or supplemental environmental impact report for this Amendment, under the provision of the California Environmental Quality Act.
11. On July 5, 2012, City's Planning Commission held a public hearing on this Amendment, made findings and determinations with respect to this Amendment, and recommended to the City Council that the City Council approve this Amendment.

12. On July 24, 2012, the City Council also held a public hearing on this Amendment and considered the Planning Commission's recommendations and the testimony and information submitted by City staff, Landowner and members of the public. On August 14, 2012, pursuant to the applicable state law (California Government Code sections 65864-65869.5) and local law (City of Newport Beach Municipal Code chapter 15.45), the City Council adopted its Ordinance No. 2012-20 finding this Amendment to be consistent with the City of Newport Beach General Plan and approving this Amendment.

AGREEMENT

NOW, THEREFORE, City and Landowner agree as follows:

1. Property. The Parties hereby amend the term "Property" to add to its existing definition Newport Center Block 800 and the portions of Blocks 100 and 400, which are the parcels of real property that are described in the legal description attached to this Amendment as Exhibit A and depicted on the site map attached to this Amendment as Exhibit B, ("Added Property"). All of the Added Property is owned by the Landowner.
2. Development Regulations. The following Development Regulations (as defined in Section 1.9 of the 2007 Development Agreement) shall apply:
 - 2.1. Newport Center Block 600 and the portions of Block 500, San Joaquin Plaza, and Fashion Island covered by this Agreement shall remain governed by the Development Regulations in effect as of the Effective Date of the 2007 Development Agreement, as set forth in Section 1.9 of the 2007 Development Agreement, with the exception that the North Newport Center Planned Community Development Plan that the City Council is adopting pursuant to Ordinance No. 2012-19, shall apply.
 - 2.2. Newport Center Block 800 and the portions of Blocks 100 and 400 covered by this Agreement shall be governed by the Development Regulations in effect as of the Effective Date of this Amendment, including without limitation the North Newport Center Planned Community Development Plan that the City Council is adopting pursuant to Ordinance No. 2012-19.
3. Landowner's Vested Rights. Section 6.2 of the 2007 Development Agreement, which regards Landowner's vested rights, is amended to apply to the Property as defined in this Amendment.
4. Affordable Housing Obligation. The Parties agree that Landowner's compliance with the amended 2012 Affordable Housing Implementation Plan attached as Exhibit C satisfies any obligation of Landowner to City under the City of Newport Beach General Plan Housing Program 2.2.1 with respect to additional residential housing units provided for in this Amendment and the residential housing units provided in the 2007 Development Agreement. Should the additional units be developed as for sale units requiring a subdivision map, the amended 2012 Affordable Housing Implementation Plan shall be deemed to comply with the Inclusionary Housing requirements of Section 19.54.040.

5. Description of Certain Project Components. Concurrently with the adoption of this Amendment, City has approved the potential location of 524 residential units in San Joaquin Plaza under the Traffic Phasing Ordinance. Therefore, Section 6.3(2) of the 2007 Development Agreement is amended to read in its entirety as follows:
- “524 residential units in Newport Center Block 500, Newport Center Block 600, or San Joaquin Plaza; provided however, that to the extent Landowner desires to develop any of said residential units in Newport Center Block 500 or 600 it shall be required to comply with the Traffic Phasing Ordinance relative to potential impacts associated with such change in location.”
6. Public Benefit Fee. The amount payable by Landowner to City for each of the 94 residential units added to the North Newport Center Planned Community pursuant to this Amendment shall be the sum of \$63,000 per unit, for a total of \$5,922,000. This fee shall be paid for each additional individual housing unit at the time the building permit for such unit is issued by the City. For purposes of implementation, the first 430 units applied for by Landowner will be subject to a public benefit fee in the sum of \$31,500, as set forth in Section 4.2 of the 2007 Development Agreement. The public benefit fee for the 431st unit and all subsequent units shall be the sum of \$63,000. This fee is in addition to the other fees required by the City for these units under the Development Regulations. The dollar amount specified in this section shall not accrue interest if paid when due and shall not be increased or decreased by reason of any cost of living or other inflation/deflation adjustment.
7. Per Unit Public Benefit Fee For Parks. Prior to and as a condition to City’s issuance of each building permit for residential development, Landowner shall pay to City a per unit fee that is a Public Benefit Fee for Parks in the sum of \$26,046.51 for each of the 94 residential units added to the North Newport Center Planned Community pursuant to this Amendment, for a total of \$2,448,372, to be paid to City by Landowner on or before July 1, 2013. This fee is in addition to the other fees required by the City for these units under the Development Regulations. City acknowledges that Landowner has advanced an Initial Park Fee in the amount of \$5,600,000, entitling Landowner to a credit against payment of the Per Unit Public Benefit Fee for Parks for the first 215 residential units to be developed on the Property. In addition to the foregoing, at the time that Landowner advances the \$2,448,372 Public Benefit Fee for Parks, Landowner shall be entitled to a credit against payment of the Per Unit Public Benefit Fee for Parks for an additional 94 residential units, for a total credit against payment of the Per Unit Public Benefit Fee for Parks for the first 309 residential units to be developed on the Property. Should the additional units be developed as for-sale units requiring a subdivision map, the amended 2012 Affordable Housing Implementation Plan shall be deemed to comply with the Inclusionary Housing requirements of Section 19.54.040. The dollar amount specified in this section shall not accrue interest if paid when due and shall not be increased or decreased by reason of any cost of living or other inflation/deflation adjustment. This fee does not replace the fees that the City may charge for parks when and if the additional units were included in a subdivision map or otherwise converted to individually saleable housing units, but the City shall grant Landowner a credit against such parks fee in the amount of the net fee per unit that was previously paid to the City for such unit.

