



# CITY OF LOS ANGELES

Asset Management – Portfolio  
Optimization

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# EXECUTIVE SUMMARY

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The City of Los Angeles is performing a review of its asset management functions in order to identify areas for improvement and focus. Cushman & Wakefield (C&W), as a subcontractor to PA Consulting, worked with the City Team specifically focusing on real property portfolio management and optimization. As part of the work identified in "Contract Amendment Number 1 to Agreement C-122097", C&W has developed a framework for portfolio optimization.

This document is organized around the four primary tasks:

- Task 1: Develop a framework to be used by the City to run portfolio optimization internally. This framework contains definitions of property categories for specific portfolio optimization goals and criteria, best practices and establishes critical data fields for inclusion in a permanent real estate database.
- Task 2: Complete a value optimization study for several "high potential properties" and a few leases where the City is a tenant.
- Task 3: Develop multiple pro-forma templates to be used by the City internally to support portfolio optimization analyses in the future.
- Task 4: Review the City's current brokerage practices and provide recommendations for changing the City's brokerage practices and procedures.

## Portfolio Management Framework (Task 1)

### City Real Estate Asset Categorization

C&W reviewed the inventory of the City's assets and categorized those assets into groupings that could be used to create goals, objectives and priorities for strategic asset management. In a parallel process, the City began developing an Asset Management Strategic Planning evaluation framework (AMSP framework) to delineate how the City will evaluate properties and inform decisions on potential re-use of City properties. C&W's asset management categorization (Asset Categorization) correlates to the work the City is doing internally, which generally centers on City-owned assets. This study's Asset Categorization also incorporates assets the City leases to third parties and leased assets where the City is a tenant, which is outside of the AMSP framework. These categories and sub-categories are as follows:

- City-Owned Assets – Municipal Use
  - Mission Critical
  - Office and Administrative Functions
- City-Owned Assets - Non-Essential / Excess / Surplus
  - Category 1 (No City occupancy or requirements)
  - Category 2 (Underutilized but currently house city functions)
  - Category 3 (Do not support City functions/may or may not house non-profit organizations)
  - Category 4 (No further City use)

- City Leased Assets

Within the major property categories, sub-categories were defined for each, and specific optimization goals or criteria were developed. The objective is to achieve the best economic use of the City's real estate while housing and supporting City functions, meeting policy goals and serving the community.

The intention of the Asset Categorization is to provide a guideline for the City, to develop a strategy for the long-term management of its portfolio. Considerations include:

- Obtaining the best possible lease terms for space leased by the City
- Operating as a private sector real estate owner would in managing real estate
- Monetizing owned real estate that serves no continued City use
- Effectively managing City-owned real estate that will continue within the portfolio

## **Best Practices**

Best practices in long-term portfolio optimization at the strategic level include:

1. Developing a complete and accurate collection of real property information
2. Acquiring and maintaining sufficient portfolio information to assist in strategic, integrated decision-making
3. Using market-based benchmarks to guide staff in maximizing utilization of property assets
4. Linking real estate asset performance to core City strategies such as operational efficiencies, LEED standards/sustainability, customer service and reducing costs
5. Achieving the highest and best use of City assets and generating the greatest value to the City, with both owned and leased properties.

Best practices for the tactical (medium-term) portfolio-level optimization are to ensure that:

1. The opportunity cost of financial resources tied up in land and buildings is minimized
2. The monies expended on the City's real estate portfolio are efficiently and effectively directed to provide the greatest value to the City's real estate strategies and service delivery requirements
3. The highest and best use of City properties is achieved.

Best practices for operational (short-term) portfolio-level optimization include:

1. Establishing measurement standards (metrics) for premises and buildings
2. Establishing rental rates via market analysis and lease negotiation
3. Accounting for and managing operating expenses

C&W also established a list of critical data fields for the City to use in establishing its first generation asset management database.

## Value Optimization Studies of the City’s “Highest Potential Properties” (Task 2)

The City identified seven City-owned properties for detailed review and analysis within the "City-Owned Assets – Office and Administrative Functions and Non-Essential/Excess" major category. The City also identified four leases, all within the "City Leased Assets" major category, for review and benchmarking against market standards. Collectively, these were labeled “highest priority properties” (HPP).

The purpose of these reviews was to take a market-based approach to evaluating the real estate, considering current market trends, investor approach, market positioning, opportunities and constraints from a land use perspective, locational considerations, and ultimately an examination of the asset’s highest and best use. Market and financial analyses were conducted and summaries and extensive, individual reports were prepared for each City-owned HPP. See Section 2.2 of this report and Appendices A and B for full summaries of the identified City-owned and City-leased properties.

Two tables below summarize the findings of the HPP analysis for City-owned and City-leased properties.

**Table ES-1: Summary of Value Optimization Options for City-owned HPP**

Owned HPP	Short Description of City-Owned Asset	Findings and Recommendations
City Hall South	<ul style="list-style-type: none"> <li>• 1.44 acre site just south of City Hall, containing 103,686 square feet of office space in an eight-story building.</li> </ul>	<ul style="list-style-type: none"> <li>• The value of the land likely exceeds the value of the property as currently improved.</li> <li>• C&amp;W recommends that the future of the City Hall South site be analyzed in conjunction with the rest of the Civic Center buildings.</li> </ul>
West LA Civic Center	<ul style="list-style-type: none"> <li>• 9.62acre site located just west of the 405 Freeway</li> <li>• This site is currently underutilized.</li> </ul>	<ul style="list-style-type: none"> <li>• The property has immediate potential (assuming unencumbered) for market-driven demand from office, retail, and/or multi-family residential uses.</li> <li>• C&amp;W recommends outright sale or Joint Venture to achieve highest proceeds to the City.</li> </ul>
Pico House	<ul style="list-style-type: none"> <li>• Historic 3-story brick building on a 1.23-acre site</li> <li>• Located within the El Pueblo Los Angeles Historic Monument.</li> </ul>	<ul style="list-style-type: none"> <li>• Renovation into hotel use is likely a break-even proposition for the City.</li> <li>• Proposed development surrounding Union Station would likely increase potential economic returns.</li> </ul>
El Pueblo Parking Lot #2	<ul style="list-style-type: none"> <li>• A 1.8 acre site located at 615 N. Main St.</li> <li>• The site is the primary parking lot for El Pueblo.</li> </ul>	<ul style="list-style-type: none"> <li>• Redevelopment into a multifamily residential use with ground floor retail is market supported and would generate the highest proceeds if sold.</li> </ul>
Westlake Theater	<ul style="list-style-type: none"> <li>• The 36,000 square foot, 1,949-seat Westlake Theater and adjacent 0.74 acre site (which is restricted to affordable housing).</li> </ul>	<ul style="list-style-type: none"> <li>• Comparable sales suggest that pricing for the Westlake Theater would range from \$75 - \$175 per square foot of building area.</li> <li>• Investor response for the Westlake Theater likely would be weak to moderate given the condition of the building, historic-designation, and lack of parking.</li> <li>• The City could enter into a long term ground lease for one or both sites to facilitate redevelopment.</li> </ul>
Reseda Town Center	<ul style="list-style-type: none"> <li>• The C2 parcels of the two subject sites are currently improved with low-rise commercial buildings.</li> </ul>	<ul style="list-style-type: none"> <li>• An outright sale is the recommended strategy to achieve the greatest proceeds for the City.</li> <li>• A likely buyer is the adjacent land owner.</li> </ul>
Lincoln Heights Jail & 1903 Humboldt	<ul style="list-style-type: none"> <li>• LH Jail: Approximately 226,100 square foot building on a 210,800 square foot site. Designated as Los Angeles Historical Landmark</li> <li>• The 1903 Humboldt site is approximately 79,033 square feet of vacant land (currently surface parking)</li> </ul>	<ul style="list-style-type: none"> <li>• Absent incentives or subsidy, the feasibility of redevelopment of the LH Jail is considered poor.</li> <li>• C&amp;W recommends further analysis of the jail structure and Humboldt site to define alternatives and develop more accurate cost estimates.</li> </ul>

**Table ES-2: Summary of Value Optimization Options for City-Leased HPP**

Leased HPP	Short Description of City-Leased Asset	Findings and Recommendations
Bradbury Building	<ul style="list-style-type: none"> <li>• 304 S. Broadway, Downtown Los Angeles</li> <li>• Premises includes 40,591 square feet of office space</li> <li>• Occupied primarily by the Internal Affairs Division (IAD) of the LAPD</li> <li>• Fully utilized / optimal</li> </ul>	<ul style="list-style-type: none"> <li>• The City has favorable business and legal terms, including rent levels at or below market.</li> <li>• Leasing options:               <ul style="list-style-type: none"> <li>– Hold / Extend current lease - recommended</li> <li>– Negotiate new terms - available option but not recommended at this time</li> <li>– Termination clause - lease allows for early termination.</li> </ul> </li> </ul>
CalTrans Building	<ul style="list-style-type: none"> <li>• 100 S. Main Street, Downtown Los Angeles</li> <li>• Premises includes 98,486 SF of office space</li> <li>• Occupied primarily by the Department of Transportation</li> <li>• Fully utilized / optimal</li> </ul>	<ul style="list-style-type: none"> <li>• The City has favorable business and legal terms, including rent levels at or below market.</li> <li>• Leasing options:               <ul style="list-style-type: none"> <li>– Hold / Extend current lease - recommended</li> <li>– Negotiate new terms - available option but not recommended at this time</li> <li>– Termination clause - lease allows for early termination.</li> </ul> </li> </ul>
620 Commercial	<ul style="list-style-type: none"> <li>• 620 Commercial Street Downtown Los Angeles</li> <li>• Premises includes 42,500 SF of warehousing space</li> <li>• Occupied primarily by the LAPD Property Division</li> <li>• Fully utilized / optimal</li> </ul>	<ul style="list-style-type: none"> <li>• The City has favorable business and legal terms, including rent levels at or below market.</li> <li>• Leasing options:               <ul style="list-style-type: none"> <li>– Hold / Extend current lease - recommended</li> <li>– Negotiate new terms - available option but not recommended at this time</li> <li>– Termination clause - lease allows for early termination.</li> </ul> </li> </ul>
Los Angeles Media Tech Center - Building 7 (Media Center)	<ul style="list-style-type: none"> <li>• 2714 Media Center Drive, Los Angeles, CA 90039</li> <li>• Office, warehouse, and receiving station for waste water samples and other related uses by Bureau of Sanitation.</li> <li>• Fully utilized / optimal</li> </ul>	<ul style="list-style-type: none"> <li>• The City has favorable business and legal terms, including rent levels at or below market.</li> <li>• Leasing options:               <ul style="list-style-type: none"> <li>– Hold / Extend current lease - recommended</li> <li>– Negotiate new terms - available option but not recommended at this time</li> <li>– Termination clause - lease allows for early termination.</li> </ul> </li> </ul>

## Pro-Forma Templates for Portfolio Optimization Analyses (Task 3)

C&W provided a set of pro-forma templates in MS Excel to the City. These templates provide City staff with a set of tools from which additional asset level optimization studies can be performed as priorities are established across the portfolio. See Appendix C for embedded electronic copies of these pro-forma templates.

## Review of Practice of Using Broker Representation (Task 4)

Best in class organizations, whose primary purpose is not owning and managing real estate, routinely utilize outside professionals to provide real estate services. The City of Los Angeles should be no exception.

C&W interviewed the City's in-house real estate professionals to understand the current policies and practices around engaging the services of outside professionals – specifically broker representation in sale and lease transactions. Our research indicated that the process of solicitation (Request for Proposal) is typical of other governmental agencies; however, relative to the size of its portfolio, the sophistication of the Los Angeles market, and the complexity of the real estate owned and leased by the City, the City's use of outside representation is limited.

C&W and PA Consulting recommend that to best serve its real estate needs, the City move toward the practice of procuring services for all of the City's leasing contracts. The recommended use of outside professional brokers will allow in-house staff to focus on strategic asset management. There will also be an ongoing need for staff to manage outside real estate providers.

Third party brokerage representation and the resulting relationships would also support the City's goal of optimizing the performance of its portfolio through continuous access to real time market information and partnerships. These partnerships will serve as a valuable resource to the City and enable it to make informed real estate decisions as it functions as a landlord, tenant and developer.



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# 1 PORTFOLIO OPTIMIZATION FRAMEWORK (TASK 1)

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- Several common descriptions are often applied to Real Estate Asset Portfolio Optimization. “Portfolio Optimization” is a holistic and integrated approach to aligning:
  - Management and performance of owned or leased assets over time with the Los Angeles City Real Estate Strategic Plan(s)
  - City’s operational objectives and service delivery requirements in a sustainable, financially feasible, and cost effective manner.
- Portfolio optimization takes a life-cycle approach considering total revenues and property costs for either owned or leased properties to include acquisition, maintenance, operating and disposal costs

Cushman & Wakefield (C&W) developed an asset management categorization (Asset Categorization) to be used by the City to optimize its real estate asset portfolio internally. This Asset Categorization contains best practices, definition of property categories for specific portfolio optimization goals and criteria, and identification of critical data fields for the permanent real estate database.

## 1.1 Best Practices

Implementation of portfolio optimization best practices for real estate should be linked among three different levels:

- Long-term
- Medium-term
- Short-term

This subsection will describe each of these three levels, showing how each builds on the other two.

### 1.1.1 Long-term Optimization

Long-term portfolio optimization best practices are best developed and implemented over a 5 to 10 year period. In an environment of constrained resources, real estate investments need to be clearly justified and correctly prioritized. To be most effective, the City’s portfolio optimization strategy must be holistic; that is, taking a life cycle approach that considers total investment and property costs for either owned or leased properties to include acquisition, maintenance, operating and disposal costs. The strategy must be integrated; that is, oversight must be horizontal across all City agencies and departments.

Best practices in long-term portfolio optimization at the strategic level are summarized below in Table 1-1:

**Table 1-1: Summary of Long-term Portfolio Optimization Best Practices**

Long-term Objectives	Transaction Type	Best Practices
<p>1. Link real estate asset performance to core City strategies, providing the highest and best use of City assets, and greatest value to the City, with both owned and leased properties</p>	<ul style="list-style-type: none"> <li>• Buying</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Manage demand</b> - Reduce the City's demand for new real estate assets through better integration of service and asset planning coupled with effective use and maintenance of existing assets.</li> </ul>
	<ul style="list-style-type: none"> <li>• Operational</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Maximize value of property use</b> - Work with City agencies to link their service requirements to available real estate assets. Characterize how the agency service needs are met by the real estate assets.</li> </ul>
	<ul style="list-style-type: none"> <li>• Operational</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Leverage real estate partnerships</b> - Partner with all City agencies, other governments, non-profits entities and the private sector to leverage opportunities to maximize the value of City real property assets.</li> </ul>
	<ul style="list-style-type: none"> <li>• Buying</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Establish metrics and track benefits</b> - Identify specific benefits and assign measurable key performance indicators and associated benchmarks to measure the value of proposed acquisition and/or development of new City assets.</li> </ul>
	<ul style="list-style-type: none"> <li>• Operational</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Consider co-location</b> - Validate property goals of the collaborating entity agency to determine whether colocation of operations is possible.</li> </ul>
<p>2. Acquire /develop new real property assets by well-planned and expeditious negotiation</p>	<ul style="list-style-type: none"> <li>• Buying</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Time-box property negotiations</b> - Where the potential for property acquisition exists, identify a deadline for negotiation based on the anticipated project need and timeline and develop a full negotiation plan.</li> </ul>
	<ul style="list-style-type: none"> <li>• Operational</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Manage property lifecycle</b> - When calculating the total cost of property ownership, include considerations of operations and maintenance cost along with available indicators of a property's value; e.g., assessments and appraisals, evaluating negotiating positions, etc.</li> </ul>
	<ul style="list-style-type: none"> <li>• Selling</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Leverage standard contract templates and property valuation processes</b> - Where legally possible, utilize standard contract formats for expedited sales agreements based upon agreed-upon processes involving property valuations by neutral third-parties.</li> </ul>
<p>3. Acquire and maintain sufficient portfolio information to assist in strategic, integrated decision-making, allowing for maximum utilization of property assets among City agencies.</p>	<ul style="list-style-type: none"> <li>• Operational</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Establish data stewardship</b> - Develop and implement roles and responsibilities for managing real estate data and maintenance of real estate databases. Measure &amp; report data accuracy via scorecards.</li> </ul>
	<ul style="list-style-type: none"> <li>• Operational</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Establish periodic portfolio reviews</b> - Develop a review framework for annual reporting from custodial agencies, identifying necessary linkages with other departments and non-City stakeholders relevant to their service needs.</li> </ul>
	<ul style="list-style-type: none"> <li>• Operational</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Establish service level management</b> - Create qualitative process to document existing services with relevant service associations to compare and assess opportunities to meet existing and future needs in alternate sites, locations, or through other means.</li> </ul>

## 1.1.2 Medium-term optimization

Medium-term portfolio optimization ensures that:

- The opportunity cost of financial resources tied up in land and buildings is minimized
- The monies expended on the City's real estate portfolio are efficiently and effectively directed to provide the greatest value to the City's real estate strategies and service delivery requirements
- The highest and best use of City properties is achieved.

Robust real property portfolio management and optimization processes and tools can help the City achieve the following inter-related objectives:

1. Develop and manage a systematic surplus property identification and disposal process
2. Maintain and improve performance of the City's real estate asset portfolio

The ongoing maintenance of the Property Inventory Database (see Sections 4.1.4 and 4.2.1 of the "2014 Strategic Real Estate Plan") across the real estate portfolio is critical to achieving medium-term and long-term portfolio optimization goals. A strategic understanding of the real estate portfolio will depend critically on the quality of the real estate data. To this end, the following property inventory management goals are prescribed below:

1. Develop and manage a systematic surplus property identification and disposal process
2. Maintain and improve the performance of the City's real estate asset portfolio
3. Develop a complete, accurate collection of property information through uniform electronic collection of pertinent physical & financial documents

These medium-term portfolio optimization best practices are provided below in Table 1-2.

**Table 1-2: Summary of Medium-term Portfolio Optimization Best Practices**

Medium-term Objectives	Transaction Type	Best Practices
1. Develop and manage a systematic surplus property identification and disposal process	<ul style="list-style-type: none"> <li>Operational / Selling</li> </ul>	<ul style="list-style-type: none"> <li><b>Evaluate portfolio effectiveness</b> - Determine whether portfolio of real estate investments is effective and relevant to service requirements.                             <ul style="list-style-type: none"> <li>Ensure that underutilized or nonperforming assets are identified, prioritized, and disposed of in a manner consistent with code requirements and maximizing benefit to the City.</li> <li>Identify City real estate assets suitable for further investment, and prioritize spending decisions.</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>Selling</li> </ul>	<ul style="list-style-type: none"> <li><b>Prioritize assets in the portfolio</b> - Annually identify, prioritize, and review assets to be disposed of. A “surplus” asset is defined as: 1) an asset not required for the delivery of services, now or in the long-term; 2) an asset that has become uneconomical to maintain and/or operate; and 3) an asset which may yield community or private benefits if sold.</li> </ul>
	<ul style="list-style-type: none"> <li>Operational / Selling</li> </ul>	<ul style="list-style-type: none"> <li><b>Optimize assets in the portfolio</b> - Annually identify opportunities for optimizing the value and financial return to the City through asset disposals, economic development, affordable housing, community open space, etc.</li> </ul>
	<ul style="list-style-type: none"> <li>Operational / Selling</li> </ul>	<ul style="list-style-type: none"> <li><b>Manage surplus properties</b> - Create, maintain, and annually update an ongoing property surplus and disposal plan, including disposal determinations, major milestones, schedules, and responsibilities, with the plan’s timeframe coincident with the interval of the City’s budget and capital approval planning cycles.</li> </ul>
	<ul style="list-style-type: none"> <li>Selling</li> </ul>	<ul style="list-style-type: none"> <li><b>Remove barriers to surplus property disposition</b> - If possible, amend City Code to allow for a more streamlined sales procedure, which will allow for a more responsive disposal of surplus property.</li> </ul>
2. Maintain and improve the performance of the City’s real estate asset portfolio	<ul style="list-style-type: none"> <li>Operational</li> </ul>	<ul style="list-style-type: none"> <li><b>Minimize deferred maintenance</b> - Reduce the accumulation of needed property maintenance, so as to reduce long-term property costs.                             <ul style="list-style-type: none"> <li>Ensure the building maintenance process is structured and systematically executed.</li> <li>Ensure that maintenance planning process is aligned with the City’s capital improvement strategy and asset disposal strategy.</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>Operational</li> </ul>	<ul style="list-style-type: none"> <li><b>Track and manage real estate portfolio metrics</b> <ul style="list-style-type: none"> <li>Identify property categories and related performance targets.</li> <li>Aggregate property-level data at the property category level.</li> <li>Track, manage, &amp; report on real estate asset portfolio metrics by property category.</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>Operational</li> </ul>	<ul style="list-style-type: none"> <li><b>Perform portfolio analyses</b> - Identify and implement efficiency improvements for individual properties and for property categories within City’s real estate asset portfolio. Identify opportunities to increase income generation or reduce expenditures.</li> </ul>
	<ul style="list-style-type: none"> <li>Operational</li> </ul>	<ul style="list-style-type: none"> <li><b>Manage all property in the portfolio in an environmentally responsible manner</b>, consistent with the principles of sustainable development, by focusing on energy and cost savings in City facilities.</li> </ul>

Table 1-2 continued on the next page

**Table 1-2 (continued): Summary of Medium-term Portfolio Optimization Best Practices**

Medium-term Objectives	Transaction Type	Best Practices
3. Develop a complete, accurate collection of property information through uniform electronic collection of pertinent physical & financial documents	• Manage	• <b>Implement AMS and PID</b> - Implement a Real Estate Asset Management System (AMS) and Property Inventory Database (PID) to provide robust reporting
	• Buying / Managing	• <b>Adopt a common asset naming / identification protocol</b> - – Create and adopt a common naming / identification protocol for all new and existing real estate assets – Allow leases and lease renewals to link to specific property parcels and/or address information.
	• Operational	• <b>Link key information in real estate systems and plans</b> - Improve access to real estate related information by creating electronic linkages among Asset Management System and Strategic Real Estate Plans, Asset Management Plan, agency business plan, facilities master plans (if any), & operational master plans.

### 1.1.3 Short-term optimization

Most leases should be considered short-term, since the City is committed to lowering its dependence on leased properties. An important challenge with the City real estate group is that few periodic operating statements are published for leased properties or premises. As a result, the City lacks a consistent and repeatable means to 1) analyze and consistently compare properties for purposes of decision-making (sell, invest, lease, etc.) and 2) evaluate categories of comparable properties for purposes of portfolio optimization. Also, without income and expense statements for each property, the City cannot perform benchmarking, review performance, do trend analysis or make informed asset management decisions (e.g., level of justified investment, etc.).

In the short term, the City should maintain operating expenses on a property-by-property basis and then aggregate and analyze property data at the portfolio level. The purpose of maintaining operating statements is not only to evaluate the financial performance of each property (and portfolio of properties) but also to identify poor performers for corrective actions or strong performers for further investment. BOMA standard space measurements and a standard chart of accounts should be established so that periodic analysis on an item-by-item basis can be performed and accurate budgets can be established. Armed with this information, the City can make property and portfolio decisions using sound financial analysis based on accurate and complete financial data. This process is described in more detail in Project (e) in the 2014 Strategic Real Estate Plan.

Short-term real property management processes and tools that can achieve the following inter-related objectives:

1. Establish measurement standards (metrics) for premises and building for owned and leased assets
2. Establish rental rates via market analysis and lease negotiation when City is both tenant and landlord
3. Manage leasing expenses when City is the tenant
4. Negotiate concessions when City is the tenant
5. Negotiate rights of use, occupancy and termination when City is the tenant



These short-term property management best practices are discussed below in Table 1-3. The legend for Table 1-3 is shown below:

Legend for Table 1-3.

- BOMA – Buildings, Owners & Managers Association
- BY – Base Year
- CPI – Consumer Price Index
- FMR – Fair Market Rent
- LL – Landlord
- MTM – Month to Month
- T – Tenant
- TI – Tenant Improvement

**Table 1-3: Summary of Short-term, Leased Property Management Best Practices**

Short-term Objectives	Best Practices
1. Establish measurement standards	<ul style="list-style-type: none"> <li>• <b>Establish BOMA standards</b> - For leases, the area of leased premises and building should be measured to current BOMA standards at landlord expense.</li> <li>• <b>Establish standard usable / rentable square footage ratios</b> - For leases, Rentable / Usable square footage ratios should be in line with market standards. Rental rates should be adjusted for non-standard ratios.</li> <li>• <b>Improve data collection:</b> <ul style="list-style-type: none"> <li>– The City should collect individual <b>office property data</b> per Project e (Operating Statements for Properties) and Project f (Financial Analysis and Reporting for Properties, Portfolios, and Projects) in the <b>2014 Strategic Real Estate Plan</b>.</li> <li>– The City should collect market data for similar buildings and premises in a standard template format, as shown in Appendix C.</li> </ul> </li> </ul>
2. Establish rental rates via market analysis and lease negotiation	<ul style="list-style-type: none"> <li>• <b>Establish market rates for new leases</b> - Contract Rent for new leases should be at or below market rental rates based on comparable properties. Determination of market rent should be established through rent comparable analysis.</li> <li>• <b>Establish market rates for lease renewals</b> - Contract Rent for lease renewals / extensions should be at or slightly below market rental rate terms for a lease renewal / extension.</li> <li>• <b>Establish contract specific language for lease renewal rates</b> - Lease should contain specific language and/or defined terms for establishing contract rent (market rent) on renewal. These could include terms for market rent indicating "new", "non-renewing", "non-expansion" leases as comparable. Rent that is 95% of market is the target for renewals on larger premises.</li> <li>• <b>Tie rental rates escalations to the CPI</b> - Lease should provide for annual or periodic rental rate escalations tied to the Consumer Price Index (CPI) index or fixed increases that are in line with market standards, or are favorable to the City. For example, market terms for professional office on the date of analysis are annual CPI increases, fixed 3% or fixed 4%. A city lease with fixed increases of 2.5% would be considered favorable.</li> <li>• <b>Improve data collection:</b> <ul style="list-style-type: none"> <li>– The City should collect individual <b>office property data</b> per Project (e) (Operating Statements for Properties) and Project (f) (Financial Analysis and Reporting for Properties, Portfolios, and Projects) in the <b>2014 Strategic Real Estate Plan</b>.</li> <li>– The City should collect market data for similar buildings and premises in a standard template format, as shown in Appendix C</li> </ul> </li> </ul>
3. Manage leasing expenses	<ul style="list-style-type: none"> <li>• <b>Accrue real estate tax benefits to the City</b> - As the City is a tax exempt entity, the lease should provide for any real estate tax benefits accruing to the property owner to be allocated to the City for its benefit (direct reimbursement).</li> <li>• <b>Grant Proposition 13 protection</b> - If Real Estate Tax benefits are not available, the lease should grant Proposition 13 protection to City in the event the property is sold.</li> <li>• <b>Reset the base year stop amount (also known as Recaptured or Recoverable Expenses below - see note ) in the event of lease extension or renewal</b> - The lease should provide for the re-set of the base year in the event of extension or renewal if applicable.</li> </ul>

Note 1: The "stop" is the maximum amount the owner will pay each year, and any expenses over the "stop amount" will be passed through to the tenant in addition to the rent.

Table 1-3 continued on the next page

**Table 1-3 (continued): Summary of Leased Property Management Best Practices**

Short-term Objectives	Best Practices
4. Negotiate concessions	<ul style="list-style-type: none"> <li>• <b>Base rent abatement</b> - Depending upon the length of the lease, market conditions, and other terms, the lease may provide base rent abatement (free rent).</li> <li>• <b>Tenant improvement allowance</b> - Depending upon the length of the lease, condition of the premises, and other terms, the lease may provide a tenant improvement (TI) Allowance.</li> <li>• <b>Allowance for space improvements</b> - Lease may provide for a landlord-paid allowance for space improvements (negotiated).</li> <li>• <b>Landlord-funded amortizing loans</b> - Lease may provide a landlord-funded amortizing loan for the City to make its own space improvements.</li> <li>• <b>Conversion of a portion of the TI allowance to free rent</b> - Lease may provide the City the ability to convert a portion of the landlord-provided TI allowance to free rent.</li> <li>• <b>Parking Rates</b> - Lease may provide discounted parking rates</li> <li>• <b>Reduced HVAC charges</b> - Lease may provide free or reduced after-hours HVAC charges</li> </ul>
5. Negotiate rights of use, occupancy and termination	<ul style="list-style-type: none"> <li>• <b>Flexibility in its utilization of the space</b> - Lease should provide the City a degree of flexibility in its utilization of the space that is within reason given the use and function of the balance of the asset or building (i.e., the City can locate any office using function into a professional office building).</li> <li>• <b>Right to sublet</b> - Lease should provide the City the right to sublet all or a portion of its premises with consent from the landlord which should not be unreasonably withheld.</li> <li>• <b>Holdover with reasonable premium</b> - Lease provides for holdover with reasonable (0-15%) premium on a month-to-month basis.</li> <li>• <b>Reasonable profit sharing of sublease proceeds/profits</b> - Lease provides for reasonable (up to 50%) profit sharing of sublease proceeds/profits between city and landlord.</li> <li>• <b>Reasonable penalty for early lease termination</b> - Lease may provide City the ability to terminate the lease prior to scheduled lease expiration with reasonable penalty. Early termination options are a significant concession from the landlord that, in most cases, negatively impacts property values, and are uncommon in most commercial leases.</li> </ul>

## 1.2 Property Categories for Optimization Goals and Criteria

Cushman & Wakefield has identified several property categories (and sub-categories) for which specific goals and criteria could be developed:

- City-Owned – Municipal Use
  - Mission Critical
  - Office and Administrative Functions
- City-Owned Assets - Non-essential / Excess / Surplus
  - Category 1 (No City occupancy or requirements)
  - Category 2 (Underutilized but currently house City functions)
  - Category 3 (Do not support City functions. May or may not house non-profit organizations)
  - Category 4 (No further City use)
- City-Leased Asset

The goals will be focused on achieving best economic use while meeting policy goals. Note that the City should develop baseline measures for each of these property categories in order to measure improvements.

### 1.2.1 Portfolio Optimization Goals and Criteria for City-Owned, Municipal-Use

Table 1-4 below presents a set of optimization goals and criteria that are relevant to City-Owned, Municipal-Use properties. The responsible party for this property category is the General Services Department (GSD) Real Estate Services Division (RES), which will create and maintain a schedule for periodic review and physical survey of assets in this category.

**Table 1-4: Optimization Goals & Criteria Relevant to City-Owned, Municipal-Use Properties**

Portfolio Category	Examples / Description	Optimization Goals	Optimization Criteria
<b>Mission Critical Functions</b>  <b>AMSP Framework 4A</b>	<ul style="list-style-type: none"> <li>City-owned assets that will be owned and operated long term by the City for its departments and functions (City Hall, Police HQ, Fire Departments)</li> <li>Parks and Recreational Facilities</li> </ul>	<ul style="list-style-type: none"> <li>Provide basic office amenities (private offices, lunch room, conference rooms)</li> </ul>	<ul style="list-style-type: none"> <li>Number of private offices, lunch and conference rooms, and other amenities</li> <li>Compliance with office size standards</li> </ul>
		<ul style="list-style-type: none"> <li>Improve Safety / Security</li> </ul>	<ul style="list-style-type: none"> <li>Number of security checkpoints</li> <li>Presence of controlled building access</li> </ul>
		<ul style="list-style-type: none"> <li>Maintain for long-term city occupancy</li> </ul>	<ul style="list-style-type: none"> <li>Amount (\$) of deferred maintenance</li> <li>Response times to maintenance tickets</li> <li>% maintenance budget spent (by quarter)</li> </ul>
		<ul style="list-style-type: none"> <li>Manage and respond to space needs of City departments</li> </ul>	<ul style="list-style-type: none"> <li>Response times to space requests</li> <li>Customer satisfaction (per survey)</li> </ul>
		<ul style="list-style-type: none"> <li>Periodically survey and monitor asset utilization to assess optimal occupancy (need for additional space or underutilization)</li> </ul>	<ul style="list-style-type: none"> <li>Number of unused work-spaces / cubicles</li> <li>Number of outstanding requests for additional space or to consolidate space</li> </ul>
		<ul style="list-style-type: none"> <li>Determine whether real estate adequately houses user group (location / size / technology / access, etc.)</li> </ul>	<ul style="list-style-type: none"> <li># of buildings occupied per user group</li> <li>Number of user groups per building</li> <li>Number of requests for upgraded technology / infrastructure</li> </ul>

Table 1-4 continued on the next page

**Table 1-4 (cont'd): Optimization Goals & Criteria Relevant to City-Owned, Municipal-Use Properties**

Portfolio Category	Examples / Description	Optimization Goals	Optimization Criteria
<b>Office and Administrative Functions</b>  <b>AMSP Framework</b>  <b>4A/4C</b>	<ul style="list-style-type: none"> <li>City-Occupied Space (Municipal uses could be co-located with private sector uses)</li> <li>Third Party Occupancies</li> </ul>	<ul style="list-style-type: none"> <li>Maximize use of space</li> </ul>	<ul style="list-style-type: none"> <li>Minimize the number of unused work-spaces / cubicles                             <ul style="list-style-type: none"> <li>Repurpose excess space for other city or private sector functions</li> </ul> </li> <li>Evaluate inadequate facilities, those in poor condition or underutilized assets, for repositioning, redevelopment, or sale</li> </ul>
		<ul style="list-style-type: none"> <li>Maintain operating expense statements on individual building level to allow for benchmarking, cost reduction, and competitive vendor bids</li> </ul>	<ul style="list-style-type: none"> <li>Maximize number (or %) of properties (and premises) in the portfolio which have generated standard operating statements on a periodic basis</li> <li>Maximize the number (or %) of property operating statements containing correct (and verified) revenues and expenses</li> <li>See Project (e) in the 2014 Strategic Real Estate Plan for a fuller explanation</li> </ul>
		<ul style="list-style-type: none"> <li>Develop capital budget / reserve accounts for building maintenance and repair</li> </ul>	<ul style="list-style-type: none"> <li>Minimize the amount (\$) of deferred maintenance in portfolio of City-owned, municipal properties</li> <li>Maintenance budget per total SF of City-occupied space</li> <li>% of maintenance budget expended (planned versus actual maintenance expenses)</li> </ul>
	<ul style="list-style-type: none"> <li>Third-Party Occupancies</li> </ul>	<ul style="list-style-type: none"> <li>City functions as owner/landlord</li> </ul>	<ul style="list-style-type: none"> <li>Maximize number of tenants billed correctly and on-time</li> <li>Maximize rent paid by tenants on-time with correct amount</li> <li>Maximize amount reimbursed by tenants to the City for OpEx (e.g., utility bills) on-time, and in the correct amount</li> </ul>
		<ul style="list-style-type: none"> <li>Strategic approach to leasing</li> </ul>	<ul style="list-style-type: none"> <li>Require new or renewed leases to pay market rental rates.</li> <li>Review renewing leases from position of strategic portfolio management; no "rubber stamping" renewals for existing tenants</li> <li>Maximize the number (or %) of lease terms which reflect market best practices (see lease term "Best Practices" 4 and 5 in Table 1-3)</li> </ul>

## 1.2.2 Portfolio Optimization Goals and Criteria for City-Owned Assets - Non-essential / Excess / Surplus

Table 1-5 below presents a set of optimization goals and criteria that are relevant to City-Owned, Municipal-Use, Category I properties. The responsible party for this property category is the GSD RES, which will create and maintain a schedule for periodic review and physical survey of assets in this category.

**Table 1-5: Optimization Goals & Criteria Relevant to City-Owned, Non-essential / Excess Properties– Category I assets**

Portfolio Category	Examples / Description	Optimization Goals	Optimization Criteria
Category I Assets	<ul style="list-style-type: none"> <li>• CRA / LA Assets</li> <li>• No City occupancy or requirements</li> <li>• No ongoing obligations</li> <li>• Marketable</li> <li>• Largely undeveloped land or underutilized sites</li> </ul>	<ul style="list-style-type: none"> <li>• Maximize future development</li> </ul>	<ul style="list-style-type: none"> <li>• Master plan/visioning/specific plan</li> <li>• Pre-package available public incentives</li> <li>• Clear title</li> </ul>
		<ul style="list-style-type: none"> <li>• Monetize the asset through sale or lease</li> </ul>	<ul style="list-style-type: none"> <li>• Exercise option in agreements to market for disposition / development (CRA / LA)</li> <li>• Re-zone and re-plan to achieve highest proceeds as appropriate</li> <li>• Maximize speed of disposal of all Category I</li> <li>• Maximize sales price of monetized assets through market based sale effort (outside brokerage representation).</li> </ul>

Table 1-6 below presents a set of optimization goals and criteria that are relevant to City-Owned, Municipal-Use, and Category II properties. The responsible parties for this property category are the following:

- CAO Asset Management Strategic Planning (CAO AMSP) / EWDD, to evaluate asset for repositioning
- GSD and Department Heads
- Third party property management service provider

**Table 1-6: Optimization Goals & Criteria Relevant to City-Owned, Non-essential / Excess Properties–  
Category II assets**

Portfolio Category	Examples / Description	Optimization Goals	Optimization Criteria
<b>Category II Assets</b>	<ul style="list-style-type: none"> <li>• Underutilized but currently house City functions</li> <li>• May have contractual obligations that limit ability to dispose</li> <li>• Have redevelopment potential but need continued City ownership (i.e., LA Mall, West LA Civic Center)</li> <li>• Possible environmental conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Remove barriers to disposition</li> </ul>	<ul style="list-style-type: none"> <li>• Maximize % of Category II assets which are reviewed and prioritized each quarter (or yr.)</li> <li>• Maximize outreach to other City departments regarding availability of surplus property (for alternate usage)</li> <li>• Maximize the number (or %) of Category II assets with all relevant surplus property asset information will be readily accessible to support strategic asset planning, and performance analysis.</li> </ul>
		<ul style="list-style-type: none"> <li>• Explore possibility of moving to EWDD for future disposition</li> </ul>	<ul style="list-style-type: none"> <li>• Maximize work with EWDD to determine whether Category II properties have other uses</li> <li>• Evaluate sale or ground lease scenarios to determine highest value/return to the City.</li> <li>• Solicit commitments for property public funding / incentives to support future redevelopment as appropriate</li> <li>• Maximize work with EWDD on future sale or ground lease for Category II assets.</li> </ul>
		<ul style="list-style-type: none"> <li>• Establish structure for partial conveyance, ground lease, public / private partnership</li> </ul>	<ul style="list-style-type: none"> <li>• Maximize compliance with code requirements to avoid fines and corrective activities and to ensure non-performing assets are disposed of in a consistent and efficient manner</li> </ul>
		<ul style="list-style-type: none"> <li>• Eventually position as Category I Asset</li> </ul>	<ul style="list-style-type: none"> <li>• Maximize the number (or %) of Category II assets with annual (or semi-annual) performance and re-positioning review</li> <li>• Maximize the number (or %) of Category II review which determine: <ul style="list-style-type: none"> <li>– whether there are other departments or agencies who could utilize the asset (a horizontal review);</li> <li>– whether there are net disposal benefits to the City either in financial terms or in other terms</li> <li>– whether there are secondary service obligations which may dictate retention of the asset</li> <li>– where disposal of the asset can be carried out without adverse environmental impacts</li> </ul> </li> </ul>

Table 1-7 below presents a set of optimization goals and criteria that are relevant to City-Owned, Municipal-Use, and Category III properties. The responsible party for this property category is GSD.

**Table 1-7: Optimization Goals & Criteria Relevant to City-Owned, Non-essential / Excess Properties – Category III assets**

Portfolio Category	Examples / Description	Optimization Goals	Optimization Criteria
Category III Assets	<ul style="list-style-type: none"> <li>Do not support City functions</li> <li>May or may not house non-profit organizations</li> <li>Little or no potential for significant redevelopment or economic development</li> </ul>	<ul style="list-style-type: none"> <li>Reduce the inventory of Category III assets in City portfolio</li> </ul>	<ul style="list-style-type: none"> <li>Maximize number (or %) of Category III assets evaluated for sale or other conveyance.</li> <li>Prioritize sale/conveyance to non-profit at market supported pricing or in exchange for services.</li> <li>Maximize number (or %) of Category III assets that are periodically reviewed for disposition</li> <li>Minimize level of capital investment in Category III assets</li> </ul>
		<ul style="list-style-type: none"> <li>Adopt Non-Profit Leasing Policy</li> </ul>	<ul style="list-style-type: none"> <li>Audit all leases for compliance with policy on periodic basis</li> <li>Require all non-profit leases to be current and enforceable</li> </ul>

Table 1-8 below presents a set of optimization goals and criteria that are relevant to City-Owned, Municipal-Use, and Category IV properties. The responsible party for this property category is GSD, though generally no staff resources are required on a consistent basis.

**Table 1-8: Optimization Goals & Criteria Relevant to City-Owned, Non-essential / Excess Properties– Category IV assets**

Portfolio Category	Examples / Description	Optimization Goals	Optimization Criteria
Category IV Assets	<ul style="list-style-type: none"> <li>Do not support City functions.</li> <li>May or may not house non-profit organizations</li> <li>Little or no potential for significant redevelopment or economic development</li> </ul>	<ul style="list-style-type: none"> <li>Minimize liabilities</li> </ul>	<ul style="list-style-type: none"> <li>Secure/demolish improvements</li> <li>Minimize costs</li> </ul>
		<ul style="list-style-type: none"> <li>Potential conveyance to adjacent property owners</li> </ul>	<ul style="list-style-type: none"> <li>Review potential for conveyance</li> <li>Respond to proposals when they arise</li> </ul>



### 1.2.3 Portfolio Optimization Goals and Criteria for City-Leased Assets

Table 1-9 below presents a set of optimization goals and criteria that are relevant to City-Leased Assets. The responsible party for this property category is GSD RES. It is recommended that the City have brokerage representation for all leases above certain size thresholds (10,000 square feet).

**Table 1-9: Optimization Goals & Criteria Relevant to City-Leased Assets**

Portfolio Category	Examples / Description	Optimization Goals	Optimization Criteria
<b>City-Leased Assets</b> <b>[the AMSP Framework doesn't contemplate properties where City is tenant]</b>	<ul style="list-style-type: none"> <li>City is tenant in various leased (non-owned) facilities throughout Los Angeles</li> </ul>	<ul style="list-style-type: none"> <li>Proactive asset management will allow the City to benefit from real estate cycles</li> </ul>	<ul style="list-style-type: none"> <li>Communication with brokers representing the City should evaluate lease opportunities (blend / extend) in down cycles</li> <li>Purchase assets below replacement cost in down cycles</li> </ul>
		<ul style="list-style-type: none"> <li>Leasing allows City to have a physical presence in a particular location in an expeditious manner</li> </ul>	<ul style="list-style-type: none"> <li>– Enter into a long-term lease that is more cost effective/less expensive than the City's own construction for short and medium term occupancy needs (less than 30 years).</li> </ul>
		<ul style="list-style-type: none"> <li>City should endeavour to pay at or below market rental rates</li> </ul>	<ul style="list-style-type: none"> <li>Maximize the number (or %) of City-Leased Assets for rental rates paid by the City are at or below market rental rates</li> <li>Maximize rental savings (versus Market rents)</li> </ul>
		<ul style="list-style-type: none"> <li>City should benefit from its tax exempt status</li> </ul>	<ul style="list-style-type: none"> <li>Maximize the number (or %) of City-Leased Assets which take advantage of the City's tax exempt status</li> <li>Maximize tax savings</li> </ul>

## 1.3 Critical Data Fields in a Property Inventory Database

Tables 1-10, 1-11, 1-12, 1-13, 1-14 and 1-15 below represent the critical data fields for the Property Inventory Database (PID). Appendix D provides a link to an Excel Spreadsheet representing critical data fields.

**Table 1-10: Critical Data Fields in a Property Inventory Database - Property and Site Information**

Data Type	Critical Data Fields
<ul style="list-style-type: none"> <li>• Property Identifiers</li> </ul>	<ul style="list-style-type: none"> <li>• Internal control number</li> <li>• Common property name</li> <li>• County</li> <li>• Street Address</li> <li>• City</li> <li>• State</li> <li>• Zip Code</li> <li>• Council District</li> <li>• Miscellaneous</li> <li>• Street location (description)</li> </ul>
<ul style="list-style-type: none"> <li>• Ownership Information</li> </ul>	<ul style="list-style-type: none"> <li>• Property Ownership Entity</li> <li>• Community Redevelopment Agency</li> <li>• City-Owned? (yes/no)</li> <li>• City-Leased? (yes/no)</li> </ul>
<ul style="list-style-type: none"> <li>• Flood Zone Information</li> </ul>	<ul style="list-style-type: none"> <li>• Flood Map Number</li> <li>• Flood Map Date</li> <li>• Flood Zone</li> <li>• Insurance required (yes/no)</li> </ul>
<ul style="list-style-type: none"> <li>• Assessor's Parcel Identification</li> </ul>	<ul style="list-style-type: none"> <li>• Assessor's Parcel Identification</li> </ul>
<ul style="list-style-type: none"> <li>• Site Information</li> </ul>	<ul style="list-style-type: none"> <li>• Total Land Area in Square Feet</li> <li>• Total Land Area in Acres</li> <li>• Link to survey</li> <li>• Link to parcel map</li> <li>• Frontage description</li> <li>• Land use restrictions</li> <li>• Description of surrounding users / occupants, improvements</li> <li>• Photographs / images of the property from multiple perspectives</li> <li>• Is there additional Excess Land? (yes/no)               <ul style="list-style-type: none"> <li>– Excess Land Area SF:</li> <li>– Excess Land Area Acres::</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Parking Information</li> </ul>	<ul style="list-style-type: none"> <li>• Parking Type (None / surface / structure / subterranean)</li> <li>• Number of Parking Spaces</li> <li>• Parking Ratio (per 1,000 sf)</li> </ul>

**Table 1-11: Critical Data Fields in a Real Estate Database - Building Information**

Data Type	Critical Data Fields
<ul style="list-style-type: none"> <li>• General</li> </ul>	<ul style="list-style-type: none"> <li>• Property (City occupied/User group(s)/third party tenants)</li> <li>• Tenancy</li> <li>• Gross Building Area</li> <li>• Net rentable area</li> <li>• Number of Stories</li> <li>• Number of Buildings</li> <li>• Year Built</li> <li>• Year Renovated</li> <li>• Actual Age</li> <li>• Building Quality</li> <li>• Building Condition</li> <li>• Land to Bldg. Ratio</li> <li>• Property Sub-Type</li> </ul>
Zoning/Planning	<ul style="list-style-type: none"> <li>• Zoning district</li> <li>• Specific Plan Area</li> <li>• Historical Monument Status</li> </ul>
Ratings / Reports	<ul style="list-style-type: none"> <li>• Property condition report has been conducted? (Yes/no)</li> <li>• Seismic study has been performed? (Yes/no)</li> <li>• Probable Maximum Loss Rating (PML) from seismic study - #</li> </ul>

**Table 1-12: Critical Data Fields in a Real Estate Database - Tenant / Lease Information**

Data Type	Critical Data Fields
Tenants / Occupancy	<ul style="list-style-type: none"> <li>• Tenant Name / Tenant dba / User Group</li> <li>• LOI / Draft / Executed / Renewal / Expired (Dates)</li> <li>• Dynamic fields showing current rent and rent schedule</li> <li>• Renewal Options               <ul style="list-style-type: none"> <li>– yes / no</li> <li>– number of options</li> <li>– term of each option</li> </ul> </li> <li>• Right to terminate               <ul style="list-style-type: none"> <li>– yes/no</li> <li>– description of terms</li> </ul> </li> <li>• Notice - Date tenant provides notice to renew / extend</li> <li>• Occupied (SF)</li> <li>• Current Number of Tenants</li> <li>• Vacant (SF)</li> <li>• Number of Vacant Spaces</li> </ul>
Lease terms and conditions	<ul style="list-style-type: none"> <li>• Lease Status</li> <li>• Lease Start Date</li> <li>• Lease Expiry Date</li> <li>• Date rent is contractually due</li> <li>• Date rental rate is benchmarked to market</li> <li>• Rent Adjustments - Fixed, periodic and escalation</li> <li>• Lease Structure - NNN / Full Service / Industrial Gross /Modified Gross</li> <li>• Links to relevant documents</li> <li>• Lease list –               <ul style="list-style-type: none"> <li>– all leases recorded for a Property</li> <li>– Individual leases should indicate whether they are draft, active, expired or archived.</li> </ul> </li> </ul>
Major Occupants	<ul style="list-style-type: none"> <li>• Major Tenants:               <ul style="list-style-type: none"> <li>– Major Tenant 1</li> <li>– Major Tenant 1 Lease expires</li> <li>– Major Tenant 2</li> <li>– Major Tenant 2 Lease expires</li> <li>– Major Tenant 3</li> <li>– Major Tenant 3 Lease expires</li> </ul> </li> </ul>

**Table 1-13: Critical Data Fields in a Real Estate Database - Financial Information**

Data Type	Critical Data Fields
Rent	<ul style="list-style-type: none"><li>• Attained Rent (Occupied Space)</li><li>• Market Rent</li></ul>
Operating Expense	<ul style="list-style-type: none"><li>• Base year stop amount (if applicable)</li><li>• Exclusions</li><li>• Comments on reimbursable expenses</li></ul>
Debt / Equity / Payments	<ul style="list-style-type: none"><li>• Acquisition Price</li><li>• Original Debt</li><li>• Original Equity</li><li>• Outstanding Debt</li><li>• LTV Covenant</li><li>• Monthly payment amount</li><li>• Interest rate</li></ul>
Valuation	<ul style="list-style-type: none"><li>• Valuation Frequency - Per policy based on need</li><li>• Valuer - Internal or External value provider</li><li>• Latest Valuation - Value and date of value</li></ul>

**Table 1-14: Critical Data Fields in a Real Estate Database - Tax Information**

Data Type	Critical Data Fields
Assessments	<ul style="list-style-type: none"><li>• Current Tax Year</li><li>• Total Assessed Value<ul style="list-style-type: none"><li>– Assessed Improvements</li><li>– Assessed Land</li></ul></li></ul>

## 2 VALUE OPTIMIZATION STUDIES (TASK 2)

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### 2.1 Scope of Work

As previously referenced, the City identified seven City-owned properties and four leased assets as subjects of a detailed analysis performed by C&W to evaluate asset positioning, highest and best use, and ultimately value optimization. The results of this analysis are two-fold. First, these properties are considered by the City to have significant redevelopment potential in the near term. The redevelopment options, associated economics of those options, and the strengths and weaknesses for each property were articulated in a detailed report for each site. Secondly, the analytic framework, methodology, and tools employed by and created by C&W in conducting the analysis on the high priority properties would be transmitted to the City in a format that would permit City staff to perform future analysis on additional properties as the need arose.

### 2.2 Summary of Value Optimization Studies

A complete report for each asset (the Lincoln Heights Jail and 1903 Humboldt were evaluated collectively) is included in the Appendices. A brief summary of each property and high level findings are set out in the following matrix (Table 2-1).

The evaluation of the four leases is summarized in Table 2-2 below.

Cushman & Wakefield recommends that the City:

- Develop a strategy around evaluated HPPs based on redevelopment potential/marketability/market conditions
- Develop clear project charters and work plans
- Assign an accountable project team to execute the projects
- Establish timetable for action
- Track and manage project progress

**Table 2-1: Value Optimization Options for City-Owned HPP**

Owned HPP	Description of City-Owned Asset	Findings and Recommendations
<p><b>City Hall South</b></p> <p>111 East 1st Street</p> <p>Los Angeles, CA 90012</p>	<p>1.44 acre site just south of Los Angeles City Hall, containing 103,686 square feet of office space in an eight-story building. Occupied by GSD, including the Construction Forces Division, RES, Los Angeles Federal Credit Union, and Joy Picus Child Development Center. The property has no on-site parking.</p>	<p>The value of the land likely exceeds the value of the property as currently improved. Accordingly, we have considered the viability of the site for alternative uses including speculative office, retail, and multi-family residential and parking uses. Our analysis indicates that these alternative uses are generally not viable from a land use and/or economic perspective, except for a lower-density retail use such as those nearby in Little Tokyo, with abundant parking. The most likely parties interested in this building and this location would be the City of Los Angeles followed by other government or quasi-government entities. It is our recommendation that City office buildings are appropriate for the site.</p>
<p><b>West LA Civic Center</b></p> <p>Block bounded by Santa Monica Blvd, Corinth, Butler, and Iowa Avenues</p> <p>Los Angeles, CA 90025</p>	<p>9.62 acre site located just west of the San Diego Freeway (I-405). Existing uses include the West LA Municipal Building, the West LA District Courthouse, the West LA Police Department and support buildings, the West LA public library, a senior center, park and the US Post Office. The city does not currently own or control the West LA District Courthouse and related parking lots, which is owned and controlled by the State of California or the US Post office, which is privately-owned and leased by the US government. The site is underutilized.</p>	<p>The property has immediate potential (assuming unencumbered) for market-driven demand from three of the “primary” asset categories: office, retail, and multi-family residential (either apartments or condominiums). We recommend an outright sale or Joint Venture, as this structure will in most cases result in higher proceeds. A significant premium would be achieved if the site were delivered either with approvals in place or with assurances of entitlements. The city should consider JV partnership, with input into the entitlement process and the development of the property. 50,000 square feet of municipal uses (senior/community center) was included in this analysis.</p>
<p><b>Pico House</b></p> <p>424 North Main Street</p> <p>Los Angeles, CA 90012</p>	<p>Historic 3-story, 33-unit hotel building on a 1.23 acre site, located within the El Pueblo Los Angeles Historic Monument. There are other vacant buildings in proximity to Pico House that could also potentially be considered as part of a more comprehensive redevelopment plan.</p>	<p>Renovation into a hotel use is likely a break even proposition. The proposed development surrounding Union Station, if it occurs according to current plans and schedule, will significantly change the appeal of the immediate area. Greater economic returns and heightened market interest will likely materialize subsequent to this event. If the City was motivated to activate this asset, it would be feasible without direct subsidy; however, a degree of flexibility on terms and some level of developer incentive would be required. Structuring a long-term lease with a percentage rent structure would allow the City to participate in upside.</p>

Table 2-1 continued on the next page

**Table 2-1 (continued): Value Optimization Options for City-owned HPP**

Owned HPP	Description of City-Owned Asset	Findings and Recommendations
<p><b>El Pueblo Parking Parking Lot #2</b></p> <p>615 North Main Street</p> <p>Los Angeles, CA 90012</p>	<p>Located on a 1.8 acre site bounded by Cesar E Chavez Avenue to the north, Main Street to the east, and Spring Street to the west. Middle portion of the lot is County-owned and assumed to be acquired via a "land swap". The site is the primary parking lot for El Pueblo.</p>	<p>Redevelopment into a multi-family residential use with ground floor retail is market supported and would generate the highest proceeds if sold. Incentives would not be required; this could be a market based transaction. If leased, the City would need to consider an overall term for a ground lease that exceeds 55 years (with options). Replacement parking could be feasibly accommodated.</p>
<p><b>Westlake Theater</b></p> <p>643 South Alvarado Street</p> <p>Los Angeles, CA 90057</p> <p>&amp;</p> <p>619-629 South Westlake Avenue</p> <p>Los Angeles, CA 90057</p>	<p>Both the Westlake Theater and a nearby Housing Authority site. The 36,000 square foot, 1,949-seat is currently operating as a swap meet. The housing site is 0.74 acres and is restricted to affordable housing uses.</p>	<p>Comparable sales suggest that pricing for the Westlake Theater would range from \$75 - \$115 per square foot of building area. Investor response to the offering of the Westlake Site deed restricted for affordable housing would be moderate to good even if joined with the requirement to redevelop the Westlake Theater and accommodate parking. Land investment activity in the immediate area indicates pricing in the range of \$100 to \$150 per square foot of land area could be achieved for this site. Alternatively, the City could enter into a long term ground lease for one or both sites to facilitate redevelopment. A ground lease would not be viewed as a detriment; however, the ground rent payments could have a substantial impact on the profitability of redevelopment, which will be limited.</p>
<p><b>Reseda Town Center</b></p> <p>18130-18160 Sherman Way</p> <p>Los Angeles, CA 91335</p>	<p>Two non-contiguous sites divided by an alley. "East site" measures approximately 48,095 square feet. "West site" measures approximately 44,680 square feet. The C2 parcels of the two subject sites are currently improved with low-rise commercial buildings.</p>	<p>We considered several development scenarios for the subject property: the assemblage of the subject sites with the adjacent 3rd party parcels, renovation of the existing improvements, and conversion of the subject sites into a community facility such as a skating rink or skate park. An outright sale is the recommended strategy to achieve the greatest proceeds for the City. The likely buyer is the adjacent land owner.</p>

Table 2-1 continued on the next page



**Table 2-1 (continued): Value Optimization Options for City-owned HPP**

Owned HPP	Description of City-Owned Asset	Findings and Recommendations
<p><b>Lincoln Heights Jail &amp; 1903 Humboldt</b></p> <p>401 North Avenue 19 Los Angeles, CA 90031 &amp; 1903 Humboldt Street Los Angeles, CA 90031</p>	<p>Lincoln Heights Jail site is approximately 210,300 square feet of land located in the Urban Innovation zone 5-story, 226,100 square foot jail facility. Building is a designated Los Angeles Historical Landmark (Monument LA 587).</p> <p>1903 Humboldt site is approximately 79,033 square feet of land located in the Urban Innovation zone of the CASP. The majority of the site is currently open storage.</p>	<p>The requirement to maintain the Lincoln Heights Jail building and its poor site utility make alternative uses challenging. Located in a transitional area at the very early stages of possible redevelopment, demographics of the immediate area are weak. Absent incentives or subsidy, the feasibility of redevelopment is currently poor. The City could utilize the Lincoln Height Jail and 1903 Humboldt sites for its own occupancy, but the costs would be above market relative to other location options. If converted for its own use and occupancy for the Bureau of Sanitation (BOS) and leased to third parties, the cash flow from Lincoln Heights Jail could reasonably offset the City’s cost to occupy the space. However, only through the inclusion of the 1903 Humboldt Street site for surface parking and conversion costs at the low end of the range would the project reasonably break even (assuming the City analysis included a “lease” to itself). We note, however, that at our estimate of market terms (rental rates and parking charges) the cost of occupancy for the BOS in a converted Lincoln Heights Jail would exceed its current occupancy costs at its leased premises at Media Tech Center. As it relates specifically to BOS occupancy requirements, the economics of purchasing their existing building in Media Tech Center or purchasing another building in that campus is much more favorable to the City than pursuing a conversion of the Lincoln heights Jail for its own occupancy or developing its own building on 1903 Humboldt at an estimated (City’s internal estimates) of \$36.5 million, or over \$600 per square foot. The overall priority for this asset is moderate and it is recommended that baseline analysis of the jail structure be performed to help refine alternatives and develop more accurate cost estimates.</p>

Table 2-2 continued on the next page

**Table 2-2: Value Optimization Options for City-leased HPP**

Leased HPP	Short Description of City-Leased Asset	Findings and Recommendations
Bradbury Building	<ul style="list-style-type: none"> <li>• 304 S. Broadway, Downtown Los Angeles</li> <li>• Premises includes 40,591 SF of office space</li> <li>• Occupied primarily by the Internal Affairs Division (IAD) of the LAPD</li> <li>• Fully utilized / optimal</li> </ul>	<ul style="list-style-type: none"> <li>• The City has favorable business and legal terms:               <ul style="list-style-type: none"> <li>– At or below market rent levels</li> <li>– Generally favorable legal terms and conditions</li> <li>– Generally favorable business terms and conditions</li> </ul> </li> <li>• Leasing options:               <ul style="list-style-type: none"> <li>– Hold / Extend current lease - recommended</li> <li>– Negotiate new terms - available option but not recommended at this time</li> <li>– Terminate current lease - possible to terminate if need arises. Lease allows for early termination.</li> </ul> </li> </ul>
CalTrans Building	<ul style="list-style-type: none"> <li>• 100 S. Main Street, Downtown Los Angeles</li> <li>• Premises includes 98,486 SF of office space</li> <li>• Occupied primarily by the Department of Transportation</li> <li>• Fully utilized / optimal</li> </ul>	<ul style="list-style-type: none"> <li>• The City has favorable business and legal terms:               <ul style="list-style-type: none"> <li>– At or below market rent levels</li> <li>– Generally favorable legal terms and conditions</li> <li>– Generally favorable business terms and conditions</li> </ul> </li> <li>• Leasing options:               <ul style="list-style-type: none"> <li>– Hold / Extend current lease - recommended</li> <li>– Negotiate new terms - available option but not recommended at this time</li> <li>– Terminate current lease - possible to terminate if need arises. Lease allows for early termination.</li> </ul> </li> </ul>
620 Commercial	<ul style="list-style-type: none"> <li>• 620 Commercial Street Downtown Los Angeles</li> <li>• Premises includes 42,500 SF of warehousing space</li> <li>• Occupied primarily by the LAPD Evidence Center</li> <li>• Fully utilized / optimal</li> </ul>	<ul style="list-style-type: none"> <li>• The City has favorable business and legal terms:               <ul style="list-style-type: none"> <li>– At or below market rent levels</li> <li>– Generally favorable legal terms and conditions</li> <li>– Generally favorable business terms and conditions</li> </ul> </li> <li>• Leasing options:               <ul style="list-style-type: none"> <li>– Hold / Extend current lease - recommended</li> <li>– Negotiate new terms - available option but not recommended at this time</li> <li>– Terminate current lease - possible to terminate if need arises. Lease allows for early termination.</li> </ul> </li> </ul>
Los Angeles Media Tech Center - Building 7 (Media Center)	<ul style="list-style-type: none"> <li>• 2714 Media Center Drive, Los Angeles</li> <li>• Office, warehouse, and receiving station for waste water samples and other related uses by Dept. of Sanitation.</li> <li>• Fully utilized / optimal</li> </ul>	<ul style="list-style-type: none"> <li>• The City has favorable business and legal terms:               <ul style="list-style-type: none"> <li>– At or below market rent levels</li> <li>– Generally favorable legal terms and conditions</li> <li>– Generally favorable business terms and conditions</li> </ul> </li> <li>• Leasing options:               <ul style="list-style-type: none"> <li>– Hold / Extend current lease - recommended</li> <li>– Negotiate new terms - available option but not recommended at this time</li> <li>– Terminate current lease - possible to terminate if need arises. Lease allows for early termination.</li> </ul> </li> </ul>

### 3 PRO-FORMA TEMPLATES FOR CAO TO SUPPORT PORTFOLIO OPTIMIZATION ANALYSES (TASK 3)

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C&W provided a set of analytical, pro-forma templates, in MS Excel format, to the City. These templates provide City staff with a set of tools from which additional asset level optimization studies can be performed as priorities are established across the portfolio. See Appendix C for embedded electronic copies of these pro-forma templates, including:

- Lease Analysis
- Alternative Use Scenarios
- Hotel Analysis

## 4 BROKERAGE PRACTICES (TASK 4)

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GSD RES has been impacted by staffing reductions and very limited systems investment, resulting in perceptions of poor performance, lack of transparency, and sub-optimal coordination with other groups. Internal improvements in RES should be made in concert with revitalized support from the Office of the City Attorney in order for the needed changes to be effective.

C&W and PA Consulting have developed this memorandum to examine operational objectives and best practices to serve as a useful and practical tool to RES as it moves toward the practicing of procurement of services for all city lease contracts consistent with the findings and recommendations on organizational design (see report entitled "Asset Management Organizational Design Review"). The overall objective of retaining outside brokerage services is to assist the RES staff in managing their real estate duties in an effective and professional manner. As such, these recommendations have been developed with the goal of providing a reasonable framework for the procurement, management and oversight of professional real estate brokerage services.

Constrained budgets, limited staff, and the limited resources available to operate, maintain existing City-owned space, or develop new City-owned space create a need for the City to lease space to meet departmental workspace requirements. While there is no question there is a role for the City to own its own buildings in the Civic Center and mission critical facilities in locations outside of downtown, reliance on the private sector to meet the space requirements of expanding, contracting, and temporary workspace outside the core of the downtown Civic Center is efficient and economical for the City. As such, this review primarily considers brokerage representation of the City of Los Angeles as tenant. However, the City would also benefit from third party representation as landlord. Both perspectives have been considered in our evaluation.

### 4.1 Objectives for Retaining Outside Brokerage Services

A number of factors should be considered in developing the need for brokerage services. These include:

- Increasing the RESs' capacity to deliver leases consistently to its user groups
- Providing a greater degree of customer service to City agencies
- Leveraging the City's good credit rating in occupancies where the City is a tenant
- Benefitting from the City's tax-exempt status in occupancies where the City is a tenant
- Reducing and minimizing space costs to the City by paying market rents or below market rents
- Leasing City-owned space to creditworthy tenants paying market rents
- Optimizing the utilization of and efficiency of the City's owned real estate
- Maximizing the value of the City's portfolio and its ability to collateralize its real estate

There is a role for the services of professional real estate service providers in both procuring space for the City and leasing excess space to third parties in City-owned real estate.

A policy to rely on real estate service providers will enhance the RES' ability to react and respond to workforce space needs allowing RES staff to a) serve as asset managers for the City's portfolio, b)

manage service providers and c) internally negotiate and manage leases that are not suited for third party service providers. A reliance on outside brokers will enhance RES' ability to function and manage the portfolio overall.

## 4.2 Procurement of Brokerage Services

We discussed the current practices and procedures for obtaining brokerage representation with RES staff. It is our understanding that a Request for Proposal (RFP) process has historically been used to establish a list of approved service providers from which the City could solicit a la carte proposals in response to needs as they arise. The pre-approved firms have an open ended 5-year contract that could be extended for one additional year. The contract period from the last RFP expired in December 2013. GSD is poised to release a new RFP in order to qualify and pre-approve a new slate of service providers.

- The City's existing process for soliciting proposals from interested and qualified service providers is reasonable and is not detrimental to the procurement of competent representation.
- After a full and open competition, a slate of three or four firms would be a reasonable number of approved providers. However, real estate is a relationship-driven business, and the City would benefit from an exclusive contract with a single service provider for a period of years that would afford the City the best pricing and the highest level of service. A single source provider strategy would be the optimal solution for the near term needs of the city as it optimizes its real estate functions and staffing.
- A reasonable contract term is three to five years.
- It is recommended that the City continue with a "no-cost" commission-based contract as is customary in the industry for leases over a certain threshold. Leases for premises of 10,000 square feet or greater would be appropriate for a commission based compensation.
- Commission based pricing will not increase the City's lease costs relative to market averages. In fact, a limited analysis of four leases selected by the City indicates that for brokered lease agreements, the City's lease costs remain significantly lower than and are increasing at a rate less than that of the market average. Annual savings negotiated at the outset of a lease will continue for the life of each lease which in some cases is 10 years or more.
- Alternatives to the no-cost commission structure should be considered for leases on smaller premises or where the economics of the transaction provide insufficient compensation to the service provider. A fee "floor" should be established that will allow the City to have representation on smaller transactions. This floor could be determined through the City's evaluation of RFP responses requesting a minimum fee baseline from the service provider(s).

Brokerage procurement should include a plan for periodic review and revision that seeks to enhance the efficiency and effectiveness of the program, generate greater competition, and increase small business opportunities.

## 4.3 Management and Oversight of Outside Brokers

The recommended use of outside professional brokers is intended to free up in-house staff. City staff would be able to focus, to a greater degree, on project and asset management as well as oversight of the brokers. PA Consulting recommends two full time equivalent vendor contract management positions; one assigned to leasing and one assigned to acquisitions and dispositions. This oversight role includes the need to evaluate broker performance.

The Asset Management Organizational Design Review report by PA Consulting determined an immediate need for the City to develop a supported real estate asset management system and associated database to better manage the City's real estate function. The increased procurement of leasing contracts will allow RES staff to focus on development and implementation of the asset management database and system.

Third party brokerage representation would also be responsible for developing and reporting market intelligence that will enable the City to make informed real estate decisions.

- RES and CAO AMSP should receive monthly reports from the brokers leasing City-owned properties addressing availabilities, tenant activity, operational and maintenance issues and market comparables.
- RES and CAO AMSP should receive reporting from brokers representing the City as tenant concerning competitive market trends, space availabilities and asking rates, building operating expenses and relative benchmarks, rental comparables and other pertinent market data to inform leasing decisions (parking rates, TI allowances, concessions, etc.)
- RES and CAO AMSP should have an established timeframe for periodic broker opinions of value on Non-essential/Economic Development/Joint Use assets under the AMSP Framework and evaluate opportunities for redevelopment, disposition, conveyance or public/private partnership based on prevailing market conditions.

The City should develop an internal method for evaluating the performance of brokers. Such an evaluation should preference high performers for future awards creating the greatest value and customer service experience for the City.

Notwithstanding the use of brokers, RES staff should be adjusted pursuant to the PA Consulting Organizational Design recommendations. RES staff will require training and ongoing continuing education to competently manage in-house leasing and supervise the brokers.

## 4.4 Implementation Challenges

- Brokers who have not previously worked with the City will need to learn government contracting processes and procedures that may differ from the private sector commercial real estate market.
- Lease contracting for the city is currently subject to regulations and approval processes that make acquisitions process-driven and documentation intensive compared to private sector commercial real estate deals. PA Consulting's Organizational Design recommendations include adding a dedicated real estate City Attorney position charged with the leasing/contract function to streamline and expedite lease negotiation and execution.
- A standard checklist of documentation for each transaction (lease file) is recommended to avoid protests and potential litigation, create a system of internal controls and achieve clean audits.
- RES will need to be able to predict workload projections for the brokers and to utilize them in a manner that positively leverages resources. A functioning asset management system will greatly aid in lease administration.
- Periodic "best practices" sessions with RES, service provider(s), the CAO AMSP, City Attorney and other stakeholders should be held to review and redefine, as needed, the statement of work that best supports the needs of the City. Facilitation of this important function will be the responsibility of RES.

# 5 SUMMARY OF PORTFOLIO OPTIMIZATION

Table 5-1 below summarizes recommendations for Portfolio Optimization.

**Table 5-1: Summary of Recommendations for Portfolio Optimization**

High-level Recommendation	Description of Recommendation	References / Notes
<p>1. <b>Lack of sufficient asset management data collection / analysis platform</b></p>	<ul style="list-style-type: none"> <li>• Prioritize establishment of system consistent with PA recommendations</li> <li>• Commence with diligence / data collection (provided database fields) to populate</li> </ul>	<ul style="list-style-type: none"> <li>• See Section 4.2 of the “2014 Strategic Real Estate Plan” report for descriptions of the asset management data collection / analysis platform</li> </ul>
<p>2. <b>Lack of strategic review or benchmarking for both City owned and leased facilities</b></p>	<ul style="list-style-type: none"> <li>• Perform periodic (annual) valuations of high priority assets (surplus / economic development) using C&amp;W prepared analysis tools or similar</li> <li>• Use third party providers to collect and evaluate market data periodically (bi-annually), i.e. CoStar, Reis, brokers.</li> <li>• Review leases in advance of key dates (i.e., notification) and evaluate terms using C&amp;W prepared lease analysis tool or similar.</li> <li>• Make strategic decisions regarding leases both as landlord and tenant               <ul style="list-style-type: none"> <li>– Negotiate favorable terms for City when City is tenant</li> <li>– Negotiate market terms for tenant when City is landlord</li> <li>– Use third party brokerage representation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• See Section 1 of this report ( “Portfolio Optimization”)</li> <li>• See Section 4 of this report (“Portfolio Optimization”)</li> </ul>
<p>3. <b>Lack of strategic approach to city-owned, mission critical real estate</b></p>	<ul style="list-style-type: none"> <li>• Strategically manage city-owned real estate that will continue in the portfolio</li> <li>• Operate improved assets consistent with market standards (OpEx), space utilization, vendors, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• See Section 2 of this report (“Portfolio Optimization”)</li> </ul>
<p>4. <b>Unclear strategy / timetable for action on HPP and similarly-situated assets</b></p>	<ul style="list-style-type: none"> <li>• Develop a strategy around evaluated HPPs based on redevelopment potential/marketability/market conditions</li> <li>• Develop clear project charters and work plans</li> <li>• Assign an accountable project team to execute the projects</li> <li>• Establish timetable for action</li> <li>• Track and manage project progress</li> </ul>	<ul style="list-style-type: none"> <li>• See Section 2.2 of this report (“Portfolio Optimization”)</li> </ul>

# APPENDICES

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**A VALUE OPTIMIZATION STUDY – HIGH  
POTENTIAL PROPERTIES (HPP) ANALYSIS**

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## A.1 #1 – City Hall South



\_#1 City Hall  
South.pdf

## A.2 #2 – West LA Civic Center

→ Appendix A.2 is provided as a separate (very large) document



\_#2 West LA Civic  
Center\_Preliminary Dr

## A.3 #3 – Pico House

→ Appendix A.3 is provided as a separate (very large) document t



\_#3 Pico  
House\_Draft.pdf

## A.4 #4 – El Pueblo Parking Lot #2

→ Appendix A.4 is provided as a separate (very large) document



\_#4 El  
Pueblo\_Draft.pdf

## A.5 #5 – Westlake Theatre

→ Appendix A.5 is provided as a separate document



\_#5 Westlake  
Theatre\_Preliminary L

## A.6 #6 – Reseda Town Center

→ Appendix A.6 is provided as a separate (very large) document



\_#6 Reseda Town  
Center\_Draft.pdf

# A.7 #7 – 1903 Humboldt & Lincoln Heights Jail

→ Appendix A.7 is provided as a separate (very large) document



\_#7 #8 - LH Jail  
Humboldt\_Draft (2).pdf

## **#1 CITY HALL SOUTH**

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## ASSET OVERVIEW

City Hall South is located just south of Los Angeles City Hall, on 111 E 1<sup>st</sup> Street, on the northerly side of 1<sup>st</sup> Street extending from South Los Angeles Street on the east to South Main Street on the west. The site contains 1.44 acres of land.

According to available information, City Hall South contains 103,686 square feet of office space in an eight-story building. The landscaped courtyard on the second level on the north side of the building is connected to City Hall East. The building is currently occupied by City of Los Angeles General Services entities, including the Construction Forces Division, LA City Real Estate and Asset Management, Los Angeles Federal Credit Union, and Joy Picus Child Development Center. We were not able to conduct a formal inspection of the building, but we note that the improvements appear to be in only average condition.

The property has no direct onsite parking. There is a direct underground connection to the City Hall East/LA Mall garage where current City Hall South employees park. Any future development/redevelopment of City Hall South could presumably continue to utilize the same direct connection. However, this may be impacted by future redevelopment plans for the LA Mall. This parking solution is also not ideal for non-government occupancies and alternative uses like retail.

Parking would need to be accommodated off-site. According to the City, parking would be available at the following facilities for accommodating future City Hall South parking requirements:

- The City operates a joint parking program for the Civic Center buildings. Most civic center employees) all park in the City Hall East/LA Mall garage that spans the two blocks bounded by Los Angeles, First, Main, and Aliso Streets. Presumably, the same shared parking plan could still provide parking to redeveloped uses on the City Hall South site.
- There is an underutilized City-owned parking garage one block away on the NEC of First and Judge John Aliso Streets.
- The City proposes to considerably over-park the new Parker Center building beyond code requirements. The availability of that parking is several years out.

Although the building is currently occupied by city agencies, as noted above, the City of Los Angeles has asked that this analysis assume the building is vacant and the tenant requirements have been satisfied at another location.

The property is located in the heart of the Civic Center district of downtown Los Angeles., and directly northwest of the Little Tokyo district. Nearby uses include City Hall East adjacent to the north, City Hall in the block to the west, and the County Courts building in the block west of City Hall. The recently completed Caltrans headquarters building is located directly across 1<sup>st</sup> Street to the south, the new Los Angeles Police headquarters facility is just west of the Caltrans building, and the Los Angeles Times property is immediately west of the new police headquarters. The new Federal Courthouse building is under construction in the block just west of the LA Times property, in the block bounded by Spring Street, Broadway, 1<sup>st</sup> and 2<sup>nd</sup> Streets. The Doubletree (New Otani) hotel is located northeast across 1<sup>st</sup> Street at the southeast corner of 1<sup>st</sup> Street and Los Angeles Street, essentially a gateway to Little Tokyo.

## SUMMARY OF CRITICAL OBSERVATIONS

### SUMMARY OF CRITICAL OBSERVATIONS

The strengths and weaknesses analysis applies both specifically (attributes internal or specific to the subject) and generally (external or economic considerations that influence the subject).

#### STRENGTHS

- The subject has frontage on three streets in the heart of the downtown Los Angeles Civic Center District
- The property has excellent exposure within the market; this exposure is conducive to retail, office and parking demand
- The surrounding uses are dense and include a number of recently completed or under construction major projects, including the new police headquarters, the Caltrans headquarters and the new Federal courthouse (under construction).
- The subject is located in an established, in-fill location with a minimal amount of developable land.
- The property is currently developed as an office building, surrounding uses include office and public office properties. There may be some future demand from alternative office tenants, although we note the government tenants currently dominate this submarket except for primarily smaller tenants in the Little Tokyo District.

#### WEAKNESSES

- The market rental rates for new office development does not support new construction, other than build-to-suit projects for major government entities such as the police department, Caltrans, and the Federal courts.
- Although no cost estimate is available, the building would be expected to require substantial capital costs/renovation costs in order to be marketable to third party tenants.

While there is very strong demand for multifamily residential land sites in the downtown market, the subject's Public Facilities zoning designation considered with the commercial surrounding uses would suggest that this use would not likely be approved for the subject site if it were vacant.

The building does not have any parking onsite parking; we understand employees park in the adjacent City Hall East garage, which contains approximately 2,100 spaces. Parking would need to be accommodated off-site.

#### CONCLUSIONS

In our opinion the value of the subject land likely exceeds the value of the property as currently improved. Accordingly, we have considered the viability of the site for alternative uses including speculative office, retail, multifamily residential and parking uses. Although the surrounding zoning uses are commercial, which permits multi-family residential development, this site, although very well located, is not a logical candidate for multifamily residential because it would not be homogenous with the surrounding uses. There may be strong demand for some type of parking, but a parking garage in this prominent location would also not be a consistent use. New office development on a speculative basis is not economically feasible. The site may be suitable for a lower-density retail use such as those nearby in Little Tokyo, with abundant parking.

The evaluation of City Hall South presents something of a conundrum because the location in the Civic Center virtually surrounded by city, state, county and Federal uses indicates the most likely parties that would be interested in this building and this location would be the City of Los Angeles followed by other government or quasi-government entities.

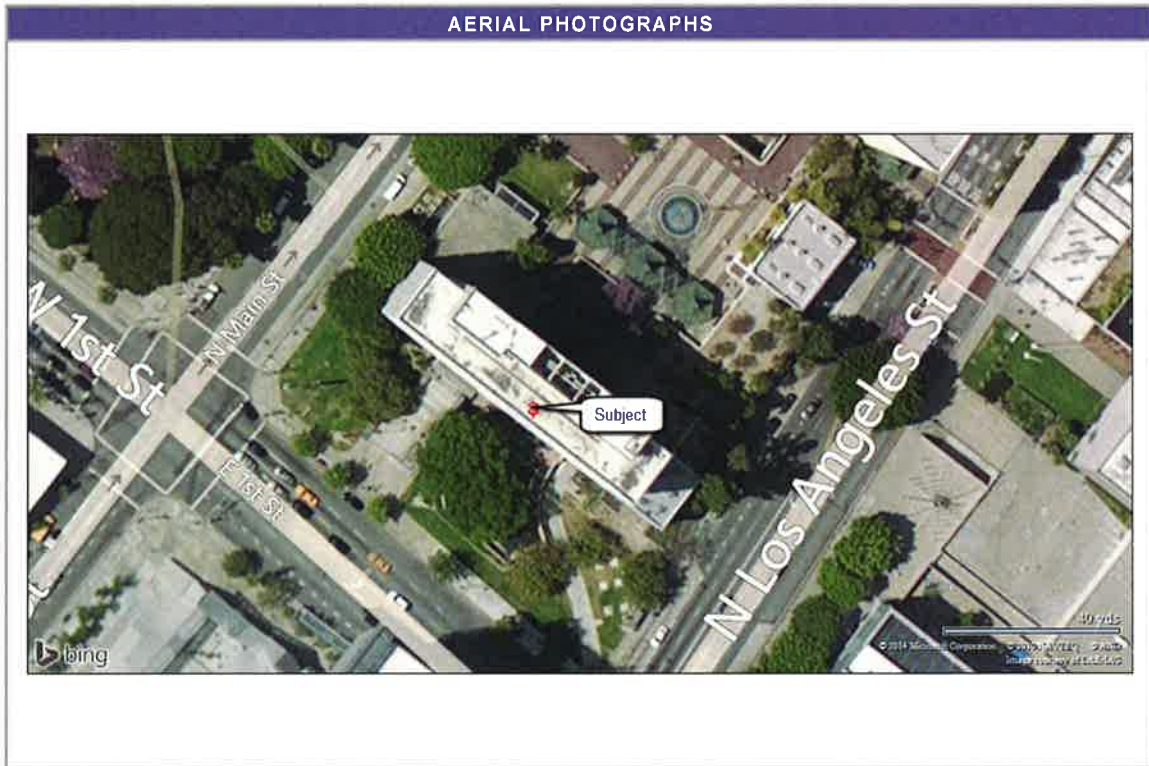
We understand the City of Los Angeles is contemplating relocating city employees to a potential new office building to be developed on the site which is currently the Los Angeles Mall. The Los Angeles Mall site has greater marketability and viability as a development site than the City Hall South property. Therefore, it is our recommendation that a better strategy for city office needs would be to redevelop a city owned office building on the City Hall South site. The current building is an under-improvement (less than a 2:1 FAR in an area of 6:1 zoning), and currently has no dedicated parking.

The location is prominent, convenient to other city offices and facilities, and is a logical location for city offices to be constructed. This strategy would free the Los Angeles Mall site for private investment.

The redevelopment opportunity for City Hall South is complex and must be considered in connection with land use and development opportunities throughout the Civic Center. The timeframe required to study, process and implement any strategy is a lengthy one. It is our recommendation that the study of and planning for a land use strategy in the Civic Center should be prioritized and developed prior to making investment decisions regarding the City Hall South site. It is our understanding the City plans to prepare a Civic Center master plan to vision how the City wants to plan for the combined opportunities for LA Mall, City Hall South, and Parker Center as well as linkages to adjacent land uses and key points like Union Station, Little Tokyo, and El Pueblo. Such a study is well advised in connection with making real estate decisions with respect to City Hall South.

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# Property Photographs







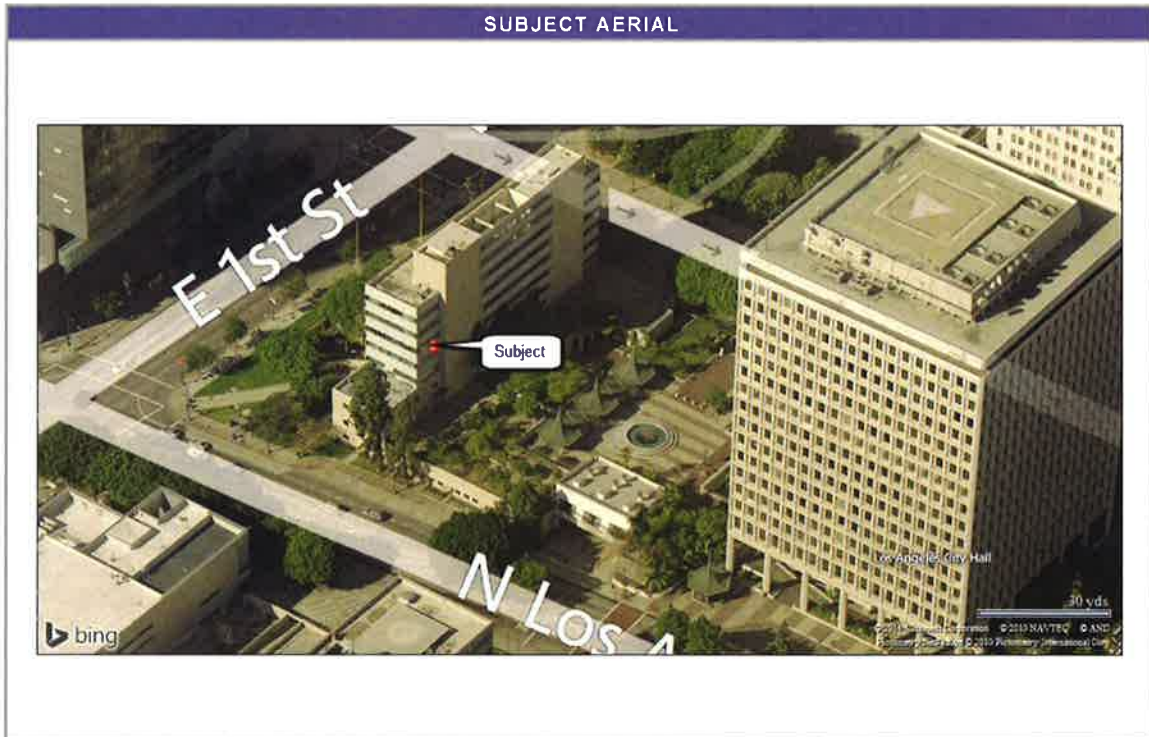
Subject Context – Northerly Perspective



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Subject Context - Westerly Orientation



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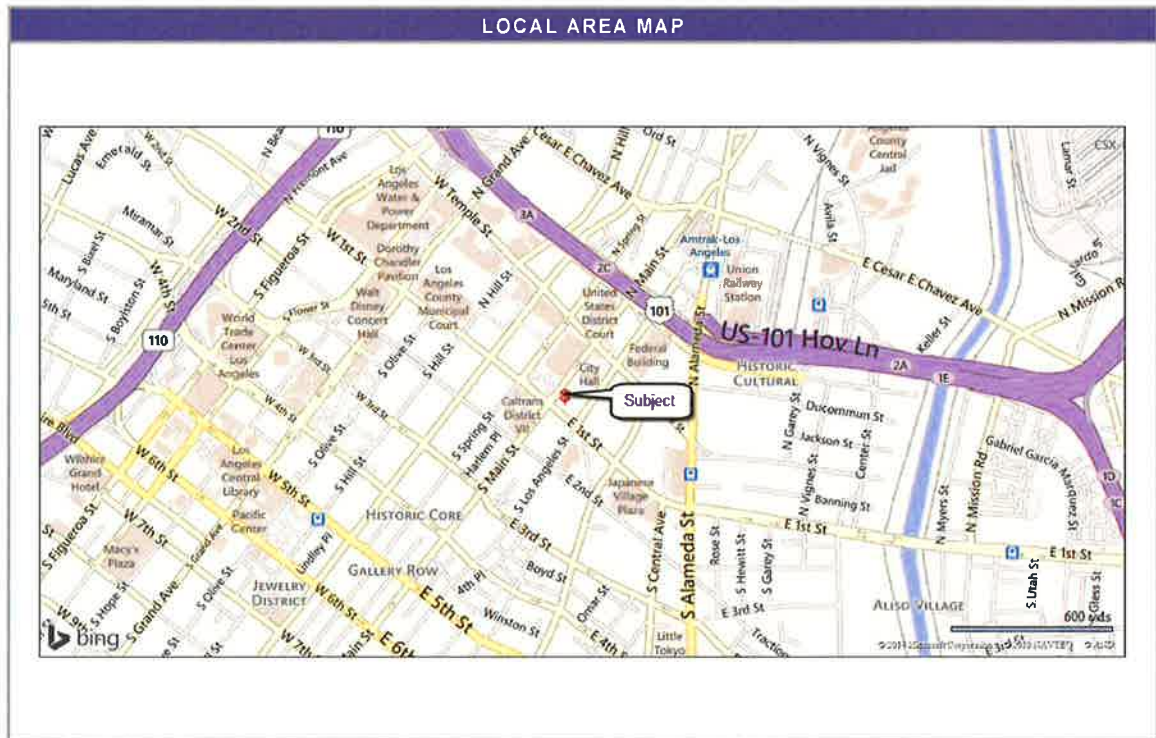


Subject Context - Easterly Orientation



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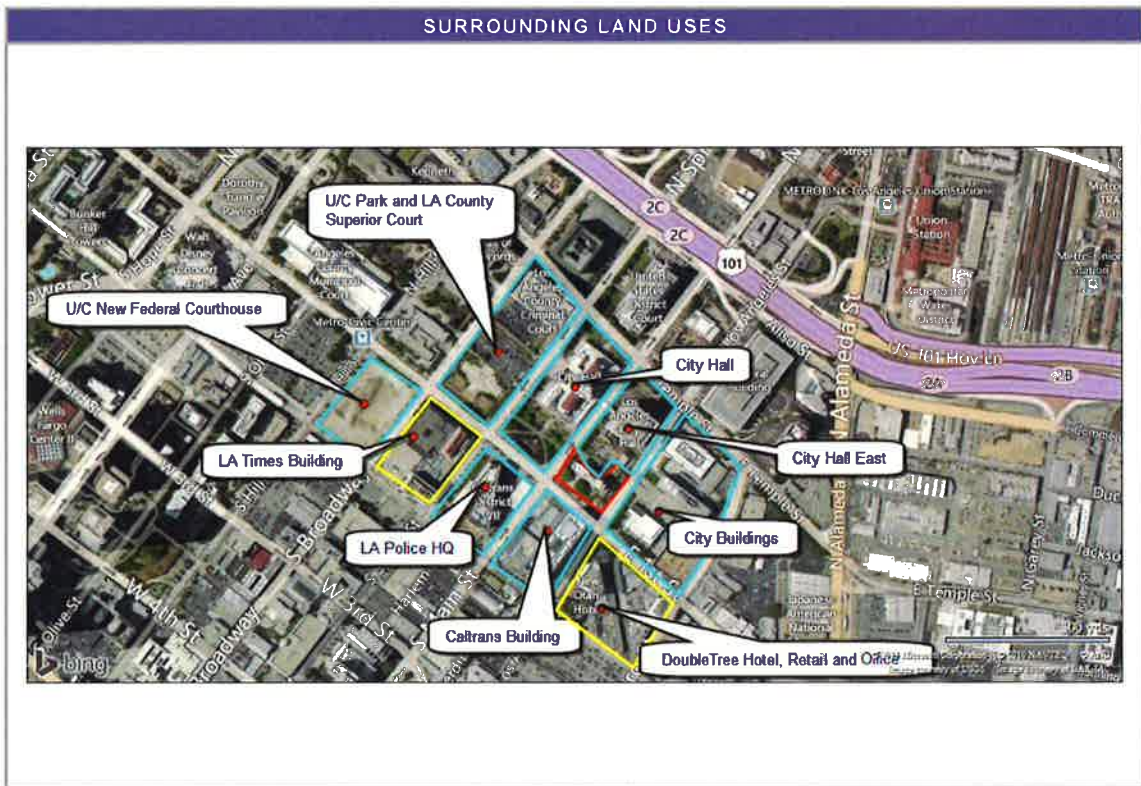


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## SITE DESCRIPTION

Location:	111 E. 1 <sup>st</sup> Street Los Angeles, Los Angeles County, California 90012 The subject property is located on the north side of 1 <sup>st</sup> Street, extending from North Main Street on the west to Los Angeles Street on the East (two-corner exposure)
Shape:	Irregular
Topography:	Generally level
Land Area:	1.44 acres / 62,942 square feet
Frontage:	The subject property has good frontage. The frontage dimensions are listed below: <b>1<sup>st</sup> Street:</b> 305 feet <b>Los Angeles Street:</b> 286 feet <b>North Main Street:</b> 204 feet
Land Use Restrictions:	We were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
Surrounding Uses:	<b>North:</b> City Hall & County Uses <b>South:</b> Hotel & Commercial Uses. Little Tokyo <b>East:</b> City Buildings & County <b>South and Southwest:</b> LA Police Department, Caltrans headquarters, LA Times buildings, under construction federal courthouse

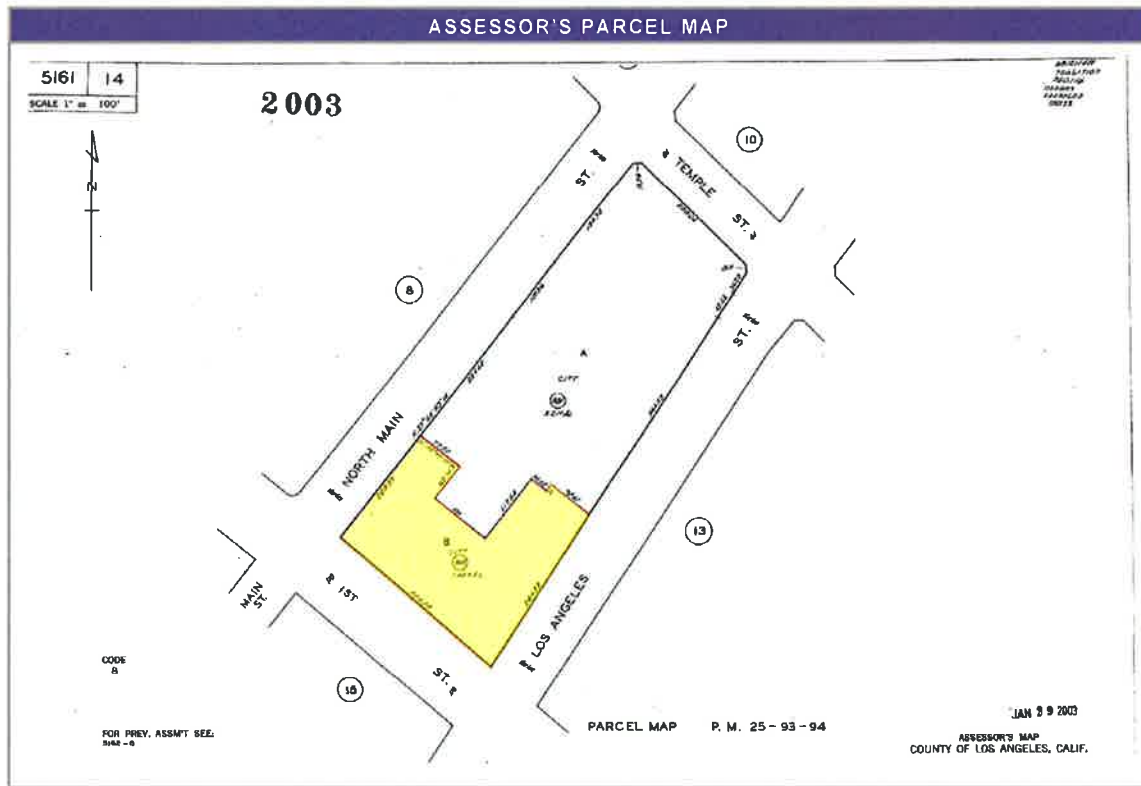


## IMPROVEMENTS DESCRIPTION

The 103,686 square foot building sits on a single land parcel totaling 1.44 acres or 62,942 square feet at the southeast corner of North Main Street and 1st Street in Los Angeles. There is no dedicated onsite parking (city employees park in other city-owned garages)

The 8-story building houses general services tenant's for the City of LA. We were provided with no further details regarding the buildings improvements. The improvements appear to be of Class B construction, with steel and concrete framing, foundation, and exterior walls. We conducted only an informal walk through of a small portion of the building. There is a lobby above grade facing the 1<sup>st</sup> Street frontage, with two sets of double doors providing for pedestrian entry; there is a landscaped concrete courtyard accessed from the north side of the building from the lobby level; this open courtyard extends between the subject City Hall South to the City Hall, providing for access between the two buildings.

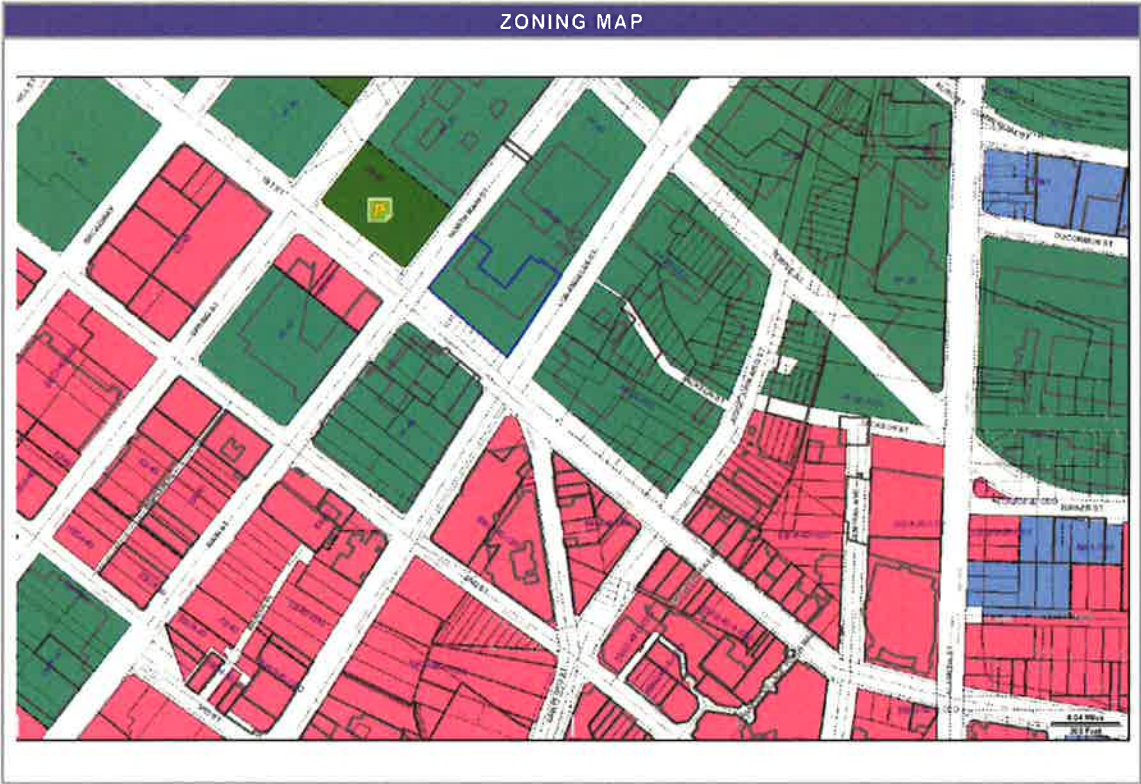




## ZONING AND PLANNING FRAMEWORK

### GENERAL INFORMATION

The property is zoned PF-2D by the City of Los Angeles. The PF zoning designation provides for a range of development for agricultural, parking, governmental and public uses. The subject property is located within the Los Angeles State Enterprise Zone, the Downtown Design Guide Project Area, as well as the Greater Downtown Housing Incentive Area. The surrounding properties are zoned for commercial development (which also permits multifamily residential development), as well as similar public facilities zoning due to the location within the Civic Center market. As discussed previously, however, it is not likely that multi-family use would be compatible with other uses in the vicinity. More logical uses would be office or retail.



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## APPROACH

Limited due diligence materials were collected from the General Services Division (GSD) and were reviewed by the Cushman & Wakefield and PA Consulting team. The consultants did not have detail on the building systems, condition, seismic integrity, etc, so no capital costs have been estimated for renovating and upgrading the building for new tenants. The City of Los Angeles has asked that this analysis assume the building is vacant and the tenant requirements have been satisfied at another location. In order to evaluate the probable highest and best use for the property we researched the market conditions for office space in the downtown market, both overall market conditions and specifically as it relates to the existing property and the Civic Center location.

## USE ANALYSIS

### ASSET POSITIONING

As noted previously the value of the subject land likely exceeds the value of the property as improved, which suggest the highest and best use would be to demolish the existing improvements and redevelop the site. We have included a cross section of sales activity involving second tier office properties in the immediate market area as well as in superior CBD locations. The data is presented on subsequent pages.

We also researched land sale data in the surrounding market, which provided an indication of a reasonable range in land pricing. When comparing the per-square-foot pricing indications for the existing building versus the per-square-foot land indications, it appears clear that the land value as vacant exceeds the value of the property as currently improved.

## USES CONSIDERED

### Office

The economics of the office market in downtown Los Angeles do not support new office construction for speculative development. A subsequent chart summarizes a survey of the competitive office buildings in the Civic Center, Little Tokyo, and Historic Core submarkets. New office development is generally acknowledged to require rental rates in the range of \$40 per-square-foot annually on a NNN basis (including parking). There is no evidence in our research of leasing activity in downtown Los Angeles office buildings that rents have approached this level.

As noted previously, we recommend the City of Los Angeles consider this site as an alternative for a new city office facility if the decision is to move forward on a new project (rather than another city-owned site). This location appears to be ideal and logical for this type of city use. The per-square-foot pricing from the office sales would not support a value even as high as \$200 per-square-foot, particularly when considering unknown (but likely significant) capital costs for rehabilitation/remodel as well as the fact the building has no onsite parking.

### Parking

The lack of onsite parking for the existing building is a serious negative issue of the potential value of the property to an owner who does not control numerous offsite parking locations as does the City of Los Angeles. Accordingly, one of the potential alternatives we have considered was to evaluate the property as a potential location for parking in support of visitors to the Civic Center as well as employees who work in under-parked buildings. For example, the new Federal courthouse building is being developed with no parking facilities for visitor or most employees. Sites that have historically been improved as surface parking lots are being, and have been, developed with new projects, placing more pressure on existing parking facilities and creating potential for increased parking rates. There may be strong demand for some type of parking, but a parking garage in this prominent location would also not be a consistent use, unless in conjunction with a commercial development.