8. Reimbursement for Bayside Walkway Connection. Landowner shall pay to City up to \$200,000 as a public benefit reimbursement for costs that the City may incur related to plans, specifications, permits, and/or construction for the Bayside Walkway Connection project. Payment by Landowner shall be made within 90 days after receipt of written notice from City that it has awarded a construction contract for the Bayside Walkway Connection project. The amount of the public benefit reimbursement shall be no more than \$200,000 and shall be for the City's actual costs for plans, specifications, permits, and/or construction, as documented by the City in its written notice.

9. Expiration, Completion or Exhaustion of Certain Obligations.

9.1. The Parties agree that the obligations of both Parties under the following sections of the 2007 Development Agreement have fully expired or have been fully exhausted or fully completed:

9.1.1. Landowner's payment to City of the Initial Park Fee pursuant to Section 4.1 by a payment of \$5,600,000 to the City by Landowner on March 10, 2009;

9.1.2. Landowner's payment to City of the Initial Public Benefit Fee pursuant to Section 4.2 by a payment of \$13,345,000 to the City by Landowner on July 26, 2011 as a condition of the issuance of the First Building Permit, issued for 650 Newport Center Drive;

9.1.3. Section 4.5, "Dedication of Public Rights of Way";

9.1.4. Section 4.6, "Open Space Dedication";

9.1.5. Section 4.8, "City's Option to Purchase New City Hall Site; Parking Structure";

9.1.6. Section 4.9A, "Retrofit Sprinkler Systems";

9.1.7. Section 4.10, "Cooperation of Landowner if City Hall Constructed on Property North of Library"; and

9.1.8. Section 4.11, "Dedication of Lower Castaways".

Therefore, no remaining obligations remain for either Party to complete under Section 4.5, Section 4.6, Section 4.8, Section 4.9A, Section 4.10, and Section 4.11 of the 2007 Development Agreement.

10. No Conflicting Enactments. Except to the extent City reserves its discretion as expressly set forth in the 2007 Development Agreement, during the Term of this Amendment City shall not apply to the Project any ordinance, policy, rule, regulation, or other measure relating to development of the Project, as contemplated by this Amendment, that is enacted or becomes effective after the Effective Date to the extent it conflicts with this Amendment. No City moratorium or other similar limitation relating to the rate, timing, or sequencing of the development or construction of all or any part of the Project and whether enacted by initiative or another method, affecting subdivision maps, building permits, occupancy certificates, or other entitlement to use, shall apply to the Project to the extent such moratorium or other similar limitation restricts Landowner's vested rights in this Amendment or otherwise conflicts with the express provisions of this Amendment.
11. Compliance with Traffic Phasing Ordinance. The following provisions are added with respect to the Traffic Phasing Ordinance:
 - 11.1. Scope of Traffic Study. The traffic study prepared in conjunction with this Amendment, entitled "*North Newport San Joaquin Plaza TPO Traffic Analysis*" and dated May 2012, covers all development authorized by this Amendment.
 - 11.2. Sufficiency of Traffic Study. City acknowledges that the traffic study for the North Newport Center Planned Community Development Plan Amendment project satisfies the provisions of the Traffic Phasing Ordinance. The City shall not require any additional Traffic Phasing Ordinance traffic studies in conjunction with any application for approvals or permits necessary to construct development authorized by this Amendment as long as the application is consistent with the provisions of this Amendment and the relevant Development Regulations.
12. Effective Date. The Effective Date of this Amendment is September 12, 2012, the 31st day following adoption of this ordinance approving this Amendment by the City Council. This Amendment does not change the Effective Date of the 2007 Development Agreement.
13. Term. The term of this Amendment ("Term") shall commence on the Effective Date and shall continue thereafter until the earlier of the following: (i) the date that is twenty (20) years after the Effective Date; or (ii) the date this Amendment is terminated pursuant to Sections 12 or 15.1 of the 2007 Development Agreement.
 - 13.1. Section 11 of the 2007 Development Agreement is amended at paragraph two to read as follows:

"The term of this Agreement ("Term") shall commence on the Effective Date and shall continue thereafter until the earlier of the following: (i) the date that is twenty (20) years after the Effective Date of the Amendment; or (ii) the date this Agreement is terminated pursuant to Sections 12 or 15.1 of this Agreement."

14. Conflicts. Except as otherwise set forth herein to the contrary, all terms and provisions of the 2007 Development Agreement shall remain unamended and continue in full force and effect. This Amendment and the 2007 Development Agreement, along with any previous or future amendments, shall be construed together and shall constitute one agreement. In the event of any inconsistency between this Amendment and the 2007 Development Agreement, the provisions of this Amendment shall prevail.
15. Notice of Intention to Amend. In enacting this Amendment, the City has provided for public notice and hearing in the manner provided by California Government Code Section 65867.
16. Compliance with California Government Code Section 65867.5. California Government Code Section 65867.5 provides that a development agreement is a legislative act that shall be approved by ordinance and subject to referendum. A development agreement shall not be approved unless the legislative body finds that the provisions of the agreement are consistent with the general plan and any applicable specific plan. These requirements of California Government Code Section 65867.5 have been satisfied by the City's finding that this Amendment is consistent with the City's General Plan and the City's approval of this Amendment by ordinance.
17. Compliance with California Government Code Section 66473.7. The area subject to the Amendment may include a future subdivision, and the City may, in its sole and absolute discretion, approve certain tentative maps for such subdivision. Any such subdivision will comply with all of the provisions of the Subdivision Map Act including, but not limited to, California Government Code Section 65867.5 in that any tentative maps will be approved by the City in compliance with California Government Code Section 66473.7.
18. Section Headings. All section headings are inserted for convenience only and shall not affect construction or interpretation of this Amendment.
19. Incorporation of Exhibits. Exhibits A, B and C are attached to this Amendment and incorporated by this reference as follows:

EXHIBIT DESIGNATION	DESCRIPTION
A	Legal Description of Property
B	Depiction of the Property
C	Updated 2012 Affordable Housing Implementation Plan

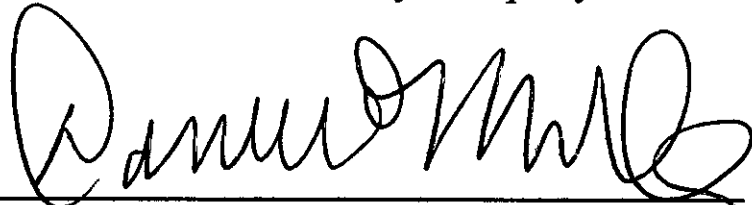
20. Authority to Execute. The persons executing this Amendment warrant and represent that they have the authority to execute this Amendment on behalf of the party for which they are executing this Amendment. They further warrant and represent that they have the authority to bind their respective party to the performance of its obligations under this Amendment. The City Manager or his/her designee has the authority to implement the terms of this Amendment and execute any documents in furtherance of the terms of this Amendment and the 2007 Development Agreement so long as they have been reviewed and approved as to form by the City Attorney.
21. Recordation. This Amendment and any amendment, modification, or cancellation to it shall be recorded in the Office of the County Recorder of the County of Orange, by the City of Newport Beach City Clerk in the period required by California Government Code section 65868.5 and City of Newport Beach Municipal Code section 15.45.090.

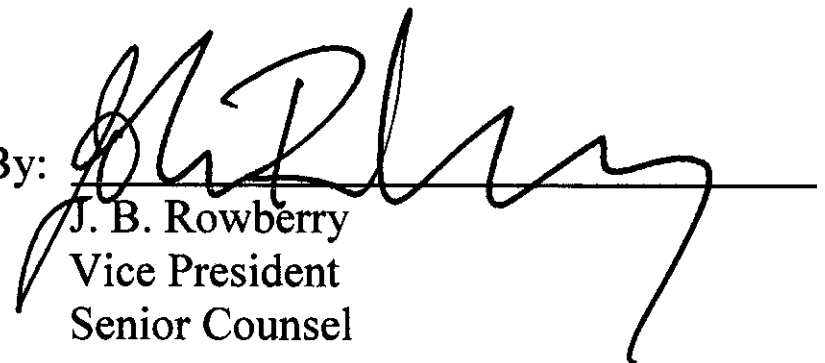
[SIGNATURE PAGE FOLLOWS]