### Retail

There is some good demand for retail development in the nearby Little Tokyo submarket. There is a possibility a retail development on this site could capitalize on proximity to Little Tokyo, but the Civic Center location may not capture the same atmosphere as Little Tokyo. We have included a survey of retail center availabilities and rental rates in the Little Tokyo and Civic Center market. It is possible a retail development, perhaps with excess parking capacity to capture offsite demand, could be successful on the subject site. Vertical retail is not typically successful in Los Angeles outside of West Los Angeles, Koreatown and Chinatown, and potentially Little Tokyo.

There are similar uses in the nearby Little Tokyo market. Although this market is only a block from the subject, the atmosphere of Little Tokyo would likely be considered quite different from a retail project on the subject. Subterranean parking, which would almost certainly be required to support the retail use on the subject (higher parking ratio on site is required), and the costs to develop subterranean parking are in the range of \$40,000 per space, suggesting this use (an urban retail center) would not likely be economically feasible. There is a very recent sale of an urban retail center located just southeast of the subject property which warrants note: Weller Court shopping center sold in May, 2014 for \$28.7 million, or about \$413 per-square-foot of rentable area. The multi-level center contains 69,405 leasable square feet on a 1.31 acre site. The property was developed in 1981 and was 91 percent leased at the time of sale. The subject is within a block of this property, but, as noted, is not within the Little Tokyo market so it would likely not lease at similar rental rates or sell for as high a price. This sale suggests there is a possibility a retail development may potentially represent a feasible use on the subject, however.



### **Amenity Retail and Open Space**

From a land use perspective, and particularly considering the number of and density of jobs and employees in the Civic Center area, a low density “amenity” type retail development and public open space concept was considered. This concept, while desirable as an amenity for the larger Civic Center area, as it would add a much needed retail amenity in this underserved node, would not be advantageous to the city from the perspective of monetizing the City Hall South asset.

Assuming a retail center with 20,000 to 25,000 square feet of gross leasable area, and further assuming that parking would be accommodated within existing parking facilities off site, the likely range of land value, on an FAR basis that a typical retail developer would pay would be in the range of \$125 to \$175 per FAR assuming the property were entitled for such a use. The resulting land value for the retail component would be \$2,500,000 to \$4,375,000. Demolition of the existing City Hall South Building could range from approximately \$300,000 to \$900,000. The cost of site improvements related to public open space are unable to be determined. However, given the low positive value from the retail component, it is likely to assume that the residual land value for the overall project would be negative, and the construction/implementation of this project would require public funding, albeit offset by the market value of the retail component.

Under this scenario, the retail component could be ground leased on a long-term basis to a developer assuming that the City would accommodate parking through easements or other arrangements that would provide adequate, accessible parking to support the retail use.

### **Residential**

The downtown market is a preferred location for investors and developers of apartment buildings. The subject's specific location, however, as noted above, is not conducive to this type of development because it would be out of character for the surrounding uses and is not a logical use for the site.

### **Other Uses**

Market conditions do not support uses such as office or hotel unless the office development were for a specific user such as the city, Caltrans, county, court system, etc.

## MARKET DATA

Land sale data was investigated; improved sales were investigated, both for older office properties as well as parking structures. This data is on the following pages.

The downtown market was analyzed, including an analysis of the supply and demand factors for office space in the directly and secondarily competitive markets. We also surveyed the most relevant office properties in this market area. We also surveyed competitive retail properties in the immediate market.

## Summary of Comparable Office Building Investment Activity

Item No.	Property Name / Location	Date of Sale	Improvements Year Built	No. of Stories	Rentable Area (SF)	Occupancy @ Sale	Sales Price	
							Total	\$ per SF
I-1	<b>Brunswig Square</b> 360-374 E. 2nd Street Los Angeles, CA	Apr-14	1934 R-1986	8	152,000	70%	\$33,000,000	\$217.11
I-2a	<b>Pacific Center</b> 523 W. 6th Street Los Angeles, CA	Apr-14	1926 R-2003	12	424,598	92%	\$129,000,000	\$303.82
I-2b	<b>Pacific Center</b> 523 W. 6th Street Los Angeles, CA	Apr-12	1926 R-2003	12	424,598	72%	\$60,000,000	\$141.31
I-3	<b>420 E. 3rd Street</b> 420 E. 3rd Street Los Angeles, CA	Sep-13	1989	10	113,000	72%	\$17,500,000	\$154.87
I-4	<b>800 Wilshire</b> 800 Wilshire Blvd. Los Angeles, CA	Jun-13	1971	16	220,757	73%	\$48,200,000	\$218.34
I-5	<b>Washington Building</b> 311 S. Spring Street Los Angeles, CA	Mar-13	1955 R-1992	13	116,328	76%	\$18,500,000	\$159.03
<b>TOTALS</b>		<b>Hi</b>	<b>1989</b>	<b>16</b>	<b>424,598</b>	<b>92%</b>	<b>\$129,000,000</b>	<b>\$303.82</b>
		<b>Low</b>	<b>1971</b>	<b>8</b>	<b>113,000</b>	<b>70%</b>	<b>\$17,500,000</b>	<b>\$141.31</b>
		<b>Average</b>	<b>1980</b>	<b>12</b>	<b>241,880</b>	<b>76%</b>	<b>\$61,000,000</b>	<b>\$199.08</b>

Source: Cushman & Wakefield Western





### COMPARABLE OFFICE BUILDING INVESTMENT ACTIVITY MAP



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## SUMMARY OF LAND SALES

PROPERTY INFORMATION						TRANSACTION INFORMATION					
No.	Location	Size (sf)	Size (Acres)	FAR	Potential Building Area	Proposed Use	Zoning	Sale Date	Sale Price	\$/SF Land	\$/FAR
S	Subject Property	62,942	1.44				PF-2D				
1	118-126 Astronaut E S Onizuka Street Los Angeles, CA	14,153	0.32	6.00	84,918	Commercial	(Q)C2-4D-CDO	3/14	\$3,500,000	\$247.30	\$41.22
				Per zoning							
2	Herald Examiner Sit 1108 S. Hill/1201 S. Main Street Los Angeles, CA	93,916	2.16	6.00	563,496	Mixed-Use	C2-4D-O	12/13	\$27,000,000	\$287.49	\$47.92
				Per zoning							
3	842 S. Grand Avenue Los Angeles, CA	9,600	0.22	6.00	57,600	Multi-Family	(Q)R5-4D	8/13	\$2,400,000	\$250.00	\$41.67
				Per zoning							
4	Broadway and Olympic 943-957 South Broadway Los Angeles, CA	20,670	0.47	6.00	124,020	Multi-Family	(Q)C2-4D-CDO	5/13	\$5,990,000	\$289.79	\$48.30
				Per zoning							
5	834 South Olive Street Los Angeles, CA	10,232	0.23	6.00	61,392	Hold for Development	(Q)R5-4D	5/13	\$2,700,000	\$263.88	\$43.98
				Per zoning							
6	534 S. Main/539 S. Los Angeles Street Los Angeles, CA	38,188	0.88	3.00	114,564	Multi-Family	C2-2D	11/12	\$8,500,000	\$222.58	\$74.19
				Per zoning							
7	Block 8 228-232 E. 2nd Street Los Angeles, CA	79,344	1.82	6.00	478,064	Mixed-Use	C2-4D-O	5/12	\$19,300,000	\$243.24	\$40.54
				Per zoning							
<b>STATISTICS</b>											
Low		9,600	0.22	3.00	57,600			5/12	\$2,400,000	\$222.58	\$40.54
High		93,916	2.16	6.00	563,496			3/14	\$27,000,000	\$289.79	\$74.19
Average		38,015	0.87	5.57	211,722			5/13	\$9,912,857	\$257.76	\$48.26



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### LAND SALES MAP



### Summary of Comparable Parking Structures Los Angeles

Item No.	Property Name / Location	Date of Sale	Improvements Year Built	No. of Stories	Building Area (SF)	Parking Spaces	Sales Price		OAR	NOI per Stall
							Total	\$ per Stall		
I-1a	Little Tokyo Mall 319 E. 2nd St Los Angeles, CA	Nov-07	1999	8	185,221	397	\$12,750,000	\$32,116	5.00%	\$1,606
I-1b	Little Tokyo Mall 319 E. 2nd St Los Angeles, CA	Oct-13					\$12,000,000	\$30,227	N/A	N/A
I-2a	808 S. Olive 808 S. Olive Street Los Angeles, CA	Mar-06	1966	8	271,542	788	\$26,500,000	\$34,505	5.00%	\$1,725
I-2b	808 S. Olive 808 S. Olive Street Los Angeles, CA	Aug-13					\$26,300,000	\$34,245	N/A	N/A
I-3	700 Broadway Garage 700 S Broadway Los Angeles, CA	May-13	1992	7	110,166	240	\$14,000,000	\$58,333	N/A	N/A
<b>TOTALS</b>		<b>Hi</b>	1992	8	271,542	788	\$26,500,000	\$58,333	5.0%	\$1,725
		<b>Low</b>	1966	7	110,166	240	\$12,000,000	\$30,227	5.0%	\$1,606
		<b>Average</b>	1982	8	188,973	468	\$18,310,000	\$37,885	5.0%	\$1,666

Source: Cushman & Wakefield Western

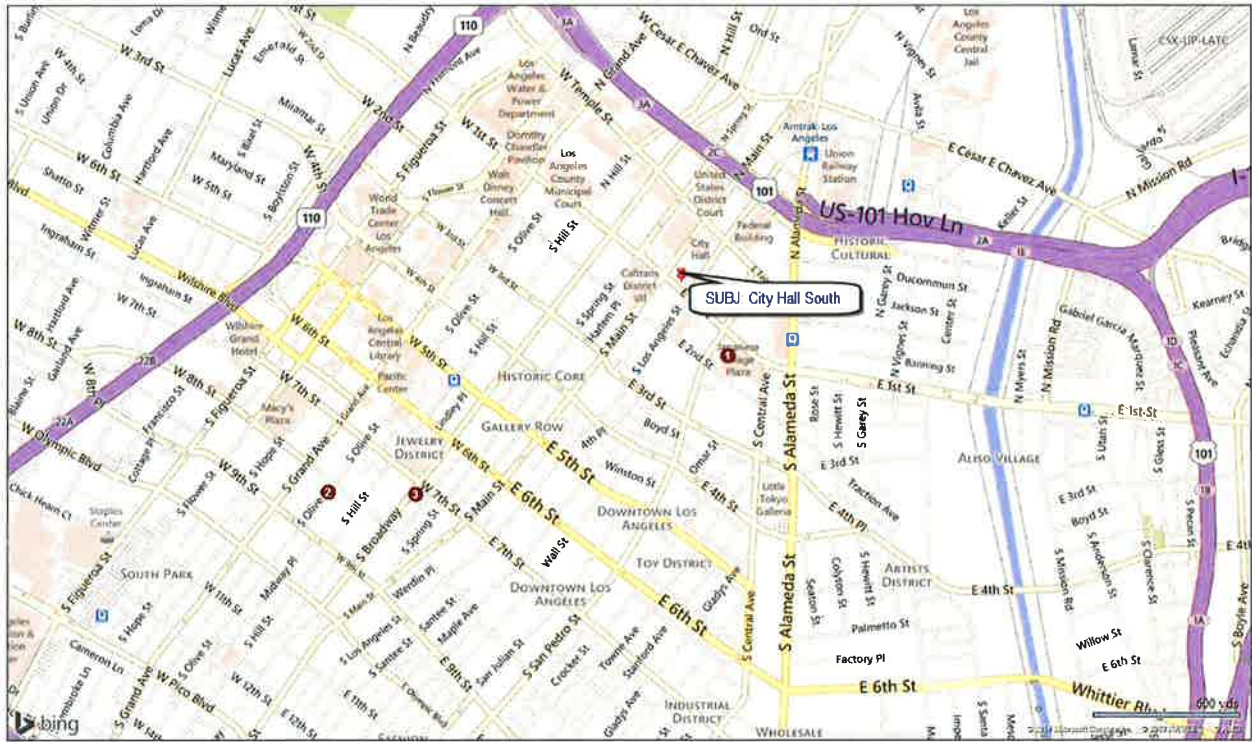


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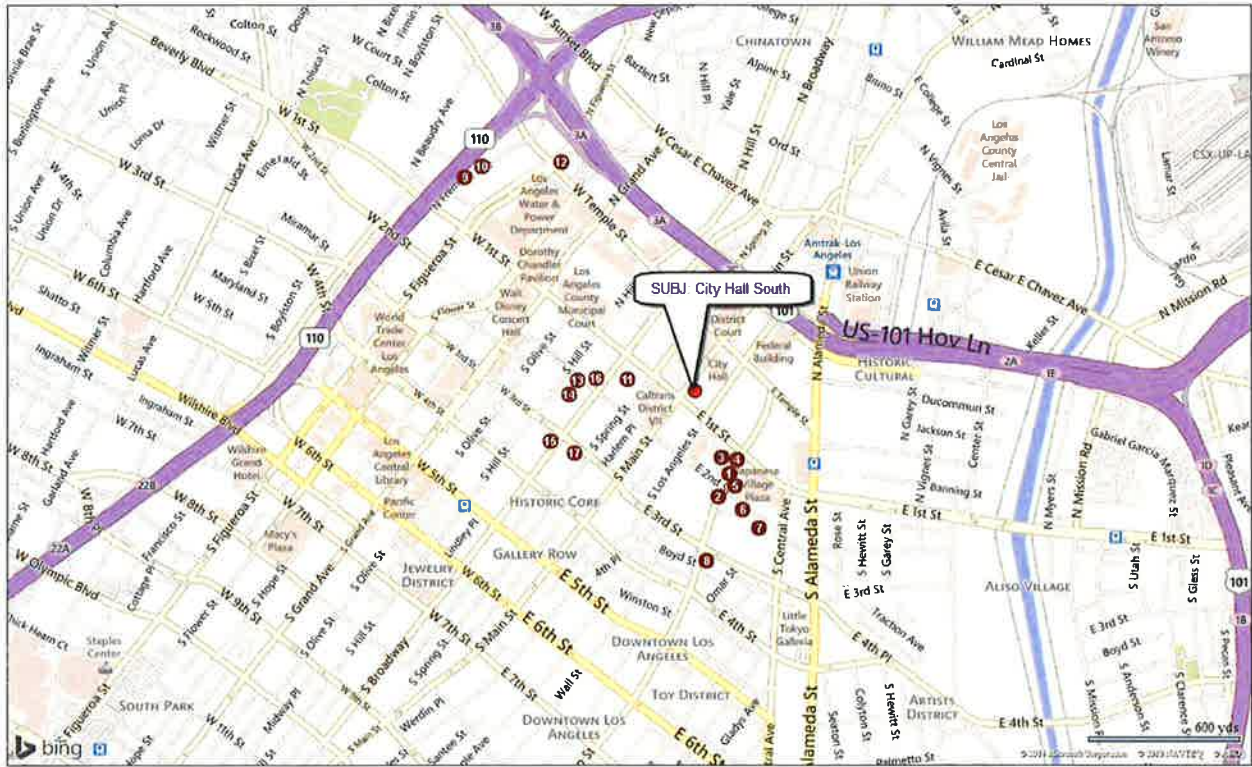
### COMPARABLE PARKING STRUCTURES MAP



Little Tokyo / Civic Center / Historic Core  
**COMPETITIVE OFFICE BUILDINGS**  
 Rental and Occupancy Survey for the 2nd Quarter 2014

Bldg No.	Building Name / Location	Building Information				Available Space (SF)				Overall Availability (SF)	Quote # Direct			Quote # Indirect			Direct Occupancy Ratio	Overall Occupancy Ratio	
		No. of Stories	Area (SF)	Avg. Flr. Area (SF)	Year Built	Floor(s)	Direct	Direct NNN	Sublease		Annual Rent PSF	PSF	Lease Type	Annual Rent PSF	PSF	Lease Type			
<b>LITTLE TOKYO DISTRICT</b>																			
R-1	Union Bank Building 120 S. San Pedro St.	8	58,258	9,711	1985	---	0	0	0	Total	---	---	---	---	---	---	---	100.0%	100.0%
R-2	Manufacturers Bank Building 200 S. San Pedro St.	5	50,000	10,000	1985	---	0	0	0	Total	---	---	---	---	---	---	---	100.0%	100.0%
R-3	Kajima Building 250 E. 1st St.	14	100,989	7,214	1967	4-15	12,188	0	0	Total	\$28.40	---	\$28.80	FSG	---	---	---	87.9%	87.9%
R-4	312 E. 1st Bldg 312 E. 1st St.	8	34,320	5,720	1991	1-5	1,249	0	0	Total	Neg	---	Neg	FSG	---	---	---	55.9%	55.9%
R-5	331 E. 2nd Building 321 E. 2nd St.	10	53,484	5,349	1963	---	0	0	0	Total	---	---	---	---	---	---	---	100.0%	100.0%
R-6	Little Tokyo Plaza 330-340 E. 2nd St.	4	44,351	11,088	1984	MEZZ & 4	15,370	0	0	Total	\$19.20	---	\$19.20	FSG	---	---	---	65.3%	65.3%
R-7	Brunswick Square 360-374 E. 2nd St.	8	135,982	16,998	1934	1 (R6)	0	3,581	0	Total	---	---	---	---	\$36.00	---	NNN	45.1%	45.1%
R-8	Little Tokyo Professional Building 420 E. 3rd St.	10	113,496	11,350	1989	1-8	71,020	0	0	Total	\$23.40	---	\$27.00	FSG	---	---	---	75.2%	75.2%
<b>SUBMARKET TOTALS</b>		<b>8</b>	<b>580,800</b>				<b>141,813</b>	<b>3,581</b>	<b>0</b>	<b>145,394</b>	<b>\$23.50</b>	<b>---</b>	<b>\$27.09</b>	<b>FSG</b>	<b>\$36.00</b>	<b>---</b>	<b>NNN</b>	<b>78.4%</b>	<b>78.4%</b>
<b>CIVIC CENTER DISTRICT</b>																			
R-9	Figueroa Plaza - South Tower 201 N. Figueroa St.	16	307,556	19,222	1980	---	0	0	0	Total	---	---	---	---	---	---	---	100.0%	100.0%
R-10	Figueroa Plaza - North Tower 221 N. Figueroa St.	16	307,556	19,222	1991	---	0	0	0	Total	---	---	---	---	---	---	---	100.0%	100.0%
R-11	Los Angeles Times 202 W. 1st St.	8	310,535	51,756	1934	1 (R6) BSMT-4	31,633	25,329	0	Total	\$22.00	---	\$22.00	MIG	\$22.00	---	NNN	45.1%	45.1%
R-12	1st City Savings FCU Building 717 W. Temple St.	4	54,657	13,664	1981	---	0	0	0	Total	\$24.00	---	\$24.00	FSG	---	---	---	71.7%	71.7%
<b>SUBMARKET TOTALS</b>		<b>11</b>	<b>980,304</b>				<b>168,667</b>	<b>25,329</b>	<b>0</b>	<b>184,016</b>	<b>\$22.19</b>	<b>---</b>	<b>\$23.98</b>	<b>FSG</b>	<b>\$22.00</b>	<b>---</b>	<b>NNN</b>	<b>81.2%</b>	<b>81.2%</b>
<b>HISTORIC DISTRICT</b>																			
R-13	Los Angeles Law Center 205 S. Broadway	10	74,645	7,465	1936	2-10	13,250	0	0	Total	\$24.00	---	\$24.00	FSG	---	---	---	82.3%	82.3%
R-14	Los Angeles Law Center 207 S. Broadway	7	60,998	8,714	1925	1 (R6) 2-7	49,400	5,400	0	Total	\$24.00	---	\$24.00	FSG	\$24.00	---	NNN	10.2%	10.2%
R-15	Bradbury Building 304 S. Broadway	5	98,194	19,639	1893	GRND (R6) GRND 2 & 4	13,635	0	0	Total	\$20.00	---	\$30.00	FSG	\$30.00	---	NNN	79.6%	79.6%
R-16	Los Angeles Law Center 316 W. 2nd St.	13	76,440	5,880	1928	2 - PERM	12,900	0	0	Total	\$18.00	---	\$24.00	FSG	---	---	---	83.1%	83.1%
R-17	Washington Building 311 S. Spring St.	13	116,228	8,948	1955	10, 11 & 12	26,853	0	0	Total	\$26.00	---	\$26.00	FSG	---	---	---	76.9%	76.9%
<b>SUBMARKET TOTALS</b>		<b>10</b>	<b>428,609</b>				<b>116,038</b>	<b>11,809</b>	<b>0</b>	<b>127,838</b>	<b>\$24.03</b>	<b>---</b>	<b>\$28.17</b>	<b>FSG</b>	<b>\$30.81</b>	<b>---</b>	<b>NNN</b>	<b>70.0%</b>	<b>70.0%</b>
<b>MARKET TOTALS</b>		<b>1,998,009</b>					<b>416,638</b>	<b>40,710</b>	<b>0</b>	<b>457,248</b>	<b>\$23.16</b>	<b>---</b>	<b>\$26.55</b>	<b>FSG</b>	<b>\$31.79</b>	<b>---</b>	<b>NNN</b>	<b>77.1%</b>	<b>77.1%</b>

### COMPETITIVE OFFICE BUILDINGS MAP



**Ground Floor Retail- Little Toyko**

Los Angeles, CA

Item No.	Building Name and Address	Tenant Name	Rounded Area Leased (SF)	Date of Lease	Lease Term (Mos)	Monthly Rent \$/PSF	Annual Rent Per SF		Exp Basis
							Initial	Adjustments	
L-1	Los Angeles Times Building 202 W. 1st St	<i>Listing</i>	1,676	<i>Listing</i>	24-60	\$1.83 (Asking)	\$22.00	N/A	NNN
		<i>Listing</i>	11,230	<i>Listing</i>	24-60				
		<i>Listing</i>	1,850	<i>Listing</i>	24-60				
		<i>Listing</i>	2,811	<i>Listing</i>	24-60				
		<i>Listing</i>	1,351	<i>Listing</i>	24-60				
		<i>Listing</i>	2,921	<i>Listing</i>	24-60				
		<i>Listing</i>	1,071	<i>Listing</i>	24-60				
L-2	Times Mirror Square 220 W. 1st St	<i>Listing</i>	1,924	<i>Listing</i>	N/A	\$3.00 (Asking)	\$36.00	N/A	NNN
		<i>Listing</i>	1,573	<i>Listing</i>	N/A				
		<i>Listing</i>	6,145	<i>Listing</i>	N/A				
		<i>Listing</i>	1,031	<i>Listing</i>	N/A				
L-3	Brunswick Square 360-374 E. 2nd St	<i>Listing</i>	2,688	<i>Listing</i>	36-120	\$3.00 (Asking)	\$36.00	N/A	NNN
		<i>Listing</i>	893	<i>Listing</i>	36-120				
L-4	Weller Court Shopping Center 123 S. Onizuka St	<i>Sublease Listing</i>	2,390	<i>Sublease Listing</i>	71	\$2.12 (Asking)	\$25.44	N/A	NNN



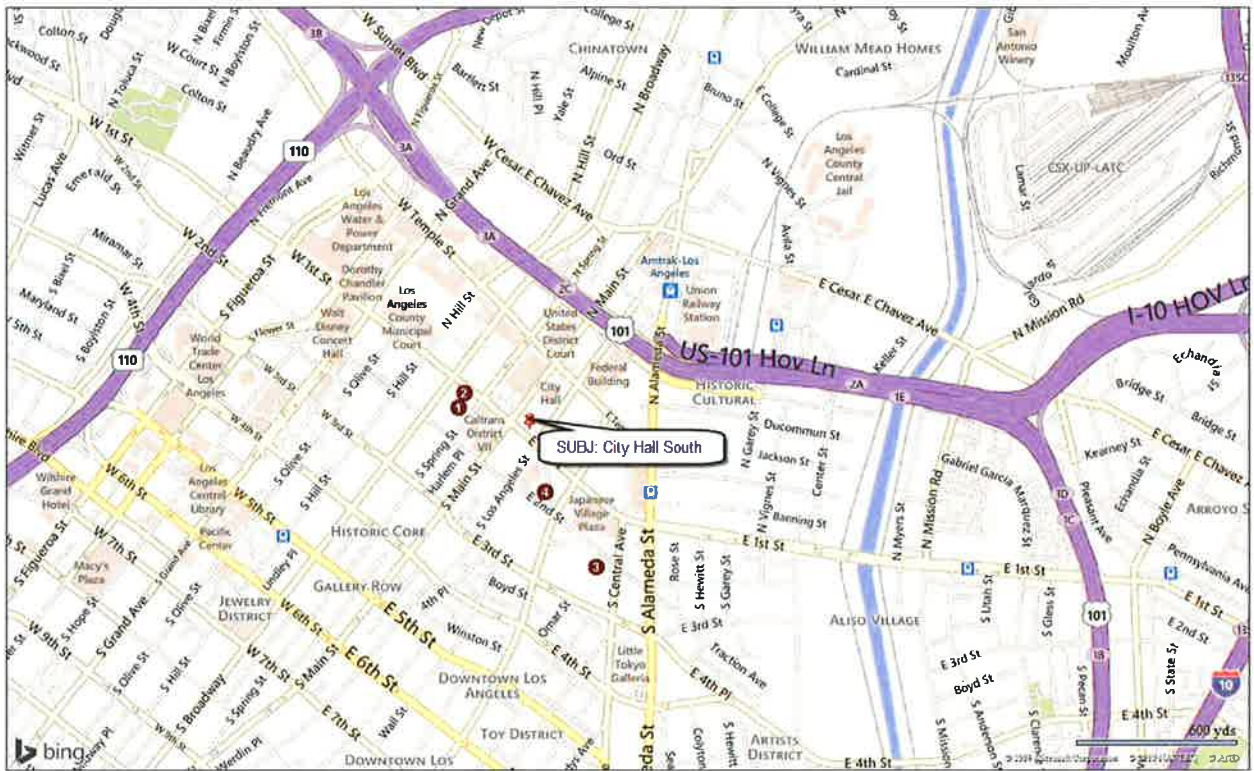
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### GROUND FLOOR RETAIL – LITTLE TOKYO MAP



## FINDINGS AND RECOMMENDATIONS

In our opinion the value of the subject land likely exceeds the value of the property as currently improved. We are hedging this opinion because there is not sufficient information about the improvements to determine whether or not the costs that would be required to bring the building to a market standard and lease the property to stabilized occupancy would result in a value that, after deductions for costs, would exceed the value of the underlying land. A buyer or developer would undertake some significant studies prior to determining the building warranted renovation rather than redeveloping the site. The Probable Maximum Loss (PML) for seismic integrity is unknown; the condition of the building's systems is not known (elevators, HVAC, cooling towers, electrical systems, etc.), nor is the condition of the physical components of the building (the roof for example). We also do not have a building measurement that shows the potential rentable area under BOMA measurement guidelines. Finally, the lack of onsite parking is a serious negative issue of the potential value of the property to an owner who does not control numerous offsite parking locations as does the City of Los Angeles. Accordingly, one of the potential alternatives we have considered is to evaluate the property as a potential location for parking in support of visitors to the Civic Center as well as employees who work in under-parked buildings. For example, the new Federal courthouse building is being developed with no parking facilities for visitors and most employees.

The property has an outstanding location in the Civic Center, but the submarket is almost exclusively dominated by government-related uses, including city, county, state and Federal uses. There is a strong cultural component to the larger Civic Center area, but these uses (Dorothy Chandler, Disney Concert Hall, museums, etc) are situated several blocks to the west and a similar use on the subject would not benefit from the critical mass of cultural uses in the area to the west. While the Little Tokyo District is just southeast of the subject, it is not likely the specific demand generators from this submarket would travel one block outside the submarket to provide similar demand for a retail development on the subject.

We stated previously that the evaluation of the subject presents something of a conundrum because the location in the Civic Center virtually surrounded by city, state, county and Federal uses indicates the most likely parties that would be interested in this building and this location would be (first) the city of Los Angeles, followed by other government or quasi-government entities. Although the surrounding zoning uses are commercial, which permits multifamily residential development, this site, although very well located, is not a logical candidate for this type of development because it would not be homogenous with the surrounding uses. There may be strong demand for some type of parking, but a parking garage in this prominent location would also not be a consistent use, unless in conjunction with a commercial development. New office development on a speculative basis is not considered to be economically feasible at current achievable rental rates, and per-square-foot sales prices for second tier office buildings in the downtown market result in a value indication that suggests strongly that the value of the property as improved is likely less than land value.

We understand the City of Los Angeles is contemplating relocating city employees to a potential new office building to be developed on the site which is currently the Los Angeles Mall. The Los Angeles Mall site has greater marketability and viability as a development site than the City Hall South property. Therefore, it is our recommendation that a better strategy for city office needs would be to redevelop a city owned office building on the City Hall South site. The current building is an under-improvement (less than a 2:1 FAR in an area of 6:1 zoning), and currently has no dedicated parking. The location is prominent, convenient to other city offices and facilities, and is a logical location for city offices to be constructed. Alternatively, the site may be suitable for a lower-density retail use such as those nearby in Little Tokyo, with abundant parking.

## **#2 WEST LA CIVIC CENTER**

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## ASSET OVERVIEW<sup>1</sup>

The West Los Angeles Civic Center property is located within the heart of the Westside Los Angeles commercial and residential district west of the San Diego Freeway (405), near the eastern boundary of the City of Santa Monica. The existing uses on the property include the West Los Angeles municipal building, the West Los Angeles District Courthouse, the West Los Angeles Police Department and support buildings, the West Los Angeles public library, a senior center, park and the US Post Office. Although this Civic Center project area currently consists of a “critical mass” of community uses, the City of Los Angeles recognizes that this 9.62 acre site is situated in a highly desirable market area which has been generating land values near the top of the range on an FAR basis and is currently under-improved and under-utilized from the perspective of private sector developers. The city does not currently own or control all the parcels; the courthouse property, which includes the West Los Angeles District Courthouse and related parking lots, is owned and controlled by the State of California. The US Post office is owned and controlled by the US government. The City of Los Angeles has asked this analysis to include the courthouse property, however, and may contemplate an exchange with the State of California to facilitate consolidating a more attractive, contiguous assemblage. The post office property is not included in this analysis.

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<sup>1</sup> Please note that the consultant team did not have access to the interior of the building. All information is based on City and third party information and an exterior inspection of the property.

## SUMMARY OF CRITICAL OBSERVATIONS

### SUMMARY OF CRITICAL OBSERVATIONS

The strengths and weaknesses analysis applies both specifically (attributes internal or specific to the subject) and generally (external or economic considerations that influence the subject).

#### STRENGTHS

- The property is situated in one of the strongest commercial and residential markets in Los Angeles County.
- There is strong demand from regional and local developers for sites with office or multi-family residential development potential as well as retail development potential.
- The "creative" office market in West Los Angeles is strong, and unlike most other areas of the county, this type of use is generating sufficient rental rates in this location to warrant new development.
- The site has potential to be either subdivided for different uses (including a mix of smaller multi-family, office or retail uses), or potentially for a larger single development such as a creative office campus, assuming entitlements could be obtained.
- There is also potential for a significant user-development, as there are some larger users/tenants in the market.

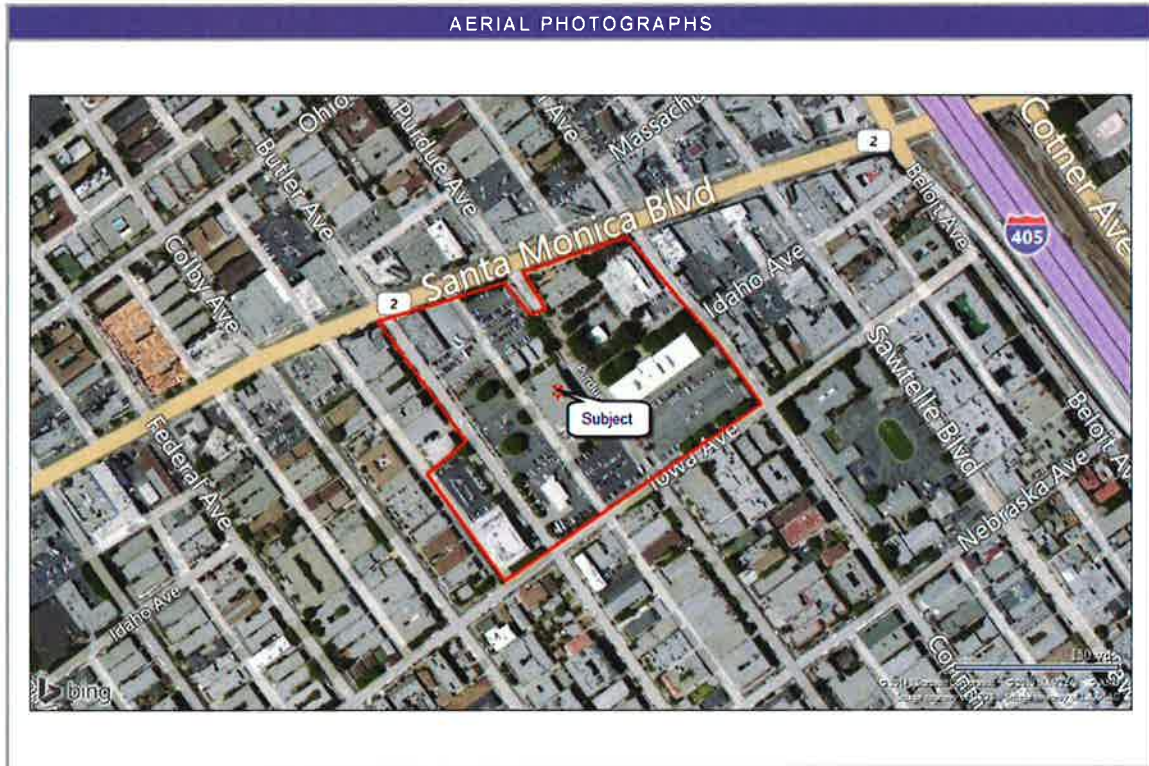
#### WEAKNESSES

- This market is particularly challenging for obtaining entitlements due to significant traffic issues and active homeowners associations.

#### CONCLUSIONS

It is our opinion that the property has immediate potential (assuming unencumbered) for market-driven demand from three of the "primary" asset categories: office, retail, and multi-family residential (either apartments or condominiums). The West Los Angeles market has recovered from the "Great Recession" earlier in the cycle than other markets in Los Angeles County. The time required and the difficulty in obtaining entitlements, as well as the uncertainty relating to obtaining approvals for a proposed project would suggest there is a significant premium to be achieved if the site were delivered either with approvals in place or with assurances of entitlements, versus delivering the property to a buyer or buyers who would assume all the risk associated with entitling proposed projects. We note however that in some instances a sale or ground lease structure can be established with a "base price" established using an assumed conservative level of entitlements as the basis for the pricing, and adding a "kicker" or "look back" after the entitlements have been established in which the seller receives additional payments if certain entitlement hurdles are ultimately achieved. Under this type of transaction, the city as seller should consider remaining "in the deal" as a JV partner, with input into the entitlement process and the ultimate development of the property. It is our recommendation that a premium price would be achieved if the property is sold rather than ground leased. In any event, if a ground lease structure is necessary, the longer the term and the more certain the payment schedule, to more desirable the lease structure will be from a developer's perspective.

# Property Photographs





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Subject Context – Northerly Perspective





Subject Context - Southerly Perspective



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Subject Context - Westerly Orientation



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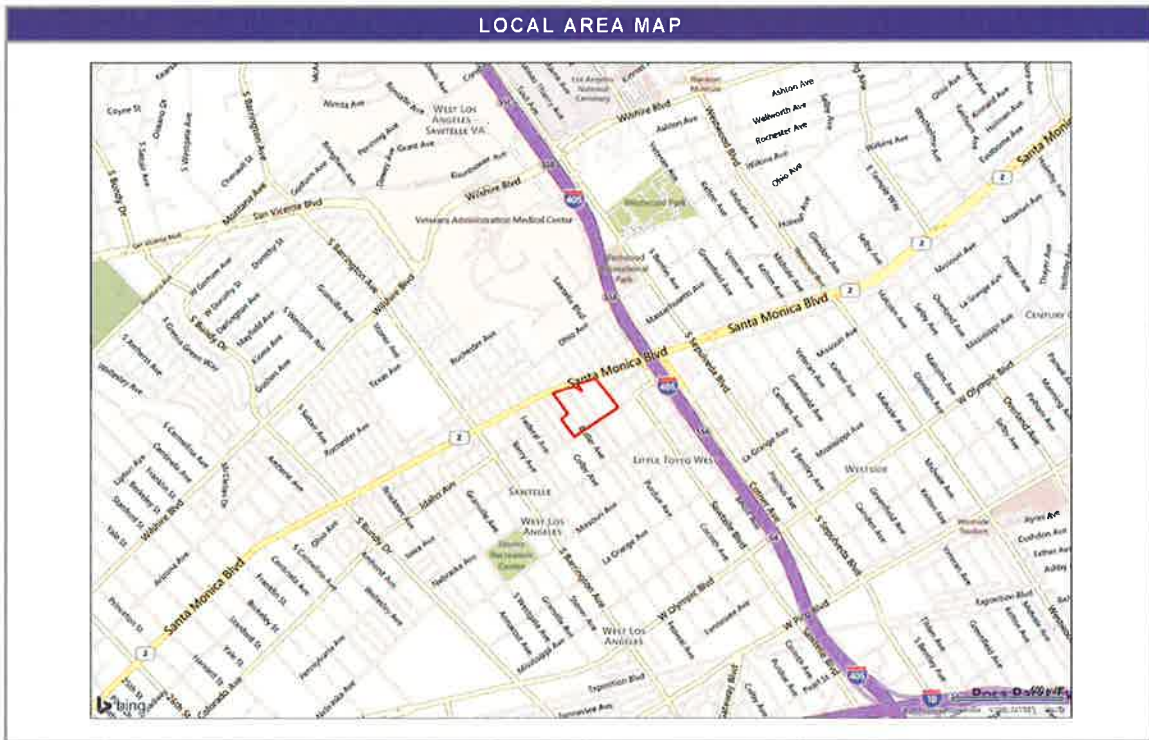
Subject Context - Easterly Orientation



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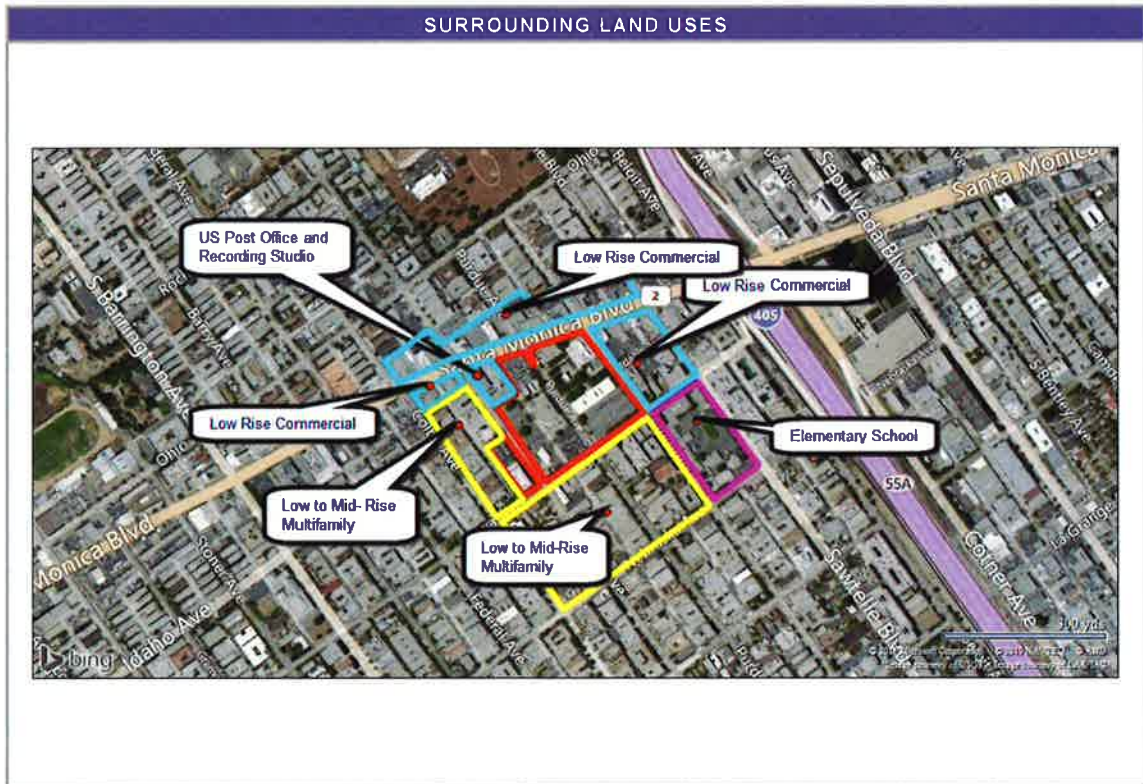
## SITE DESCRIPTION

Location:	The property encompasses all or portions of the blocks bounded by Santa Monica Boulevard on the north, Corinth Avenue on the east, Butler Avenue on the west and Iowa Avenue on the south. There is a non-contiguous parcel on the northwest corner of Iowa and Butler Avenues (Police Department building).  Los Angeles, Los Angeles County, California
Shape:	Irregular
Topography:	Level
Land Area:	9.62 acres / 419,061 square feet (multiple parcels)
Frontage:	Frontage is good. Access is good. <b>Santa Monica Boulevard:</b> 440 feet <b>Corinth Avenue:</b> 555 feet <b>Iowa Avenue:</b> 715 feet <b>Butler Avenue:</b> 1,147 total feet (797 feet on east side, 350 feet on west side)
Surrounding Uses:	<b>North:</b> Commercial and Residential Uses <b>South:</b> Residential Uses <b>East:</b> Commercial Uses and Elementary School <b>West:</b> Commercial and Residential Uses

### REDEVELOPMENT IN SUBJECT NEIGHBORHOOD

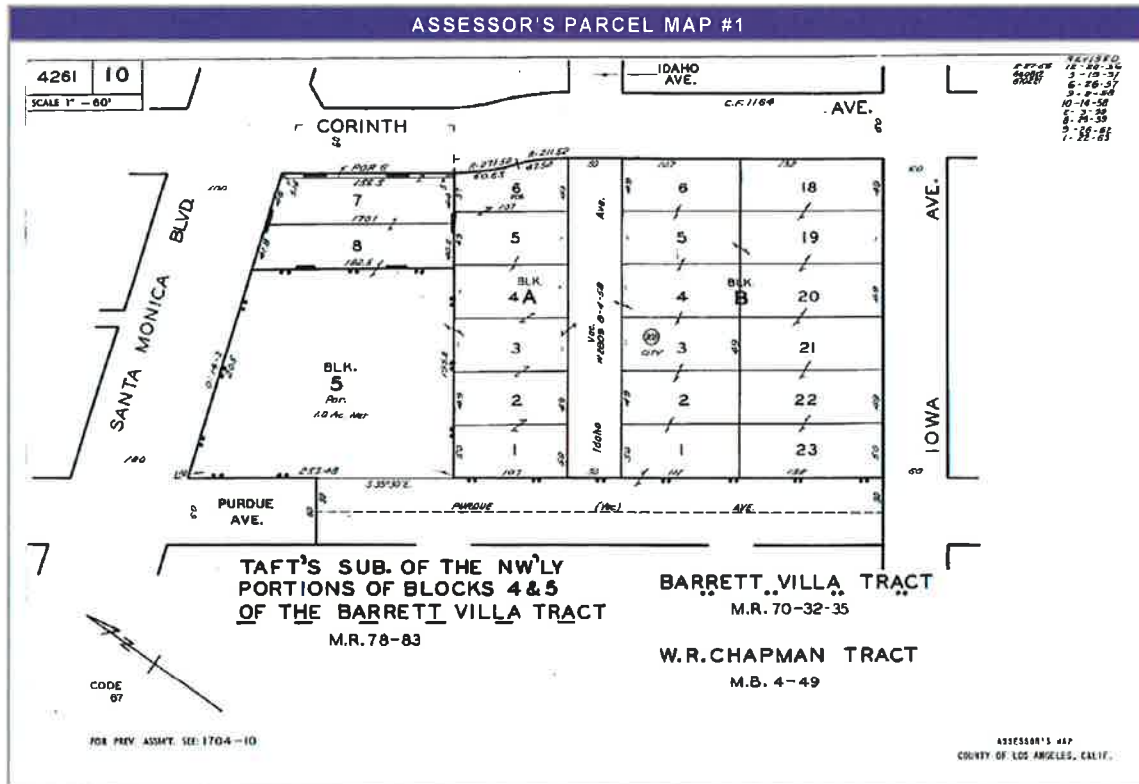
There are two significant redevelopment projects along Santa Monica Boulevard within 0.5 miles of the subject site that are either under construction or proposed. Currently under construction is the Pavilions development which encompasses the city block located at the southwest corner of Santa Monica Boulevard and Barry Avenues, approximately 0.3 miles west of the subject site. The former Vons store and retail buildings have been demolished and Safeway, Vons parent company is developing a new Pavilions grocery store. The new store is slated to open in 2015.

Further east along Santa Monica Boulevard, approximately 0.5 miles west of the subject is the former Chrysler Dealership site. CIM Group, a regional developer, assembled the 3.14 acre site at the beginning of this year. The site is located on the south side of Santa Monica Boulevard, east of Stoner Avenue and west of Westgate Avenue. Additionally, there are two smaller interior parcels on the west side of Westgate Avenue. CIM Group plans to build a mixed-use development, however the site is unentitled and detailed redevelopment plans have not been made public. Reportedly, CIM Group purchased a portion of the assemblage or 1.61 acres for \$21,701,500 which is approximately \$310 per square foot.

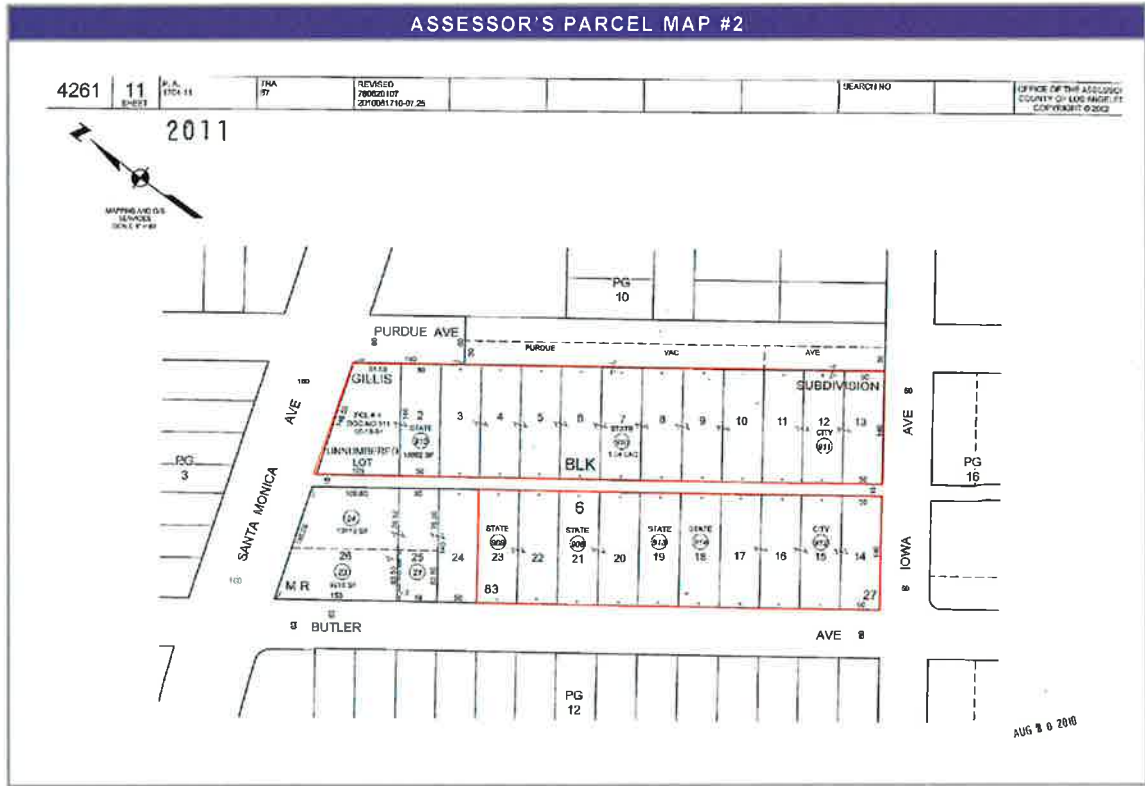


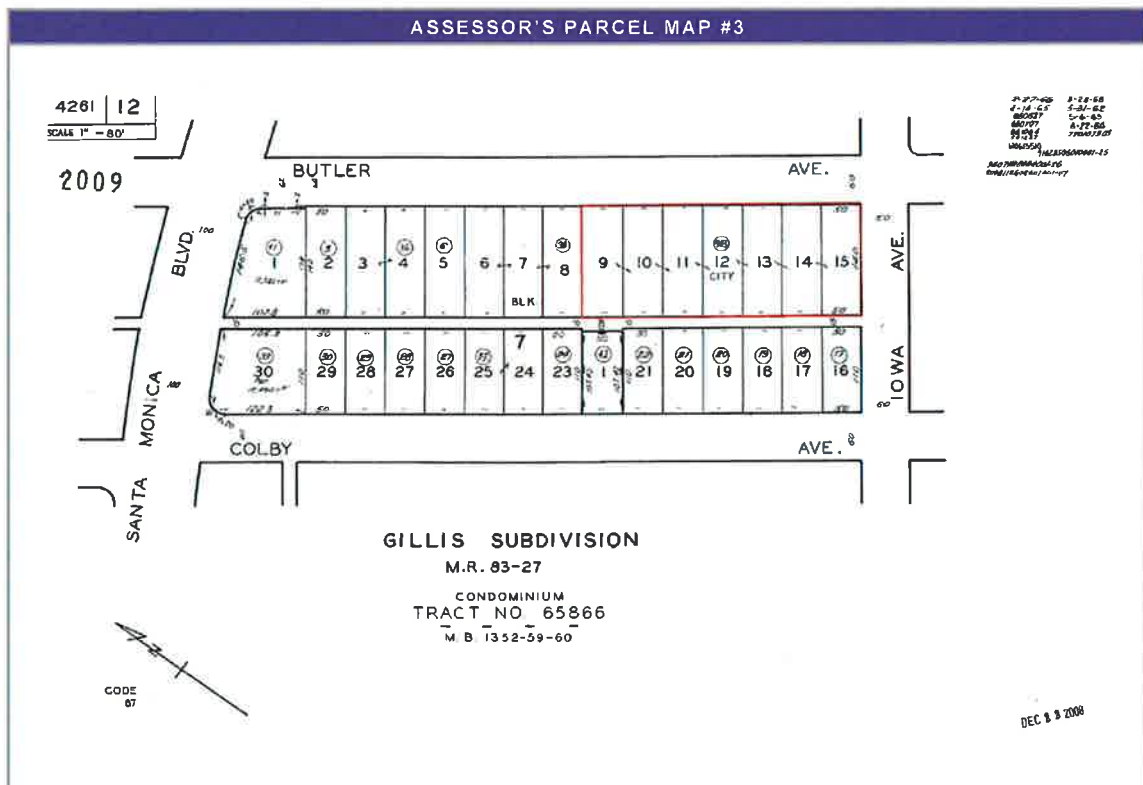
PROPERTY ASSET SUMMARY						
PROPERTY INFORMATION						
Parcel Number	PROPERTY ADDRESS	Owner Per Public Records	Owner Per City of LA	Existing Use	Current Zoning	Site Area per Assessor
4261-010-908		City of LA	Department of Recreation and Parks/ City of LA, Bureau of Public Buildings	Senior Citizen Rec Center/Public Library/LA Public Admin. Building/Parking Lot	PF-1XL	188,834
4261-011-908		State of California	State of California	Surface parking lot utilized for Courthouse	PF-1XL	13,998
4261-011-909		State of California	State of California	Surface parking lot utilized for Courthouse	PF-1XL	13,998
4261-011-910	1633 Purdue Ave	State of California	County of Los Angeles	LA County Courthouse and three small mobile structures	PF-1XL	67,134
4261-011-911		City of LA	City of LA	Surface parking lot	PF-1XL	25,501
4261-011-912		City of LA	City of LA	LA Police Dept. Includes a large communications tower, vehicular works station with gas pumps and surface parking.	PF-1XL	27,998
4261-011-913	1644 Butler Ave	State of California	State of California	Surface parking lot utilized for Courthouse	PF-1XL	6,999
4261-011-914		State of California	State of California	Surface parking lot utilized for Courthouse	PF-1XL	6,999
4261-011-915	11404 Santa Monica Blvd	State of California	City of LA	Two surface parking lots	PF-1XL	18,662
4261-012-903	1643 Butler Ave	City of LA	City of LA	LA Police Dept. Includes a large communications tower, vehicular works station with gas pumps and surface parking.	PF-1XL	48,938
<b>TOTAL</b>						<b>419,061</b>

SUMMARY BY ZONE	
ZONE	SITE AREA
PF	419,061
<b>TOTAL</b>	<b>419,061</b>









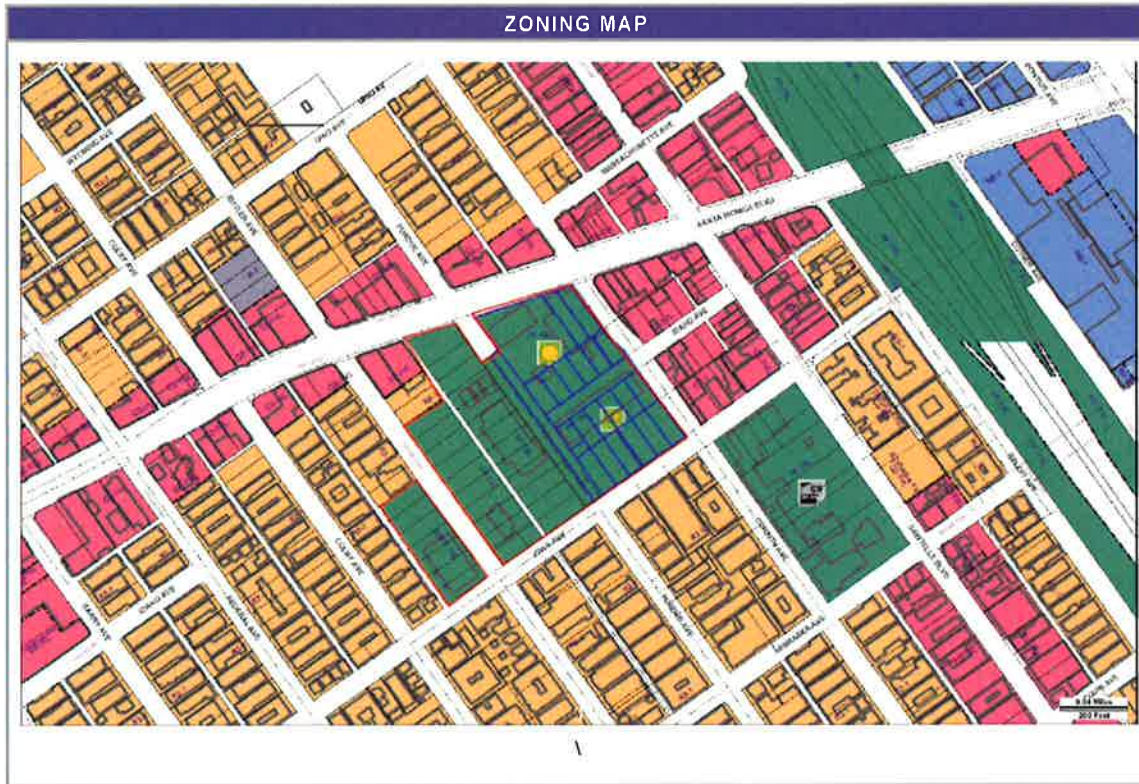
## ZONING AND PLANNING FRAMEWORK

### GENERAL INFORMATION

The property is zoned PF-1XL by the City of Los Angeles. The Public Facilities zone generally does not permit commercial uses by right; however, the zoning code does provide for joint public and private development uses permitted in the most restrictive adjoining zones. The surrounding and adjoining parcels have R3 and C2 zoning designations. The pertinent clauses and guidelines in these designations are as follows.

BY RIGHT ZONING SUMMARY		
ZONING REQUIREMENTS	R3	C2
Minimum Lot Area:	5,000 square feet	None for Commercial uses/ 5,000 square feet for residential
Minimum Lot Area Per Unit:	800 square feet	400 square feet
Maximum Building Height:	45 feet	45 feet or 3 stories
Maximum Floor Area Ratio (FAR):	3.0 times lot area	1.5 times lot area for commercial uses / 3.0 times lot area for residential
Minimum Yard Setbacks		
Front (feet):	15 feet	None for commercial uses
Rear (feet):	15 feet	None for commercial uses/ 15 feet for residential + 1 ft. for each story over 3rd; 20 ft. max
Side (feet):	5ft; 10% of lot < 50 ft; 3ft min; + 1 ft each story over 2nd; 16 ft max	None for commercial uses/ 5ft; 10% of lot < 50 ft; 3ft min; + 1 ft each story over 2nd; 16 ft max
Required On-Site Parking:	1 space per unit < 3 rooms, 1.5 spaces per unit = 3 rooms, 2 spaces per unit > 3 rooms, and 1 space each guest room.	Commercial or Business Office uses - 1 space per 500 square feet of floor area

For “creative” office use, the 1.5:1 maximum density under the C2-1 commercial zoning is not generally a limiting factor in land value because the marketplace of tenants prefers a lower-density “campus” environment with low-rise buildings with large open floor plans, extensive natural light concrete, masonry and wood finishes, landscaping, and surface parking (ideally). The higher land values in this location typically will warrant some structure parking, however.



SITE AREA BY CURRENT ZONING CLASSIFICATION					
ZONING DESIGNATION	TOTAL SITE AREA	MAX FAR/ DENSITY BY RIGHT	POTENTIAL YIELD	MAX OVERALL RESIDENTIAL	MAX OVERALL COMMERCIAL
PF (assuming C2)	419,061 square feet	1.5:1 FAR	628,592 square feet		628,592 square feet
PF (Assuming R3)	419,061 square feet	3:1 FAR; 800 square feet per D.U.	523.83 units	524 units	1,257,183 square feet

## USE ANALYSIS

### ASSET POSITIONING

The current civic center uses are not the highest and best use for this site.

The property is situated in one of the strongest commercial and residential markets in Los Angeles County and there is strong demand from regional and local developers for sites with multi-family residential development potential as well as retail and office development potential.

The creative office market in West Los Angeles is strong, and unlike most other areas of the county, this type of use is generating sufficient rental rates in this location to warrant new development. There are no sites of comparable size available in this prime location. An example of recent activity involving a comparable asset is provided by a project known as The Element, which is located in the subject's West Los Angeles submarket, and wraps the northwest corner of Olympic Boulevard and Bundy Drive within about a mile of the property. The property consists of a 12.21-acre site improved with five older industrial buildings which are in the process of being completely renovated (currently gutted) and redeveloped into a creative office campus. The ownership acquired the property in two separate transactions in late 2012 and late 2013 for a total of \$103 million, or about \$194 per-square-foot of land area. The property is underlying zoning which permits 1.5:1 FAR development, and the buyer (Hudson, an LA-based REIT) initially planned to demolish the improvements and redevelop the site to close to the maximum FAR. Rather than going through an extended and potentially problematic entitlement process, the ownership decided to re-develop the existing buildings, add a parking structure, and lease the space to creative office tenants. Soon after this project was announced, the entire property (285,000 SF, or a 0.5:1 FAR versus the potential 1.5:1 FAR based on zoning) was leased for a 15-year term to Riot Games as their new campus headquarters at NNN rental rates significantly above the original pro forma.

There are a number of other examples throughout the West Los Angeles, Santa Monica, Playa Vista and Culver City submarkets which demonstrate the solid demand for sites of significant size, as well as the entrepreneurial steps developers are taking to renovate/repurpose existing buildings to a "higher and better" creative office use. The Post Office property in Playa Vista was converted to creative office, with more than 3,000 square feet leased to credit tenants in the two years since the developer converted the property (Worthe/Shorenstein); Hackman Capital recently converted two industrial buildings in the Hayden Tract submarket of Culver City to creative office, and leased the entire campus to Beats by Dre. The Hercules Campus in Playa Vista was acquired and is being redeveloped to creative office; the leased portion of the project is being marketed for sale, and is under contract for nearly \$600 per-square-foot (Ratkovich). The former Papermate property (industrial/warehouse improvements) was acquired by Hines in 2007 (Santa Monica), who is working through entitlements for a major mixed use development. Deluxe recently leased a creative office project campus just south of Olympic Boulevard that was a converted industrial building (Hudson). Hudson (the developer of the Element discussed above) also recently acquired the former (vacant) Grammy property on Pico Boulevard at Centinela Avenue in West Los Angeles for redevelopment of the existing buildings to creative office space.

These and other examples demonstrate the exceptionally strong demand from developers for opportunities to acquire and develop properties with the subject's locational and size characteristics.

The site has potential to be either subdivided for different uses (including a mix of smaller multi-family, office or retail uses), or potentially for a larger single development such as a creative office campus, assuming entitlements could be obtained.

There is also potential for a significant user-development, as there are some larger users/tenants in the market.

We also considered multi-family residential use. There have been a number of land sales involving sites acquired for commercial and multi-family use, and the data indicates there is potentially a higher value to the land which can be achieved through the commercial use of the property. Alternatively, however, the southerly portion of the site(s) can be developed with multi-family uses while the northerly portion (along the Santa Monica Boulevard frontage) can be developed with commercial uses.

## APPROACH

- Land sale data was investigated, including land for multi-family and office/commercial uses.
- The Westside market was analyzed, including an analysis of the supply and demand factors for office space in the directly and secondarily competitive markets.
- Researched comparable leasing data in the competitive market

The analysis on the following pages includes an overview of the office market in the Westside area, followed by a summary of creative office campus leasing activity in competitive markets.

## USES CONSIDERED

Assuming control of the entire property, our brief viewing of the improvements indicates the highest and best use of the site, as improved and as if vacant, is for redevelopment. If entitlements for office, and specifically “creative” office can be obtained for the entire site, this use would likely represent the highest potential value. Alternatively the site could include a mix of multi-family development (mid-density apartments or condominiums), most likely towards the southerly portion of the property. Since the value of the property is almost exclusively in the underlying land value, we included a number of land sales and marketing efforts in the competitive market in order to provide an overview of pricing currently being paid. We included both commercial and multi-family sites, as well as mixed-use sites, with particular focus on density levels consistent with the most probable achievable density for the subject sites. The data is summarized on the accompanying exhibit.



## DEVELOPMENT SCENARIOS

Based on an analysis of market conditions, our read of the subject site and its likely market positioning, we developed a range of alternative use scenarios for the site.

- Scenario A - Developed as a mixed-use project - 50% of subject site dedicated to multi-family residential uses and 50% dedicated to office uses
- Scenario B - Developed as 100% office uses
- Scenario C – Developed as 100% multi-family residential uses

In every scenario, the existing development potential “by-right” under current zoning (1.5:1 FAR – office uses & 3:1 FAR – residential uses) was considered. In Scenario B, we modeled the potential size of the office uses according to our estimation of “optimal” office development density within the subject’s submarket (0.75:1 FAR) assuming low-density “creative” office development. In the residential scenarios, we estimated the potential number of units based on the corresponding maximum unit yield (rounded down to the nearest ten).

	Scenario A	Scenario B	Scenario C
	50% Office / 50% MFR	100% Office	100% MFR - Apartments
Site Area (SF)	419,061	419,061	419,061
Proposed Use	Mixed-Use	Market-Rate Office	Residential - Apartments
Maximum Building Area	942,887	628,592	1,257,183
Proposed Building Area SF	627,856	314,296	627,120
FAR as Proposed	1.50	0.75	1.50
Multifamily Units	260	N/A	520
Avg. Unit Size (net)	1,005	N/A	1,005
Multifamily SF (net)	261,300	None	522,600
Multifamily as % of project	42%	N/A	83%
Office SF	314,296	314,296	None
Office as a % of project	50%	100%	N/A
Parking (# of spaces)	1,378	943	871
Ratios	1.675 per apartment unit 3/1,000 office	3/1,000 office	1.675 per apartment unit



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## PRO FORMAS

### Scenario A

Subject site is developed as a mixed-use project (apartments & office space @ 1.5:1 FAR)

New institutional residential projects in the subject's submarket were surveyed in order to estimate the density, unit mix, and market rental rates for the multifamily component appropriate for the subject.

Conceptual Unit Mix and Rent Schedule				
Floor Plan	# of Units	Size (SF)	Rent (Monthly)	PSF
Studio	39	600	\$2,400	\$4.00
1BR/1BA	91	900	\$3,375	\$3.75
2BR/2BA	130	1,200	\$4,200	\$3.50
<b>TOTALS</b>	<b>260</b>	<b>261,300</b>	<b>\$946,725</b>	<b>\$3.62</b>

Revenue based on the above rents was offset by a market standard 5% vacancy and collection loss assumption and typical operating expenses for similarly positioned apartment communities to derive a net operating income.

50% Office / 50% MFR - Residential Component		Scenario A
Site Area		419,061
Proposed Use		Mixed-Use
Proposed Building Area SF		627,856
Multifamily Units		260
Multifamily SF (net)		261,300
Multifamily as % of project		42%
Parking (# of spaces)		1,378
<b>REVENUE</b>		
Studios (39 units - 15% of unit mix)	\$2,400 per unit	\$1,123,200
1BR/1BA (91 units - 35% of unit mix)	\$3,375 per unit	\$3,685,500
2BR/2BA (130 units - 50% of unit mix)	\$4,200 per unit	\$6,552,000
<b>Potential Gross Income</b>	<b>\$43,695 per unit</b>	<b>\$11,360,700</b>
Vacancy and Collection Loss (Residential)	5.00% of PGI	(\$568,035)
<b>Effective Gross Income</b>	<b>\$41,510 per unit</b>	<b>\$10,792,665</b>
<b>EXPENSES</b>		
Real Estate Taxes	1.2% of price	\$1,978,000
Property Insurance	\$200 per unit	\$52,000
Utilities	\$1,000 per unit	\$260,000
Repairs & Maintenance	\$900 per unit	\$234,000
Unit Turnover and Make Ready	\$300 per unit	\$78,000
Management Fees	3% of EGI	\$323,780
Payroll	\$950 per unit	\$247,000
Advertising and Marketing	\$180 per unit	\$46,800
General & Administrative	\$350 per unit	\$91,000
Replacement Reserves	\$250 per unit	\$65,000
<b>Total Expenses</b>	<b>\$12,983 per unit</b>	<b>\$3,375,580</b>
<b>NET OPERATING INCOME (ANNUAL)</b>	<b>\$28,527 per unit</b>	<b>\$7,417,085</b>

Applying a range of capitalization rates to the pro forma income results in a pricing range for the residential component in this scenario, assuming the project was complete and the property was operating at stabilized levels, as demonstrated in the following table.

Capitalization Matrix			
50% Office / 50% MFR - Residential Component			
Cap Rate	NOI	Indicated Price	Per Unit
4.00%	\$7,417,085	\$185,427,126	\$713,181
4.25%	\$7,417,085	\$174,519,648	\$671,229
4.50%	\$7,417,085	\$164,824,112	\$633,939
4.75%	\$7,417,085	\$156,149,159	\$600,574
5.00%	\$7,417,085	\$148,341,701	\$570,545

Office space in the competitive market was surveyed in order to estimate current market rental rates for the retail scenario.

Revenue associated with third party leasing was offset by a market standard 7.5% vacancy and collection loss assumption to derive a net operating income for the office component of the proposed project.

50% Office / 50% MFR - Office Component		Scenario A
Site Area		419,061
Proposed Use		Mixed-Use
Proposed Building Area SF		627,856
Office SF		314,296
Office as a % of project		50%
Parking (# of spaces)		1,378
<b>REVENUE</b>		
3rd Party Office Space (NNN)	\$33.00 PSF	\$10,371,760
Parking Revenue	\$5.00 PSF	\$1,571,479
<b>Potential Gross Income</b>	<b>\$38.00 PSF</b>	<b>\$11,943,239</b>
Vacancy and Collection Loss	7.50% of PGI	(\$777,882)
<b>Effective Gross Income</b>	<b>\$35.53 PSF</b>	<b>\$11,165,357</b>
<b>NET OPERATING INCOME (ANNUAL)</b>	<b>\$35.53 PSF</b>	<b>\$11,165,357</b>

Applying a range of capitalization rates to the pro forma income results in a pricing range for the office component in this scenario, assuming the project was complete and the property was operating at stabilized levels, as demonstrated in the following table.

Capitalization Matrix			
50% Office / 50% MFR - Office Component			
Cap Rate	NOI	Indicated Price	PSF (NRA)
6.00%	\$11,165,357	\$186,089,275	\$592.08
6.25%	\$11,165,357	\$178,645,704	\$568.40
6.50%	\$11,165,357	\$171,774,716	\$546.54
6.75%	\$11,165,357	\$165,412,689	\$526.30
7.00%	\$11,165,357	\$159,505,093	\$507.50

The estimated aggregate pricing range for both components presented above is demonstrated in the following table.

Aggregate Pricing Matrix			
50% Office / 50% MFR			
Cap Rate	Indicated Price	Per Unit	PSF (NRA)
Conservative	\$307,846,794	\$1,184,026	\$490.31
Moderate	\$336,598,828	\$1,294,611	\$536.11
Aggressive	\$371,516,402	\$1,428,909	\$591.72

**Scenario B****Subject site is developed with 100% office uses (@ 0.75:1 FAR)**

Office space in the competitive market was surveyed in order to estimate current market rental rates for the retail scenario.

Revenue associated with third party leasing was offset by a market standard 7.5% vacancy and collection loss assumption to derive a net operating income for the proposed project.

100% Office		Scenario B
Site Area		419,061
Proposed Use		Market-Rate Office
Proposed Building Area SF		314,296
Parking (# of spaces)		943
<b>REVENUE</b>		
3rd Party Office Space (NNN)	\$36.00 PSF	\$11,314,647
Parking Revenue	\$5.00 PSF	\$1,571,479
<b>Potential Gross Income</b>	<b>\$48.76 PSF</b>	<b>\$12,886,126</b>
Vacancy and Collection Loss	7.50% of PGI	(\$848,599)
<b>Effective Gross Income</b>	<b>\$45.55 PSF</b>	<b>\$12,037,527</b>
<b>NET OPERATING INCOME (ANNUAL)</b>	<b>\$45.55 PSF</b>	<b>\$12,037,527</b>

Applying a range of capitalization rates to the pro forma income results in a pricing range for the 100% office scenario, assuming the project was complete and the property was operating at stabilized levels, as demonstrated in the following table.

Capitalization Matrix			
Cap Rate	NOI	Indicated Price	PSF (NRA)
6.00%	\$12,037,527	\$200,625,454	\$638.33
6.25%	\$12,037,527	\$192,600,436	\$612.80
6.50%	\$12,037,527	\$185,192,727	\$589.23
6.75%	\$12,037,527	\$178,333,737	\$567.41
7.00%	\$12,037,527	\$171,964,675	\$547.14

**Scenario C****Subject site is developed with 100% multi-family residential uses**

New institutional residential projects in the subject's submarket were surveyed in order to estimate the density, unit mix, and market rental rates for the multifamily component appropriate for the subject.

Conceptual Unit Mix and Rent Schedule				
Floor Plan	# of Units	Size (SF)	Rent (Monthly)	PSF
Studio	78	600	\$2,400	\$4.00
1BR/1BA	182	900	\$3,375	\$3.75
2BR/2BA	260	1,200	\$4,200	\$3.50
<b>TOTALS</b>	<b>520</b>	<b>522,600</b>	<b>\$1,893,450</b>	<b>\$3.62</b>

Revenue based on the above rents was offset by a market standard 5% vacancy and collection loss assumption and typical operating expenses for similarly positioned apartment communities to derive a net operating income.

100% MFR - Apartments		Scenario C
Site Area		419,061
Proposed Use		Residential
Proposed Building Area SF		627,120
Multifamily Units		520
Multifamily SF (net)		522,600
Parking (# of spaces)		871
<b>REVENUE</b>		
Studios (78 units - 15% of unit mix)	\$2,400 per unit	\$2,246,400
1BR/1BA (182 units - 35% of unit mix)	\$3,375 per unit	\$7,371,000
2BR/2BA (260 units - 50% of unit mix)	\$4,200 per unit	\$13,104,000
<b>Potential Gross Income</b>	<b>\$43,695 per unit</b>	<b>\$22,721,400</b>
Vacancy and Collection Loss	5.00% of PGI	(\$1,136,070)
<b>Effective Gross Income</b>	<b>\$41,510 per unit</b>	<b>\$21,585,330</b>
<b>EXPENSES</b>		
Real Estate Taxes	1.2% of price	\$3,956,000
Property Insurance	\$200 per unit	\$104,000
Utilities	\$1,000 per unit	\$520,000
Repairs & Maintenance	\$900 per unit	\$468,000
Unit Turnover and Make Ready	\$300 per unit	\$156,000
Management Fees	3% of EGI	\$647,560
Payroll	\$950 per unit	\$494,000
Advertising and Marketing	\$180 per unit	\$93,600
General & Administrative	\$350 per unit	\$182,000
Replacement Reserves	\$250 per unit	\$130,000
<b>Total Expenses</b>	<b>\$12,983 per unit</b>	<b>\$6,751,160</b>
<b>NET OPERATING INCOME (ANNUAL)</b>	<b>\$28,527 per unit</b>	<b>\$14,834,170</b>

Applying a range of capitalization rates to the pro forma income results in a pricing range for the 100% multi-family residential scenario, assuming the project was complete and the property was operating at stabilized levels, as demonstrated in the following table.

Capitalization Matrix				
Cap Rate	NOI	Indicated Price	Per Unit	PSF (NRA)
4.00%	\$14,834,170	\$370,854,253	\$713,181	\$591.36
4.25%	\$14,834,170	\$349,039,296	\$671,229	\$556.57
4.50%	\$14,834,170	\$329,648,224	\$633,939	\$525.65
4.75%	\$14,834,170	\$312,298,318	\$600,574	\$497.99
5.00%	\$14,834,170	\$296,683,402	\$570,545	\$473.09



## SUMMARY OF ALTERNATIVES

What this analysis indicates is that, from a market perspective, the Highest and Best Use of the subject site is...

Below we have summarized the price indications and corresponding land residual for each scenario based on a conservative, moderate, and aggressive underwriting approach. This includes our estimates of construction costs to complete the proposed development for each respective scenario.

<b>Construction Costs</b>	<b>Scenario A</b>	<b>Scenario B</b>	<b>Scenario C</b>
Multifamily	\$78,390,000	N/A	\$156,780,000
Cost Per Unit	\$301,500	N/A	\$301,500
Office	\$110,003,513	\$102,146,119	N/A
Cost PSF	\$350.00	\$325.00	N/A
Parking Cost Per Stall	\$18,000	\$18,000	\$18,000
Parking Cost Total	\$24,810,971	\$16,971,971	\$15,678,000
Total Hard Cost	\$213,204,483	\$119,118,089	\$172,458,000
Soft Cost @ 20% HC	\$42,640,897	\$23,823,618	\$34,491,600
<b>Total Construction Cost</b>	<b>\$255,845,380</b>	<b>\$142,941,707</b>	<b>\$206,949,600</b>

<b>Price Indications</b>	<b>Scenario A</b>	<b>Per Unit</b>	<b>PSF</b>	<b>Scenario B</b>	<b>PSF</b>	<b>Scenario C</b>	<b>Per Unit</b>
Conservative	\$307,846,794	\$1,184,026	\$490.31	\$171,964,675	\$547.14	\$296,683,402	\$570,545
Moderate	\$336,598,828	\$1,294,611	\$536.11	\$185,192,727	\$589.23	\$329,648,224	\$633,939
Aggressive	\$371,516,402	\$1,428,909	\$591.72	\$200,625,454	\$638.33	\$370,854,253	\$713,181

<b>Land Residual</b>	<b>Scenario A</b>		<b>Scenario B</b>		<b>Scenario C</b>	
Total Site Area	419,061		419,061		419,061	
Proposed Use	Mixed-Use		Market-Rate Office		Residential - Apartments	
Proposed Building Area SF	627,856		314,296		627,120	
<b>Land Residual Indications</b>		<b>PSF</b>		<b>PSF</b>		<b>PSF</b>
Conservative	\$52,001,415	\$124.09	\$29,022,968	\$69.26	\$89,733,802	\$214.13
Moderate	\$80,753,448	\$192.70	\$42,251,019	\$100.82	\$122,698,624	\$292.79
Aggressive	\$115,671,022	\$276.02	\$57,683,747	\$137.65	\$163,904,653	\$391.12



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## LAND SALES

In order to weigh our Land Residual indications from the alternatives considered, we evaluated land investment activity in and around the subject's local area, which is summarized on the following page.



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SUMMARY OF LAND SALES											
PROPERTY INFORMATION							TRANSACTION INFORMATION				
No.	Location	Size (sf)	Size (Acres)	FAR	Potential Building Area	Proposed Use	Zoning	Sale Date	Sale Price	\$/SF Land	\$/FAR
S	Subject Property	419,061	9.62				PF-1XL				
1	1819 Cloverfield Santa Monica, CA	38,620	0.89	1.00	38,620	Commercial	LMSD	Listing	\$10,500,000	\$271.88	\$271.88
2	11261 Santa Monica Boulevard Los Angeles, CA	17,990	0.41	1.50	26,985	Commercial	C2-1VL	Listing	\$8,800,000	\$489.16	\$326.11
3	1947 S Saw telle Boulevard Los Angeles, CA	37,723	0.87	1.5/3.0	86,232	Commercial	C2-1VL/R2-1	Escrow	\$9,000,000	\$238.58	\$104.37
4	11842 Santa Monica Boulevard Los Angeles, CA	70,032	1.61	1.5/3.0	136,473	Mixed-Use	C2-1VL/R3-1	1/14	\$21,701,500	\$309.88	\$159.02
5	11646 W Pico Boulevard Los Angeles, CA	19,287	0.44	1.50	28,946	Mixed-Use	(Q)C2-1VL-CDO	9/13	\$5,350,000	\$277.25	\$184.83
6	1900 Saw telle Boulevard Los Angeles, CA	13,051	0.30	1.50	19,577	Mixed-Use	C2-1VL	5/13	\$3,146,000	\$241.05	\$160.70
7	1750 Saw telle Boulevard Los Angeles, CA	7,449	0.17	1.50	11,174	Mixed-Use	C2-1VL	3/13	\$1,259,000	\$169.02	\$112.88
8	1900 Saw telle Boulevard Los Angeles, CA	13,051	0.20	1.50	19,577	Commercial	C2-1VL	5/13	\$3,145,900	\$241.05	\$160.70
9	11022-11040 W Pico Blvd Los Angeles, CA	70,254	1.61	1.50	105,381	Commercial	M2-1-O	12/12	\$13,500,000	\$192.18	\$128.11
10	Olympic Bundy 1901-1933 Bundy Drive 12333 W Olympic Boulevard West Los Angeles, CA	503,206	11.55	1.50	754,809	un-entitled office	M2-1	9/12	\$89,000,000	\$176.87	\$117.91
11	11320-11322 La Grange Avenue Los Angeles, CA	6,490	0.15	3.00	19,470	MultiFamily	R2-1	4/14	\$1,275,000	\$196.46	\$65.49
12	10473-10477 Santa Monica Boulevard Los Angeles, CA	9,021	0.21	3.00	27,063	MultiFamily	(T)(Q)RA S4-1VL-O	8/13	\$4,000,000	\$443.41	\$147.80
									includes \$500,000 for entitlements		
<b>STATISTICS</b>											
Low		6,490	0.15	1.00	11,174			9/12	\$1,259,000	\$169.02	\$65.49
High		503,206	11.55	3.00	754,809			4/14	\$89,000,000	\$489.16	\$326.11
Average		67,182	1.53	1.75	106,182			6/13	\$14,223,117	\$270.58	\$161.83



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Pricing per-square-foot of land are is in a fairly wide range from (rounded) \$65 to \$326 per FAR (averaging \$162 per FAR) and from \$169 to \$489 per-square-foot of land area. A recent closed sale (item 4) involves an assemblage of a former car dealership site by CIM located just a few blocks west of the property on Santa Monica Boulevard. This property was acquired for about \$310 per-square-foot of land area, and this site is similar to the subject's Santa Monica Boulevard frontage. The land to the south of Santa Monica Boulevard will likely accrue a lower per-square-foot price on an allocated basis. The data in general supports value range in the "mid to upper hundred" on a per FAR basis in the current market environment, although the ultimate achievable pricing will depend upon the real or perceived ability to entitle the property.

We understand the City of Los Angeles would prefer to include a community center of approximately 50,000 square feet in size within the project. We would recommend this component of a potential development be included within the southerly portion of the property; this type of use is also more appropriate with the surrounding low-end mid-density residential development to the south rather than along or near the more valuable Santa Monica Boulevard frontage. If possible, the current non-contiguous police station parcel might be an appropriate location for this proposed use, reducing the impact on the remainder of the property.

## ALTERNATIVES TO MONETIZE CITY INTEREST

The scope of this assignment involved exploring, and quantifying to the extent possible, a range of potential deal structures the City could consider in its asset management decisions involving The Civic Center property.

While we understand the City of Los Angeles may prefer to structure a ground lease versus a sale, we recommend an outright sale or Joint Venture, as this structure will in most cases result in higher proceeds. As noted previously, the time required and the difficulty in obtaining entitlements, as well as the uncertainty relating to obtaining approvals for a proposed project would suggest there is a significant premium to be achieved if the site were delivered either with approvals in place or with assurances of entitlements, versus delivering the property to a buyer or buyers who would assume all the risk associated with entitling proposed projects. It is a reasonable alternative to consider structuring a sale or ground lease with a base price established using an assumed conservative level of entitlements as the basis for the pricing, and then adding a “kicker” or “look back” after the entitlements have been established in which the seller receives additional payments if certain entitlement hurdles are ultimately achieved. Under this type of transaction, the city as seller should consider remaining in the deal as a JV partner, with input into the entitlement process and the ultimate development of the property (including the inclusion of a community center if so desired).

It is our recommendation that a premium price would be achieved if the property is sold rather than ground leased. In any event, if a ground lease structure is desired, the longer the term and the more certain the payment schedule, the more desirable the lease structure will be from a developer's perspective.

- At a minimum, a ground lease should be structured with a 55-year term with one or more extension options for five or 10-year terms.
- Ground rent is typically structured based on a fair return on land value, which is currently in the 6.0 to 7.0 percent per annum range.
- During an entitlement/predevelopment period (initial two or three years) this initial rent is typically ramped in.
- Increases over the term or usually fixed either every five or ten years, and may be tied to CPI or with a fixed annual increase in the range of 3.0 percent on a cumulative basis.
- There can be adjustments to market over the term, although a lessee would prefer to put these adjustments as far in the future as possible (20 or 25 years).

## FINDINGS AND RECOMMENDATIONS

The property has an outstanding location in a strong market, with values driven by the strength of the demand. The property is suitable for either commercial or multi-family development or a mix of these uses. There is solid demand for land with this development potential, and ample land sale data in the neighborhood to suggest strong land values. The seller (City of Los Angeles) could consider a potential Joint Venture (JV) agreement with a developer in order to maximize value as well as providing input during the entitlement process.

It is recommended that the City retain the services of an outside real estate expert to advise them on the RFP process, evaluate responses, interview potential developer partners and assist in the process of making a final selection. The purpose of an outside, independent advisor is to assist the City in evaluating the economic terms of the proposals and assessing the viability of the projections based on industry knowledge and experience.



# ADDENDA CONTENTS

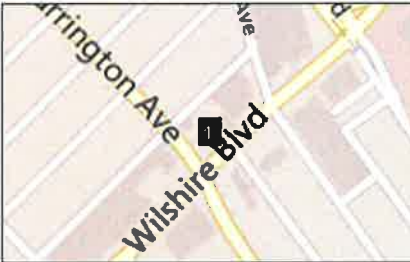
- Addendum A: RENT COMPS
- Addendum B: MARKET ANALYSIS

# ADDENDUM A: RENT COMPS



## 1168 S Barrington Ave - the bw

Los Angeles, CA 900496109 - West Los Angeles MF Submarket



### PROPERTY

Property Type:	<b>Class A Apartments</b>	Stories:	<b>6</b>
Style:	<b>Mid-Rise</b>	Building Size:	<b>78,000 SF</b>
# of Units:	<b>78</b>	Land Area:	<b>.45 AC (19,545 SF)</b>
Avg Unit Size:	<b>1,020 SF</b>	Zoning:	<b>LAC4</b>
Year Built/Renov:	<b>2013 / -</b>		

Asking Rent/Unit:	<b>\$4,304.56</b>
Asking Rent/SF:	<b>\$4.22</b>

Rent Type:	<b>Market</b>
Market Segment:	<b>All</b>

Unit Amenities: **Alarm, High Speed Internet, Stainless Steel Appliances, Sunken Tub, Views, Walk-In Closets, Wall-to-wall carpeting, A/C, Dishwasher, Washer/Dryer**

Site Amenities: **Internet, Close to Public Transportation, Close to Shops, Dry Cleaning Service, Furnished Units Available, Grill, Maid Service, Pet Play Area, View, Business Center, Concierge, Courtyard, Fitness Center, Property Manager on Site, Spa**

Parcel:	<b>4265-001-039</b>
For Sale:	<b>Not For Sale</b>

### CONTACTS

Owner:	<b>California Landmark Group</b>
Recorded Owner:	<b>CLG Residential-BW LLC</b>
Developer:	<b>California Landmark Group</b>
On Site Contact:	<b>CLG - The BW - 310-479-6200</b>



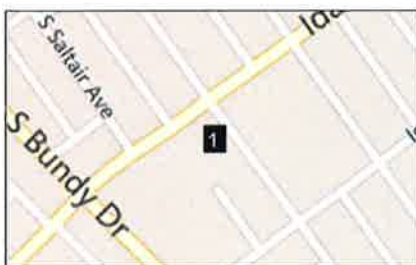
## 1168 S Barrington Ave - the bw

Los Angeles, CA 900496109 - West Los Angeles MF Submarket

UNIT MIX													
Units				Asking Rent				Effective Rent				Concessions	
Bed/Bath	#	%	Avg SF	Vacant	Min/Unit	Max/Unit	Min/SF	Max/SF	Min/Unit	Max/Unit	Min/SF	Max/SF	%
1/2.0	10	12.8	930	-	\$3,779	\$4,999	\$4.06	\$5.38	-	-	-	-	-
1/2.0	5	6.4	958	-	\$3,779	\$4,999	\$3.94	\$5.22	-	-	-	-	-
1/2.0	10	12.8	976	-	\$3,779	\$4,999	\$3.87	\$5.12	-	-	-	-	-
1/2.0	10	12.8	1,015	-	\$3,779	\$4,999	\$3.72	\$4.93	-	-	-	-	-
1/1.0	10	12.8	1,033	-	-	-	-	-	-	-	-	-	-
1/2.0	5	6.4	1,269	-	-	-	-	-	-	-	-	-	-
2/2.0	10	12.8	994	-	\$4,199	\$4,199	\$4.22	\$4.22	-	-	-	-	-
2/2.0	10	12.8	1,020	-	\$4,199	\$4,199	\$4.12	\$4.12	-	-	-	-	-
2/2.0	8	10.3	1,096	-	\$4,199	\$4,199	\$3.83	\$3.83	-	-	-	-	-

**11950 Idaho Ave - Eleven 950**

Los Angeles, CA 900252709 - Westside MF Submarket

**PROPERTY**

Property Type:	<b>Class A Apartments</b>	Stories:	<b>4</b>
Style:	<b>Mid-Rise</b>	Building Size:	<b>72,800 SF</b>
# of Units:	<b>91</b>	Land Area:	<b>.47 AC (20,282 SF)</b>
Affordable Units:	<b>4</b>	Zoning:	<b>LAR3</b>
Avg Unit Size:	<b>978 SF</b>		
Year Built/Renov:	<b>2008 / -</b>		

Asking Rent/Unit:	<b>\$3,516.92</b>
Asking Rent/SF:	<b>\$3.59</b>
Effective Rent/Unit:	<b>\$3,516.92</b>
Effective Rent/SF:	<b>\$3.59</b>

Rent Type:	<b>Market/Affordable</b>
Affordable Subtype:	<b>Rent Subsidized</b>
Market Segment:	<b>All</b>

Unit Amenities: **Heating, Ceramic/Tile Floors, Granite Countertops, High/Vaulted Ceilings, Ice Maker, Refrigerator, Satellite, Stainless Steel Appliances, Stove, Sunken Tub, Views, Walk-In Closets, Wall-to-wall carpeting, Wi-Fi, A/C, Balcony/Patio, Cable Ready, Dishwasher, Fireplace, Microwave, Storage Units, Washer/Dryer**

Site Amenities: **Gated, Cabana, Close to Public Transportation, Close to City, Close to Shops, Dry Cleaning Service, Gameroom, Grill, Guest Parking, Pet Play Area, Planned Social Activities, Walking/Biking Trails, Wi-Fi at Pool and Clubhouse, Clubhouse, Courtyard, Fitness Center, Playground, Pool, Property Manager on Site, Sauna, Security System, Spa**

Parcel:	<b>4259-003-025</b>
For Sale:	<b>Not For Sale</b>

**CONTACTS**

Owner:	<b>Paul &amp; Janice B. Plotkin</b>
Recorded Owner:	<b>Idaho Brockton</b>
On Site Contact:	<b>Alliance Residential- Eleven 950 - 310-826-3100</b>

# 11950 Idaho Ave - Eleven 950

Los Angeles, CA 900252709 - Westside MF Submarket



## UNIT MIX

Bed/Bath	Units				Asking Rent				Effective Rent				Concessions
	#	%	Avg SF	Vacant	Min/Unit	Max/Unit	Min/SF	Max/SF	Min/Unit	Max/Unit	Min/SF	Max/SF	%
1/1.0	7	7.7	616	0	\$2,045	\$2,045	\$3.32	\$3.32	\$2,045	\$2,045	\$3.32	\$3.32	0.0%
1/1.0	7	7.7	623	0	\$2,510	\$2,510	\$4.03	\$4.03	\$2,510	\$2,510	\$4.03	\$4.03	0.0%
1/1.0	7	7.7	694	1	\$2,635	\$2,635	\$3.80	\$3.80	\$2,635	\$2,635	\$3.80	\$3.80	0.0%
2/2.0	7	7.7	950	0	\$3,300	\$3,300	\$3.47	\$3.47	\$3,300	\$3,300	\$3.47	\$3.47	0.0%
2/2.0	7	7.7	956	0	\$3,390	\$3,390	\$3.55	\$3.55	\$3,390	\$3,390	\$3.55	\$3.55	0.0%
2/2.0	14	15.4	961	1	\$3,450	\$3,450	\$3.59	\$3.59	\$3,450	\$3,450	\$3.59	\$3.59	0.0%
2/2.0	7	7.7	992	0	\$3,500	\$3,500	\$3.53	\$3.53	\$3,500	\$3,500	\$3.53	\$3.53	0.0%
2/2.0	7	7.7	1,000	0	\$3,600	\$3,600	\$3.60	\$3.60	\$3,600	\$3,600	\$3.60	\$3.60	0.0%
2/2.0	7	7.7	1,028	0	\$3,615	\$3,615	\$3.52	\$3.52	\$3,615	\$3,615	\$3.52	\$3.52	0.0%
3/3.0	7	7.7	1,252	0	\$4,525	\$4,525	\$3.61	\$3.61	\$4,525	\$4,525	\$3.61	\$3.61	0.0%
3/3.0	7	7.7	1,311	0	\$4,800	\$4,800	\$3.66	\$3.66	\$4,800	\$4,800	\$3.66	\$3.66	0.0%
3/3.0	7	7.7	1,378	0	\$4,900	\$4,900	\$3.56	\$3.56	\$4,900	\$4,900	\$3.56	\$3.56	0.0%

## CONCESSIONS BY UNIT MIX

Bed/Bath	Units				Concessions		
	# Units	%	Avg SF	Vacant	Monthly Discount	One Time Concession	Concessions %
1/1.0	7	7.7	616	0	\$0.00	\$0.00	0.0%
1/1.0	7	7.7	623	0	\$0.00	\$0.00	0.0%
1/1.0	7	7.7	694	1	\$0.00	\$0.00	0.0%
2/2.0	7	7.7	950	0	\$0.00	\$0.00	0.0%
2/2.0	7	7.7	956	0	\$0.00	\$0.00	0.0%
2/2.0	14	15.4	961	1	\$0.00	\$0.00	0.0%
2/2.0	7	7.7	992	0	\$0.00	\$0.00	0.0%
2/2.0	7	7.7	1,000	0	\$0.00	\$0.00	0.0%
2/2.0	7	7.7	1,028	0	\$0.00	\$0.00	0.0%
3/3.0	7	7.7	1,252	0	\$0.00	\$0.00	0.0%
3/3.0	7	7.7	1,311	0	\$0.00	\$0.00	0.0%
3/3.0	7	7.7	1,378	0	\$0.00	\$0.00	0.0%

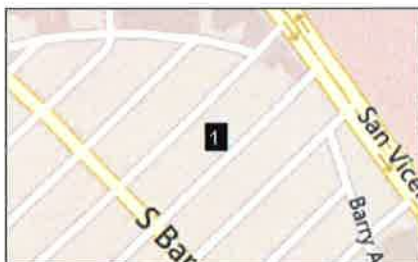
## 11640 Mayfield Ave - Luxe Villas

Los Angeles, CA 900495754 - West Los Angeles MF Submarket



### PROPERTY

Property Type:	<b>Class A Apartments</b>	Stories:	<b>6</b>
Style:	<b>Mid-Rise</b>	Building Size:	<b>54,752 SF</b>
# of Units:	<b>59</b>	Land Area:	<b>.34 AC (15,002 SF)</b>
Avg Unit Size:	<b>1,050 SF</b>	Zoning:	<b>R4-1, Los Angeles</b>
Year Built/Renov:	<b>2006 / -</b>	Parking Spaces:	<b>60 Covered</b>
		Spaces/Units:	<b>1 Spaces</b>
Asking Rent/Unit:	<b>\$3,958.34</b>	Stabilized Bldg:	<b>Yes</b>
Asking Rent/SF:	<b>\$3.77</b>	Date Stabilized:	<b>Jul 2007</b>
Effective Rent/Unit:	<b>\$3,958.34</b>		
Effective Rent/SF:	<b>\$3.77</b>		



Rent Type: **Market**  
Market Segment: **All**

Unit Amenities: **Heating, Granite Countertops, Hardwood Floors, High/Vaulted Ceilings, High Speed Internet, Refrigerator, Stainless Steel Appliances, Stove, A/C, Balcony/Patio, Cable Ready, Dishwasher, Disposal, Microwave, Washer/Dryer**

Site Amenities: **Gated, Internet, Breakfast/Coffee Concierge, Close to Schools, Close to Shops, Package Service, Recycling, View, Walking/Biking Trails, Card Key Access, Courtyard, Fitness Center, Property Manager on Site**

Parcel: **4265-004-040**

For Sale: **Not For Sale**



### CONTACTS

Owner: **NMS Properties, Inc.**

On Site Contact: **NMS Properties - Luxe Villas - 310-820-3100**

# 11640 Mayfield Ave - Luxe Villas

Los Angeles, CA 900495754 - West Los Angeles MF Submarket



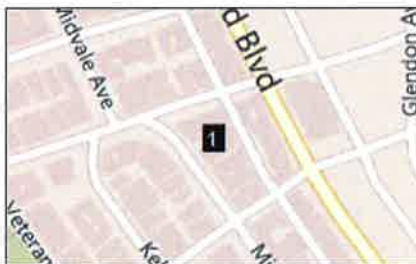
UNIT MIX													
Units					Asking Rent				Effective Rent				Concessions
Bed/Bath	#	%	Avg SF	Vacant	Min/Unit	Max/Unit	Min/SF	Max/SF	Min/Unit	Max/Unit	Min/SF	Max/SF	%
2/2.0	7	11.9	907	0	\$4,031	\$4,031	\$4.44	\$4.44	\$4,031	\$4,031	\$4.44	\$4.44	0.0%
2/2.0	6	10.2	908	0	\$3,695	\$3,695	\$4.07	\$4.07	\$3,695	\$3,695	\$4.07	\$4.07	0.0%
2/2.0	7	11.9	928	2	\$3,495	\$3,495	\$3.77	\$3.77	\$3,495	\$3,495	\$3.77	\$3.77	0.0%
2/2.0	6	10.2	974	0	\$3,813	\$3,813	\$3.91	\$3.91	\$3,813	\$3,813	\$3.91	\$3.91	0.0%
2/2.0	7	11.9	1,000	0	\$4,031	\$4,031	\$4.03	\$4.03	\$4,031	\$4,031	\$4.03	\$4.03	0.0%
2/2.0	7	11.9	1,125	0	\$3,354	\$3,354	\$2.98	\$2.98	\$3,354	\$3,354	\$2.98	\$2.98	0.0%
2/2.0	6	10.2	1,136	0	\$4,358	\$4,358	\$3.84	\$3.84	\$4,358	\$4,358	\$3.84	\$3.84	0.0%
2/2.0	6	10.2	1,179	0	\$3,813	\$3,813	\$3.23	\$3.23	\$3,813	\$3,813	\$3.23	\$3.23	0.0%
2/2.0	7	11.9	1,300	0	\$5,013	\$5,013	\$3.86	\$3.86	\$5,013	\$5,013	\$3.86	\$3.86	0.0%

CONCESSIONS BY UNIT MIX								
Units					Concessions			
Bed/Bath	# Units	%	Avg SF	Vacant	Monthly Discount	One Time Concession	Concessions %	
2/2.0	7	11.9	907	0	\$0.00	\$0.00	0.0%	
2/2.0	6	10.2	908	0	\$0.00	\$0.00	0.0%	
2/2.0	7	11.9	928	2	\$0.00	\$0.00	0.0%	
2/2.0	6	10.2	974	0	\$0.00	\$0.00	0.0%	
2/2.0	7	11.9	1,000	0	\$0.00	\$0.00	0.0%	
2/2.0	7	11.9	1,125	0	\$0.00	\$0.00	0.0%	
2/2.0	6	10.2	1,136	0	\$0.00	\$0.00	0.0%	
2/2.0	6	10.2	1,179	0	\$0.00	\$0.00	0.0%	
2/2.0	7	11.9	1,300	0	\$0.00	\$0.00	0.0%	



# 1350 Midvale Ave - The Mission Apartments

Los Angeles, CA 90024 - Westwood MF Submarket



## PROPERTY

Property Type:	<b>Class B Apartments</b>	Stories:	<b>4</b>
Style:	<b>Mid-Rise</b>	Building Size:	<b>77,329 SF</b>
# of Units:	<b>80</b>	Land Area:	<b>.76 AC (33,106 SF)</b>
Avg Unit Size:	<b>1,019 SF</b>	Zoning:	<b>LAR4</b>
Year Built/Renov:	<b>2005 / -</b>		
Asking Rent/Unit:	<b>\$3,506.25</b>	Stabilized Bldg:	<b>Yes</b>
Asking Rent/SF:	<b>\$3.44</b>	Date Stabilized:	<b>Jul 2006</b>
Effective Rent/Unit:	<b>\$3,506.25</b>		
Effective Rent/SF:	<b>\$3.44</b>		
Rent Type:	<b>Market</b>		
Market Segment:	<b>All</b>		
Unit Amenities:	<b>Heating, Alarm, Granite Countertops, High/Vaulted Ceilings, High Speed Internet, Refrigerator, Stove, Walk-In Closets, Wall-to-wall carpeting, A/C, Balcony/Patio, Cable Ready, Dishwasher, Microwave, Washer/Dryer</b>		
Site Amenities:	<b>Pet Play Area, Fitness Center, Pool, Spa</b>		
Parcel:	<b>4324-009-014</b>		
For Sale:	<b>Not For Sale</b>		

## CONTACTS

Owner:	<b>The Roberts Companies</b>
Recorded Owner:	<b>Midvale East Llc</b>
On Site Contact:	<b>The Roberts Companies - The Mission Apartments - 310-864-0319</b>

## UNIT MIX

Bed/Bath	Units				Asking Rent				Effective Rent				Concessions
	#	%	Avg SF	Vacant	Min/Unit	Max/Unit	Min/SF	Max/SF	Min/Unit	Max/Unit	Min/SF	Max/SF	%
1/1.0	23	28.8	750	0	\$2,500	\$2,500	\$3.33	\$3.33	\$2,500	\$2,500	\$3.33	\$3.33	0.0%
1/1.0	5	6.3	900	0	\$3,000	\$3,000	\$3.33	\$3.33	\$3,000	\$3,000	\$3.33	\$3.33	0.0%
2/2.0	52	65.0	1,150	0	\$4,000	\$4,000	\$3.48	\$3.48	\$4,000	\$4,000	\$3.48	\$3.48	0.0%

# 1350 Midvale Ave - The Mission Apartments

Los Angeles, CA 90024 - Westwood MF Submarket

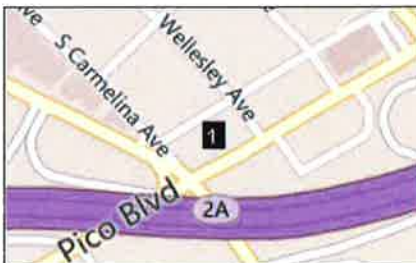


## CONCESSIONS BY UNIT MIX

Bed/Bath	Units				Concessions		
	# Units	%	Avg SF	Vacant	Monthly Discount	One Time Concession	Concessions %
1/1.0	23	28.8	750	0	\$0.00	\$0.00	0.0%
1/1.0	5	6.3	900	0	\$0.00	\$0.00	0.0%
2/2.0	52	65.0	1,150	0	\$0.00	\$0.00	0.0%

## 12301 W Pico Blvd - C on Pico

Los Angeles, CA 900641136 - Westside MF Submarket



### PROPERTY

Property Type:	<b>Class A Apartments</b>	Stories:	<b>5</b>
Style:	<b>Mid-Rise</b>	Building Size:	<b>95,000 SF</b>
# of Units:	<b>94</b>	Land Area:	<b>.61 AC (26,572 SF)</b>
Affordable Units:	<b>8</b>	Zoning:	<b>LAC2</b>
Avg Unit Size:	<b>702 SF</b>	Parking Spaces:	<b>95 Covered</b>
Year Built/Renov:	<b>2014 / -</b>	Spaces/Units:	<b>1 Spaces</b>

Asking Rent/Unit:	<b>\$2,695.40</b>	Absorp (12 mos):	<b>78 Units</b>
Asking Rent/SF:	<b>\$3.84</b>		
Effective Rent/Unit:	<b>\$2,695.40</b>		
Effective Rent/SF:	<b>\$3.84</b>		

Rent Type:	<b>Market/Affordable</b>
Market Segment:	<b>All</b>

Unit Amenities: **Granite Countertops, Hardwood Floors, High Speed Internet, Stainless Steel Appliances, A/C, Dishwasher, Washer/Dryer**

Site Amenities: **Internet, Close to Public Transportation, Business Center, Concierge, Courtyard, Fitness Center, Property Manager on Site**

Parcel: **4259-028-007, 4259-028-008, 4259-028-009, 4259-028-010, 4259-028-011**

For Sale: **Not For Sale**

### CONTACTS

Owner:	<b>Amoroso Companies</b>
Recorded Owner:	<b>12301 Pico Boulevard Apartment</b>
Developer:	<b>ADC Real Estate Group</b>
On Site Contact:	<b>Alliance - C on Pico - 310-979-8600</b>
Leasing:	<b>ADC Real Estate Group</b>

### PROPERTY NOTES

Proposed 95-unit apartment complex with an upscale buildout and CALGreen compliant.