**SIGNATURE PAGE TO
AMENDMENT TO ZONING IMPLEMENTATION
AND PUBLIC BENEFIT AGREEMENT**

“LANDOWNER”


THE IRVINE COMPANY LLC,
a Delaware limited liability company

By: 
Daniel T. Miller
Senior Vice President
Entitlement & Public Affairs


By: 
J. B. Rowberry
Vice President
Senior Counsel

“CITY”

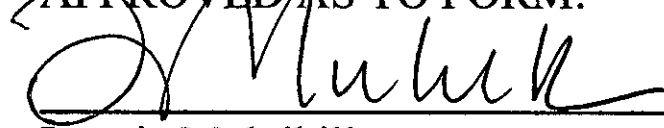
CITY OF NEWPORT BEACH,
a California municipal corporation

By: 
Keith D. Curry
Mayor

ATTEST:


City Clerk

APPROVED AS TO FORM:


Leonie Mulvihill
City Attorney 2/26/13



State of California
County of Orange

On February 25, 2013 before me,

Joni Grossman, Notary Public, personally

appeared Daniel T. Miller

and

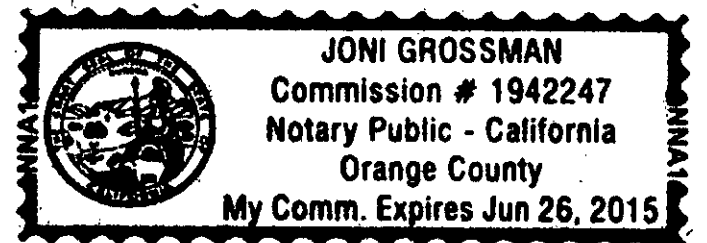
J. B. Rowberry,

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Joni Grossman (Seal)



State of California
County of Orange

On February 28, 2013 before me,

Kim Rieff, Notary Public, personally

appeared Keith D. Corry

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Kim Rieff (Seal)



State of California
County of Orange

On _____ before me,

_____, personally

appeared _____

_____,

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

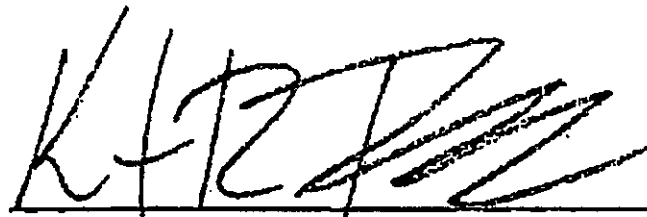
Signature _____ (Seal)

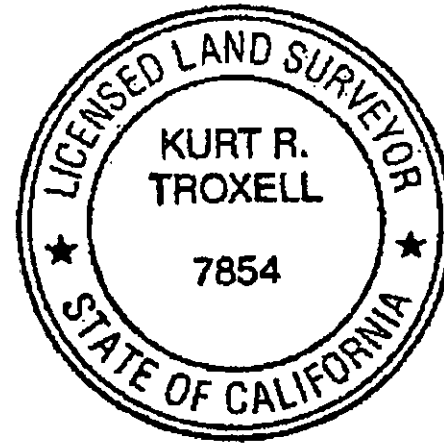
Exhibit A:

Newport Center Block 800:

PARCEL 1: APN 442-262-03, 442-262-05, 442-262-06, 442-262-07, 442-262-08, 442-262-09 and 442-262-10.

Parcel 1 as shown on a Parcel Map filed in Book 136, Pages 22 and 23 of Parcel Maps, together with Lots 1, 2, 3, 4, and private streets Colony Plaza and Santa Maria Road of Tract No. 15178 as shown on a map filed in Book 737, Pages 45 through 47 inclusive, of Miscellaneous Maps, both in the Office of the County Recorder of said Orange County.

 7/12/2012
Kurt R. Troxell, L.S. 7854 Date



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Exhibit B
Depiction of Added Property

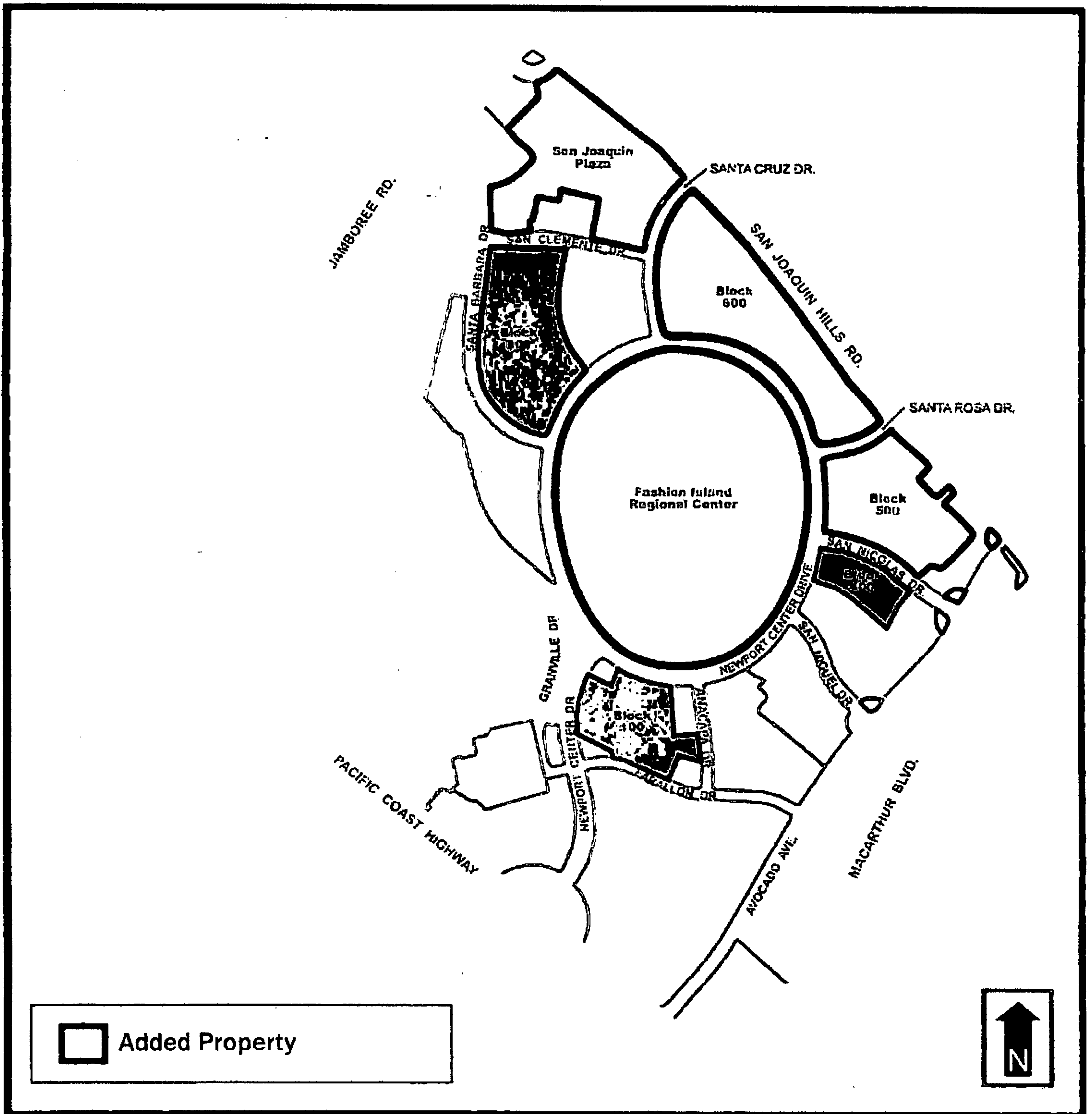


EXHIBIT C

**NORTH NEWPORT CENTER PLANNED COMMUNITY
AFFORDABLE HOUSING IMPLEMENTATION PLAN**

**NORTH NEWPORT CENTER
PLANNED COMMUNITY**

**AFFORDABLE HOUSING
IMPLEMENTATION PLAN**

**Prepared For:
The City of Newport Beach**

June 2012

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I. Introduction

The North Newport Center Planned Community (Planned Community) approval by the City of Newport Beach includes a Planned Community Development Plan that implements the goals and policies of the City's General Plan. The Planned Community, as shown on Exhibit 1, consists of seven sub-areas within North Newport Center, a regional center comprised of major retail, professional office, entertainment, recreation, hotel, and residential development.

Block 500, Block 600, and San Joaquin Plaza are designated in the General Plan as MU-H3, a designation that allows for a mixed-use area combining commercial, office, entertainment, and residential uses. The Planned Community Development Plan for North Newport Center allows construction of 524 residential units in these blocks, and affordable housing units must be provided in accordance with the City Housing Element. This Affordable Housing Implementation Plan (AHIP) outlines how the required affordable housing will be provided.

Background

The City's Housing Element includes a goal that 15% of all new housing units in the City be affordable to very low, low, and moderate income households. The Housing Element identifies moderate income households as those with annual incomes between 80% and 120% of the county median household income. Low income households are those with annual incomes between 51% and 80% of the county median household income. Very low income households are those with annual incomes of 50% or less of the County median household income. Projects with more than 50 units are required to prepare an AHIP that specifies how the development will meet the City's affordable housing goal.