To feature 12 ground level live-work units  
 ± 47 two bed/ two bath units  
 Remainder of units to be a mix of one bedroom and studios.

Two levels of structured parking with podium deck entrance.

For developer's source title see CoStar comp ID 2305178



## 12301 W Pico Blvd - C on Pico

Los Angeles, CA 900641136 - Westside MF Submarket



## UNIT MIX

Bed/Bath	Units				Asking Rent				Effective Rent				Concessions
	#	%	Avg SF	Vacant	Min/Unit	Max/Unit	Min/SF	Max/SF	Min/Unit	Max/Unit	Min/SF	Max/SF	%
Studio/1.0	8	8.5	365	-	\$1,830	\$1,985	\$5.01	\$5.44	\$1,830	\$1,985	\$5.01	\$5.44	0.0%
Studio/1.0	8	8.5	466	-	\$1,870	\$1,901	\$4.01	\$4.08	\$1,870	\$1,901	\$4.01	\$4.08	0.0%
1/1.0	11	11.7	570	-	\$2,245	\$2,635	\$3.94	\$4.62	\$2,245	\$2,635	\$3.94	\$4.62	0.0%
1/1.0	10	10.6	623	-	\$2,245	\$2,635	\$3.60	\$4.23	\$2,245	\$2,635	\$3.60	\$4.23	0.0%
1/1.0	10	10.6	662	-	\$2,245	\$2,635	\$3.39	\$3.98	\$2,245	\$2,635	\$3.39	\$3.98	0.0%
2/2.0	24	25.5	855	-	\$3,005	\$3,268	\$3.51	\$3.82	\$3,005	\$3,268	\$3.51	\$3.82	0.0%
2/2.0	23	24.5	858	-	\$3,005	\$3,268	\$3.50	\$3.81	\$3,005	\$3,268	\$3.50	\$3.81	0.0%

## CONCESSIONS BY UNIT MIX

Bed/Bath	Units				Concessions		
	# Units	%	Avg SF	Vacant	Monthly Discount	One Time Concession	Concessions %
Studio/1.0	8	8.5	365	-	\$0.00	\$0.00	0.0%
Studio/1.0	8	8.5	466	-	\$0.00	\$0.00	0.0%
1/1.0	11	11.7	570	-	\$0.00	\$0.00	0.0%
1/1.0	10	10.6	623	-	\$0.00	\$0.00	0.0%
1/1.0	10	10.6	662	-	\$0.00	\$0.00	0.0%
2/2.0	24	25.5	855	-	\$0.00	\$0.00	0.0%
2/2.0	23	24.5	858	-	\$0.00	\$0.00	0.0%

# ADDENDUM B: MARKET ANALYSIS

# Westside Los Angeles Office Market

## MARKET OVERVIEW

The subject is located in the “West Los Angeles” submarket, which is one component of the “Westside Los Angeles” market.

The Westside Los Angeles market is comprised of 13 distinct submarkets within four separate sectors. These sectors generally function independently of one another, despite their close proximity. The following chart shows the division of the four sectors into the 13 submarkets.

Sector 1	
1 -	Park Mile
2 -	Miracle Mile
3 -	Hollywood
4 -	West Hollywood
Sector 2	
5 -	Beverly Hills
6 -	Century City
Sector 3	
7 -	Westwood
8 -	Brentwood
9 -	Santa Monica
10 -	Pacific Palisades
11 -	West Los Angeles
Sector 4	
12 -	Marina del Rey/Playa Vista/Venice
13 -	Culver City/Westchester

These sectors are differentiated according to location and access, market perception and tenant appeal, improvement quality, and rental rates. The combined Westside Los Angeles market contained 55,447,074 square feet of office area as of first quarter 2014. There were 7,539,077 square feet available for direct lease in the overall Westside office market, indicating a 13.6 percent direct vacancy rate. Including sublease availabilities, the overall vacancy rate was higher at 14.4 percent (8,001,751 square feet).

The Westside market is widely acknowledged as the most desirable office location in Los Angeles County. This area is home for many executives in the greater Los Angeles area and includes the upscale residential locations of Beverly Hills, Bel Air, Brentwood, Westwood, Santa Monica, and Hancock Park. The Westside office market is the preferred location for tenants from the entertainment industry, and is the headquarters location for numerous

advertising agencies. Major components of the tenant base in the Westside office market also include law, accounting, and financial services firms, as well as high-tech companies, foreign consulates, and corporate tenants.

## HISTORICAL VACANCY TRENDS

The Westside markets have experienced some volatility in vacancy rates over the last 26 years, as shown in the following chart. The periods of increased vacancy essentially mirrored the recessionary periods, with declining vacancy (and subsequently increasing rents) occurring during the periods following recessions. The recession of 1990 to 1993 was particularly severe in southern California, as evidenced by the sharp increase in vacancy rates during this period, as shown in the chart. The downturn in the office market recession of the early 1990's was exacerbated by a significant amount of new construction during the 1980's, as developers hurried to complete projects before the onset of Proposition U, which down-zoned most commercial land in this market. Vacancy rates gradually declined to single digits over the remainder of the 1990's until the recession of 2000-2002 ("dot com" recession) led to another increase in vacancy. This recession was not as severe, and it was further tempered by relatively minimal levels of new construction due to the constraints on new supply. The Westside market experienced several years of single-digit vacancy rates as the decade of the 2000's progressed, until the major national and global "great recession" of 2007-2009. The overall Westside market area has continued to experience double-digit vacancy levels, although certain submarkets have out-performed the overall market by some measure. The most significant job growth in the Westside has taken place in the "creative" sectors, including entertainment, media and technology. These employers have concentrated their growth in more "creative" markets and buildings, particularly in the Hollywood, Santa Monica, and "Lower Westside" markets of Playa Vista and Culver City. The Miracle Mile has also been the recent beneficiary of increased demand from these sectors. There has been extremely limited new construction in the Westside markets in recent years other than in the Playa Vista market, where much of the new office development and rehab-projects have occurred and continue to occur. The new development is the reason behind the high vacancy levels for this market (30.6 percent as of first quarter).

The chart below summarizes the direct and overall vacancy trends since 1989 for the Los Angeles West office market.

Year-End	Direct Vacancy	Overall Vacancy
1989	12.1%	15.1%
1990	15.9%	19.6%
1991	19.3%	23.7%
1992	19.7%	22.1%
1993	19.0%	21.4%
1994	17.4%	19.2%
1995	17.6%	19.4%
1996	14.2%	17.2%
1997	12.8%	14.5%
1998	11.1%	12.2%

1999	7.6%	8.5%
2000	6.9%	8.8%
2001	12.3%	16.3%
2002	15.7%	19.8%
2003	14.7%	17.3%
2004	12.2%	13.5%
2005	8.7%	9.4%
2006	6.3%	6.6%
2007	6.8%	8.2%
2008	8.2%	10.1%
2009	11.6%	14.4%
2010	14.3%	16.2%
2011	14.2%	16.2%
2012	14.1%	15.6%
2013	14.0%	15.1%
1Q14	13.6%	14.4%

The chart below is insightful as it shows the detail on a quarterly basis of the impact on increasing vacancy as the "great recession" commenced in late 2007, with vacancy remaining static through first quarter 2014. The overall Westside market has maintained vacancy levels in the low-to mid "teens" since that time, but, as noted previously, several of the individual submarkets have experienced strong demand and declining vacancy levels.

The chart below shows the trend in direct and overall vacancy rates for the Westside on a quarterly basis:



**Quarterly Vacancy Trends – Westside Office**

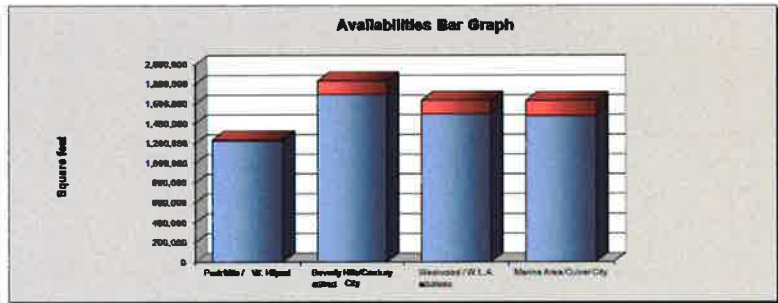
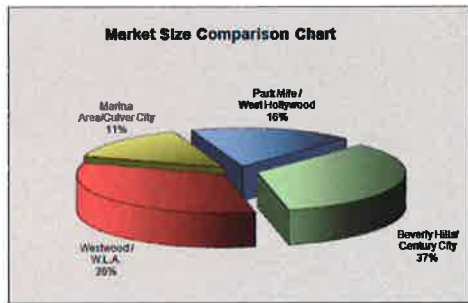
<u>End of Quarter</u>	<u>Direct Vacancy</u>	<u>Overall Vacancy</u>
1Q07	7.0%	7.4%
2Q07	6.5%	6.9%
3Q07	6.4%	7.3%
<b><u>4Q07</u></b>	<b><u>6.8%</u></b>	<b><u>8.2%</u></b>
1Q08	6.6%	8.3%
2Q08	7.1%	8.5%
3Q08	7.0%	8.5%
<b><u>4Q08</u></b>	<b><u>8.2%</u></b>	<b><u>10.1%</u></b>
1Q09	9.3%	11.8%
2Q09	10.0%	13.3%
3Q09	11.1%	14.3%
<b><u>4Q09</u></b>	<b><u>11.6%</u></b>	<b><u>14.6%</u></b>
1Q10	13.0%	15.9%
2Q10	14.0%	16.6%
3Q10	14.0%	16.4%
<b><u>4Q10</u></b>	<b><u>14.3%</u></b>	<b><u>16.3%</u></b>
1Q11	14.5%	16.5%
2Q11	14.7%	16.6%
3Q11	14.0%	16.2%
<b><u>4Q11</u></b>	<b><u>14.2%</u></b>	<b><u>16.2%</u></b>
1Q12	15.0%	16.8%
2Q12	14.5%	16.0%
3Q12	15.0%	16.7%
<b><u>4Q12</u></b>	<b><u>14.1%</u></b>	<b><u>15.6%</u></b>
1Q13	13.9%	15.2%
2Q13	14.6%	15.8%
3Q13	14.5%	15.7%
<b><u>4Q13</u></b>	<b><u>14.0%</u></b>	<b><u>15.1%</u></b>
<b><u>1Q14</u></b>	<b><u>13.6%</u></b>	<b><u>14.4%</u></b>

The following statistical exhibit provides an overview of the Class A office market in Westside Los Angeles. As shown on the exhibit, the Class A component represents approximately 32.5 percent of the overall market. As of first quarter 2014, the direct and overall vacancy rates for the Class A Westside market are (direct) 14.4 percent and (overall) 15.5 percent (versus 13.6 and 14.4 percent for all building classes, respectively).

Rental rates are overall higher than for all classes in the aggregate, but we note that "creative" office space, which is typically classified as Class "B" space, does not experience discounted rents but in fact is a preferred category of office space for many tenants in this market area.

**Class "A"**  
**Los Angeles West**  
**OFFICE MARKET & SUBMARKET STATISTICS**  
*As of 1st Quarter 2014*

Market / Submarket	Inventory	Number of Bldgs	Direct Availabilities	Direct Vacancy Rate	Overall Availabilities	Overall Vacancy Rate	Direct Net Absorption YE '13	Direct Net Absorption YE '12	Direct Net Absorption YE '11	Direct Net Absorption YTD '14	Direct Wtd. Avg. Rental Rate
<b>PARK MILE/WEST HOLLYWOOD</b>	<b>7,320,434</b>	<b>41</b>	<b>1,227,765</b>	<b>16.8%</b>	<b>1,227,537</b>	<b>16.9%</b>	<b>(2,403)</b>	<b>165,601</b>	<b>87,383</b>	<b>41,404</b>	<b>\$47.41</b>
1 Park Mile	589,624	6	64,386	10.9%	64,386	10.9%	1,515	4,770	41,084	0	\$23.11
2 Miracle Mile	4,078,584	14	455,736	11.2%	465,908	11.4%	61,291	48,372	62,367	(6,085)	\$37.32
3 Hollywood	942,296	7	94,179	10.0%	94,179	10.0%	47,022	64,005	(1,307)	0	\$39.93
4 West Hollywood	1,709,930	14	613,064	35.9%	613,064	35.9%	(112,231)	48,514	(4,751)	47,489	\$48.60
<b>BEVERLY HILLS/CENTURY CITY</b>	<b>14,095,063</b>	<b>63</b>	<b>1,697,765</b>	<b>12.0%</b>	<b>1,835,788</b>	<b>13.0%</b>	<b>187,069</b>	<b>188,430</b>	<b>184,717</b>	<b>(14,576)</b>	<b>\$48.28</b>
5 Beverly Hills	4,600,670	45	438,342	9.5%	458,354	10.0%	206,899	134,620	112,201	(30,467)	\$43.56
6 Century City	9,495,193	18	1,258,924	13.3%	1,377,434	14.5%	(19,830)	54,810	81,916	15,891	\$49.92
<b>WESTWOOD/WEST LOS ANGELES</b>	<b>13,697,190</b>	<b>94</b>	<b>1,500,596</b>	<b>11.0%</b>	<b>1,639,009</b>	<b>12.0%</b>	<b>114,239</b>	<b>122,611</b>	<b>79,571</b>	<b>242,738</b>	<b>\$47.61</b>
7 Westwood	2,423,021	8	378,726	15.6%	447,533	18.5%	(2,346)	77,873	(50,068)	33,206	\$44.40
8 Brentwood	2,253,147	14	380,542	16.9%	433,475	19.2%	(137,510)	(50,616)	14,305	55,136	\$38.40
9 Santa Monica	5,968,988	49	456,651	7.7%	467,258	7.8%	186,998	85,029	61,004	105,810	\$49.56
10 Pacific Palisades	59,907	1	13,694	22.9%	16,308	27.2%	4,718	1,643	(2,226)	0	\$47.16
11 West Los Angeles	2,987,127	23	270,983	9.1%	274,435	9.2%	62,479	9,682	56,556	47,986	\$34.08
<b>MARINA AREA/PLAYA VISTA/CULVER CITY</b>	<b>5,902,550</b>	<b>27</b>	<b>1,480,876</b>	<b>25.1%</b>	<b>1,632,349</b>	<b>27.7%</b>	<b>167,406</b>	<b>(20,767)</b>	<b>(180,746)</b>	<b>(38,773)</b>	<b>\$38.20</b>
12 Marina Del Rey/Playa Vista/Venice	2,251,316	16	833,415	37.0%	960,985	42.7%	133,081	(123,297)	(227,334)	31,351	\$39.24
13 Culver City/Westchester	3,651,244	21	647,461	17.7%	672,364	18.4%	24,325	94,540	46,588	(70,964)	\$32.28
<b>TOTAL</b>	<b>41,011,047</b>	<b>235</b>	<b>5,905,103</b>	<b>14.4%</b>	<b>6,345,883</b>	<b>15.5%</b>	<b>458,411</b>	<b>449,941</b>	<b>180,725</b>	<b>230,353</b>	<b>\$47.50</b>



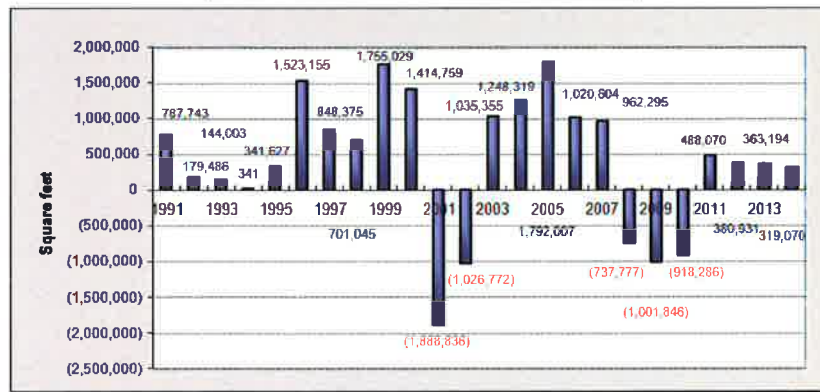
**NET ABSORPTION TRENDS**

The following chart summarizes the net absorption trends in the Westside market since 1991.

The pattern of absorption has generally mirrored the vacancy trends presented previously, tracking somewhat consistently with periods of economic recession. The expansion following the most recent, severe recession is clearly slower than following the prior recession, as tenants have been expanding at a slower pace.

### Net Absorption Trends Los Angeles West Office Market

Year	Net Absorption (SF)
1991	787,743
1992	179,486
1993	144,003
1994	341
1995	341,627
1996	1,523,155
1997	848,375
1998	701,045
1999	1,755,029
2000	1,414,759
2001	(1,888,836)
2002	(1,026,772)
2003	1,035,355
2004	1,248,319
2005	1,792,007
2006	1,020,604
2007	962,295
2008	(737,777)
2009	(1,001,846)
2010	(918,286)
2011	488,070
2012	380,931
2013	363,194
1Q14	319,070



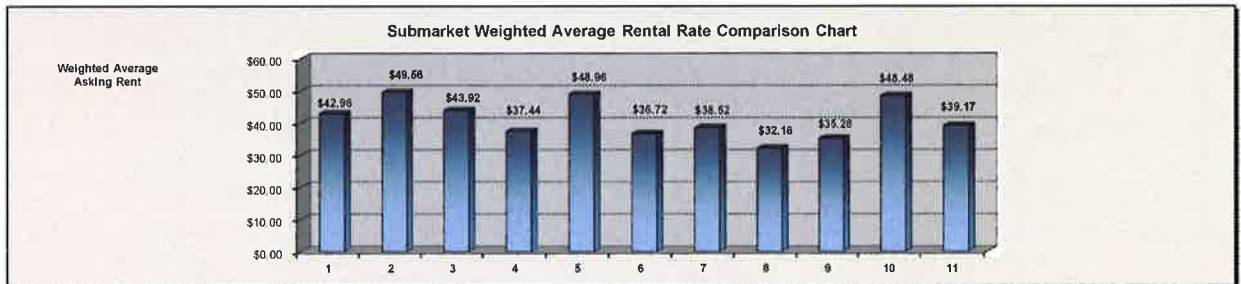
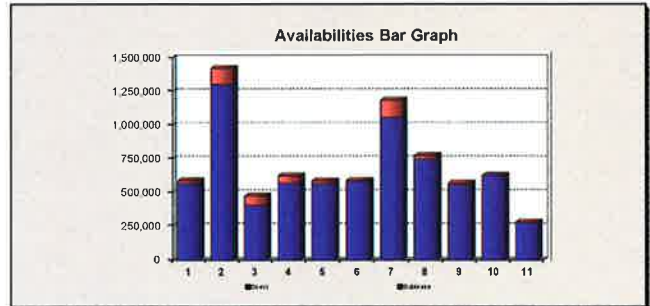
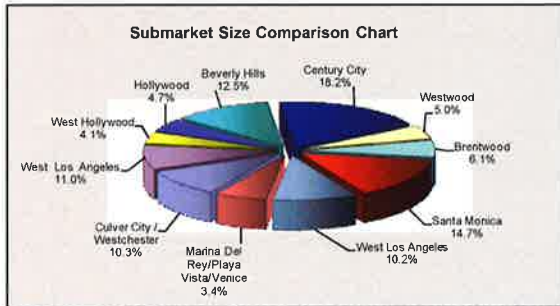
## PRIMARY COMPETITIVE WESTSIDE SUBMARKETS

Of the 13 submarkets included in the larger Westside market area, 11 submarkets are recognized as the most desirable, competitive locations: Beverly Hills, Century City, Westwood, Brentwood, Santa Monica, West Los Angeles, Marina Del Rey/Playa Vista/Venice, Culver City/Westchester, Hollywood, Miracle Mile and West Hollywood. The two less directly competitive submarkets include Park Mile, which is the eastern-most Westside submarkets, as well as Pacific Palisades, a small, secondary market. As shown on the accompanying exhibit, these combined 11 Competitive Westside Submarkets during first quarter 2014 had direct and overall vacancy rates of 13.4 and 14.3 percent, respectively. The sublease space of approximately 460,060 square feet represents about 6.3 percent of the total available square feet in the market.

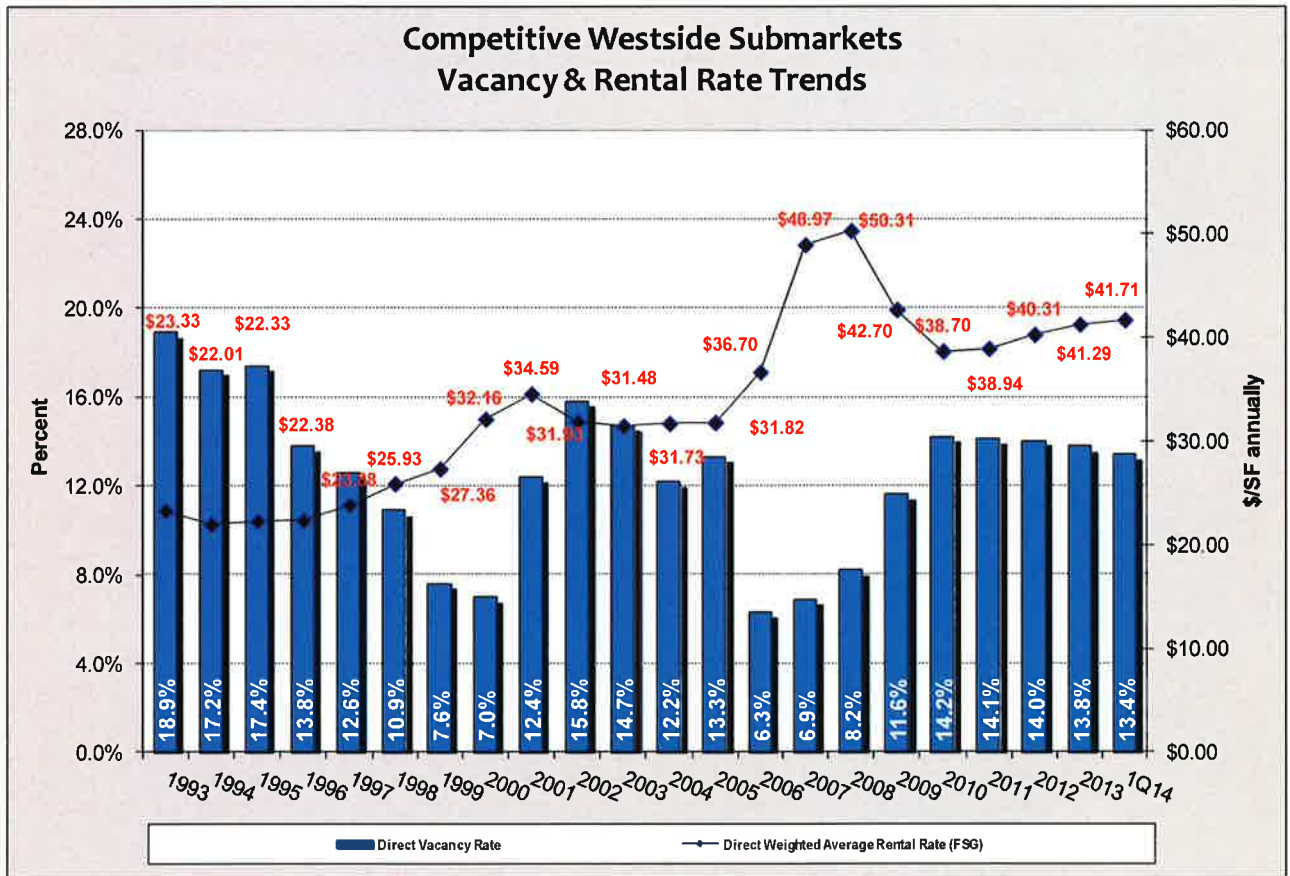
### Competitive Westside Submarkets

As of 1st Quarter 2014

Submarket	Inventory	Number of Bldgs	Direct Availabilities	Direct Vacancy Rate	Overall Availabilities	Overall Vacancy Rate	Direct Net Absorption			Direct Wid. Avg. Rental Rate
							YTD '12	YTD '13	YTD '14	
<b>BEVERLY HILLS/ CENTURY CITY</b>	<b>16,400,455</b>	<b>92</b>	<b>1,871,029</b>	<b>11.4%</b>	<b>2,012,765</b>	<b>12.3%</b>	<b>192,540</b>	<b>209,422</b>	<b>(1,400)</b>	<b>\$47.56</b>
1 Beverly Hills	6,513,997	71	568,195	8.7%	589,421	9.0%	127,051	128,376	(17,423)	\$42.96
2 Century City	9,886,458	21	1,304,834	13.2%	1,423,344	14.4%	65,489	81,046	16,023	\$49.56
<b>WESTWOOD/ WEST LOS ANGELES</b>	<b>19,475,108</b>	<b>164</b>	<b>2,129,864</b>	<b>10.9%</b>	<b>2,278,444</b>	<b>11.7%</b>	<b>38,808</b>	<b>151,095</b>	<b>234,308</b>	<b>\$41.54</b>
3 Westwood	2,700,807	11	406,976	15.1%	475,873	17.6%	81,175	(45,780)	32,791	\$43.92
4 Brentwood	3,286,508	23	571,321	17.4%	625,254	19.0%	(106,002)	41,134	51,112	\$37.44
5 Santa Monica	7,949,576	79	965,289	7.1%	987,061	7.4%	115,120	69,013	108,248	\$48.96
6 West Los Angeles	5,538,217	51	586,288	10.6%	590,256	10.7%	(31,485)	88,728	42,157	\$36.72
<b>LOWER WESTSIDE</b>	<b>8,795,033</b>	<b>100</b>	<b>1,806,974</b>	<b>20.5%</b>	<b>1,961,447</b>	<b>22.3%</b>	<b>5,836</b>	<b>(46,130)</b>	<b>16,608</b>	<b>\$35.89</b>
7 Manna Del Rey/Playa Vista/Venice	3,460,891	37	1,057,496	30.6%	1,167,066	34.3%	(119,253)	(185,381)	76,162	\$38.52
8 Culver City/Westchester	5,334,142	63	749,478	14.1%	774,381	14.5%	125,089	139,251	(59,354)	\$32.16
<b>MIRACLE MILE/ HOLLYWOOD /W HOLLYWOOD</b>	<b>9,536,619</b>	<b>74</b>	<b>1,463,767</b>	<b>15.3%</b>	<b>1,479,038</b>	<b>15.5%</b>	<b>158,553</b>	<b>17,331</b>	<b>71,574</b>	<b>\$41.68</b>
9 Miracle Mile	4,719,566	21	558,837	11.8%	570,309	12.1%	76,468	23,711	10,126	\$35.28
10 West Hollywood	2,244,830	20	627,376	27.9%	627,376	27.9%	21,101	16,309	66,391	\$48.48
11 Hollywood	2,572,223	33	277,754	10.8%	281,353	10.9%	60,984	(22,689)	(4,943)	\$39.17
<b>TOTAL</b>	<b>54,207,215</b>	<b>430</b>	<b>7,271,634</b>	<b>13.4%</b>	<b>7,731,694</b>	<b>14.3%</b>	<b>395,737</b>	<b>333,716</b>	<b>321,290</b>	<b>\$41.71</b>



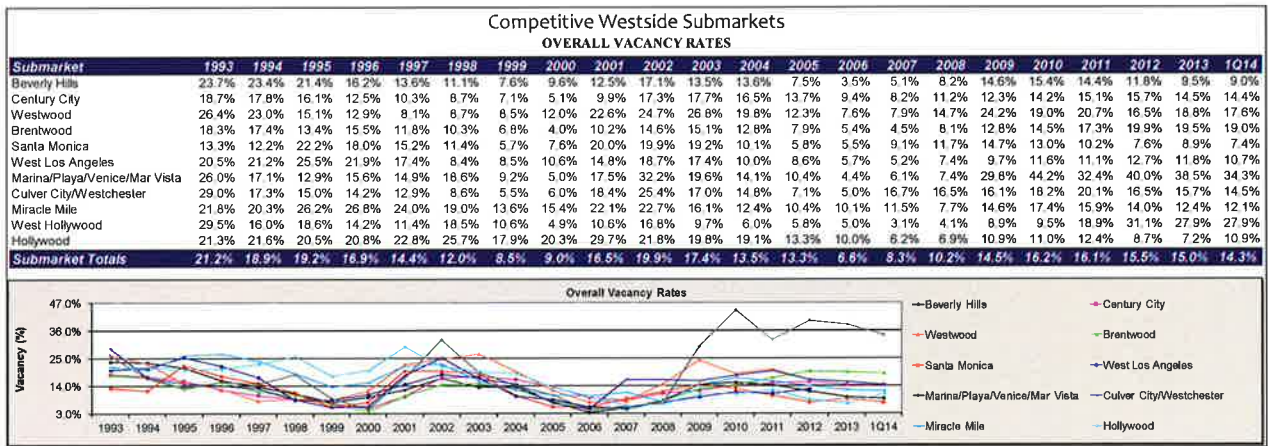
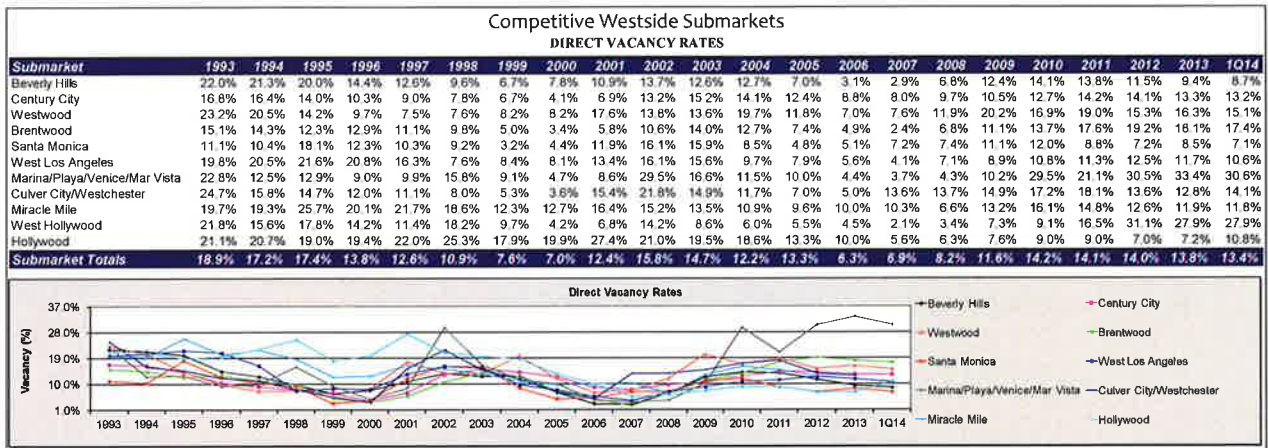
The graph below summarizes the direct vacancy trends and weighted average rents in these competitive Los Angeles Westside submarkets since year-end 1993.



The volatility in vacancy rates and rental rates show a consistent pattern following the periods during and following the recessions of the last 21 years. Rental rates in the Westside market tend to “spike” and decline at greater rates than other Los Angeles County locations. The graph above includes the overall Westside, and we note that individual submarkets show even more significant “swings” in rental rates over time. From the “trough” of \$31.48 per-square-foot in 2003 to the “peak” of \$50.31 per-square-foot in 2008, the overall Westside market experienced rental increases of nearly 10 percent annually on a compound basis. The subsequent decline over a two-year period equaled almost 13 percent annually. We note that while the rental fluctuations are fairly significant, the overall trend has been upward, with the most recent low point of \$38.70 per-square-foot in 2010 substantially higher than prior “low points” in the early 1990’s and in 2003.

The Westside markets “traditionally” have led the way in recovery, experiencing declining vacancy rates and increasing rents early in a cycle. The “prime” submarkets of Beverly Hills, Santa Monica, and Century City typically lead the Westside. The Santa Monica, Hollywood and Beverly Hills Triangle submarkets are leading the current recovery, with Century City lagging behind these markets somewhat in terms of vacancy.

The charts below show the direct and overall (including sublease space) vacancy levels for the 11 primary competitive Los Angeles West submarkets since 1993.



Overall vacancy rates (including sublease space) peaked during this past decade at 19.9 percent at year-end 2002, and steadily improved to 6.6 percent as of year-end 2006. From 2007 to 2010, overall vacancy increased by another 960 basis points to 16.2 percent prior to declining gradually to the current level of 15.6 percent. Since increasing to the region's recent peak in 2010, vacancy on an overall basis has remained statically high through first quarter 2014.

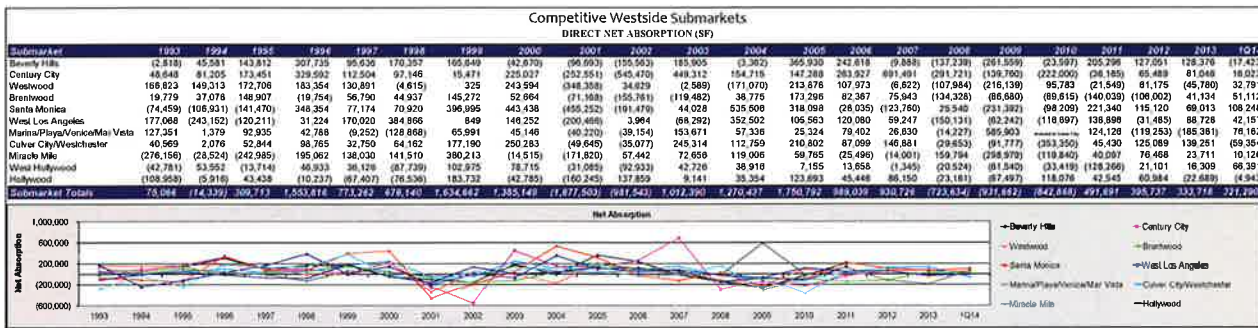
The extraordinarily high sublease vacancy in the "Lower Westside" (specifically Playa Vista, which is included in the Marina submarket statistics) is attributable to the Fox sublease premises which consists of the majority of their Playa Vista premises, which is leased long-term, on a direct basis.

The chart below summarizes the annual net absorption levels for the 11 competitive submarkets since 1993.



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INNOVATION





The excellent Westside tenant base, the quality of the office supply in these markets, the desirable surrounding residential housing and the extensive retail, restaurant and cultural amenities led to impressive absorption during the second half of the 1990's as the economy strengthened, particularly from 1996 through 2000, as shown in the above chart. The negative absorption of nearly more than 2.9 million square feet during 2001-2002 (in the aggregate) offset the positive net absorption figures in these 11 markets from 1999 to 2000. These markets experienced positive absorption of about 5.95 million square feet from 2003 to 2007.

As the economy shifted towards recession in 2008, absorption declined sharply with 723,634 square feet of negative absorption. This trend worsened in 2009, as negative absorption levels of nearly 932,000 square feet resulted in increases to the direct and overall (including sublease space) levels in this market. Through year-end 2010, these 11 submarkets gave back an additional 842,868 square feet of space. During 2011, three consecutive years of negative absorption were reversed as approximately 492,000 square feet of positive absorption was recorded. During 2012, demand levels moderated to 395,737 square feet in contrast to the 491,691 square feet absorbed from the previous year-end totals. Through year-end 2013, the primary competitive markets posted modest levels of positive absorption of 333,718 square feet. As of first quarter 2014, above average rental rates during the recent recovery have attributed to temperate demand rates. Over the past 21 years, these 11 primary competitive markets have experienced an average annual direct net absorption level of approximately 402,000± square feet; including 15 years of positive absorption during this timeframe.

The chart below shows the improvement in direct vacancy levels from 1995 through 2000 for the competitive markets, as well as the increased vacancy levels during 2001-2003 and the subsequent improvement during year-end 2004 through 2007 prior to declining during 2008-2011.

These periods of comparison in the following chart highlight the volatility in vacancy levels (and a corresponding volatility in rental rates as well) that can occur over time in these markets.

Westside Submarket	Year-End 1995 Vacancy	Year-End 2000 Vacancy	1995-2000 Vacancy Change	Year-End 2003	2001-2003 Vacancy Change	Year-End 2007	2004-2007 Vacancy Change	Year-End 2011	2008-2011 Vacancy Change	Year-End 2012	Year-End 2013	1 <sup>st</sup> Qtr 2014
Beverly Hills	20.0%	7.8%	(12.2%)	12.6%	+4.8%	2.9%	(9.8%)	13.8%	(7.0%)	11.5%	9.4%	8.7%
Century City	14.0%	4.1%	(9.9%)	15.2%	+11.1%	8.0%	(6.1%)	14.2%	(4.5%)	14.1%	13.3%	13.2%
Westwood	14.2%	8.2%	(6.0%)	13.6%	+5.4%	7.6%	(12.1%)	19.0%	(7.1%)	15.3%	16.3%	15.1%
Brentwood	12.3%	3.4%	(8.9%)	14.0%	+10.6%	2.4%	(10.3%)	17.6%	(10.8%)	19.2%	18.1%	17.4%
Santa Monica	18.1%	4.4%	(13.7%)	15.9%	+11.5%	7.2%	(1.3%)	9.0%	(1.6%)	7.2%	8.5%	7.1%
West Los Angeles	21.6%	8.1%	(13.5%)	15.6%	+7.5%	4.1%	(5.6%)	11.3%	(4.2%)	12.5%	11.7%	10.6%
Marina Del Rey/Playa Vista/Venice	12.9%	4.7%	(8.2%)	16.6%	+11.9%	3.7%	(7.8%)	21.1%	(16.8%)	30.5%	33.4%	30.6%
Culver City/Westchester	14.7%	3.6%	(11.1%)	14.9%	+11.3%	13.6%	+1.9%	18.1%	(4.4%)	13.6%	12.8%	14.1%
Miracle Mile	25.7%	12.7%	(13.0%)	13.5%	+0.8%	10.3%	(0.6%)	14.8%	(8.2%)	12.6%	11.9%	11.8%
West Hollywood	17.8%	4.2%	(13.6%)	8.6%	+4.4%	2.1%	(3.9%)	16.5%	(13.1%)	31.1%	27.9%	27.9%
Hollywood	19.0%	19.9%	+0.9%	19.5%	(7.9%)	5.6%	(13.0%)	9.0%	+2.7%	7.0%	7.2%	10.8%
Average	17.4%	7.0%	(10.4%)	14.7%	+2.3%	6.9%	(5.3%)	14.1%	+5.9%	14.0%	13.8%	13.4%

The 10.4 percentage point decline in direct vacancy in the competitive Westside markets from 1995 through 2000 resulted in single-digit vacancy levels, limited "blocks" of contiguous space, and spiking rents. During the three-year period 2001-2003, however, the market "gave back" most of the 10.4 percentage point vacancy improvement from 1995 to 2000, as vacancy levels increased in the 11 primary competitive markets by 650 basis points to 14.7 percent. The market decline during 2001-2003 stabilized and reversed, tightening to low- to mid-single digit vacancy levels for most submarkets. The declining rental trend during a period of softening market conditions during 2001-2002 resulted in part from the completion of major office developments in the "prime" Westside market area.

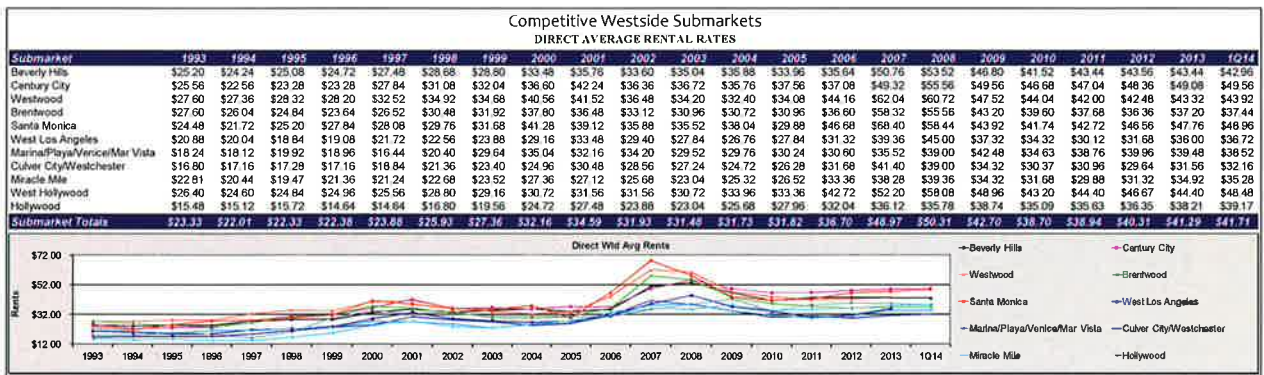
Vacancy trends reversed in 2007, increasing by 70 basis points to 6.9 percent for year-end. The increase in vacancy in the Culver City/Westchester market was primarily attributable to the completion of the Symantec headquarters building during 2007. Symantec developed two buildings, but decided to occupy only one, and sold the vacant 800 Corporate Pointe development to Legacy. Through year-end 2008, direct vacancy levels for the 11 primary competitive markets were 130 basis points higher at 8.2 percent over year-end 2007 figures. The competitive markets had a 2010 direct vacancy level of 14.2 percent, representing a 600 and 260 basis point increases over year-end 2008 (8.3%) and year-end 2009 (11.6%) figures, respectively. Through year-end 2012, vacancy levels experienced a slight decline of 10 basis points to 14 percent from the previous 14.1 percent direct vacancy rate in year-end 2011. As of fourth quarter 2013, rental rates during the recovery have increased in the primary competitive markets, resulting in elevated direct vacancy rates of 13.8 percent. During first quarter 2014,



moderate positive demand levels since 2011 have led to slightly increasing rental rates in the Competitive Westside office market.

The vacancy fluctuations have had a corresponding volatile impact on rental rates. Weighted average annual per-square-foot direct rental rates for available space in these markets increased 10.4 percent annually, compounded from year-end 1997 through 2000, and showed continued increase of 3.8 percent from 2000 to 2001. The year-end 2002 weighted average rents declined by 7.7 percent from 2001 figures, with year-end 2003 and 2004 figures declining modestly. As of 2007, the competitive Westside markets realized a direct weighted average rental rate gain of 33.4 percent from year-end 2006 figure of \$36.70 per-square-foot to the year-end 2007 level of \$48.97 per-square-foot, annually. Direct asking rents increased by 2.7 percent to year-end 2008 to \$50.31 per-square-foot, annually. This trend reversed through during 2009, as per-square-foot direct asking rates lowered significantly to \$42.70. Through 2010, asking rents lowered by an additional 9.4 percent to \$38.70 per-square-foot over year-end 2009 figures. Rental rates increased slightly in 2011 to \$38.94 per-square-foot as vacancy levels remained high in the 11 competitive markets. As of year-end 2012, the average rental rate increased further by an additional 3.5 percent to \$40.31 per-square-foot from the previous year-end figures. During fourth quarter 2013, while rental rates have trended with moderate increases, rents have declined since peak rates by 15.3 percent, to \$41.29 per-square-foot (\$50.31 per-square-foot in 2008). Through first quarter 2014, rental rates have exhibited an increasing trend from a recent trough in year-end 2010.

The chart below shows the rental rate trends in these Westside submarkets since year-end 1993.



### WESTSIDE TENANT BASE

The Westside tenant base includes the entertainment industry and other "creative" professions such as advertising and architecture. The Westside has also become a financial center for Los Angeles, and is a preferred location for law, accounting, and financial services firms. Although technology tenants have historically been well represented in the Westside markets, this component of the market expanded during 1999-2000, particularly in the field of technology, eCommerce and "New Media". The Westside market has a critical mass of creative marketing and technical talent, and a dynamic environment created by a variety of cutting edge firms in these business sectors.

The chart on the accompanying page provides an overview of the components of the Westside tenant base, including entertainment, technology, financial services, law, and corporate tenants.

Representative Westside Tenant Base

Entertainment - Media, Motion Pictures, Television and Music		
20th Century Fox	EMI Music Publishing	Razor Gator, Inc.
Activision	Entravision Communications	Radiant Productions
Actor's Equity	Epic Records	Revolution Studios
Advanstar Communications	Focus Media	Rysher Entertainment
AFTRA	Four Point Entertainment	SAG (Screen Actor's Guild)
Another Large Production	Fox Sports Net	Showtime
Artisan Entertainment	Fox Television / KTTV	Sire Records Group
Banned from the Ranch	Freemantle Media	Sony Motion Pictures & Entertainment
Bay Films	G-4 Media	Sony Music
Beacon Pictures	HBO	Strike Entertainment
Bedford Falls Company	Hollywood Digital	Summit Entertainment
Blair Television	ICM (Talent Agency)	TCI
Bordertown Productions	Icon Productions	Telemundo Network
Cablevision	IMAX	Time, Inc.
Caravan Pictures	International Creative Management	Todd AO Studios
CBS	Jerry Bruckheimer Television	United Talent Agency
Centropolis Effects	Kennedy-Marshall Company	Universal Music
Cognito Films, Inc.	Konami of America	Univision Communications/KMEX
Comcast	KSCI-TV	Vanguard Records
Creative Artists Agency	Liberty Livewire	Viacom, Inc.
Daily Variety	Lionsgate	Virgin Records
Delta Music	Maverick Records	Vision Entertainment
Digital Media	MTV Networks/Viacom	Wasserman Media Group
E! Entertainment	Newsweek	William Morris Endeavor
Electronic Arts	Radar Pictures	

Technology - Computer Services, E-Commerce, New Media		
72andSunny	Genzyme Genetics	ODS Technologies
Abraxis Bioscience, LLC	Google/YouTube	OMD USA
Activision	GTE Mainstreet	OZ Digital Media/eCity Studios
Al3Media	Heavy Iron Studios	PayPal.com
Amazon	Hello	Pricegrabber.com
American Bioscience	Hewlett Packard	Riol Games
Apple Computer	Hollywood On-Line	Sapient
Beachbody	Hulu	Silicon Graphics
Canon Communications	Industrial Light & Magic	Sony
Carat USA	Info Tech	Sony Interactive
Cisco Systems	Interactive Media	Sony Playstation
Cybermedia	Kastner & Partners	Sprint
Cypress West	Konami Games	Sun Microsystems
Digiscope	Latitude 90	Symantec Corporation
E! Entertainment	Launch	TCI
Earthbound Media Group	Lucent Technology	Team One Advertising
Ebay	Massive Media	TMZ
Ecompanies	Microsoft	Todd AO
Edmunds.com	Mobile Messenger	TOMS Shoes
eHarmony	Monster.com	Trillium Digital Systems
Electronic Arts	Moviso	TV Guide
Exceleergy	Nami Media	USC-ICT
Facebook	National Cable Communications	Yahoo! Inc.
Four Media	New Wave Entertainment	Youtube Next Lab
Fox	Nexspace, Inc.	
Gamefy	Novell	

Professional - Financial, Insurance, Advertising, Law, General		
Abrams & Tanaka	Herbalife International	Oppenheimer CBIC
Adlink	HLW International	Pacific Income Advisors
Air Lease	HOK	Paine Webber
AG Edwards	Holthouse Carlin & Van Tright	Peck/Jones Construction
Alschuler Grossman Stein & Kahan	IDS Financial Services	People's Bank
Americorp Funding	International Lease Finance	Platinum Equity
AON Risk Services	Interpublic Group	Pricewaterhouse Coopers
Aurora Capital Partners	Irell & Manella	Protocare
Berger & Norton	J. Paul Gelly Trust	Psomas & Associates
Brentwood Associates	Jeffer Mangels	Rand Corporation
Bryan, Cave	Jefferies & Company, Inc.	Random House
Business Week	JP Morgan Chase	Red Bull NA
Campbell Ewald	Kaye Scholer	Robert Half International
Castle & Cooke, David Murdoch	KB Home	Roseman & Antoni LLP
Capital Group	Kilroy Realty	Rubin Postaer
Causeway Capital Partners, L.P.	Korn Ferry	Santa Monica College
Charles Schwab	KPFF Engineering	Sapient Corporation
CIBC World Markets	KPMG Peat Marwick	SoCal Physician's Exchange
Coast Group	LA Times	Specialty Laboratories
Cohen & Brown	Leonard Green & Partners, Inc.	Stonefield Josephson
Component Research Group	Liberty Mutual	Sun America
Credit Suisse	Liner, Yankelovitz, Sunshine & Regenstreif LLP	TCW Group
Dean Witter	Loeb & Loeb	The Gores Group, LLC
Dimensional Fund Advisors	Manatt Phelps	The Macerich Company
Donaldson, Lufkin & Jenrette	McGraw Hill Companies	Towers, Perrin
Dreyfus	Merrill Lynch & Co., Inc.	Transamerica Investment Management
Duff & Phelps, Inc.	Mendelsohn Zien Advertising	UCLA
Eastdil Secured	Mitchell Silberberg	USC
Entertainment Brokers International	Morgan Stanley	Van Elten
Family Office Financial	Mutual of New York	Wells Fargo Securities
Fogel, Feldman	Nadd Architects	Western Media
Foothill Capital	Nelsen, Thompson	Westfield Holdings
Frank Gehry & Associates	Northrop Grumman Corp.	Wilshire Associates
Freedman Broder & Company	Northern Trust Bank	Wood, Smith, Henning & Berman LLP
Genster	O'Melveny & Myers	WPP Group
Goldman Sachs	Omnicom	
Greenberg Traurig	LRN, Inc.	

The entertainment industry has historically provided a significant and stable source of demand for office space in the Los Angeles Westside market area as well as in certain San Fernando Valley markets - particularly Burbank, Universal City and Glendale.

A number of significant leases have been signed during the past several years in the Westside markets, as shown in the following chart. We note that the economic recession which commenced in 2007 has led to downsizing by a number of the larger tenants, including the four largest tenants on the following list. In addition, Northrop announced it relocated its headquarters out of state from its Century City location.

Creative office space has created interest in several submarkets for tenants in the technology, media and entertainment industry. Notably, Google relocated office space in the Venice submarket (100,000 square feet) and creative tenant Youtube signed 41,000 square foot lease in the Playa Vista submarket in the recently renovated Hercules Campus. Hulu signed a 100,000 square foot lease in third quarter 2012 in the former Yahoo Center located within the Santa Monica submarket. Riot Games signed a lease for the entire Element Campus in West Los Angeles (280,000 square feet). TMZ relocated its headquarters from the West Hollywood submarket and signed a 36,000 square foot lease in the Playa Vista submarket. A resurgent third quarter 2013 saw increased leasing activity clustered on the Los Angeles West market. A headquarters relocation attributed to declines in vacancy rates in Culver City/Westchester submarket. Beats by Dre shifted operations from Santa Monica to a 100,000 square-foot campus in the Hayden Tract, with a 12-year lease set to commence in second quarter 2014.

**Recent Significant Lease Transactions  
in the Los Angeles Westside**
**2nd Quarter 2014**

<u>Company</u>	<u>Square Feet</u>	<u>Submarket</u>
Fox	450,000	Playa Vista
Belkin International	345,000	Playa Vista
Riot Games	285,000	Santa Monica
E! Entertainment	335,000	Miracle Mile
Electronic Arts Los Angeles	250,735	Marina Del Rey/ Venice
Douglas Emmett	227,437	Beverly Hills
Creative Artists Agency	260,000	Century City
Yahoo!	250,000	Santa Monica
Google	180,000	Santa Monica
News Corporation	165,000	Beverly Hills
USC	160,000	Marina Del Rey/ Venice
ARES Mgmt. / Canyon Partners	150,000	Century City
The Los Angeles Film School/Full Sail	150,000	Hollywood
Live Nation	152,556	Hollywood
Loeb & Loeb	144,000	Century City
MGM	130,000	Beverly Hills
Lionsgate	127,000	Santa Monica
Herbalife	125,630	Century City
G4 Media Inc.	119,327	Santa Monica
Academy of Motion Picture Arts and Sciences	118,000	Hollywood
Pepperdine University	116,034	Marina Del Rey/Venice
Technicolor	115,000	Hollywood
Beats by Dre	109,315	Culver City
Rubin Postaer & Associates	107,735	Santa Monica
Viacom International	106,174	Santa Monica
Edmunds.com	105,000	Santa Monica
Westfield	100,000	Century City
J.P. Morgan Chase	98,000	Century City
Screen Actors Guild (SAG)	96,000	Miracle Mile
ICM	95,000	Century City
Hulu	95,000	Santa Monica
Capital Group	95,000	Westwood
Capitol Records/EMI	92,391	Hollywood
Sony	90,000	Culver City
Yahoo!	87,819	Santa Monica
Amazon	86,085	Santa Monica
Westfield	81,124	Century City
Cedars-Sinai Medical Center	81,544	Miracle Mile
Sony Playstation	80,049	Playa Vista / MDR / Venice
AOL	80,000	Beverly Hills
Houlihan Lokey	80,000	Century City
ICM	79,416	Century City
Seyfarth Shaw	79,300	Century City
Sony	77,213	Westwood
Yahoo!	75,391	Santa Monica

**Recent Significant Lease Transactions  
in the Los Angeles Westside**
**2nd Quarter 2014**

<u>Company</u>	<u>Square Feet</u>	<u>Submarket</u>
Westfield	81,124	Century City
Cedars-Sinai Medical Center	81,544	Miracle Mile
Sony Playstation	80,049	Playa Vista / MDR / Venice
AOL	80,000	Beverly Hills
Houlihan Lokey	80,000	Century City
ICM	79,416	Century City
Seyfarth Shaw	79,300	Century City
Sony	77,213	Westwood
Yahoo!	75,391	Santa Monica
Macerich	75,000	Santa Monica
WPP (Group M Worldwide)	75,000	Santa Monica
Annenberg Trust	75,000	Century City
Sony Connect	73,815	LAX
USC	73,000	Playa Vista
Genzyme	70,000	Marina Del Rey
Google	69,000	Venice
UBS	68,000	Century City
Team One	64,049	Playa Vista/MDR/Venice
Lowermybills.com	64,000	Santa Monica
Crew Creative Advertising, LLC	63,000	Miracle Mile
Abraxis Bioscience, LLC	61,000	Brentwood
Mercedes (Milder-DM)	61,000	Beverly Hills
Nickelodeon	60,818	Hollywood
Freemont General	60,000	Santa Monica
Deluxe Entertainment Services	60,000	Santa Monica
Symantec Expansion	60,000	Santa Monica
Fox Interactive Media	58,000	Century City
Trailer Park	57,881	Hollywood
Jefferies	55,000	Century City
Wachovia	55,000	Century City
Shopzilla	53,000	West Los Angeles
DLA Piper	53,000	Century City
Fox Interactive Media	52,500	Santa Monica
Oprah Winfrey Network (OWN)	52,000	Miracle Mile
All 3 Media USA	51,000	Marina Del Rey/Venice
Canon Communications	51,200	West Los Angeles



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**Recent Significant Lease Transactions  
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<u>Company</u>	<u>Square Feet</u>	<u>Submarket</u>
Westfield	81,124	Century City
Cedars-Sinai Medical Center	81,544	Miracle Mile
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Team One	64,049	Playa Vista/MDR/Venice
Lowermybills.com	64,000	Santa Monica
Crew Creative Advertising, LLC	63,000	Miracle Mile
Abraxis Bioscience, LLC	61,000	Brentwood
Mercedes (Milder-DM)	61,000	Beverly Hills
Nickelodeon	60,818	Hollywood
Freemont General	60,000	Santa Monica
Deluxe Entertainment Services	60,000	Santa Monica
Symantec Expansion	60,000	Santa Monica
Fox Interactive Media	58,000	Century City
Trailer Park	57,881	Hollywood
Jefferies	55,000	Century City
Wachovia	55,000	Century City
Shopzilla	53,000	West Los Angeles
DLA Piper	53,000	Century City
Fox Interactive Media	52,500	Santa Monica
Oprah Winfrey Network (OWN)	52,000	Miracle Mile
All 3 Media USA	51,000	Marina Del Rey/Venice
Canon Communications	51,200	West Los Angeles

**Recent Significant Lease Transactions  
in the Los Angeles Westside**
**2nd Quarter 2014**

<u>Company</u>	<u>Square Feet</u>	<u>Submarket</u>
Merrill Lynch	50,000	Century City
Viacom	49,210	Westwood
The Rubicon Project	46,000	Playa Vista
Game Show Network	45,110	Santa Monica
Katz Media	45,000	Miracle Mile
Milk Studios	45,000	Hollywood
Nielsen	45,000	Hollywood
EI Entertainment	44,919	Miracle Mile
Goldman Sachs	44,000	Century City
Comerica	43,000	Century City
SAE	41,000	Hollywood
CSS Studios	40,000	Hollywood
Kaye Scholer LLP	40,000	Century City
Time Warner Cable	40,000	Hollywood
Lions Gate Entertainment	39,374	Santa Monica
CNN	38,402	Hollywood
Premiere Business Center	38,000	Century City
TMZ	36,000	Playa Vista
Ervin Cohen Jessup	35,000	Beverly Hills
RBZ	34,546	Brentwood
Alloy Digital	34,003	Beverly Hills
Aurora Capital	34,000	Westwood
The Los Angeles Recording School	33,284	Hollywood
Live Nation	33,094	Beverly Hills
Gursey, Schneider & Co.	32,610	Century City
X Prize	32,449	Culver City
UBS -Retail Brokerage	32,000	Century City
Pachulski Stang Ziehl & Jones	31,000	Century City
UBS	30,039	Century City
New York Life	30,000	Miracle Mile
Rubin Postaer (ROFO)	29,797	Santa Monica
Arden Realty-Corp.	29,193	Brentwood
Barnes Morris	29,000	Century City
eBay	28,607	Santa Monica
Funny or Die	28,573	West Hollywood
Americorp Funding	28,391	Santa Monica

**Recent Significant Lease Transactions  
in the Los Angeles Westside**
**2nd Quarter 2014**

<b><u>Company</u></b>	<b><u>Square Feet</u></b>	<b><u>Submarket</u></b>
Imperial Capital	28,000	Century City
Merideth Corporation	28,000	Culver City
Merrill Lynch	27,000	Westwood
Merrill Lynch (Forward Commitment)	26,174	Westwood
Reish, Luffman, Reicher & Cohen	26,000	Brentwood
Funny or Die	26,000	West Hollywood
Lee, Burkhardt, Liu	25,675	Marina Del Rey/Venice
Boingo Wireless	25,103	Westwood
MGM Expansion	25,000	Santa Monica
Cisco	25,000	Westwood
Mark Dreier Law Firm	25,000	Santa Monica
Goldline	23,000	Santa Monica
Mendelsohn & Zien	23,000	Westwood
20th Century Fox Television	22,090	Santa Monica
Rock Paper Scissors	21,000	Santa Monica
Shopzilla	20,000	West Los Angeles
Allsteel Furniture	20,000	Santa Monica



## CREATIVE OFFICE SPACE OVERVIEW

One “preferred” type of office space in the Westside market is the “creative office” asset category. This class of office is often comprised of converted former industrial buildings that were built on the Westside in the 1950s, 1960s and 1970s for printing companies, warehouse-distribution purposes, food service, computer companies, jewelry design, furniture manufacturing, upholstery companies and other uses have been and continue to be converted into multi-tenanted office buildings. This new style of office space generally includes a mix of open space plans, polished concrete floors, exposed HVAC ducts, high ceilings (often wood “bow truss”), mezzanine space, exposed brick walls, skylights in the ceilings and/or large glass windows that were formerly dock doors. Creative space is favored by many types of tenants, including entertainment and media tenants, architecture firms, and advertising firms. Creative office tenants also include tech-related startups and film-related companies with an emphasis on technology applications that support Los Angeles’ TV and movie bases, including post-production companies, animators, new media, and digital media. Additionally, there are other businesses taking this type of creative space that support or are connected to the technology and entertainment fields, such as advertising agencies, hedge funds and boutique venture capital firms. Businesses are choosing to locate in the Westside because that is where the talent lives and a majority of this workforce is interested in having the ability to ride their bikes to work or be close to light rail (the Expo Line will connect downtown Los Angeles with Santa Monica in the near future).

According to Industry Partners, a Westside brokerage firm specializing in creative office leasing and sales, there are three classifications or categories of “creative” office space: 1) “Creative”, which is typically transformed or adapted into office space from raw, or industrial space. The subject’s Bundy Drive frontage buildings are in this category, former masonry buildings with wood, bow-truss ceilings, concrete floors and exposed walls. The Olympic building (former Teledyne building) was a light manufacturing building which, upon conversion and renovation, will also be in this category; 2) “Creative Lite”, which is a converted building with roughly \$100 per-square-foot spent primarily on tenant improvements, with some of the dollars spent on core and shell; and 3) “Soft Creative”, which typically starts with a Class A building and changes the building to more of a “creative” character using architectural features, opening more light and windows, and opening the space.

The greatest concentrations of this type of inventory are in the Westside markets, including Santa Monica, Marina del Rey/Venice/Playa (Vista), and Culver City, as shown in the map below.



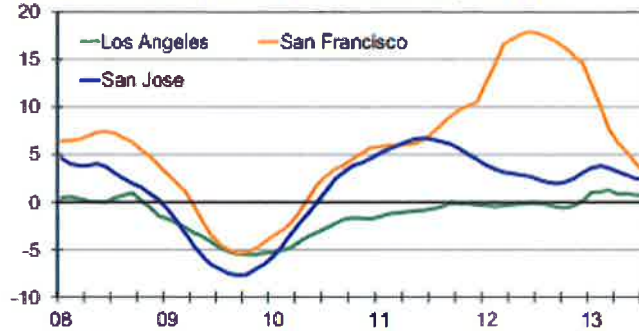
There is a significant concentration of this type of space in the subject's West Los Angeles and surrounding neighborhood. Sometimes identified as "Silicon Beach", more than 500 tech start-ups have been launched in the greater Los Angeles area, with a high concentration located near the beach communities of Santa Monica, Venice Beach, Playa Vista, Marina del Rey, and Culver City. It is estimated that there is approximately ±8.3 million square feet of creative and "creative lite" office space (excluding Class A office buildings) located within the above Westside markets. Many entrepreneurs have indicated that they prefer this area over Silicon Valley due to its close proximity to Hollywood, Downtown, and Tri-Cities, where many movies and TV programs are created. The result is an "S-Curve" that is created throughout the Los Angeles market, beginning in the "beach cities" and ending in the Tri-Cities, as shown on the map below.

## SILICON BEACH

Silicon Beach is known as a multi-mile stretch of Los Angeles that grew from Venice Beach to Santa Monica Marina del Rey, Playa Vista and surrounding seaside communities. Startup Genome, a collaborative research project that compiles data on start-ups around the world, recently ranked Los Angeles third, behind Silicon Valley and Tel Aviv, among the world's top start-up ecosystems. The start-up community has its roots on the west side of the city, in beachside Santa Monica and Venice. In recent years, a number of components have come together to expand that, turning the beaches, downtown Los Angeles, Hollywood and surrounding areas into centers of tech innovation and start-up activity. According to Moody's Analytics, tech clusters will provide additional support to growth in the near term, especially in the burgeoning Silicon Beach tech district.

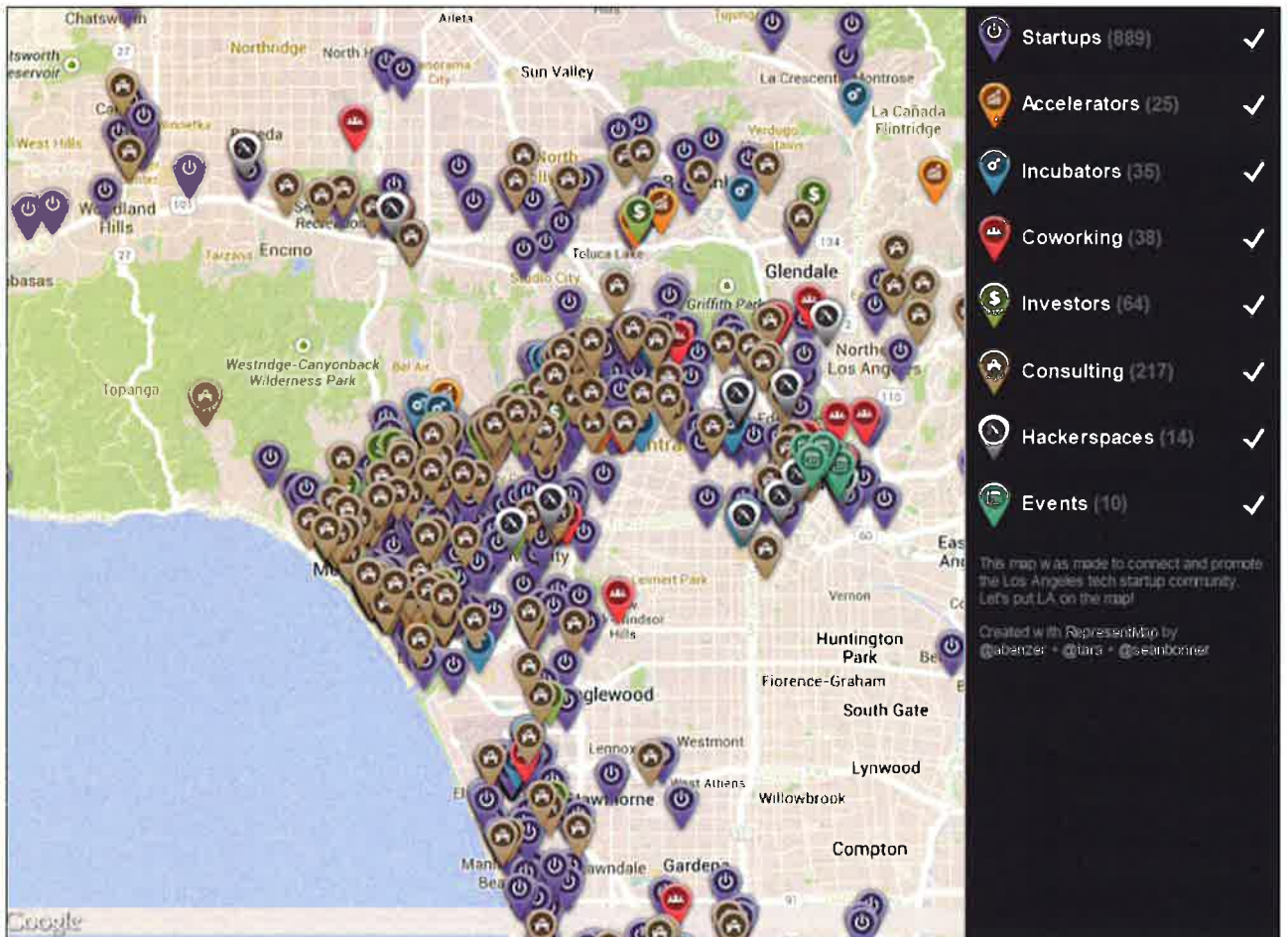
### Silicon Beach Trails Silicon Valley

Tech-producing employment, % change yr ago, 3-mo MA



Sources: BLS, Moody's Analytics

Represent LA, a local organization, created the map below to connect and promote the Los Angeles tech start-up community. It puts the number of accelerators in the greater Los Angeles area at 25 and the number of incubators at 35. According to Represent LA, there are also 38 co-working spaces, 889 start-ups and 64 early-stage investors.

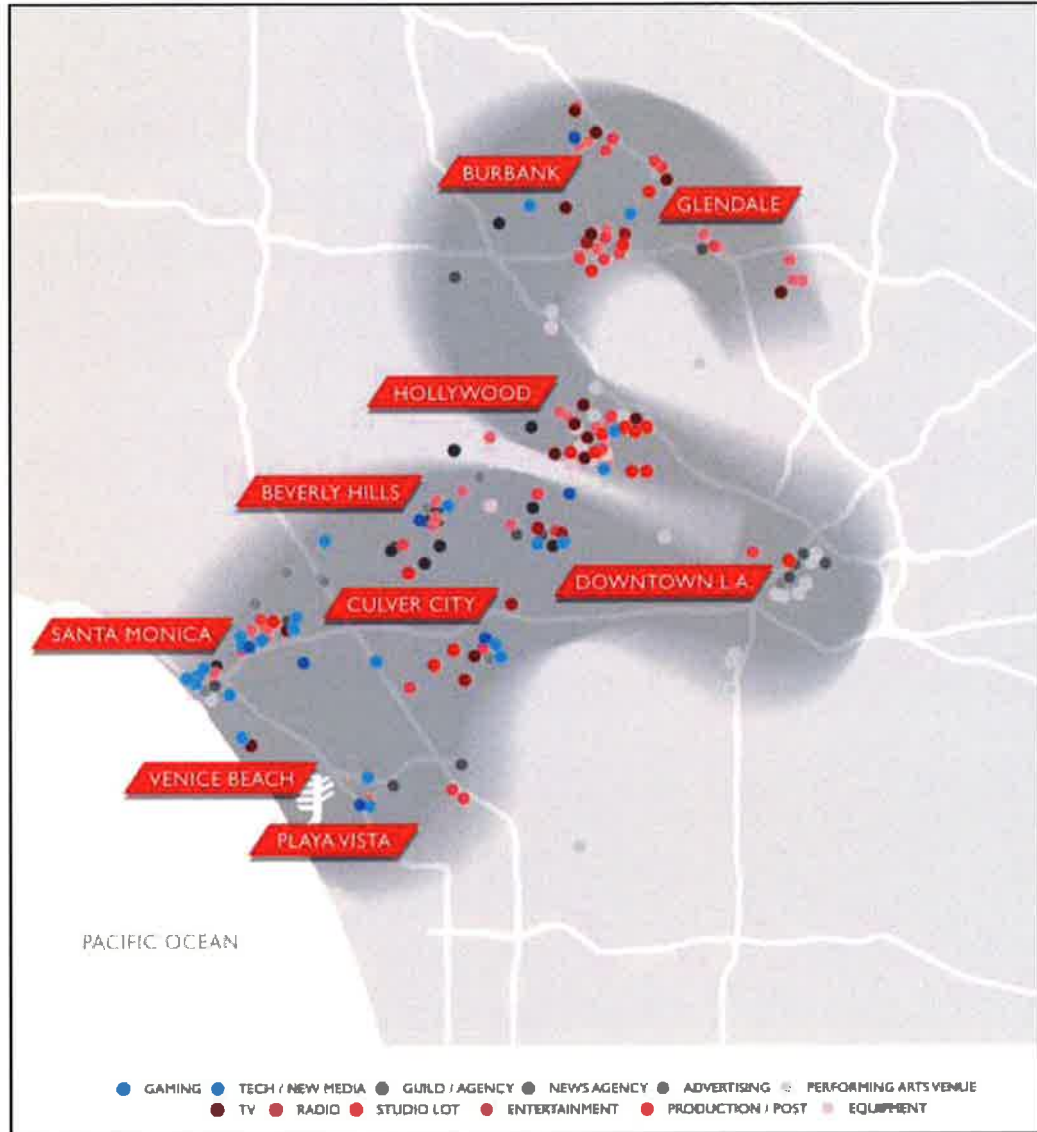


According to another organization that tracks growth, "Built In Los Angeles", the city's companies raised more than \$1 billion in 2013, representing an increase from 2012 when \$871 million was raised. Additionally, the 25 digital companies that were acquired in 2013 generated over \$1.1 billion. More than 100 companies raised \$1 million or more in capital. Two years ago, Google expanded its Southern California presence by opening a campus in Venice, leasing approximately 100,000 square feet in three buildings for several hundred employees. Other tech giants, including Facebook, also have sizable operations nearby. During 2013, Microsoft opened a roughly 20,000-square-foot space at the Reserve in Playa Vista for 130 employees who had previously been in downtown Los Angeles. Amazon and Intel are also reportedly working on deals to move its studios to Silicon Beach. The table below shows the top zip codes in terms of funding achieved during 2013.

Rank	Neighborhood	Zip Code	Funding Amount
1	Santa Monica	90401	\$150,594,000
2	Venice	90291	\$134,885,000
3	Santa Monica	90405	\$86,468,855
4	Santa Monica	90404	\$64,617,000
5	El Segundo	90245	\$60,000,000
6	Hollywood	90028	\$59,350,000
7	West Los Angeles	90025	\$43,000,000
8	Culver City	90232	\$30,300,000
9	Torrance	90501	\$29,300,000
10	Downtown Los Angeles	90017	\$28,420,000
<b>Total</b>			<b>\$686,934,855</b>

Per "Built In Los Angeles"

The map below shows the primary concentrations of creative office space within the Los Angeles market area in greater detail.



**PRIMARY CREATIVE OFFICE AREAS IN LOS ANGELES**



## EXPO LINE

Per a December 2012 press release from former Mayor Villaraigosa, the Los Angeles Mayor's Council on Innovation and Industry is working to create a "technology corridor" along the Expo light rail line. The intention is to "communicate our city's boundless creativity, spur investment in high-growth industries, connect plentiful talent to opportunity, and help Los Angeles achieve greater recognition as an innovation capital". Los Angeles will encourage development along the Expo Line, which currently runs from Downtown to Culver City and which will one day reach Santa Monica, using tax incentives and offering up city-owned land to create public-private "innovation hubs." The group is also working with USC and UCLA "to be cornerstone tenants and co-locate their incubation efforts at one of these locations."

Creative Office Market - Campus Leasing Activity- Westside Los Angeles  
Summary of Comparable Leasing Activity

As of 2nd Quarter 2014

Item No.	Building Name and Address	Rounded Area Leased (SF)	Date of Lease	Lease Term (mos)	Initial	Annual PSF Rent			Rent Concessions		Effective Annual Rent PSF
						Adjusted to MN	Adjust Date	Adj. Rent	Free Rent	Tenant Improvements (PSF)	
<b>SANTA MONICA</b>											
L-1	Water Garden Phase I 1620 26th Street 2425 Olympic Blvd Santa Monica	89,000	1st Qtr 2014	120	\$49.80 FSG	\$33.80 3.0% Annual Increases	Yr 2 Yr 3 Yr 4 Yr 5 Yr 6 Yr 7 Yr 8 Yr 9 Yr 10	\$34.81 \$35.86 \$36.93 \$38.04 \$39.18 \$40.36 \$41.57 \$42.82 \$44.10	10 mos.	\$55/ SF	\$35.93 10 years
L-2	Arboretum Gateway 2220 Colorado Ave. Santa Monica	201,006	2nd Qtr 2014	120	\$39.60 NNN	\$39.60 4.0% Annual Increases	Yr 2 Yr 3 Yr 4 Yr 5 Yr 6 Yr 7 Yr 8 Yr 9 Yr 10	\$41.18 \$42.83 \$44.54 \$46.33 \$48.18 \$50.11 \$52.11 \$54.20 \$56.36	4 mos. Parking is an additional \$9/sf annually	\$65.00/ SF	\$46.22 10 years
L-3	Penn Station 1630 Stowart Street Santa Monica	76,000	2nd Qtr 2014	180	\$46.20 NNN	\$46.20 3.0% Annual Increases	Yr 2 Yr 3 Yr 4 Yr 5 Yr 6 Yr 7 Yr 8 Yr 9 Yr 10 Yr 11 Yr 12 Yr 13 Yr 14 Yr 15	\$47.59 \$49.01 \$50.48 \$52.00 \$53.56 \$55.17 \$56.82 \$58.52 \$60.28 \$62.09 \$63.95 \$65.87 \$67.85 \$69.88	8 mos.	\$60.00/ SF	\$55.23 15 years
L-4	MTV Building 2600-2800 Colorado Blvd AKA 2700 Colorado Blvd Santa Monica	146,432 Must-Take	3rd Qtr 2013	120	\$57.12 FSG	\$41.12 3.0% Annual Increases	Yr 2 Yr 3 Yr 4 Yr 5 Yr 6 Yr 7 Yr 8 Yr 9 Yr 10	\$42.35 \$43.62 \$44.93 \$46.28 \$47.67 \$49.10 \$50.57 \$52.09 \$53.65	None 3.5 spaces / 1,000 SF @ MM	\$75.00/ SF	\$47.14 10 years





Creative Office Market - Campus Leasing Activity- Westside Los Angeles  
 Summary of Comparable Leasing Activity

As of 2nd Quarter 2014

Item No.	Building Name and Address	Rounded Area Leased (SF)	Date of Lease	Lease Term (months)	Initial	Annual P&R Rent			Rent Concessions		Effective Annual Rent/PSF	
						Adjusted to NNN	Adjust Date	Adj. Rent	Free Rent	Tenant Improvements (TSF)		
<b>West Los Angeles</b>												
L-5	12312 W Olympic 12312 W Olympic Blvd. Santa Monica	78,000	2nd Qtr 2014	120	\$43.80 NNN	\$43.80 30% Annual Increase Plus Parking	Yr 2 Yr 3 Yr 4 Yr 5 Yr 6 Yr 7 Yr 8 Yr 9 Yr 10	\$45.11 \$46.47 \$47.86 \$49.30 \$50.78 \$52.30 \$53.87 \$55.48 \$57.15	7 mos.	\$60/ SF	\$47.66 10 years	
L-6	The Element 12333 W Olympic Blvd. Santa Monica	284,000	4th Qtr 2013	180	\$43.80 NNN	\$43.80 30% Annual Increase Plus Parking	Yr 2 Yr 3 Yr 4 Yr 5 Yr 6 Yr 7 Yr 8 Yr 9 Yr 10 Yr 11 Yr 12 Yr 13 Yr 14 Yr 15	\$45.11 \$46.47 \$47.86 \$49.30 \$50.78 \$52.30 \$53.87 \$55.48 \$57.15 \$58.86 \$60.63 \$62.45 \$64.32 \$66.25	15 mos. Over Term	\$70/ SF	\$49.14 15 years	
L-7	3401 Exposition 3401 Exposition Blvd. Santa Monica	63,376	4th Qtr 2013	144	\$40.20 NNN	\$40.20 30% Annual Increase	Yr 2 Yr 3 Yr 4 Yr 5 Yr 6 Yr 7 Yr 8 Yr 9 Yr 10 Yr 11 Yr 12	\$41.41 \$42.65 \$43.93 \$45.25 \$46.60 \$48.00 \$49.44 \$50.92 \$52.45 \$54.03 \$55.65	9 mos.	\$65/ SF	\$45.03 12 years	



Creative Office Market - Campus Leasing Activity- Westside Los Angeles  
 Summary of Comparable Leasing Activity

As of 2nd Quarter 2014

Item No.	Building Name and Address	Rounded Area Leased (SF)	Date of Lease	Lease Term (mos)	Initial	Annual/DSF Rent Adjusted to 10/12/12	Adjusted Date	Adjustment	Rent Concessions		Effective Annual Rent (PSF)	
									Prop. Rent	Tenant Improvements (TSF)		
<b>PLAYA VISTA</b>												
L-8	The Reserve 13031 W. Jefferson Blvd Playa Vista	64,049	4th Qtr 2013	120	\$34.20 NNN	\$34.20 3.0% Annual Increases	Yr 2	\$35.23	9 mos. + free pkg for 1 year	\$65.00/ SF BTS	\$36.64 10 years	
							Yr 3	\$36.28				
							Yr 4	\$37.37				
							Yr 5	\$38.49				
							Yr 6	\$39.65				
							Yr 7	\$40.84				
							Yr 8	\$42.06				
							Yr 9	\$43.32				
							Yr 10	\$44.62				
<b>CULVER CITY</b>												
L-9	Hayden Creative Office 8600 Hayden Place & 8650 Higuera Culver City	109,315	3rd Qtr 2013	144	\$31.20 NNN	\$31.20 3.0% Annual Increases	Yr 2	\$32.14	10 mos. throughout term	\$66.00/ SF	\$34.48 12 years	
							Yr 3	\$33.10				
							Yr 4	\$34.09				
							Yr 5	\$35.12				
							Yr 6	\$36.17				
							Yr 7	\$37.26				
							Yr 8	\$38.37				
							Yr 9	\$39.52				
							Yr 10	\$40.71				
							Yr 11	\$41.93				
							Yr 12	\$43.19				



## **#3 PICO HOUSE**

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## ASSET OVERVIEW<sup>1</sup>

Pico House is an historic hotel building that is located within the El Pueblo Los Angeles Historic Monument. The property is across the street from Olvera Street at El pueblo do Los Angeles, a historic park that receives 2 million visitors annually. Union Station is within a short walk of the property, and freeway access is good. The district is also a short walk from the Los Angeles Civic Center.

The building was designed by architect Ezra F. Kysor and was constructed between 1869 and 1870. The three-story Italianate structure hosts 33 rooms. Property features include large windows, a small interior courtyard and a grand staircase. The property ceased functioning as a hotel in the early part of the last century.

The City of Los Angeles has long expressed a desire to attract a developer partner to “energize” the facility either as a hotel, office, or other viable use. There are other vacant buildings in proximity to Pico House that could also potentially be considered as part of a more comprehensive redevelopment plan. These buildings are outside of the scope of this analysis, but could be considered in a future Request for Proposal (RFP).

- Located within the El Pueblo Los Angeles Historic Monument.
- Proximity to 2 million annual visitors at Olvera Street
- 3 stories, 33 rooms
- 18,594 square feet of space + 2,359 square foot interior courtyard
- The property has not been occupied on a consistent basis in decades.
- The property has an historic designation and it is assumed that the exterior structure may not be altered.
  - California Historical Landmark No. 159
  - National Historic Landmark as part of Los Angeles Plaza Historic District #72000231
- The building is currently vacant

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<sup>1</sup> Please note that the consultant team did not have access to the interior of the building. All information is based on City and third party information and an exterior inspection of the property.

## SUMMARY OF CRITICAL OBSERVATIONS

### SUMMARY OF CRITICAL OBSERVATIONS

The strengths and weaknesses analysis applies both specifically (attributes internal or specific to the subject) and generally (external or economic considerations that influence the subject).

#### STRENGTHS

- Pico House is proximate to Union Station. There is a considerable amount of proposed development centered around Union Station which is poised for construction over the next several years.
- There is demand for, and lack of supply of, hotel rooms in downtown Los Angeles
- Pico House is located in an established visitor destination with 2 million visitors annually.
- The history of the project, its size, and its architecture would have appeal to a niche investor
- The attention downtown Los Angeles is receiving in general from the tremendous amount of redevelopment occurring will generate a certain level of attention for this project which it would not have received previously.

#### WEAKNESSES

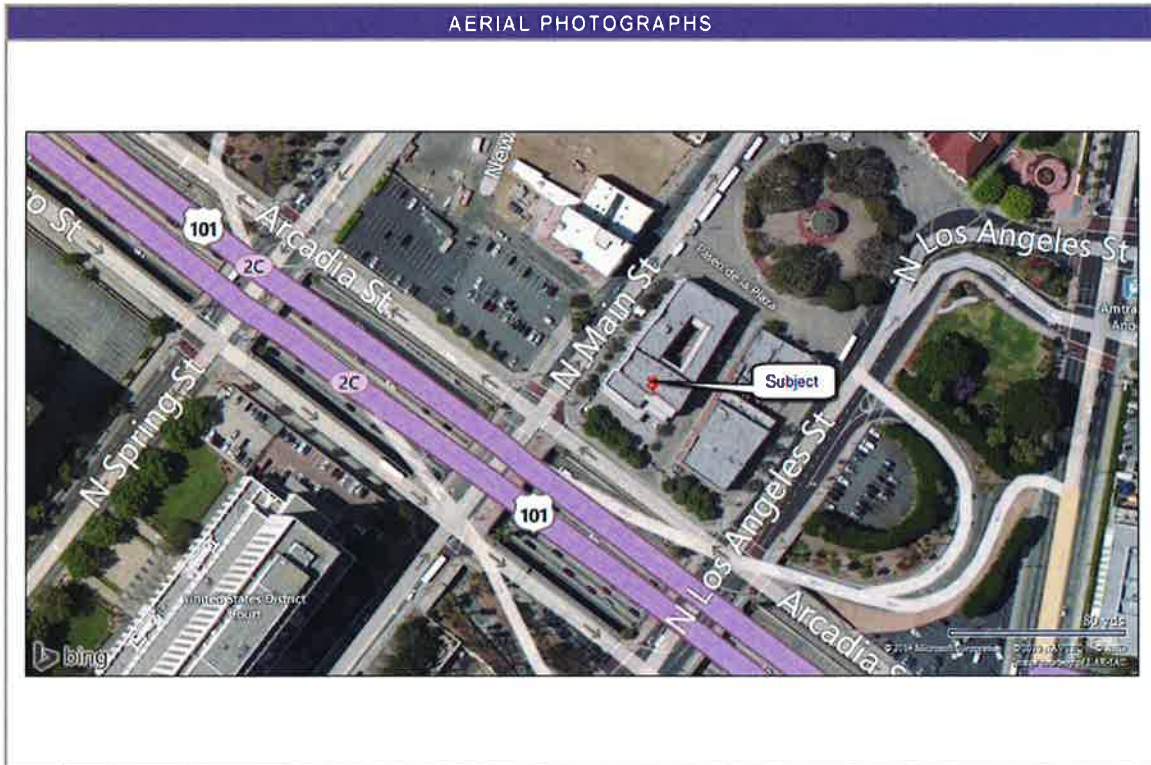
- Access is only moderately good and visibility is weak, which are problematic for hotel uses.
- The subject is an historic structure which presents limitations to renovation and no opportunity for expansion.
- The size of Pico House will limit its appeal to potential investors.
- The demand for the property will be limited to the leisure sector of the business, likely from budget conscious travelers.

The renovation offers limited profit motivation and would likely require incentives.

#### CONCLUSIONS

Based on the preceding strengths and weaknesses, it is our opinion that Pico House should be positioned as a low to moderate priority for redevelopment at the present time. Market response is likely to be moderate. The proposed development surrounding Union Station, if it occurs according to current plans and schedule, will significantly change the appeal of the immediate area. Greater economic returns and heightened market interest are likely subsequent to this event. The downside to the City is that Pico House will not be redeveloped near term and it may take another full real estate cycle for this redevelopment to occur. If the City was motivated to activate this important asset, our analysis indicates that it would be feasible without direct subsidy; however, a degree of flexibility on terms and some level of developer incentive would be required.

# Property Photographs



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Subject Context – Northerly Perspective



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INNOVATION





Subject Context - Southerly Perspective



CONSULTING  
TECHNOLOGY  
INNOVATION







Subject Context - Westerly Orientation



CONSULTING  
TECHNOLOGY  
INNOVATION



**CUSHMAN & WAKEFIELD**  
VALUATION & ADVISORY



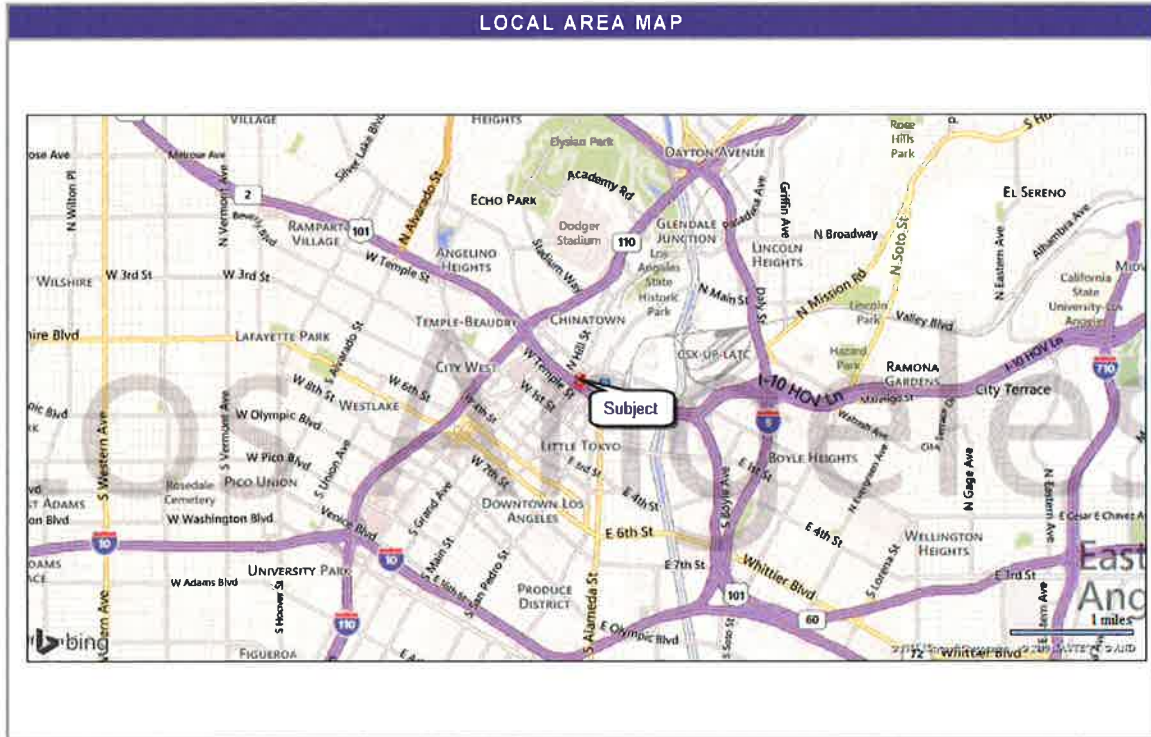
Subject Context - Easterly Orientation



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INNOVATION



**CUSHMAN & WAKEFIELD**  
VALUATION & ADVISORY



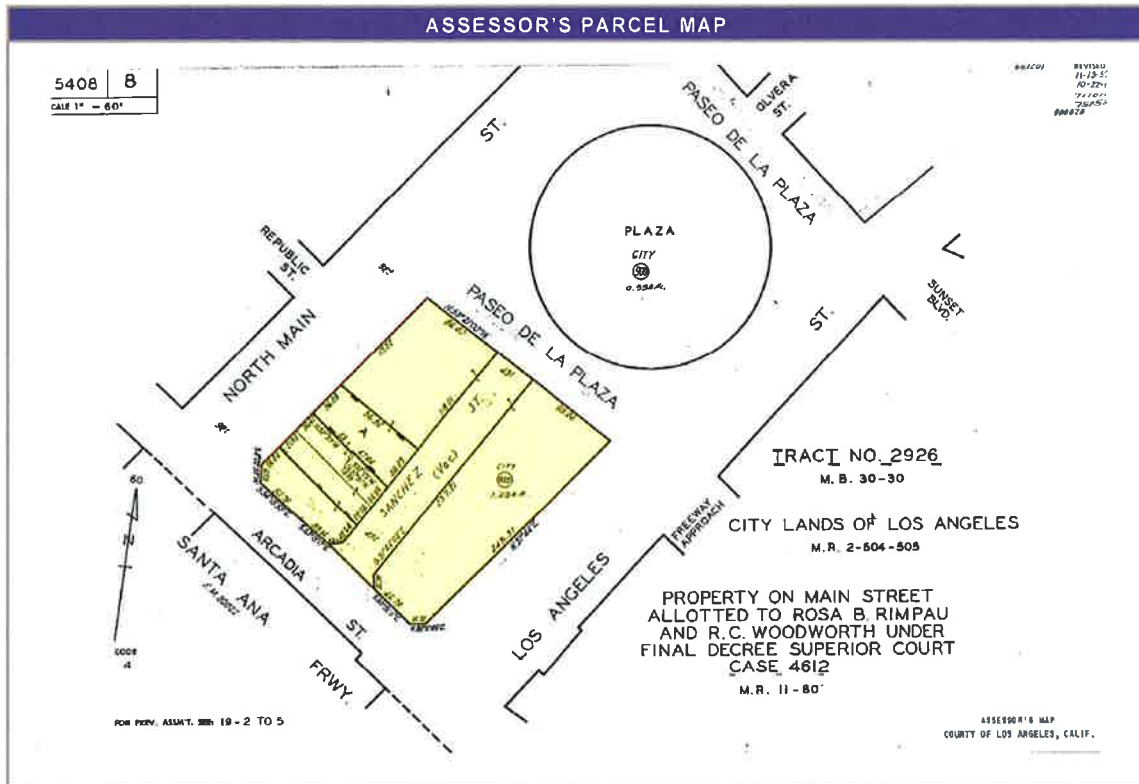
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TECHNOLOGY  
INNOVATION



CUSHMAN &  
WAKEFIELD  
VALUATION & ADVISORY

## SITE DESCRIPTION

Location:	416 N Main Street Los Angeles, Los Angeles County, California 90012 The subject property is located between North Main Street, Los Angeles Street, Paseo de la Plaza and Arcadia Street.
Shape:	Irregular
Topography:	Level at street grade
Land Area:	1.23 acres / 53,501 square feet (full APN; Pico House is located on a portion of this site)
Frontage:	Frontage is average. Access is average. <b>North Main Street:</b> 231 feet <b>Los Angeles Street:</b> 255 feet <b>Arcadia Street:</b> 207 feet <b>Paseo de la Plaza:</b> 223 feet
Surrounding Uses:	<b>North:</b> Los Angeles Plaza Park & Church <b>South:</b> Santa Ana Freeway, Commercial, and Government uses <b>East:</b> Union Station <b>West:</b> Parking lot & Commercial Uses



## ZONING AND PLANNING FRAMEWORK

### GENERAL INFORMATION

The property is zoned PF-1VL Public Facilities Zone, by the City of Los Angeles. The PF zone generally does not permit commercial uses by right; however, the zoning code does provide for joint public and private development uses permitted in the most restrictive adjoining zones.

## APPROACH

Due diligence materials were collected from the City Administrative Office (CAO) and General Services Division (GSD) staff and the consulting team also collected information from public and third party sources.

### Data Collected on Pico House

The following information was reviewed in connection with this assignment:

- Assessor's Parcel Maps and Tax Roll information
- Zoning
- RFQ for La Plaza Cultura Village
- RFP to Operate The Pico House (1869) and Hellman-Quon (1900)
- Internet resources

### Meetings and Consultations with Staff

Comments and conversations from City staff on this asset suggested that continued use as a hotel was desired. The City staff also sought guidance around the potential deal structures that would be appropriate for the renovation of this historic hotel.

### Market Data Considered

- Several ground leases and master leases (net leases) within our files were used to develop a market based structure for a long term lease of the property.
- A renovation budget for an office to hotel conversion of an historic building
- Operating statements from boutique hotels in primary urban markets.
- STR Reports for Downtown Los Angeles hotel properties
- Investor return requirements for both hotel assets and historic preservation projects

## USE ANALYSIS

### GUIDING PRINCIPALS

The consultants evaluated Pico House from a number of perspectives in an effort to examine a range potential redevelopment scenarios. Based on discussions with the Client, our market history and knowledge, and the current state of the economy in general and real estate in particular, we informed our analysis using the following guidelines:

- Pico House is located in a cultural destination and is an historic structure. There is a compelling story and intrinsic value in the space and the architecture.
- Access to the area is good; Union Station provides direct access for locals and visitors.
- The proximity to cultural uses will allow Pico House to have a market position that is unique in the competitive market.

### ASSET POSITIONING

- Historic architecture with current appeal
- Located in cultural hub of Los Angeles
- Located in tourist destination
- Union Station in proximity
- Nearby access to freeways
- No direct on-site parking.
- Somewhat challenging access and limited visibility from vehicular traffic
- Need for additional hotel rooms throughout downtown; however, Pico House is in a secondary location
- Synergy with nearby cultural uses
- Surrounded by large employer base



## USES CONSIDERED

### Hotel

There are compelling reasons to position the asset for redevelopment as a hotel, which is consistent with its historic use, fits into the fabric of the historic district, would bolster the appeal of the cultural district overall and is legally permissible. No alternative uses have been considered in this analysis.

## FINANCIAL ANALYSIS

### REVENUE ASSUMPTIONS

#### Number of Rooms

Pico House reportedly has 33 hotel rooms. Due to the age of the hotel, it is assumed that there are shared bathrooms, which is no longer consistent with market standards. Our anticipated scope of renovation contemplates a substantial renovation which would include reconfiguration of the floor plans to provide for standard rooms inclusive of private bathrooms.

According to information provided, the building features 18,594 square foot of enclosed area. Assuming that 50% of the space was dedicated to hotel rooms, an average room size would be approximately 280 square feet. This is in line with the most competitive properties in the Downtown market.

- Ace Hotel                      270 square feet
- Hilton Checkers              313 square feet
- The Standard                290 square feet
- Millennium Biltmore        225 square feet

#### Space Program

In line with similarly positioned hotel properties the following common areas were assumed for purposes of our analysis.

Reception Lobby	1,000 square feet
Boardroom/Meeting Room Space	2,000 square feet
3-meal Restaurant/Kitchen	4,000 square feet
Coffee Shop/Sundry	800 square feet

The balance of the space is back of house (office, housekeeping, laundry, storage, etc.). The courtyard could be programmed for a variety of uses such as outdoor dining, garden space, lounge, etc. We have not included any revenue potential for the courtyard in our analysis.

#### Average Daily Rate

The proposed redevelopment of Pico House is assumed to serve a niche market of leisure tourists attracted to the property due to its location in an historic area, its proximity to Union Station, and a comparatively low price point due to the boutique/limited service market positioning. ADR was derived bracketing the existing properties around downtown with a similar market position.

Kawada	\$120
O Hotel	\$150
Hotel Figueroa	\$160
Ace Hotel	\$175
The Standard	\$190
Millennium Biltmore	\$185

### Occupancy

Given the limited number of rooms, the location of the project, and the performance of similarly positioned properties in the market, we estimated a stabilized occupancy of 70 percent. Overall market occupancy for Downtown Los Angeles is currently 76%.

### Operating Expenses

Operating expenses are based on market standards for limited service/boutique properties. Real estate taxes were conservatively modeled at full market value; however, we assume that only a possessory interest would be valued for purposes of taxation if a lease were structured. Moreover, a developer may see a Mills Act exemption for the project.

Rooms Revenue	\$150 per Night Quoted / \$135 per Night Achieved
Miscellaneous	\$2,000 per room per annum
Rooms Expense	25% of Rooms Revenue
Food Revenue/Expense	20% of Rooms Revenue / 80% of Food Revenue
Beverage Revenue/Expense	5% of Rooms Revenue / 60% of Beverage Revenue
Other	1% of Rooms Revenue / 20% of Other Revenue
Undistributed Expenses	20% of Total Gross Revenue
Insurance	\$350 per room per annum
Management	3% of Total Gross Revenue
Taxes	1.2% of value
Reserves	4% of Total Gross Revenue

### Redevelopment Costs

Costs for redevelopment of Pico House were estimated by the consultants using actual renovation budgets from similarly positioned projects involving the conversion of historic buildings to operating hotels.

Pico House Development Costs	33 Rooms		
	Total	Per Room	% of HC
Hard Costs	\$3,300,000	\$100,000	
Contingency	\$165,000	\$5,000	5
Design	\$99,000	\$3,000	
Contingency	\$4,950	\$150	5
Developer Fee	\$297,000	\$9,000	9
Permits/Inspections	\$66,000	\$2,000	
Legal	\$36,300	\$1,100	
Real Estate Taxes	\$39,600	\$1,200	
Insurance	\$115,500	\$3,500	
Utilities	\$28,875	\$875	
Security	\$16,500	\$500	
Consultants	\$24,750	\$750	
Reimbursables	\$90,750	\$2,750	
FF&E	\$264,000	\$8,000	
PreOperating	\$165,000	\$5,000	
<b>Total Cost</b>	<b>\$4,713,225</b>	<b>\$142,825</b>	

## STABILIZED PRO FORMA

The follow pro forma outlines a hypothetical revenue and expense estimate as if Pico House were currently operating at stabilized levels. Given current investment parameters for a typical investor, a current valuation could range from \$4,000,000 to \$6,000,000 or from \$120,000 to \$180,000 per room assuming 33 rooms.