The Southern California Association of Governments (SCAG) prepares the state-mandated Regional Housing Needs Assessment (RHNA). The RHNA quantifies the need for housing within each jurisdiction during specified planning periods. The City's General Plan Housing Element must include its "fair share" regional housing needs allocation for all income groups which must be updated periodically. The most recently published SCAG RHNA identifies the City allocation as follows:

- Total allocation between 1/1/06 and 6/30/14 – 1,769
- Very low income allocation – 22% (389 units)
- Low income allocation – 18% (319 units)
- Moderate income allocation – 20% (359 units)

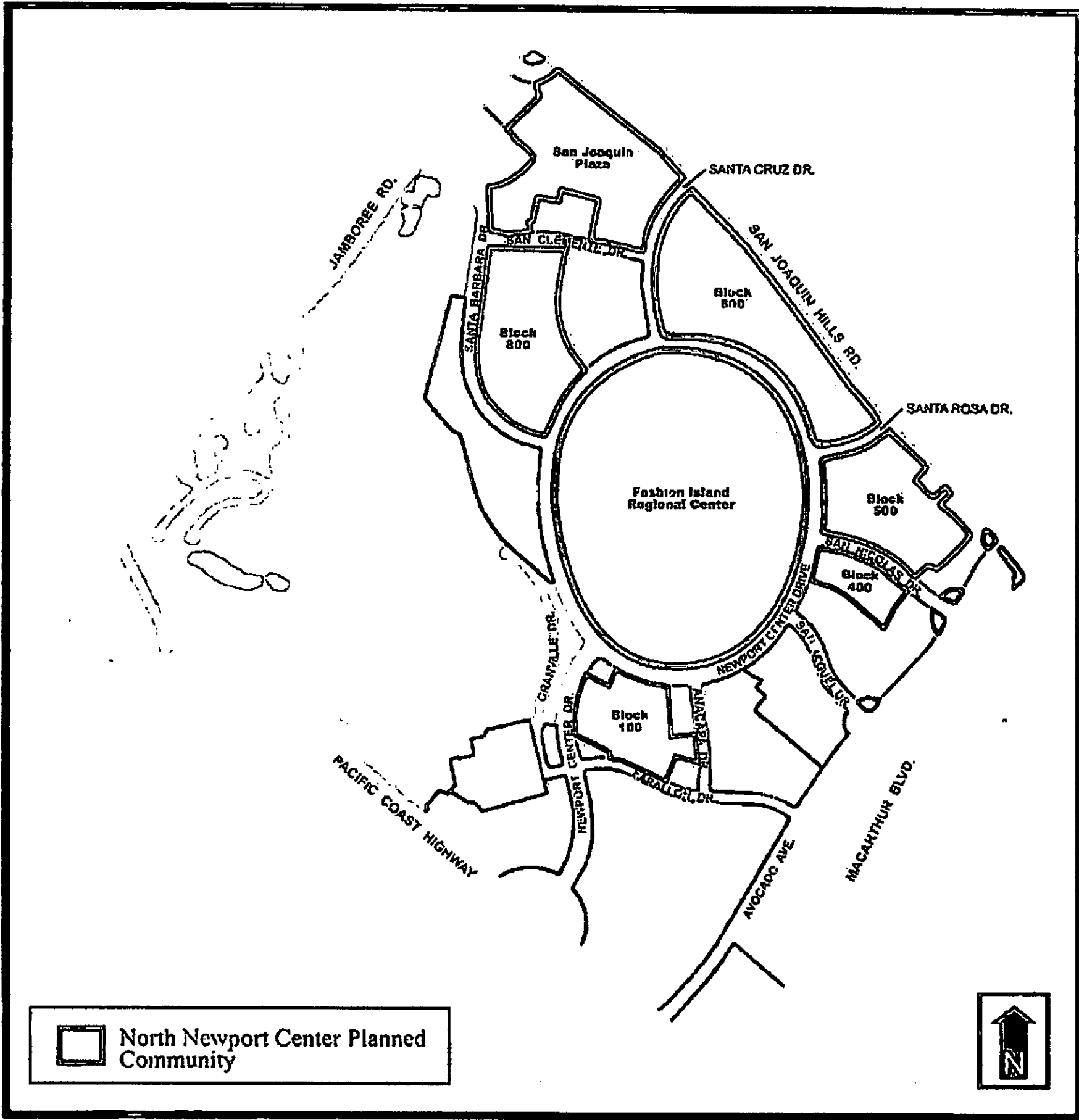


Exhibit 1 - North Newport Center Planned Community

II. Affordable Housing Plan

Proposed Plan

The City's General Plan Housing Element allows for sale or for rent options in order to meet the obligation for affordable housing units. In addition, affordable housing may be provided off-site, with City approval. Consistent with these Housing Element provisions, this Affordable Housing Implementation Plan includes the following plan. The location of the site is included on Exhibit 2.