Our estimate of the cost for renovation is approximately \$4.7M prior to financing costs which are typically in the range of 5 to 6 percent of project costs (approximately \$250,000). Our analysis demonstrates that prior to incentives and without accounting to payments to the city, the project would be close to "break even". Therefore, our analysis of deal structure takes into consideration the flexibility, structured rental payments and other terms that would be required by a typical investor. The typical investor profile is likely a local owner operator or a high net worth individual who will hire a management company to operate the hotel post renovation.

For the Years Ending	Year 1	
	Jun-2015	Per Room
Gross Revenue		
Room Revenue	\$1,138,253	\$34,493
Food	227,651	\$6,899
Beverage	56,913	\$1,725
Other	11,383	\$345
Miscellaneous	66,000	\$2,000
Total Gross Revenue	1,500,200	\$45,461
Departmental Expenses		
Room Expense	284,563	\$8,623
Food	182,121	\$5,519
Beverage	34,148	\$1,035
Other	2,277	\$69
Total Departmental Expenses	503,109	\$15,246
Departmental Profit	997,091	\$30,215
Undistributed Expenses		
Undistributed Expenses	300,040	\$9,092
Total Undistributed Expenses	300,040	\$9,092
Gross Operating Profit	697,051	\$21,123
Fixed Expenses & Costs		
Management Fee	45,006	\$1,364
Taxes	63,695	\$1,930
Insurance	11,550	\$350
Reserves	60,008	\$1,818
Total Fixed Expenses & Costs	180,259	\$5,462
Net Operating Income	516,792	\$15,660

## PARKING

There is presently no on-site parking or parking that is exclusive to Pico House that would be encumbered by a lease agreement (discussed subsequently). The lack of parking is a significant detriment to this asset positioned as a hotel and a parking arrangement would need to be negotiated to facilitate redevelopment.

The City operates five parking lots within the El Pueblo district. There is parking available at Union Station which is controlled by the County. The City would directly realize all parking revenue generated by the redevelopment of the hotel and any other ancillary uses redeveloped as part of the project (restaurants, bars, etc.). Parking operations would need to be expanded to 24/7/365 and a lot would need to be dedicated to Pico House guests and controlled by the Pico House for valet service. The City should assume this arrangement would either be net neutral or net positive to the City in terms of revenue.

## INCENTIVES

It is likely that a developer partner would seek equity investment through the syndication of tax credits as well as explore additional capital sources or incentives available through a number of government sponsored programs. There is considerable time and effort required to obtain these sources of funding due to the application and award timeframes. A project like the redevelopment outlined for Pico House does not provide enough economic incentive independent of these sources to attract capital investment. Therefore, the recommended lease structure outlined below provides the developer a flexible timeframe for development and a scaled rent schedule that will allow the various pieces of the capital stack to be assembled.

- Transient Occupancy Tax Holiday
- New Business Tax Holiday
- State Enterprise Zone
- New Market Tax Credits
- Federal Historic Preservation Tax Credits

## ALTERNATIVES TO MONETIZE CITY INTEREST

The scope of this assignment involved exploring, and quantifying to the extent possible, a range of potential deal structures the City could consider in its asset management decisions involving Pico House. Given our assessment of the asset, we have considered an outright sale and a long term lease as outlined below.

### LONG TERM LEASE

A long term lease structure would provide the City the ability to retain an ownership interest in the asset and provide annual income and would provide the developer partner the security need to finance the substantial capital investment required for renovation. We structured a hypothetical lease based on terms from similar leases with which we are familiar.

Term:	Primary term of 20 years (minimum)
Option Term:	Three, successive 10 year periods with advance notice (minimum)
Lease Commencement:	Developer Partner and City would enter into a prior of exclusive negotiation subsequent to the standard RFP period and a lease would be negotiated during this time. Commencement immediately after the negotiations are completed.
Rent During Construction:	<p>Lessor would be afforded an initial period of up to 24 months to complete the renovation project. This period could be extended with notice and demonstration of progress. Construction is considered complete once the property has received its Certificate of Occupancy.</p> <p>Fixed rental rate of \$50,000/yr + common area fee (approx. \$6,700/yr).</p>
Base Rent:	The greater of \$50,000 or 10% of the annual Net Cash Flow after deducting from Annual Net Cash Flow a preferred, non-cumulative 15% return on Lessees' Net Equity Investment.
Additional Rent:	<p>A non-cumulative 10% of the annual Net Cash Flow after deducting from Annual Net Cash Flow a preferred, non-cumulative 15% return on Lessees' Net Equity Investment.</p> <p><i>Net Cash Flow:</i> All Gross Operating Income from leasing, owning, financing, construction, furnishing, etc., and/or operating Pico House; less Expenses.</p> <p><i>Expenses:</i> All typical costs associated with hotel operation, Lessee's debt service including interest and amortization, reserves, management fees, and renovation costs.</p>
Base Rent Adjustment:	The Base Rent shall be increased every 5 years by the product of the Base Rent payable as of the month immediately preceding such adjustment date multiplied by the lesser of (i) the CPI Adjustment as of such date and (ii) twelve percent (12%).

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Reset to Market:	None during primary term.
Option Rent:	Base Rent for each option period shall be adjusted to 95% of the then Fair Market Value as agreed to by the parties. Fair Market Value would need to be defined in the lease, but is typically determined through an appraisal process.
Right of First Refusal:	The Lessee would typically be granted the right of first refusal in the event the Lessor elects to sell his interest.
Assign/Sublease/Finance:	The Lessee would have the right to assign, sublet and finance, with Landlord's consent.

## FINDINGS AND RECOMMENDATIONS

As of the date of this analysis, renovation of the property into a hotel use is likely a break even proposition.

If the City decides to proceed with redevelopment near term, incentives are likely required.

Redevelopment planned around Union Station is likely to spur a renewed interest in the area long term. The City could take a “wait and see” approach and expend resources to redevelop Pico House several years out. There is a fairly high level of market risk in this approach.

Structuring a long term lease with a percentage rent structure would allow the city to participate in upside experienced by a redeveloped Pico House should significant redevelopment in the area take place.

It is recommended that the City retain the services of an outside real estate expert to advise them on the RFP process, evaluate responses, interview potential developer partners and assist in the process of making a final selection. The purpose of an outside, independent advisor is to assist the City in evaluating the economic terms of the proposals and assessing the viability of the projections based on industry knowledge and experience.



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## #4 EL PUEBLO

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### ASSET OVERVIEW

El Pueblo Parking lot #2 is a parking lot located at 615 N Main Street, Los Angeles, CA 90012. The 1.8 acre site is bounded by Cesar E Chavez Avenue to the north, Main Street to the east, and Spring Street to the west.

Currently, a middle portion of the lot is county owned. The City has indicated that, for purposes of this analysis, we can assume that the County will enter into an agreement for a "land swap" for this portion of the parking lot site. Accordingly, we have not evaluated what, if any cost would be associated with this exchange and have assumed that the entire lot, as outlined below, and as estimated at approximately 1.8 acres, would be available for the City to present for redevelopment.

We further note that the Assessor's Parcel Maps that we reviewed do not correspond to the boundaries and current configuration of the site based on this outline and our physical inspection. We have further assumed that the site can legally be conveyed consistent with the current boundaries.



 : COUNTY-OWNED

## SUMMARY OF CRITICAL OBSERVATIONS

### SUMMARY OF CRITICAL OBSERVATIONS

The strengths and weaknesses analysis applies both specifically (attributes internal or specific to the subject) and generally (external or economic considerations that influence the subject).

#### STRENGTHS

- El Pueblo Lot #2 generates a considerable amount of income from its current parking operations.
- The site of the size is adequate to support a wide range of uses.
- The site utility is very good; with excellent frontage and good access and visibility.
- The site's location in downtown Los Angeles is good and it is proximate to a popular tourist destination and Union Station.
- The site is proximate to a good employment base.

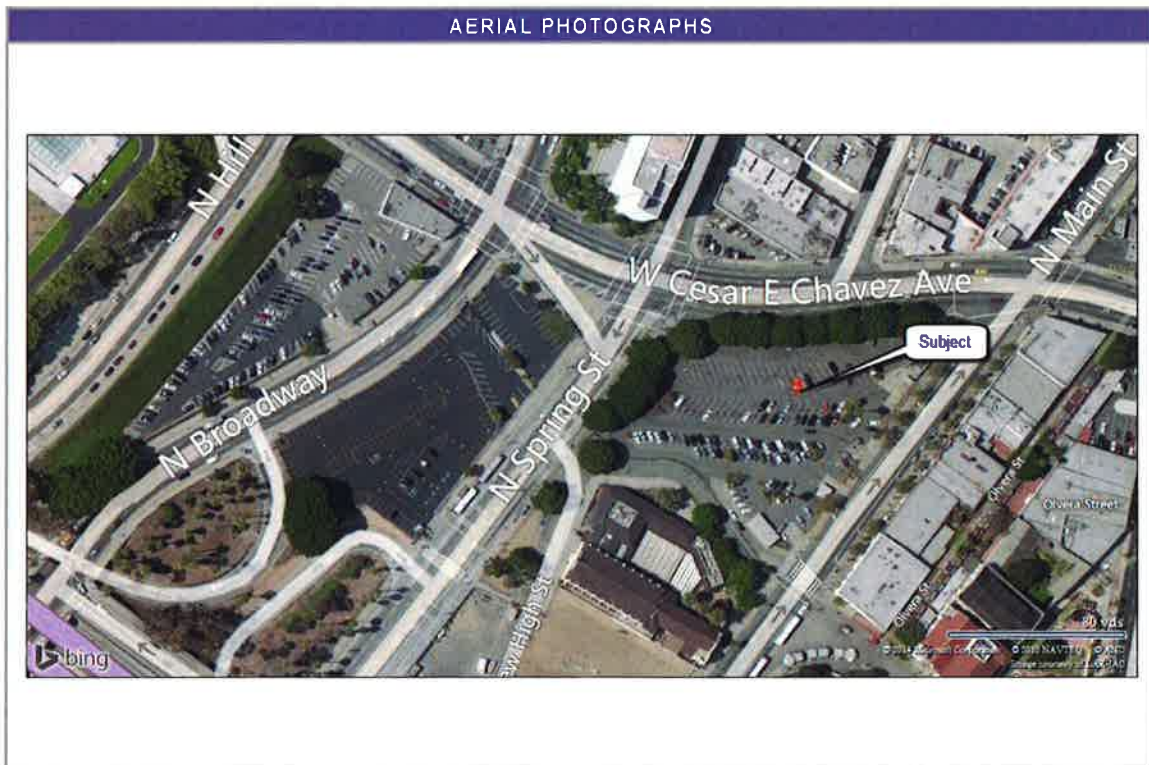
#### WEAKNESSES

- The site is outside of the core of downtown Los Angeles and the immediate area has not experienced much redevelopment to date.
- The amenity base in the immediate area is lacking and the quality of the retail amenities in proximity to the property is low.
- The site is not located in a 24/7/365 environment.

#### CONCLUSIONS

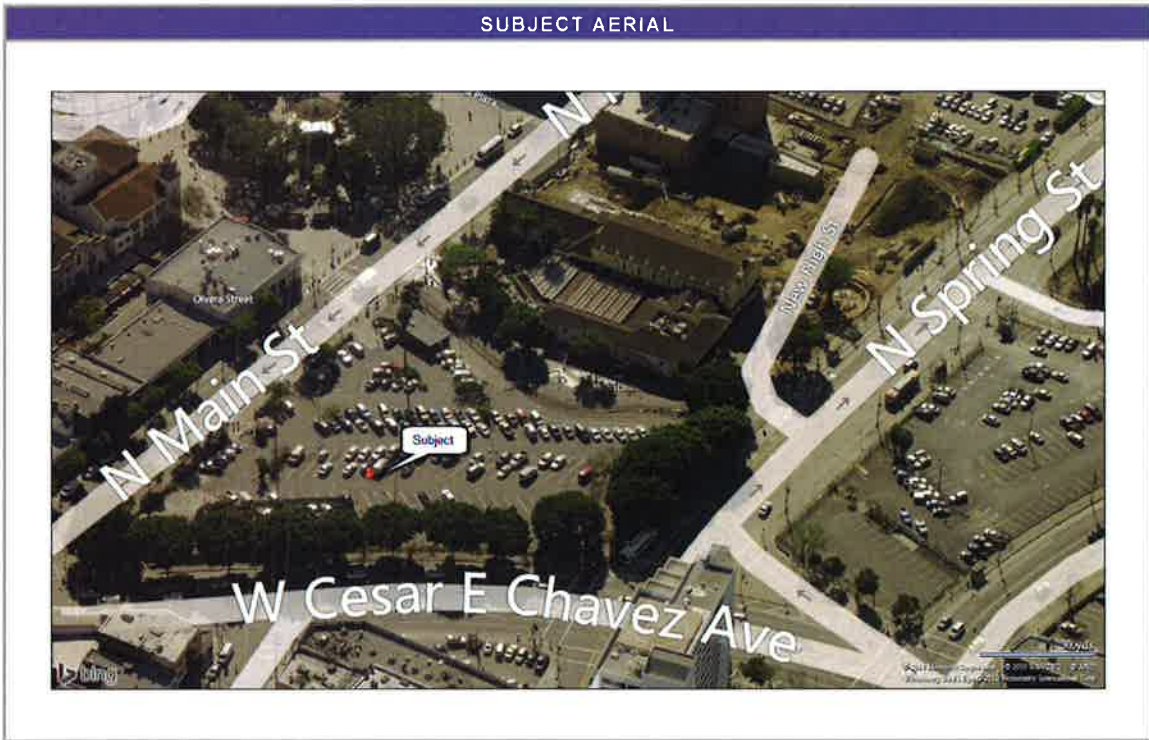
Based on the preceding strengths and weaknesses, it is our opinion that El Pueblo Parking Lot should be positioned as a moderate to high priority for redevelopment at the present time. Market response is likely to be very high.

## Property Photographs





Context – Northerly Perspective



Subject Context - Southerly Perspective



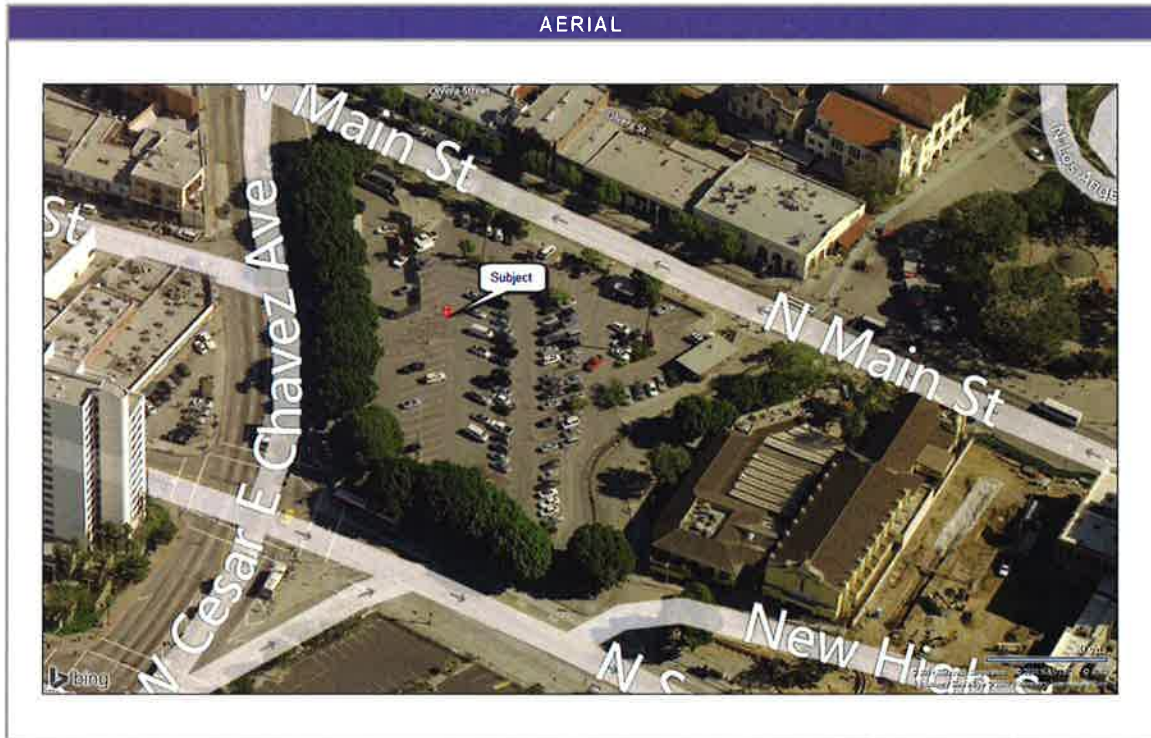
Context - Westerly Orientation



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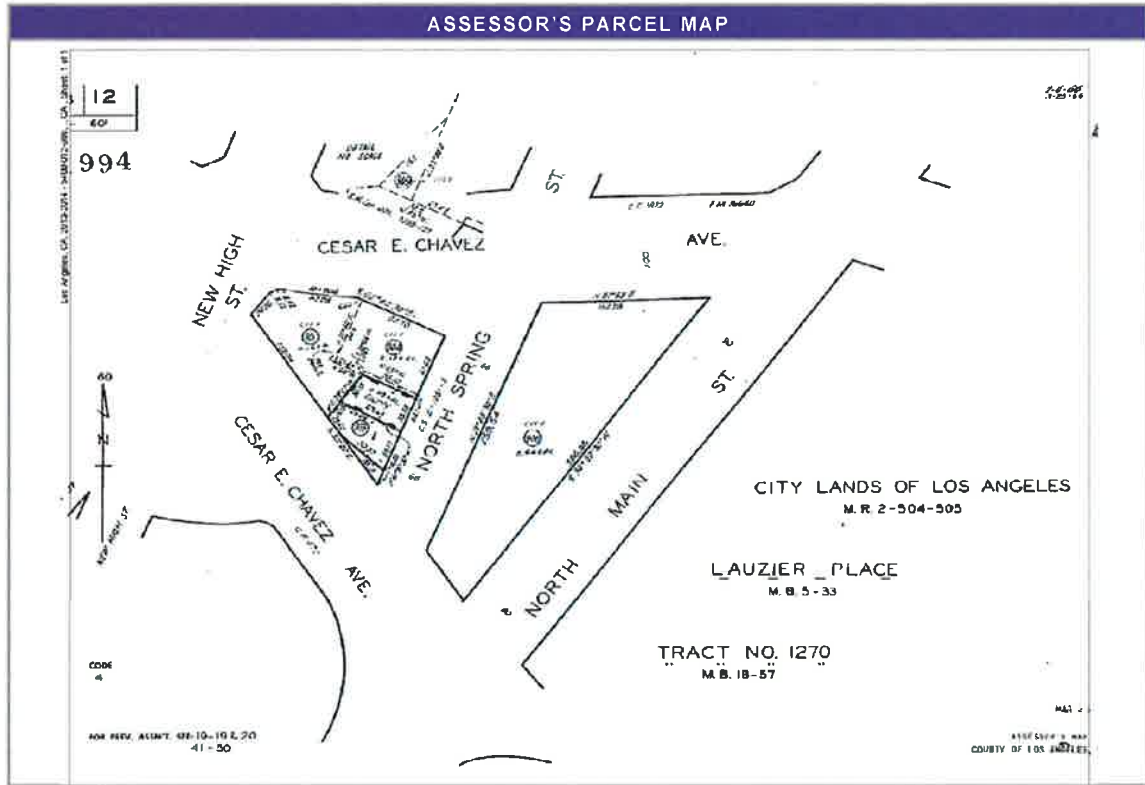
Context - Easterly Orientation





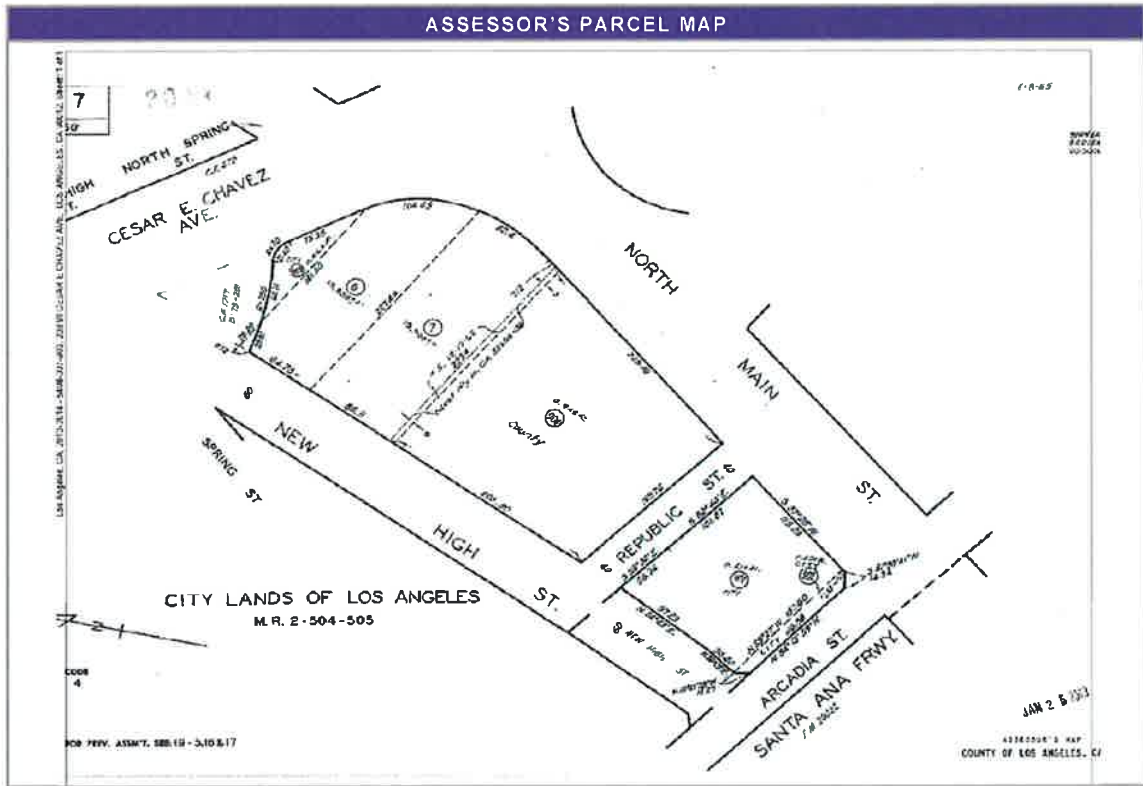
## SITE DESCRIPTION

Location:	615 N Main Street Los Angeles, Los Angeles County, California 90012 El Pueblo Lot #2 is located at the southwest corner of W. Cesar E Chavez Avenue and Main Street.
Shape:	Irregular
Topography:	Level at street grade
Land Area:	1.8 acres per City (approximate)
Frontage:	The subject property has good frontage on: Cesar E Chavez Ave, Spring Street and Main Street.
Site Improvements:	The existing site improvements include an asphalt paved parking area, concrete curbing and sidewalks, street trees, lighting and drainage.
Land Use Restrictions:	We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. We have assumed that the County-owned portion of the site could be acquired through an exchange and that the assembled site could be redeveloped.
Surrounding Uses:	<b>North:</b> Commercial Uses <b>South:</b> Los Angeles Plaza Park, Pico House, Church <b>East:</b> Commercial Uses <b>West:</b> Parking Lot



Note: Assessor's map does not reflect current physical boundaries.





Note: Assessor's map does not reflect current physical boundaries.



## ZONING AND PLANNING FRAMEWORK

The property is zoned PF-1VL Public Facilities Zone, by the City of Los Angeles. The PF zone generally does not permit commercial uses by right; however, the zoning code does provide for any joint public and private development uses permitted in the most restrictive adjoining zones if approved by the Director of Planning. The phrase “adjoining zones” refers to the zones on properties abutting, across the street or alley from or having a common corner with the subject property. If there are two or more different adjoining zones, then only the uses permitted by the most restrictive zone shall be permitted.

Our assessment of the El Pueblo Lot #2 suggests that the “most restrictive” adjacent zone is R5-2. There are C2-2 and C4-2D zones that are also adjacent to the El Pueblo Lot #2 site. The R5 zone is more restrictive than the C2 and C4 zones in terms of the amount of uses that are permitted. By right uses in the R5 zone that are common commercial uses include multifamily residential development, hotel uses and senior housing/healthcare uses.

ZONING	
<b>Municipality Governing Zoning:</b>	City of Los Angeles
<b>Current Zoning:</b>	PF-1VL
<b>Current Use:</b>	Surface Parking
<b>Is current use permitted:</b>	<u>Yes</u>
<b>Permitted Uses:</b>	Permitted uses within the PF district include public facilities and joint public private development with uses permitted in the most restrictive adjacent zones
<b>Prohibited Uses:</b>	Non public uses that do not involve a public body in the development

ZONING REQUIREMENTS	PF-1VL	Assuming R5-2
Site Area	78,408	78,408
Minimum Lot Area:	No minimum	5,000/200 sq.ft. min/unit
Maximum Building Height:	No limit	No limit
Maximum Floor Area Ratio (FAR):	N/A	6.0 times lot area
Maximum Building Area:		470,448
Residential Unit Yield		392
Minimum Yard Setbacks		
Front (feet):	None	0' for commercial uses 15' for residential; 10' key lots
Rear (feet):	None	0' for commercial uses 15' for res + 1'/story over 3; max. 20'
Side (feet):	None	0' for commercial uses 15' for res + 1'/story over 3; max. 20'
Required On-Site Parking:		
Professional Office	2/1,000	2/1,000
Retail	4/1,000	4/1,000
Restaurant	10/1,000	10/1,000
Residential	1/unit <3 habitable rooms 1.5/unit = 3 habitable rooms 2/unit >3 habitable rooms	1/unit <3 habitable rooms 1.5/unit = 3 habitable rooms 2/unit >3 habitable rooms

Compiled by Cushman & Wakefield Western, Inc.

Given the nature of this analysis, which considers highest and best use from a market perspective, we have assumed that the City would facilitate the approvals required to permit a commercially viable alternative use through a zone change or other associated zoning and planning modifications, as it would be a party to the future development. This action would effectively be required by the development community if this property were to be developed without City participation.

## APPROACH

Due diligence materials were collected from the City and were reviewed by the Cushman & Wakefield and PA Consulting team.

### Data Collected

The following information was reviewed in connection with this assignment:

- El Pueblo Lot #2 Monthly ticket and revenue figures covering the timeframe July 2013 through February 2014
- GSD's estimated costs to Operate El Pueblo Lot #2, FY 2013-14
- Interview with Chris Espinoza on operations of El Pueblo Parking Lot #2
- Aerial provided by the City showing County owned land
- Zoning information on ZIMAS

### Meetings and Consultations with Staff

Comments and conversations from City staff regarding this asset suggested that an understanding of its highest and best use was desired. An interview with Chris Espinoza of El Pueblo indicated Parking Lot #2 is a critical lot for the monument and the amount of parking currently present on the site (approx. 200 spaces) would need to be maintained or replaced. The City staff also sought guidance around the potential deal structures that would be appropriate if the site were to be redeveloped.

## USE ANALYSIS

### GUIDING PRINCIPALS

The consultants evaluated El Pueblo Lot #2 from a number of perspectives in an effort to examine a range of potential redevelopment scenarios. Based on discussions with the Client, our market and knowledge, and the current state of the economy in general and real estate in particular, we informed our analysis using the following guidelines:

- El Pueblo Lot #2 serves the El Pueblo Historic Monument, a local cultural destination.
- Access to the area is good; the lot has excellent frontage and its shape is adequate to support a variety of land uses.
- The immediate area is mixed in terms of land use. The dominant uses are historical/cultural and transportation related (Union Station/Freeway).
- There is a mix of commercial development in the immediate area.
- There is not a concentration of housing in the immediate area, but housing is being developed throughout the greater downtown.
- The current wave of redevelopment has not taken hold in the immediate area, likely due to the large concentration of publicly owned properties.

### ASSET POSITIONING

- The size of the site would attract strong interest from developers
- Located in cultural hub of Los Angeles
- Located in tourist destination
- Union Station in proximity
- Nearby access to freeways
- Synergy with nearby cultural uses
- Surrounded by large employer base



## USES CONSIDERED

### Parking – Continued Use

El Pueblo Lot #2 is currently a fully utilized surface parking lot that supports the El Pueblo Historic Monument. We were provided the revenue and expense records by the City and have developed an analysis of the parking lot assuming continued use.

### Multifamily Residential

Apartment projects in this area are plentiful, diverse, and generally perform well. New projects have absorbed in a reasonable timeframe and demonstrate strong rental rates. Developer and investor interest remains strong for existing assets and development land. We have evaluated the economics of a multifamily rental development in our analysis.

Large-scale condominium projects have not been recently developed in the immediate area because market conditions do not support condominiums in large measure. We have not considered a condominium development in our analysis.

### Hotel

The real and perceived need for additional hotel rooms in downtown Los Angeles, the current market conditions, the size of the site, and the location of Lot #2 prompted the consultants to evaluate a potential hotel development. We evaluated the feasibility of a 200-room limited service product, which we assumed would have a national flag, in our analysis.

### Office

Under current market conditions, there is no speculative demand for new Class A office development in downtown Los Angeles. Class A office buildings in the market are trading at well below replacement cost. Furthermore, El Pueblo Lot #2 is not located in a prime node of the downtown office market and is not a viable location for speculative office development.

### Retail

The economics of a retail center are not supported for this site due to the high value of the land. Vertical retail is not successful in Los Angeles outside of Koreatown and Chinatown. At a site density of 0.75:1 for a typical urban center, a yield of approximately 58,000 square feet of GLA could be achieved for the site. When using the value of the existing parking operation as a benchmark (assume \$15.3M), the FAR pricing for land equates to \$264 per square foot of potential building area, which is far in excess of what a retail developer can pay for land.

Appropriately scaled ground floor retail would, however, be an important, integral component to a mixed use project dominated by residential units.

## PARKING - EXISTING CONDITION

We reviewed FY 2013 and partial year FY 2014 income and expense statements for the current parking operations at Lot #2. We annualized the provided FY 2014 statement to represent a full fiscal year.

City-level operating expenses were also provided; however, the city-reported expenses do not include the full complement of expenses that would be required of for-profit parking operation, specifically insurance and real estate taxes. We estimated insurance based on costs for similarly positioned surface lots in downtown Los Angeles, and "loaded" a market based capitalization rate for the real estate taxes, which we have estimated at 1.25%.

The reported income and expense, and our estimate of additional expenses and real estate taxes is summarized in the following table. Applying a market based capitalization rate of 6.0 percent results in an implied value range of \$15.2 to \$15.4 million based on current operations.

El Pueblo Parking Lot Operating Statements		
	FY 2013 Actuals (July-June)	FY 2014 Annualized YTD (July-February)
<b>Parking Revenue</b>	\$1,385,916	\$1,378,489
<b>Expenses</b>		
Salaries	\$251,764	\$259,317
Repairs & Maintenance	\$10,488	\$10,803
General & Administrative	\$2,940	\$3,028
<b>Total (as reported by City)</b>	\$265,192	\$273,148
Insurance (C&W Estimated)	\$3,000	\$3,000
<b>Total Expenses</b>	\$268,192	\$276,148
<b>NOI Prior to RETX</b>	<b>\$1,117,724</b>	<b>\$1,102,341</b>
Market Capitalization Rate	6.00%	6.00%
Real Estate Tax Rate	1.25%	1.25%
<b>"Built Up" Capitalization Rate</b>	<b>7.25%</b>	<b>7.25%</b>
<b>Implied Market Value</b>	<b>\$15,416,883</b>	<b>\$15,204,703</b>

The following matrix arrays the likely value range for El Pueblo Parking Lot #2 on an As Is basis, and calculates the implied value per square foot of land area based on the site's approximate 1.8 acres.

Value Matrix As Parking Lot		
Value	Land Area (SF)	Price PSF of Land
\$15,000,000	78,408	\$191.31
\$15,250,000	78,408	\$194.50
\$15,500,000	78,408	\$197.68
\$15,750,000	78,408	\$200.87

## LAND INVESTMENT ACTIVITY

Over the past three years, there has been a high degree of land investment activity throughout downtown Los Angeles. The concentration of activity has been in the South Park area where the greatest amount of land (in the form of surface parking lots) is available; however, each of downtown's districts has experienced some level of activity. Most of the land investment activity has centered around demand for multifamily development.

The majority of the projects being developed are Type III or Type III modified construction, also referred to as "podium" construction. These projects are generally 4 to 6 levels of wood frame construction over a concrete base or "podium" that features retail and parking components. The rental rates achievable in downtown drive the demand for this type of construction. High rise buildings, due to their higher construction costs, are not being completed in large measure due to the currently achievable rent levels in spite of their permissibility under zoning.

Given the location of El Pueblo Lot #2, and considering the nature of the multifamily residential product being developed in the non-core districts of downtown (Chinatown, Little Tokyo, Central City West), we have examined the most relevant recent sales of sites purchased for podium construction, which would be a likely product for the El Pueblo Lot #2 location.

The following table summarizes sales of entitled sites throughout downtown Los Angeles arrayed by density (# of units per acre).

Entitled Land Sales - Downtown Los Angeles						
Sale	Date	# of Units (per entitlements)	Size (acres)	Density (units/acre)	Sale Price	Price per Unit
Angelena	Jun-12	700	2.94	238	\$63,000,000	\$90,000
G12	Oct-13	640	2.73	234	\$45,000,000	\$70,313
Avant Ph II	Jun-12	193	0.94	205	\$13,600,000	\$70,466
Avant Ph I	Sep-11	247	1.24	199	\$15,800,000	\$63,968
1027 Olive	Jan-14	201	1.11	181	\$20,000,000	\$99,502
Hanover	Jan-13	231	1.47	157	\$18,000,000	\$77,922

Using this data, we applied a range of potential unit yields to the El Pueblo Lot #2 site to determine the possible value range assuming the property was entitled for multifamily residential development with a ground floor retail component as is the data cited above. At an estimated value of \$75,000 per unit, the potential value range for El Pueblo Lot #2 if entitled would be between \$21.6 and \$31.7 million.

Estimate of Unit Yield and Value Potential If Entitled - El Pueblo Lot #2					
Scenario	# of Units	Size (acres)	Density (units/acre)	Value	Price per Unit
Conservative	288	1.8	160	\$21,600,000	\$75,000
Moderate	360	1.8	200	\$27,000,000	\$75,000
Aggressive	423	1.8	235	\$31,725,000	\$75,000

Investors pay a premium for entitled sites in the current market environment if those sites have approvals for a feasible, ready to build project. This premium is reflected in the above sales which either had an existing entitlement at contract or whose contracts were subject to successful entitlement. While it is difficult to quantify the premium from sales of the same property (unentitled then entitled), market participants suggest this premium could range from about 15 to 30 percent or greater.

The following table "backs out" the premium for entitlement from the previously developed value range.

Estimate of Value Potential Unentitled - El Pueblo Lot #2					
Scenario	Potential				
	Entitled Value	Less 15%	Less 20%	Less 25%	Less 30%
Conservative	\$21,600,000	\$18,360,000	\$17,280,000	\$16,200,000	\$11,340,000
Moderate	\$27,000,000	\$22,950,000	\$21,600,000	\$20,250,000	\$14,175,000
Aggressive	\$31,725,000	\$26,966,250	\$25,380,000	\$23,793,750	\$16,655,625
					Brackets Value as Parking Lot

The unentitled value range is from \$27 to \$11.3 million with the central price point in the \$20 to \$23M range. This analysis begins to suggest that a conservative to moderate valuation position approaches the value range indicated for the lot as is currently operated, and the most conservative valuation position indicates that the value as a parking lot exceeds that of the underlying land as if vacant.

The preceding analysis does not consider the City's ongoing need to maintain parking at the Lot #2 site. Therefore, we have quantified the impact a replacement parking requirement would have on the above value indications.

The cost of parking was estimated both considering an above-grade parking structure and a subterranean structure, as the costs vary substantially. Cost estimates are based on cost guides (Marshall & Swift Commercial Cost Estimator) and developer pro formas in C&W's files.

Cost of Replacement Parking			
Scenarios		NOI/Yr (no RETX)	Payback Period on Parking
Parking Garage - 200 spaces @ \$18,000/space	\$3,600,000	\$1,100,000	3.27 years
Subterranean Garage - 200 spaces @ \$25,000/space	\$5,000,000		4.55 years

Deducting the costs for replacement parking from the potential value, unentitled, results in the following land value indications. As indicated in the table, these indications bracket the estimated value of Lot #2 as it currently operates.

Estimate of Value Potential, Unentitled, w/Replacement Parking					
Scenario	Potential Unentitled Value	Less: Replacement Parking (Structure)	Adjusted Value	Less: Replacement Parking (Subterranean)	
				Adjusted Value	Adjusted Value
Conservative	\$11,340,000	-\$3,600,000	\$7,740,000	-\$5,000,000	\$6,340,000
Moderate	\$21,600,000	-\$3,600,000	\$18,000,000	-\$5,000,000	\$16,600,000
Aggressive	\$26,966,250	-\$3,600,000	\$23,366,250	-\$5,000,000	\$21,966,250

From a highest and best use perspective, this analysis indicates that the City could continue to profitably operate El Pueblo Parking Lot #2. However, if the City's interest is to invigorate the node surrounding El Pueblo residential development is financially feasible, and would represent the highest and best use.

### HOTEL DEVELOPMENT

The real and perceived need for additional hotel rooms in downtown Los Angeles, the current market conditions, the size of the site, and the location of Lot #2 prompted the consultants to evaluate a potential hotel development for the site as outlined below.

Assuming a 200-room limited service hotel project were constructed, the highest and best use test is not met relative to the value of the current parking lot or, alternatively, to residential development. The land to cost ratio for a hotel exceeds market parameters.

Taking only the most conservative approach to the value of the land would place the land-to-cost parameters in line with market norms suggesting feasibility of a hotel project overall. In other words, a hotel development would be financially feasible only if the basis in the land was obtained at less than current market value.

**Hotel Development Analysis**

Site Size	1.8 acres		
Ideal Hospitality Improvement	200 -room hotel Limited Service		
Rooms per Acre	111 rooms per acre		
Total Development Cost*	\$200,000 per room	<b>Total</b> \$40,000,000	
			Land to Cost Ratio
Land Value (Low - Current/As Parking Lot)	\$75,000 per room	\$15,000,000	37.5%
Land Value (High - Current/As Parking Lot)	\$78,750 per room	\$15,750,000	39.4%
Land Value (Low - Unentitled with Replacement Parking)	\$31,700 per room	\$6,340,000	15.9%
Land Value (High - Unentitled with Replacement Parking)	\$65,278 per room	\$13,055,625	32.6%

\*2013/2014 HVS Hotel Development Cost Survey

Market Parameters for Urban Infill		
Land-to-Cost Ratio		
12%	to	20%

## ALTERNATIVES TO MONETIZE CITY INTEREST

The scope of this assignment involved exploring, and quantifying to the extent possible, a range of potential deal structures the City could consider in its asset management decisions involving El Pueblo Parking Lot #2. We have outlined four of the most common structures below.

### OUTRIGHT SALE

The following table summarizes the potential range in sale proceeds for a sale on a unentitled and entitled basis as well as the deductions for replacement of the 200 parking spaces.

SUMMARY OF SALE OPTIONS			
Scenario	Conservative	Moderate	Aggressive
Outright Sale- No Replacement Parking - Unentitled	\$11,340,000	\$20,925,000	\$26,966,250
Sale Upon Entitlement - No Replacement Parking	\$21,600,000	\$27,000,000	\$31,725,000
Estimated Deduction for Replacement Parking	-\$3,600,000	to	-\$5,000,000

### GROUND LEASE

A ground lease structure would provide the City the ability to retain the asset in the long-term and provide interim income. We structured a hypothetical ground lease based on terms from ground leases with which we are familiar.

Term:	Primary term of 55 years
Option Term:	Three, successive five year periods with advance notice
Lease Commencement:	Immediately
Rent During Construction:	Lessor has 36-months to complete the development. Construction is considered complete once the property has received its Certificate of Occupancy.
Base Rent:	6% return on FMV of land for first period Applies to first 5 years after construction period
Rent Adjustment:	The Base Rent shall be increased every 5 years by the product of the Base Rent payable as of the month immediately preceding such adjustment date multiplied by the lesser of (i) the CPI Adjustment as of such date and (ii) twelve percent (12%).
Reset to Market:	For the 20 <sup>th</sup> and 40 <sup>th</sup> lease years, the Base Rent shall be adjusted to an amount equal to the greater of (i) the existing Base Rent and (ii) an amount equal to six percent of the then Fair Market Value of the land. Fair Market Value would need to be defined in the lease, but is typically the market value of the fee simple interest in the land assuming highest and best use and is typically determined through an appraisal process.
Right of First Refusal:	The Lessee would typically be granted the right of first refusal in the event the Lessee elects to sell his interest.

- Assign/Sublet/Finance:** The Lessee would have the right to assign, sublet and finance with Landlord's written consent.
- Parking:** While not quantified in this analysis, should the City determine that replacement parking is required for its own use, typical structure to provide parking that are common in ground leases are as follows:
- a) Lessor pays all or a large portion of the cost to construct and parking is available at no cost to Lessor, operating expenses excepted.
  - b) Lessor does not contribute to cost and Lessee receives parking revenue at market rates from Lessor or Lessor's permittees.
  - c) Lessee constructs parking at its cost. Cost of parking is amortized over a period to time and offsets ground rent payments to Lessor. Lessor is provided parking at no charge, operating expenses excepted.

The following table summarizes the first 10 years of a hypothetical ground lease.

Present Value In Fee	\$21,000,000									
<b>10 YEAR CASH FLOW</b>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Full GL Pmt Per Yr	\$1,260,000	\$1,260,000	\$1,260,000	\$1,260,000	\$1,260,000	\$1,460,685	\$1,460,685	\$1,460,685	\$1,460,685	\$1,460,685
Actual GL Payment	\$378,000	\$378,000	\$378,000	\$1,260,000	\$1,260,000	\$1,460,685	\$1,460,685	\$1,460,685	\$1,460,685	\$1,480,685
Return to Land	6.00%									
NPV of 10 yrs of Ground Lease l	\$7,121,746									
Discount Rate on 10 yrs of pmts	7.00%									
Sum of 10 yr GL Payments	\$10,957,428									





## FINDINGS AND RECOMMENDATIONS

As of the date of this analysis, redevelopment of the property into a multifamily residential use with ground floor retail is market supported and would generated the highest proceeds for the City.

Given current market conditions, redevelopment could proceed in short order. Developer interest in similarly positioned sites is high and debt and equity financing is readily available.

If the County of Los Angeles were to proceed with market based redevelopment on its two nearby sites, the node immediately surrounding El Pueblo Parking Lot #2 could be reinvigorated in the near term enhancing the retail/service amenities and the overall appeal.

It is recommended that the City planning process with respect to the redevelopment of El Pueblo proceed in concert to the extent possible.

If the City decides to proceed with redevelopment near term, incentives would not be required. This could be structured as a fully market based transaction.

The economics support the inclusion of 200 parking spaces for El Pueblo in a new project. Temporary relocation of those spaces would need to be accommodated during construction. Costs for that temporary relocation and alternative locations have not been explored in this analysis. However, the maximization of the remaining four City owned/operated lots is a likely solution.

The City would need to consider an overall term for a ground lease that exceeds 55 years (with options) to achieve optimal pricing.

It is recommended that the City retain the services of an outside real estate expert to advise them on the RFP process, evaluate responses, interview potential developer partners and assist in the process of making a final selection. The purpose of an outside, independent advisor is to assist the City in evaluating the economic terms of the proposals and assessing the viability of the projections based on industry knowledge and experience.

## **#5 WESTLAKE THEATRE**

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## ASSET OVERVIEW

The consultants were asked specifically to evaluate Westlake Theater, and were also asked to consider the possible inclusion of a site for affordable housing currently owned by the City in proximity to the theatre site.

Collectively, the properties are comprised of five parcels, one located on the east side of Alvarado Street and four located on the west side of Westlake Avenue. All of the subject parcels are located between 6<sup>th</sup> Street and Wilshire Boulevard. The city acquired the subject property in 2008 with the intention of rehabilitating the Westlake Theatre and redeveloping the other sites with multifamily residential and parking uses.

### ALVARADO SITE

The single parcel (APN 5141-001-904) located on Alvarado Street is the site of the Westlake Theatre, referred to herein as the "Alvarado Site". The corresponding street address is 643 South Alvarado Street. The Westlake Theatre was built in 1926 and occupies a prominent location in Westlake facing MacArthur Park. The approximately 36,000 square foot, 1,949-seat theatre originally functioned as a motion picture theatre and vaudeville house with street level retail and office space on the second floor. The theatre operations ceased in 1991, however, and it has since been operating as a swap meet. The theatre is a City Cultural Monument and is listed on the National Register of Historic Places, which in turn, prohibits the demolition of the existing improvements.

### WESTLAKE SITE

The four other subject parcels (APNs 5141-001-900, -901, -902, and -903) are located easterly adjacent to the theatre site and front Westlake Avenue, referred to herein as the "Westlake Site". The corresponding street addresses are 619-629 South Westlake Avenue. These parcels have a limited level and varied mix of existing improvements. This includes multifamily residential, office, and vacant land, however, all of the existing improvements appear to be vacant currently. It is our understanding that the Westlake site is restricted for development as affordable housing.

Surrounding uses include street level retail, multifamily, limited office space, and surface parking. A standalone Yoshinoya is located on the northeast corner of Wilshire Boulevard and Alvarado Street southerly adjacent to the theatre site. A Holiday Inn Express hotel is located northerly adjacent to the Westlake Site.

## PROPOSED REDEVELOPMENT

The City provided a detailed proposal for redevelopment of the subject properties that was submitted by Millennium Partners/Argent Ventures in collaboration with Roschen Van Cleve Architects subsequent to a formal Request for Proposal issued in 2012. The consultants reviewed a copy of this response but also strategically analyzed the subject properties independently of this response.

As we evaluated and analyzed the strategy of the subject property, we determined that the developer response we reviewed was well conceived and the consultants generally concur with the strategy for redevelopment set the in this proposal. There are considerable constraints on this property – both the Alvarado site and the Westlake Site – from a physical perspective that eliminates most market-based commercial uses of the property.

The following description summarizes the project proposed by the Millennium Partners/Argent Ventures in response to the CRA's RFP, which is a reasonable strategy for redevelopment.

## THEATRE COMPONENT

The project proposes the rehabilitation of the Theatre, including original historic features such as the neon rooftop sign, infrastructure upgrades and installation of state of the art lighting and sound systems.

- Rehabilitation will include balcony (second floor lobby and balcony restored with new seating), terrace restaurant (located above the 2 story street facing portion), street café/bakery, theater office & community room (accessible from pedestrian bridge and 2 new elevators), Art Bridge (will touch down behind the street façade with direct access to the terrace)
- Estimated cost to build is \$30 million (including operating/interest reserve during the 3 year stabilization period) per Millennium Partners/Argent Ventures
- Estimated revenue is \$3.4 M for base year per Millennium Partners/Argent Ventures
- Estimated expenses are \$2.7 M for base year per Millennium Partners/Argent Ventures

## AFFORDABLE HOUSING COMPONENT

A 49 to 52-unit affordable housing project would be developed on the Westlake Site located easterly adjacent to the Theatre.

- 49 to 52-unit, Type V construction, affordable housing project built on top of theatre-related parking garage
- Dedicated parking fronting Westlake Ave (49-52 stalls); secured and separate from 300 theatre parking spaces
- 22 units are targeted at households with incomes of 30% and 40% of Area Median Income
- Combination of street-facing flats that wrap and conceal parking garage and 2-story townhome garden walk-ups on the podium
- Additional amenities will include community rooms, landscaping, central courtyard, and rooftop garden
- Sustainable "green" design with LEED Silver certification and "live" wall (vertical garden) components
- Estimated cost for the affordable housing component is \$22.2M per Millennium Partners/Argent Ventures

## PARKING COMPONENT

- 300-spaces, 5-level garage (four above grade, one subterranean) fronting Westlake Avenue
- Estimated cost to build is \$11 million (including hard and soft costs and interest reserve during the 3 year stabilization period) per Millennium Partners/Argent Ventures
- Total expenses for base year of operation are estimated to be \$480k per Millennium Partners/Argent Ventures

## SUMMARY OF CRITICAL OBSERVATIONS

### SUMMARY OF CRITICAL OBSERVATIONS

The strengths and weaknesses analysis applies both specifically (attributes internal or specific to the subject) and generally (external or economic considerations that influence the subject).

#### STRENGTHS

- The theater has a very visible location in a high traffic area.
- Development pressure is pushing westward from the core of downtown positioning this neighborhood for redevelopment in the near term, particularly along the Wilshire Boulevard corridor.
- Equity markets are fluid and there would be a good deal of investor interest in this project from the perspective of tax credit investment.
- There is high demand for affordable housing and sufficient investor interest to spur the development of this site near term.

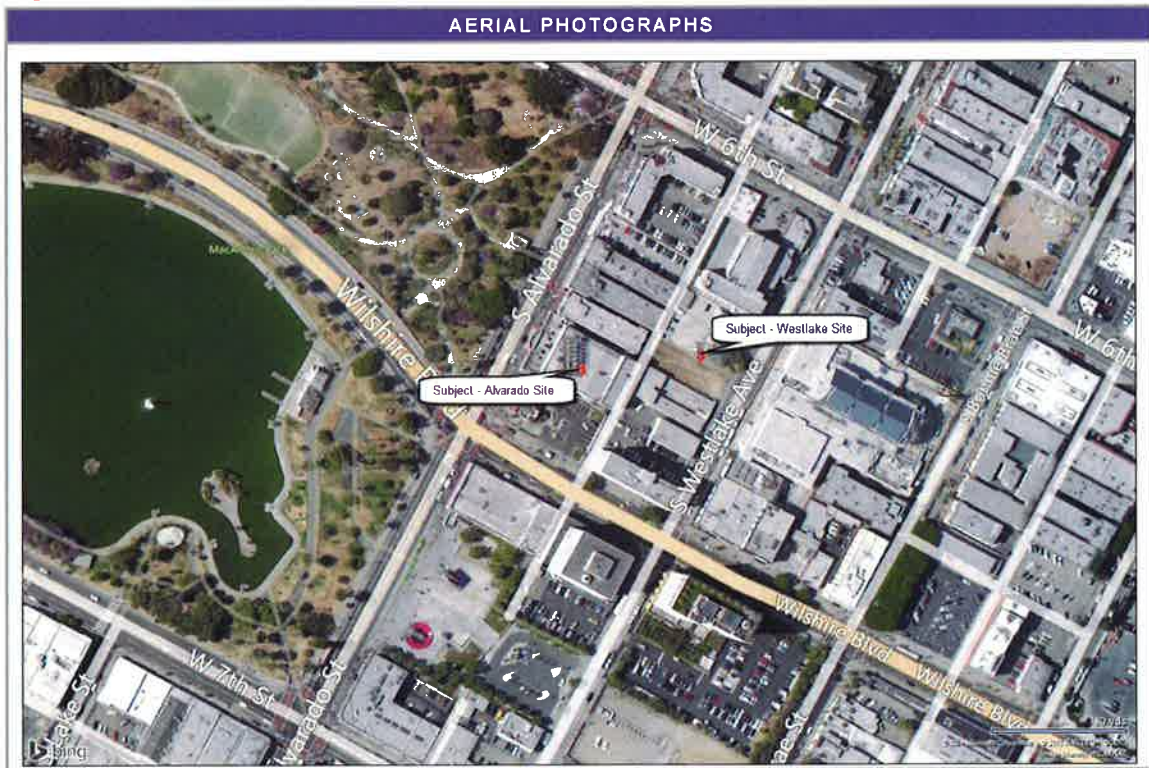
#### WEAKNESSES

- There are a number of constraints on this property (historic designation, affordable housing designation, functional obsolescence of theater) that greatly inhibit the ability to redevelop the property.
- High levels of public subsidy will be required.
- The theater cannot be sufficiently redeveloped without the housing parcel" thrown in" to provide parking.