A. Covenants on Existing Units

The Irvine Company owns The Bays, an apartment complex consisting of three buildings known as Baywood, Bayview, and Bayport, which is shown on Exhibit 2. The total number of units in The Bays is 556. Forty-six units in Baywood are restricted as low-income units through 2011.

The Irvine Company will restrict tenant incomes and rental costs for housing units located in The Bays complex for a period of 30 years with a recorded document. The number of restricted units will be sufficient to provide the number of affordable units described later in this AHIP, depending on the income level to be served. The Irvine Company will identify which apartments are proposed to meet the affordable housing obligation, and will not use units that are under any other affordable housing covenant at the time they are proposed to meet the obligation for North Newport Center. The City will inspect the apartments designated to meet the affordable housing requirement to ensure compliance with relevant codes, proper maintenance, and adequate common areas. The Irvine Company will agree to make improvements, if necessary, to ensure viable housing for the 30 year period.

The units must be rented to households qualifying as very low, low, or moderate income households. The annualized rents chargeable for occupancy of the Affordable Units shall not exceed thirty percent (30%) of the Very Low, Low or Moderate Income limits.

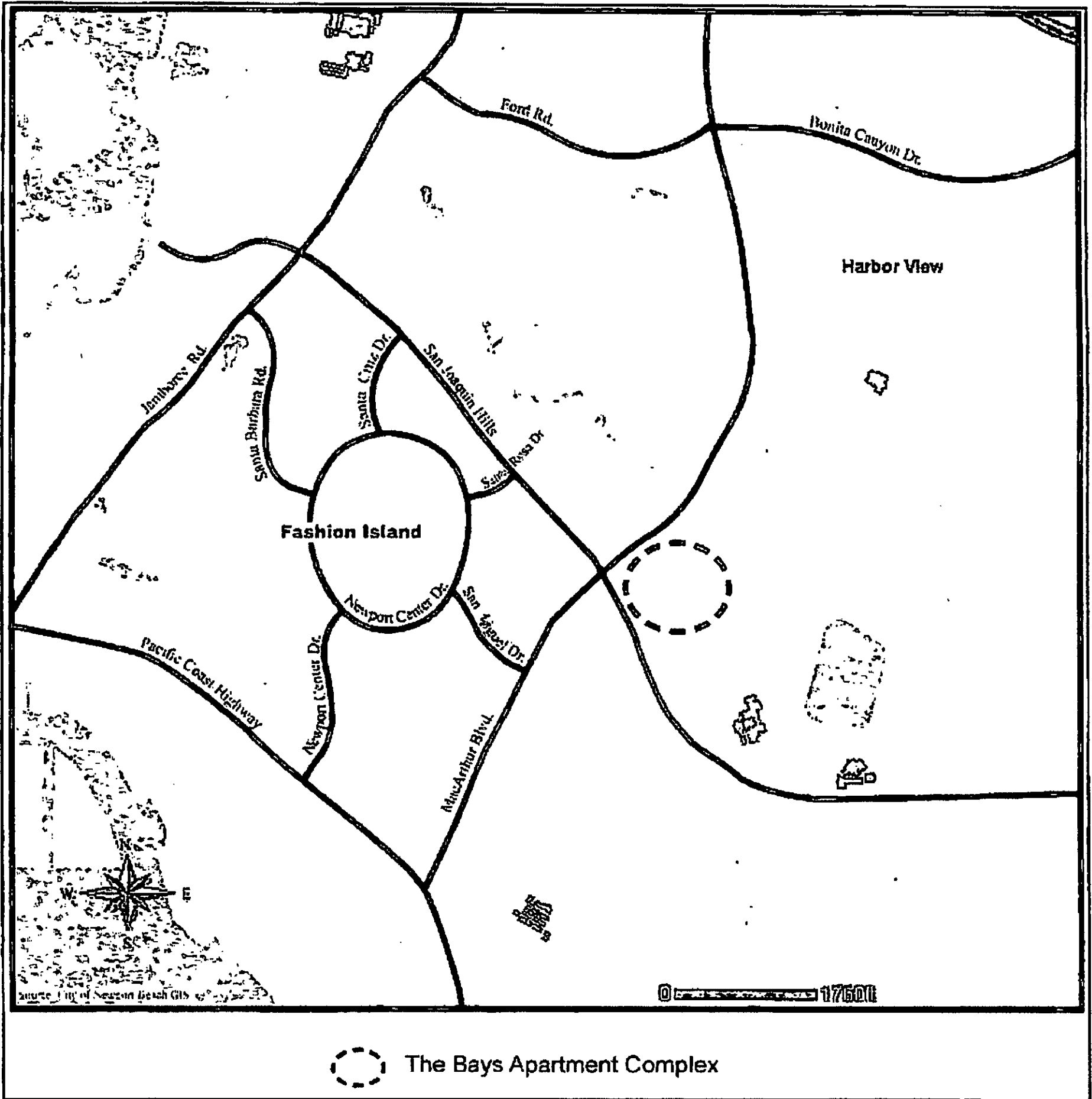


Exhibit 2 - The Bays Apartment Complex Locations

The restriction on these units – for example, tenant selection procedures, monitoring – will be included in an affordable housing agreement, which shall be submitted for review and approval by the City Attorney and recorded against the property(ies).

B. Concentration of Units

Affordable units shall not be concentrated in any one building in The Bays.

Number of Affordable Units/Income Levels

The requirement for affordable housing shall be based on income categories. The Irvine Company will provide very low, low, or moderate income housing, or a combination of income categories, using the percentages shown in the table below.

Income Category	Percentage Required	Total Amount
Very Low	10%	52 units
Low	15%	79 units
Moderate	20%	105 units

Implementation

The affordable housing units required under this AHIP will be provided incrementally. The affordable units shall be phased as follows:

- Certificate of use and occupancy for 100th market rate unit / one-third of required units
- Certificate of use and occupancy for 200th market rate unit / one-third of required units
- Certificate of use and occupancy for 300th market rate unit / one-third of required units

Affordable housing agreements shall be executed and recorded at each phase identified above for designated affordable units in The Bays apartment complex prior to the point where a certificate of use and occupancy is issued for the related market rate units.

Conclusion

Implementation of this AHIP will result in the availability of affordable housing units as identified above within the City of Newport Beach in accordance with the City’s Housing Element.

III. Consistency with Housing Element

The City of Newport Beach adopted a General Plan in 2006. A Housing Element was included in the General Plan in accordance with State law. The Housing Element was updated in 2011. The Housing Element identifies goals and programs for the provision of affordable housing in the City. The AHIP is intended to meet the specific goals of the Housing Element as follows:

Policy H2.1 Encourage preservation of existing and provision of new housing affordable to extremely low, very low, low and moderate income households.

Program

2.1.2 Take all feasible actions, through use of development agreements, expedited development review and expedited processing of grading, building and other development permits, to ensure expedient construction and occupancy for projects approved with low and moderate income housing requirements.

The AHIP supports the City's requirement for the provision of affordable housing for all new development with more than 50 residential units. The Irvine Company has prepared a Development Agreement in accordance with this Policy/Program.

Policy H2.2 Encourage the housing development industry to respond to housing needs of the community and to the demand for housing as perceived by the industry, with the intent of achieving the Regional Housing Needs Assessment construction goals within six years.

Program

2.2.1 Require a proportion of affordable housing in new residential developments or levy an in-lieu fee. The City's goal over the five-year planning period is for an average of 15 percent of all new housing units to be affordable to very low, low and moderate-income households. The City shall either (a) require the payment of an in-lieu fee, or (b) require the preparation of an Affordable Housing Implementation Plan (AHIP) that specifies how the development will meet the City's affordable housing goal, depending on the following criteria for project size:

1. Projects of 50 or fewer units shall have the option of preparing an AHIP or paying the in-lieu fee.

2. Projects where more than 50 units are proposed shall be required to prepare an AHIP.

Implementation of this program will occur in conjunction with City approval of any residential Tentative Tract Maps. To insure compliance with the 15 percent affordability requirements, the City will include conditions in the approval of Tentative Tract Maps to require on-going monitoring of those projects.

Program

2.2.6 All required affordable units shall have restrictions to maintain their affordability for a minimum of 30 years.

As described in Section II, the affordable housing provided per the AHIP will meet the Housing Element requirement for the total affordable units required. The units will be deed restricted to remain affordable for a period of 30 years. In addition, the developer will provide periodic reports in

the form required by the City. The provision of the affordable housing units will assist the City in meeting the RHNA construction goals.

In conclusion, the AHIP is consistent with the relevant goals and programs in the City's 2011 General Plan Housing Element.

IV. Amendments to the AHIP

This AHIP may be amended with the approval of the City Council. No modification of the General Plan requirement for affordable units is allowed, unless the requirement is reduced through an amendment to the General Plan prior to implementation of development.

V. Authority

The AHIP has been adopted by the City of Newport Beach per Resolution No. 2012-65 on the 24th day of July, 2012.