#### CONCLUSIONS

Based on the preceding strengths and weaknesses, it is our opinion that Westlake Theater should be positioned as a moderate priority for redevelopment at the present time. Market response is likely to be moderate. Public subsidy will be required. If the City was motivated to activate this asset, our analysis indicates that direct subsidy would be required.

## Property Photographs



CONSULTING  
TECHNOLOGY  
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**CUSHMAN & WAKEFIELD**  
VALUATION & ADVISORY



Context – Northerly Perspective

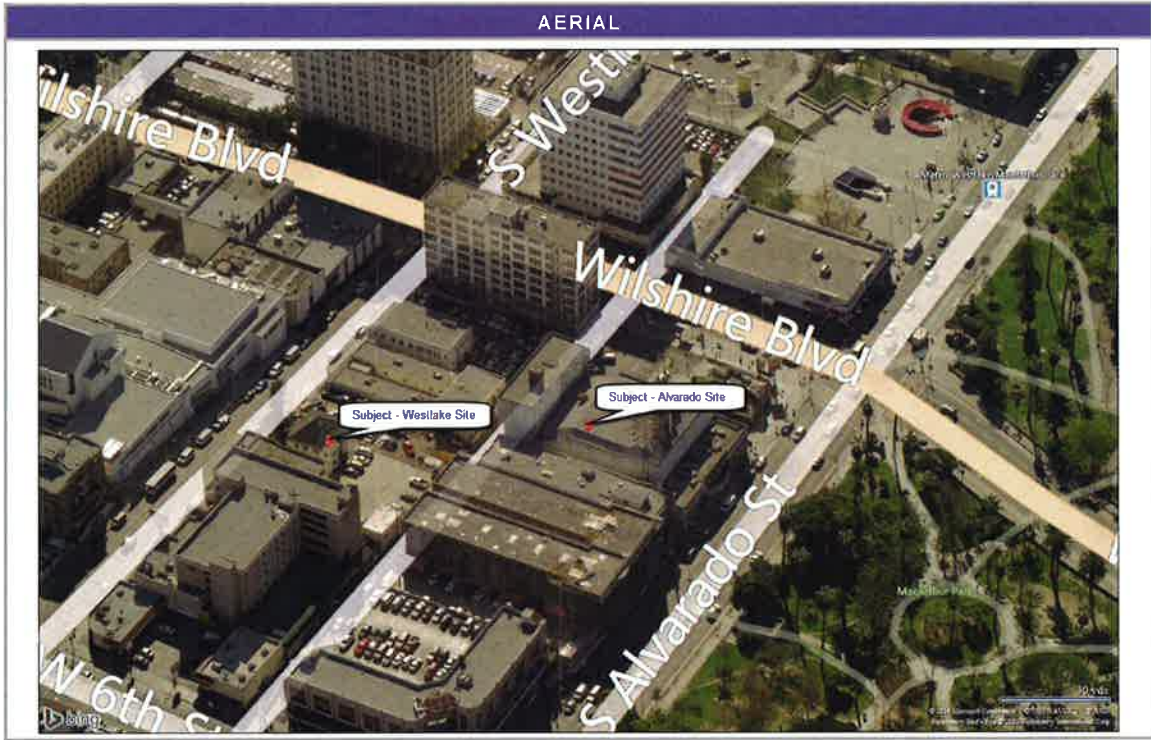


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TECHNOLOGY  
INNOVATION



**CUSHMAN & WAKEFIELD**  
VALUATION & ADVISORY





Context - Southerly Perspective



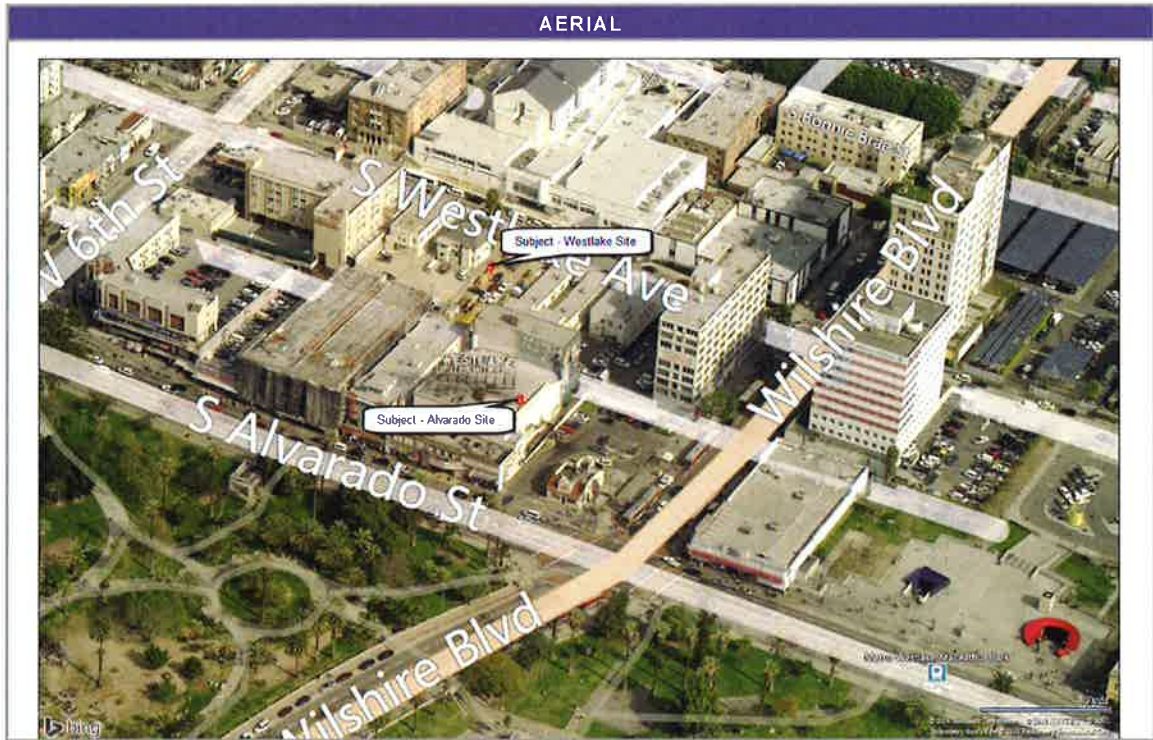
Context - Westerly Orientation



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WAKEFIELD**  
VALUATION & ADVISORY

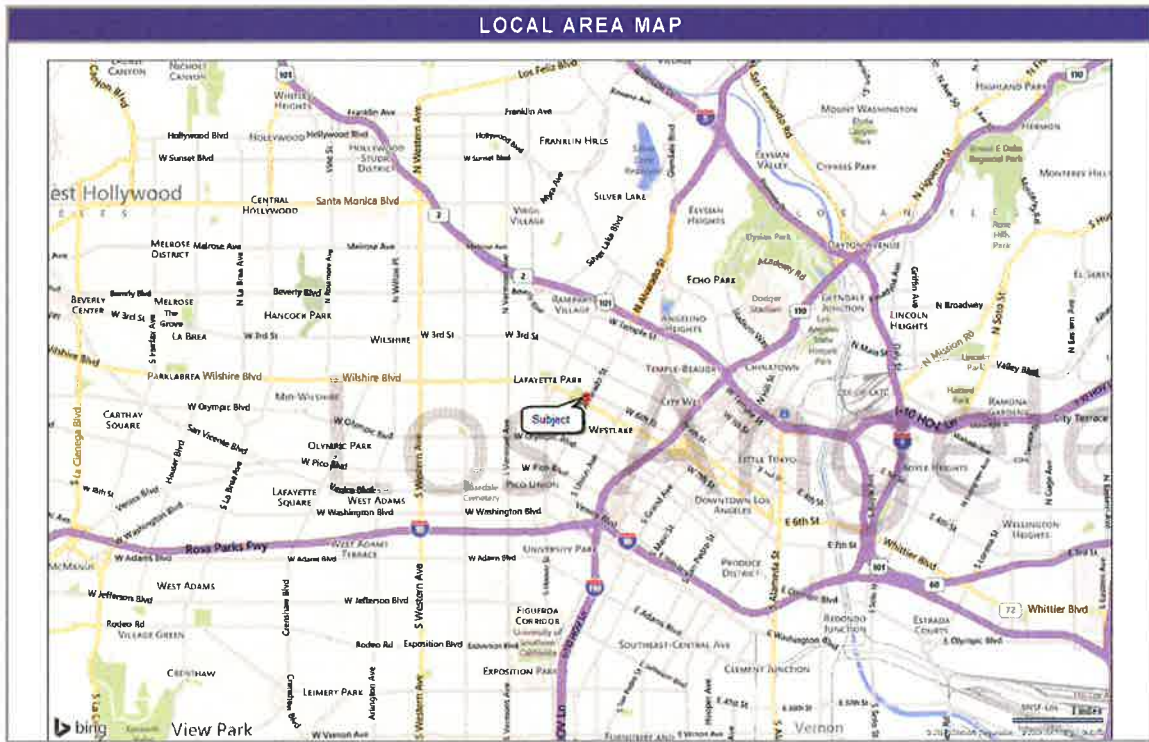


Context - Easterly Orientation



CONSULTING  
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INNOVATION





## SITE DESCRIPTION

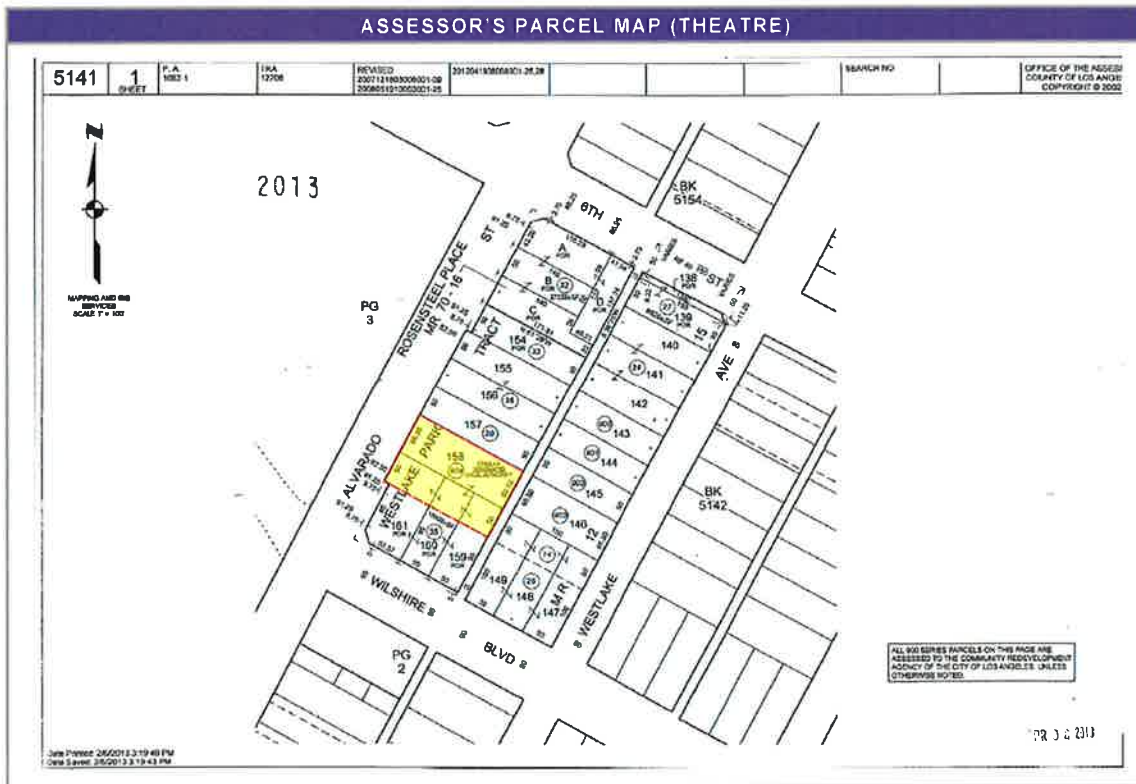
Location:	634 South Alvarado Street & 619-629 South Westlake Avenue Los Angeles, Los Angeles County, California 90057 The subject property is located on the northeast corner of Alvarado Street and Wilshire Boulevard in the Westlake district of Los Angeles, adjacent to MacArthur Park.
Shape:	Rectangular
Topography:	Level at street grade
Land Area:	<b>Alvarado Site:</b> 0.47 acres / 20,660 square feet <b>Westlake Site:</b> 0.74 acres / 32,325 square feet
Frontage:	The subject property has good frontage. The frontage dimensions are listed below: <b>Alvarado Site:</b> 116 feet on Alvarado Street <b>Westlake Site:</b> 216 feet on Westlake Avenue
Site Improvements:	The existing site improvements include concrete parking areas, concrete curbing and sidewalks, limited landscaping, lighting and drainage.
Land Use Restrictions:	We were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
Surrounding Uses:	<b>North:</b> Commercial uses (office & retail), Holiday Inn, residential uses, and surface parking <b>South:</b> Various commercial uses including a standalone single-level commercial building with supporting surface parking, Los Angeles Medical Center, and street level retail. The Westlake/MacArthur Park Metro Station is located one block south on Westlake Avenue. <b>East:</b> Multifamily uses, the Jesucristo es el Senor Church, and commercial uses <b>West:</b> MacArthur Park

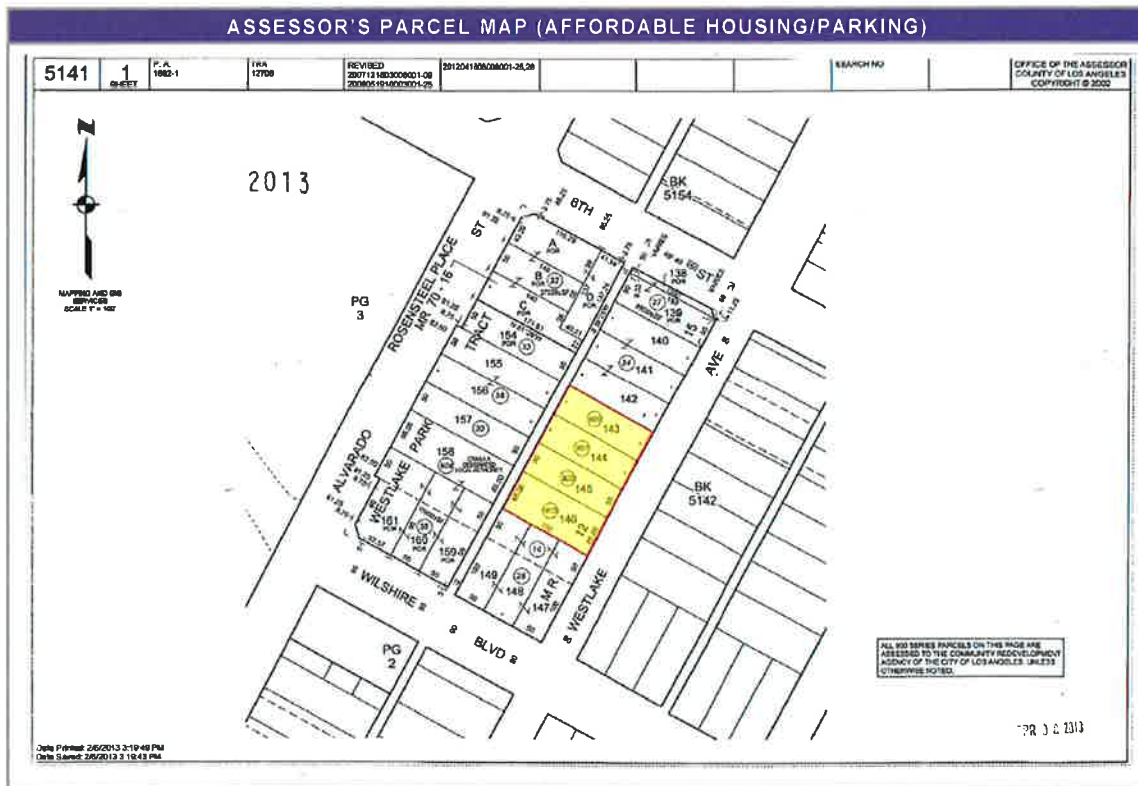
## IMPROVEMENTS DESCRIPTION

The single parcel (APN 5141-001-904) located on Alvarado Street is the site of the Westlake Theatre, referred to herein as the "Alvarado Site". The corresponding street address is 643 South Alvarado Street. The Westlake Theatre was built in 1926 and occupies a prominent location in Westlake facing MacArthur Park. The 37,000 square foot, 1,949-seat theatre originally functioned as a motion picture theatre and vaudeville house with street level retail and office space on the second floor. The theatre operations ceased in 1991, however, and it has since been operating as a Swap Meet venue, with ancillary office and retail uses. The theatre is a City Cultural Monument and is listed on the National Register of Historic Places, which in turn, prohibits the demolition of the existing improvements.

The four other subject parcels (APNs 5141-001-900, -901, -902, and -903) are located easterly adjacent to the theatre site and front Westlake Avenue, referred to herein as the "Westlake Site". The corresponding street addresses are 619-629 South Westlake Avenue. These parcels have a limited level and varied mix of existing improvements. This includes multifamily residential, office, and vacant land, however, all of the existing improvements appear to be vacant currently. It is our understanding that the Westlake site is restricted for development as affordable housing.

Surrounding uses include street level retail, multifamily, limited office space, and surface parking. A standalone Yoshinoya is located on the northeast corner of Wilshire Boulevard and Alvarado Street southerly adjacent to the theatre site. A Holiday Inn Express hotel is located northerly adjacent to the Westlake Site.







## ZONING AND PLANNING FRAMEWORK

### GENERAL INFORMATION

The property is zoned C2-2 by the City of Los Angeles. A zoning map and summary of the subject's zoning is provided below:



**ZONING**

**Municipality Governing Zoning:** City of Los Angeles  
**Current Zoning:** C2-2, C4-2, & C1-2  
**Current Use:** Swap Meet, Retail, Office, and Multifamily  
**Is current use permitted:** Yes  
**Permitted Uses:** Permitted uses within the C2 district include office, retail, and R4 residential uses.

ZONING REQUIREMENTS	CODE	SUBJECT COMPLIANCE
Minimum Lot Area:	5,000 SF per lot; 800 SF per D.U. (C1) and 400 SF per D.U. (C2/C4)	20,660 SF (Alvarado Site) & 32,325 SF (Westlake Site)
Maximum Building Height:	75 ft or 6 stories	Complying
Maximum Floor Area Ratio (FAR):	6.0 times lot area	Complying
Minimum Yard Setbacks		
Front (feet):	0' for commercial uses 15' for residential; 10' key lots	Complying
Rear (feet):	0' for commercial uses 15' for res + 1'/story over 3; max. 20'	Complying
Side (feet):	0' for commercial uses 15' for res + 1'/story over 3; max. 20'	Complying
Required On-Site Parking:	Varies depending on use; R4 uses 1 space per unit < 3 rooms, 1.5 spaces per unit = 3 rooms, 2 spaces per unit > 3 rooms, and 1 space each guest room.	N/A

Compiled by Cushman & Wakefield Western, Inc.

## APPROACH

Due diligence materials were collected from the City and were reviewed by the Cushman & Wakefield and PA Consulting team.

### Data Collected

The following information was reviewed in connection with this assignment:

- The redevelopment proposal for the subject property submitted by Millennium Partners/Argent Ventures in collaboration with Roschen Van Cleve Architects in response to the City's RFP
- Relevant zoning ordinances, development limitations, and requirements
- Comparable historic theatre rehabilitation and conversions
- YouTube video of the existing improvements (interior lobby)
- Internet resources on subject theatre

## USE ANALYSIS

### GUIDING PRINCIPALS

Based on discussions with the Client, our market history and knowledge, and the current state of the economy in general and real estate in particular, we informed our analysis using the following guidelines:

- The subject's location easterly adjacent to MacArthur Park, a popular, highly utilized public park
- Density of "activity" at the Alvarado/Wilshire intersection and proximity to major roadways
- Multiple bus stops and Metro stop located one block south of the subject properties on Westlake Avenue
- Proximate to considerable street level retail uses
- The redevelopment/rehabilitation proposal provided to us is a well thought out, complete vision for the future of the subject property. It includes detail on the nature of each component of the proposed redevelopment (theater, affordable housing, and parking), the finance structure of each component, operational structure for management and occupancy of the theater and affordable housing, as well as detailed estimates of the construction cost.
- Historic theatre rehabilitations can be challenging from a market positioning point of view, particularly when located in areas with weak demographics, such as the subject site. Because of the historic designation, the existing improvements cannot be reasonably demolished, and correspondingly, the property must be renovated and creatively repositioned to provide the greatest economic and community contribution possible
- The two sites (Alvarado and Westlake Sites) should be redeveloped in a collaborative manner so as to maximize the appeal to the market and provide theater parking. This can be achieved in a variety of ways.

### ASSET POSITIONING

- Limited to no potential for significant change in use (hotel, housing, office, etc.). If sold, a house of worship could be an alternative use.
- High residential density in proximity; however, generally of poor quality and low rental rates
- Mass transit served
- Lack of parking in immediate area
- Lack of restaurants & other entertainment venues nearby
- Venue programming needs to appeal to tastes and preferences of local market. Difficult to draw from a broader regional patron group.
- Synergy with nearby public service and cultural uses

## USES CONSIDERED

### Restoration of Theater Use

We examined sales of historical theatres purchased for a variety of end uses to determine a possible range in market value for the subject.

### Restoration of Theater Use in Conjunction with Development of Affordable Housing

The ability to offer a package to a development partner that includes land for the development of affordable housing "sweetens" the appeal of the offering. Neither site/property lends itself to alternative uses given the in-place use restrictions coupled with the market conditions and economics of the immediate area.

### House of Worship

Houses of Worship are a fairly common use for historic theaters in the Los Angeles market.

## SALES OF HISTORIC THEATER ASSETS

### Summary of Historic Theater Sales

We evaluated and considered several historic theatre sales occurring in Southern California over the past five years. We selected five closed sales occurring between September 2009 and June 2013. The sales are located throughout Southern California in the cities of Huntington Park, Bakersfield, Los Angeles, and Perris. The primary component of each sale is a historic theatre asset, with original construction dates ranging from 1910 to 1940. In three of the five sales, the buyer intended to renovate and restore the existing theatre and subsequently operate the asset as a generally traditional theatre. Of the two other sales, one was intended to be converted to a church use, while the other's future use was unclear but the buyer intended to reposition the asset with alternative uses. The net rentable area of the improvements associated with each sale ranges from approximately 4,100 to 50,600 square feet.

The buyers of the selected sales varied from theatre groups to religious groups to city agencies. The sales exhibited per-square-foot pricing in the range of \$70 to \$176 per square foot (rounded).

Based on the pricing range of the selected sales, we present a potential range of pricing for the subject's Westlake Theatre component below:

Scenario	GBA (SF)	PSF Pricing	Indicated Pricing
<b>Conservative</b>	35,588	\$70	\$2,491,160
<b>Moderate</b>	35,588	\$110	\$3,914,680
<b>Aggressive</b>	35,588	\$150	\$5,338,200

### Variety Arts Theatre

The Variety Arts Theater is currently vacant and used for filming purposes. The buyer in the 2012 sale was a speculative investor "banking" on upside due to the proximity to LA Live/Staples Center and South Park residential development. Rehabilitation of the theatre on a speculative basis is cost prohibitive. However, the property is a designated historic building and cannot be demolished. The buyer in the 2012 sale attempted to sell the asset but could not achieve desired pricing (approximately \$10,000,000). The owner is now attempting to market the property for lease to a night club or other operator of entertainment venues (ie Live Nation, Nederlander, etc.). Based on the location and the flexibility the Variety Arts theatre offers in terms of space planning, its sale price is well above what could be achieved for the Westlake Theatre.

SUMMARY OF IMPROVED SALES												
PROPERTY INFORMATION							TRANSACTION INFORMATION					
No.	Location	Building NRA	Year Built	Proposed Use	Quality	Cond.	Grantor	Grantee	Sale Date	Sale Price	\$/Sqft	Comments
S	Subject Property	35,588	1926	Restoration	Average	Average						
1	Former Warners Theatre 8710-8720 Pacific Blvd Huntington Park, CA	23,000	1930	Restoration - Theatre	Average	Average	Robertson Properties Group	Retail Management Corp.	Jun-13	\$1,600,000	\$69.57	Buyer intends to use the building as an investment, and the remodel may be difficult as the city of Huntington Park considers the property a historic building. Total Seating: 1,468
2	The Dome 2201 V St Bakersfield, CA	14,673	1940	Church	Average	Average	Inocencio & Noem Madera	Isoure Tyler	Feb-13	\$1,450,000	\$98.82	Purchased by Cross Christian Church for its own use. Reportedly has a seating occupancy of 1,650 in the main room, 450 in the back room and 1,250 in the outdoor stage.
3	El Centro Theatre 800 El Centro Ave Los Angeles, CA	5,776	1910	Restoration - Theatre	Average	Average	Circle Apartments & Theater Management Corp.	Circle Theatre Group LLC	May-12	\$800,000	\$138.50	Two stages. The Circle (99 seats) and The Chapel (45 seats). Has 2 apartment units (2 BD/1BA each)
4	Variety Arts Theatre 940 S. Figueroa St. Los Angeles, CA	50,598	1923	Theatre	Average	Average	East West Investment Inc.	Robhana Inc.	May-12	\$7,600,000	\$150.20	East West Investment Inc. foreclosed on The Theatre Club of Los Angeles LLC in the amount of \$9,253,938.87 and then sold the property at auction to Robhana Inc. for \$7,600,000. The main theatre (on the ground floor) seats 1,100 and the smaller theatre (on the third floor) seats 250.
5	D Street Theatre 279 S D St Perris, CA	4,121	1930	Restoration - Theatre	Average	Average	Perris Church of Christ	City of Perris	Sep-09	\$727,000	\$176.41	The 400-seat theatre was built in the 1930s as an open-air venue and was covered during World War II. The City purchased the building from a Perris church with the idea of restoring it to its original look.
<b>STATISTICS</b>												
Low		4,121	1910						Sep-09	\$727,000	69.57	
High		50,598	1940						Jun-13	\$7,600,000	176.41	
Average		19,634	1927						Mar-12	\$2,435,400	126.70	

Compiled by Cushman & Wakefield Western, Inc.







## ALTERNATIVES TO MONETIZE CITY INTEREST

The scope of this assignment involved exploring, and quantifying to the extent possible, a range of potential deal structures the City could consider in its asset management decisions involving the subject site.

In every scenario considered, the provision of providing some level of parking for a redeveloped theatre will be required. It is possible to provide for parking on a long term, contractual basis by combining the Alvarado and Westlake sites in a single offering. This will allow for more flexibility as the required parking could be more easily constructed and provided on the Westlake Site.

### OUTRIGHT SALE

Because of the historic designation of the Westlake Theatre on the Alvarado Site, our analysis assumes that this portion of the subject property would be sold as improved. To a certain degree, comparable sales suggest that pricing in a range of \$75 - \$115 per square foot of building area could be achieved in an outright sale of this property. Realistically the acquisition price would be largely influenced by the returns achievable in combination with the development of the Westlake site, the availability of tax credits, the equity investor pricing of tax credits, and the value of any other public subsidy.

Investor response to the offering of the Westlake Site deed restricted for affordable housing would be moderate to good even if joined with the requirement to redevelop the Westlake Theater and accommodate parking. Land investment activity in the immediate area indicates pricing in the range of \$100 to \$150 per square foot of land area could be achieved for this site.

### LONG-TERM GROUND LEASE

The City could enter into a long term ground lease for one or both sites to facilitate redevelopment. Given the constraints of these assets, a ground lease would not be viewed by the development community as a detriment; however, the ground rent payments could have a substantial impact on the profitability of redevelopment, which will be exceptionally limited. The term of the ground lease would also need to consider the syndication of tax credits which usually have structures with initial terms of between 25 and 35 years. Therefore, a ground lease with a primary term of not less than 40 years and option periods extending the term to 60 years or greater would be required assuming the ground lease commenced at the time of project completion. A participating ground lease with a low base rent payment would reflect market terms.

## **#6 RESEDA TOWN CENTER**

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## ASSET OVERVIEW

The High Priority Property list included the Reseda Town Center sites located at 18132-18138 and 18210 Sherman Way, Reseda, CA (Property #6). The Reseda Town Center property is comprised of four parcels making up two distinct sites. Both sites are comprised of two generally contiguous parcels divided by an alley. In both cases, the parcel fronting Sherman Way, north of the alley, has a C2 zoning designation, while the rear parcel on the south side of the alley has a P zoning designation. The two sites will be referred to herein as the “East” and “West” sites. The East site corresponds to APNs 2125-036-900 and -901 and measures approximately 48,095 square feet. The West site corresponds to APNs 2125-036-902 and -903 and measures approximately 44,680 square feet.

The C2 parcels of the two subject sites are currently improved with low-rise commercial buildings. The East site is improved with two single-level brick buildings fronting Sherman Way and constructed in 1960. One of the buildings has two retail storefronts while the other building has a restaurant fronting Sherman Way with five additional retail spaces located at the rear (south side) of the building. According to public record, the gross building area (GBA) of the improvements on the East site is 16,927 square feet. The supporting P zoned parcel of this site is located directly south of the improved C2 parcel, across the alley way. This parcel is L-shaped and improved entirely with striped, asphalt-paved surface parking.

The West site is improved with a two-story, wood-frame and stucco commercial building fronting Sherman Way. The building, constructed in 1962, effectively wraps around a central courtyard and has retail storefronts on the ground floor. The second floor is comprised entirely of office space. The building occupies almost the entire footprint of the C2 zoned parcel (2125-036-902), except for the courtyard area. According to public record, the GBA of the improvements on the West site is 26,350 square feet. The supporting P zoned parcel of this site is located directly south of the improved C2 parcel, across the alley way. This parcel is generally rectangular and improved entirely with striped, asphalt-paved surface parking. According to discussions, with the Client, all of the buildings on the subject sites have been vacated and are currently unoccupied.

As explained previously, the subject sites have split zoning designations, specifically [Q]C2-1L-CDO and [Q]P-1L-CDO, corresponding to the northern and southern parcels of the sites, respectively. The two subject sites essentially “bookend” a property comprised of six parcels owned by CIM Group. These 3<sup>rd</sup> party parcels are generally vacant land, with the exception of an unoccupied standalone commercial building located on APN 2125-036-023. The building, which measures approximately 3,500 square feet was built in 1961 and is currently vacant. The adjacent C2 zoned parcel (APN 2125-036-024) is vacant land. The P-zoned parcels on the south side of the dividing alley are partially improved with surface parking, while the remainder of the site is simply vacant land.

The parcel breakdown for the City owned land, as well as the adjacent land, is presented below:

RESEDA TOWN CENTER PARCELS - By Ownership					
Map #	Owner	APN	Address	Lot Size	Zoning
1	CRA of LA	2125-036-902	18210 Sherman Way	16,855	[Q]C2-1L-CDO
2	CRA of LA	-903	N/A	27,825	[Q]P-1L-CDO
3	CRA of LA	-900	18132-18138 Sherman Way	21,655	[Q]C2-1L-CDO
4	CRA of LA	-901	N/A	26,440	[Q]P-1L-CDO
TOTAL CRA-Owned SF				92,775	2.13 acres
5	CIM 18140 Sherman Way	-023	18160 Sherman Way	16,062	[Q]C2-1L-CDO
6	CIM 18140 Sherman Way	-047	N/A	20,960	[Q]P-1L-CDO
7	CIM 18140 Sherman Way	-048	N/A	5,550	[Q]P-1L-CDO
8	CIM 18140 Sherman Way	-024	18140-18154 Sherman Way	24,398	[Q]C2-1L-CDO
9	CIM 18140 Sherman Way	-079	N/A	28,120	[Q]P-1L-CDO
10	CIM 18140 Sherman Way	-080	N/A	12,160	[Q]P-1L-CDO
TOTAL CIM-Owned SF				107,250	2.46 acres
TOTAL CRA & CIM OWNED SF				200,025	4.59 acres

Several development scenarios have been considered for the subject property.

### OPTION 1

Given the location of the subject sites, on either side of the adjacent 3<sup>rd</sup> party parcels, there is considerable value associated with assembling the whole site in an effort to improve utility and maximize development potential.

### OPTION 2

If not assembled with the adjacent parcels, the existing buildings on the subject sites could be renovated and subsequently operated as retail and office space. Another hypothetical option would be to redevelop the subject sites with multifamily uses, which is permitted by-right, and operate the new buildings as apartments.

### OPTION 3

Alternatively, the Client indicated that there is some funding available (approximately \$6 million) for a local "skating rink" in Reseda. We conducted a national survey of skating rinks (ice skating rinks). Our research indicated that there is no commercially viable, sustainable demand for a rink in this location without ongoing subsidy for operations or corporate sponsorship. The estimated cost of building a skating rink on one of the subject sites is roughly \$135 per square foot, excluding the cost of the land.

It is conceivable that a skate park (skateboarding) would be a viable use because of lower operating costs and complimentary to a related retail development. However, we understand the restrictions on the available funding may preclude this use. Accordingly, the \$6 million public subsidy is not considered in our analysis.

## SUMMARY OF CRITICAL OBSERVATIONS

### SUMMARY OF CRITICAL OBSERVATIONS

The strengths and weaknesses analysis applies both specifically (attributes internal or specific to the subject) and generally (external or economic considerations that influence the subject).

#### STRENGTHS

- The subject has frontage on Sherman Way, a major, high-traffic thoroughfare in the San Fernando Valley.
- The subject has a level site with good access and visibility. The utility is average "As Is", but is very good as assembled with the adjacent sites.
- There is demand for, and lack of supply of, new institutional quality apartment buildings in the submarket.
- The subject is located in an established, in-fill location with a minimal amount of developable land.
- The primary market area is relatively stable, has an appealing demographic profile, and has experienced notable rental rate growth over the past two years.

#### WEAKNESSES

- The alley "splits" the site impacting the overall utility and development potential of the subject property.
- The P-zoning applies to the majority of the site, which precludes commercial or residential development on those portions of the site without the granting of a zone change.
- The depth of the market for new institutional apartments is somewhat untested because of the limited supply.
- There are several competing apartment complexes (generally of older vintage – 1950's-1980's) located proximate to the subject along Sherman Way
- There is limited redevelopment currently occurring in the local area.

#### CONCLUSIONS

Based on the preceding strengths and weaknesses, the subject property's specific outlook is considered to be stable while the general outlook for the overall market is concluded to be improving.

## Property Photographs





Subject Context – Northerly Perspective



Subject Context - Southerly Perspective



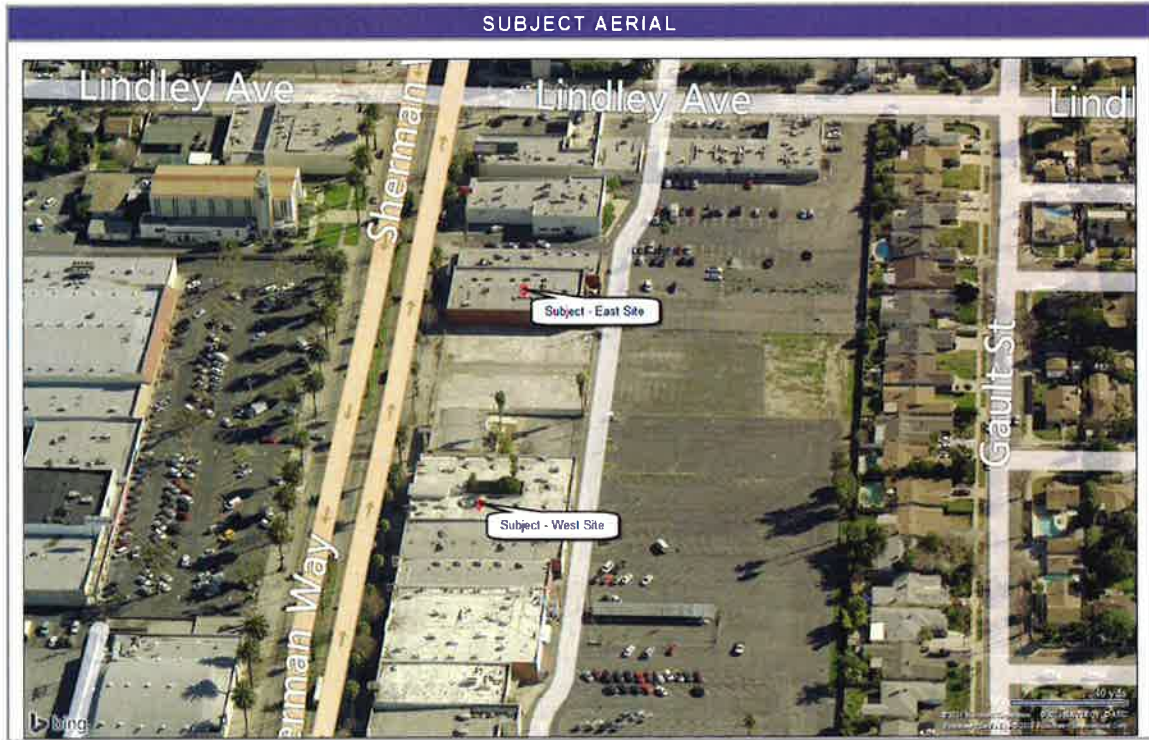


Subject Context - Westerly Orientation



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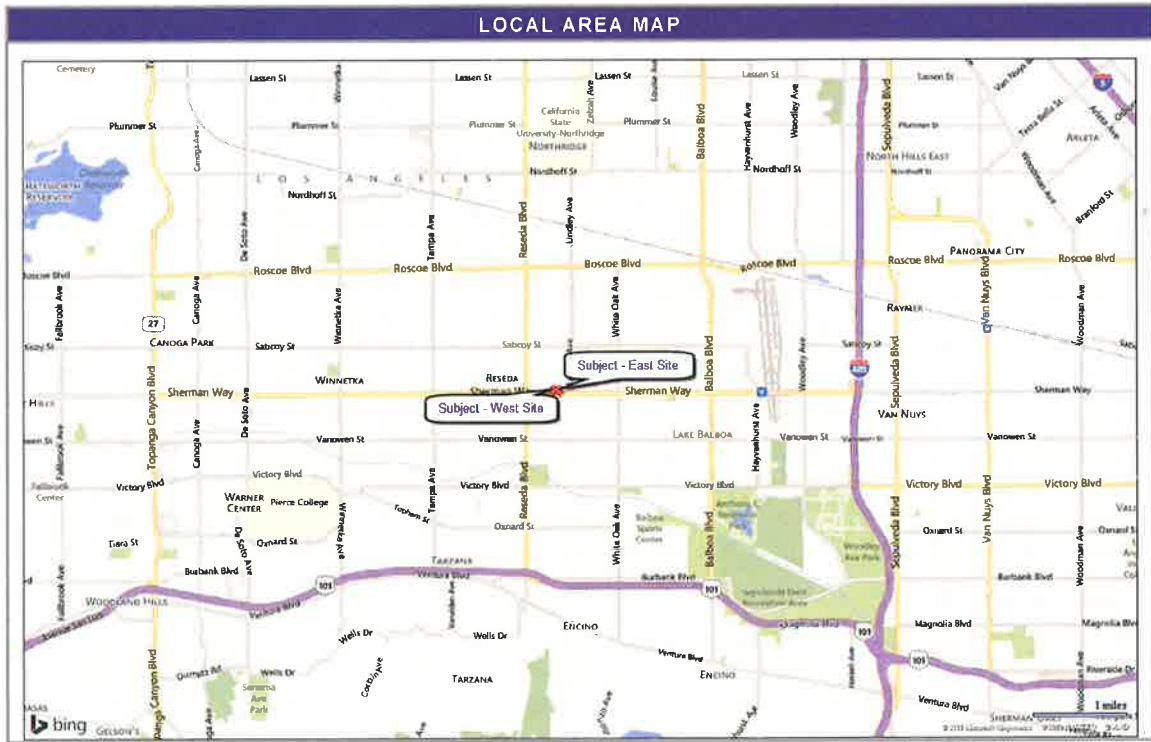
Subject Context - Easterly Orientation



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TECHNOLOGY  
INNOVATION



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## SITE DESCRIPTION

Location:	18132-18138 Sherman Way & 18210 Sherman Way Los Angeles, Los Angeles County, California 91335 The subject property is located south of Sherman Way and north of Gault Street.
Shape:	Irregular
Topography:	Level at street grade
Land Area:	City Sites – 2.13 acres / 92,775 square feet (detail below)
Frontage:	The subject property has good frontage. The frontage dimensions are listed below: <b>Sherman Way (East Site):</b> 135 feet <b>Sherman Way (West Site):</b> 105 feet
Site Improvements:	The existing site improvements include asphalt paved parking areas, concrete curbing and sidewalks, lighting and drainage.
Land Use Restrictions:	We were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
Surrounding Uses:	<b>North:</b> Strip retail uses (Jon's Market, 99 Cents Only Store, Payless, Goodwill, etc) <b>South:</b> Surface parking and single-family homes <b>East:</b> Surface parking and commercial uses including retail, bank, restaurants, and an medical office building <b>West:</b> Low-rise commercial uses including the Magnolia Science Academy, retail, bank, and fitness center

RESEDA TOWN CENTER PARCELS - By Ownership						
Map #	Owner	APN	Address	Lot Size	Zoning	
1	CRA of LA	2125-036-902	18210 Sherman Way	16,855	[Q]C2-1L-CDO	
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<b>TOTAL CRA-Owned SF</b>				<b>92,775</b>		<b>2.13 acres</b>
5	CIM 18140 Sherman Way	-023	18160 Sherman Way	16,062	[Q]C2-1L-CDO	
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10	CIM 18140 Sherman Way	-080	N/A	12,160	[Q]P-1L-CDO	
<b>TOTAL CIM-Owned SF</b>				<b>107,250</b>		<b>2.46 acres</b>
<b>TOTAL CRA &amp; CIM OWNED SF</b>				<b>200,025</b>		<b>4.59 acres</b>

## IMPROVEMENTS DESCRIPTION

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### **APN 2125-036-900 – East Site (City ownership)**

Addresses: 18132-18138 Sherman Way

Description: Improved with single-story commercial buildings (retail), measuring approximately 16,927 square feet.

### **APN 2125-036-901 – East Site (City ownership)**

Address: None, the site serves as surface parking for the above site.

Description: Surface parking.

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### **APN 2125-036-902 – West Site (City ownership)**

Addresses: 18210 Sherman Way

Description: Improved with a two-story commercial building (office & retail), measuring approximately 26,350 square feet.

### **APN 2125-036-903 – West Site (City ownership)**

Address: None, the site serves as surface parking for the above site.

Description: Surface parking.

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### **APN 2125-036-023, 2125-036-024 (CIM ownership)**

Address: 18140-60 Sherman Way

Description: Primarily vacant land with a small single-story commercial building, measuring approximately 3,500 square feet.

### **APN 2125-036-079, 2125-036 -080, 2125-036 -048, 2125-036-047 (CIM ownership)**

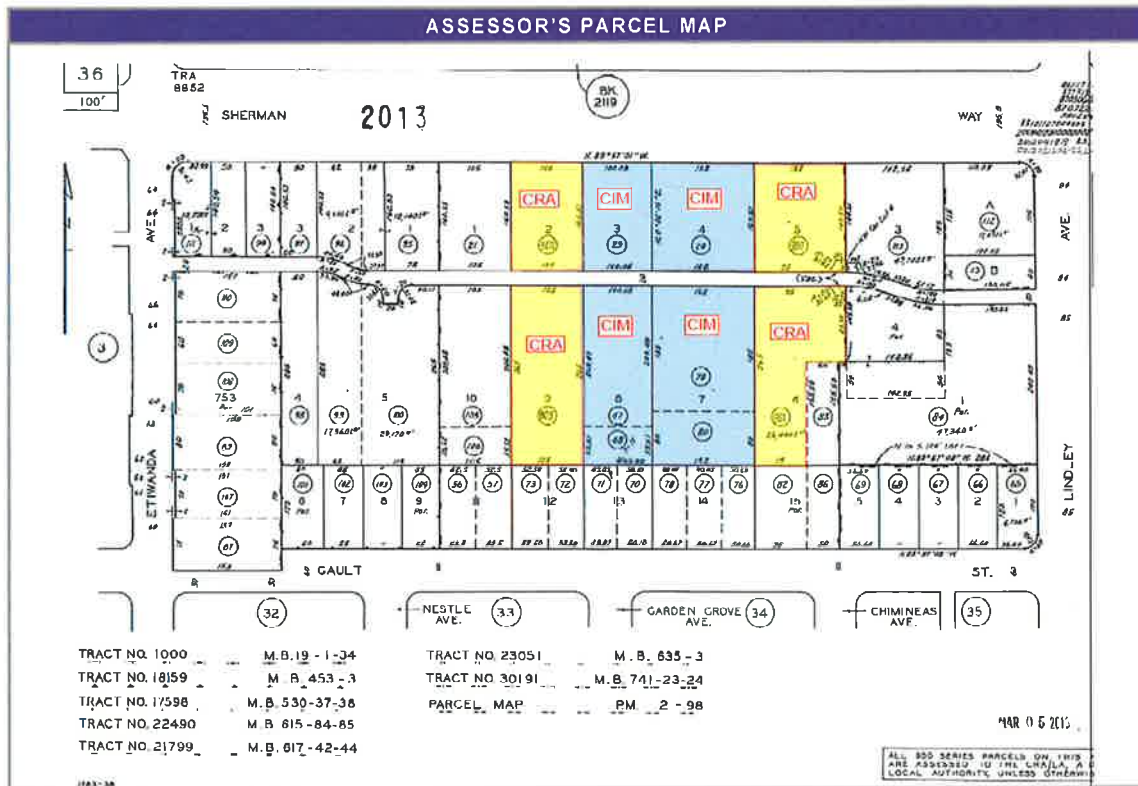
Address: None, the sites serve as parking for the above CIM sites.

Description: Surface parking and vacant land.

The C2 parcels of the two subject sites are currently improved with low-rise commercial buildings. The East site is improved with two single-level brick buildings fronting Sherman Way and constructed in 1960. One of the buildings has two retail storefronts while the other building has a restaurant fronting Sherman Way with five additional retail spaces located at the rear (south side) of the building. According to public record, the gross building area (GBA) of the improvements on the East site is 16,927 square feet. The supporting P zoned parcel of this site is located directly south of the improved C2 parcel, across the alley way. This parcel is L-shaped and improved entirely with striped, asphalt-paved surface parking.

The West site is improved with a two-story, wood-frame and stucco commercial building fronting Sherman Way. The building, constructed in 1962, effectively wraps around a central courtyard and has retail storefronts on the ground floor. The second floor is comprised entirely of office space. The building occupies almost the entire footprint of the C2 zoned parcel (2125-036-902), except for the courtyard area. According to public record, the GBA of the improvements on the West site is 26,350 square feet. The supporting P zoned parcel of this site is located directly south of the improved C2 parcel, across the alley way. This parcel is generally rectangular and improved entirely with striped, asphalt-paved surface parking. According to discussions, with the Client, all of the buildings on the subject sites have been vacated and are currently unoccupied.

As explained previously, the subject sites have split zoning designations, specifically [Q]C2-1L-CDO and [Q]P-1L-CDO, corresponding to the northern and southern parcels of the sites, respectively. The two subject sites essentially "bookend" a property comprised of six parcels owned by CIM Group. These 3<sup>rd</sup> party parcels are generally vacant land, with the exception of an unoccupied standalone commercial building located on APN 2125-036-023. The building, which measures approximately 3,500 square feet was built in 1961 and is currently vacant. The adjacent C2 zoned parcel (APN 2125-036-024) is vacant land. The P-zoned parcels on the south side of the dividing alley are partially improved with surface parking, while the remainder of the site is simply vacant land.



## ZONING AND PLANNING FRAMEWORK

### GENERAL INFORMATION

The property is zoned [Q]C2-1L-CDO and [Q]P-1L-CDO by the City of Los Angeles. A summary of the subject's zoning is provided below:

ZONING			
<b>Municipality Governing Zoning:</b>	City of Los Angeles		
<b>Current Zoning:</b>	[Q]C2-1L-CDO and [Q]P-1L-CDO		
<b>Current Use:</b>	Single-story retail storefront and surface parking		
<b>Is current use permitted:</b>	Yes		
<b>Permitted Uses:</b>	Permitted uses within the C2 district include office, retail, and R4 residential uses.		
<b>Permitted Uses:</b>	Permitted uses within the P district include parking.		
ZONING REQUIREMENTS	[Q]C2-1L-CDO	[Q]P-1L-CDO	Assuming [Q]C2-1L-CDO on All
Site Area	38,510	54,265	92,775
Minimum Lot Area:	5,000/400 sq.ft. min/unit	None unless also in an A or R zone	5,000/400 sq.ft. min/unit
Maximum Building Height:	No limit	N/A	No limit
Maximum Floor Area Ratio (FAR):	1.5 times lot area	N/A	1.5 times lot area
Maximum Building Area:	57,765	N/A	139,163
Residential Unit Yield	96	N/A	232
Minimum Yard Setbacks			
Front (feet):	0' for commercial uses 15' for residential; 10' key lots	10' in combination with an A or R zone. Otherwise none.	
Rear (feet):	0' for commercial uses 15' for res + 1'/story over 3; max 20'	None	
Side (feet):	0' for commercial uses 15' for res + 1'/story over 3; max 20'	None	
Required On-Site Parking:			
Professional Office	2/1,000		
Retail	4/1,000		
Restaurant	10/1,000		
Gallery/Museum	Unspecified; assume 3/1,000		
Residential	1/unit <3 habitable rooms 1.5/unit = 3 habitable rooms 2/unit >3 habitable rooms		
Hotel	1/room for first 30 rooms 1/2 per room next 30 guestrooms 1/3 per room remaining guestrooms		

Compiled by Cushman & Wakefield Western, Inc.

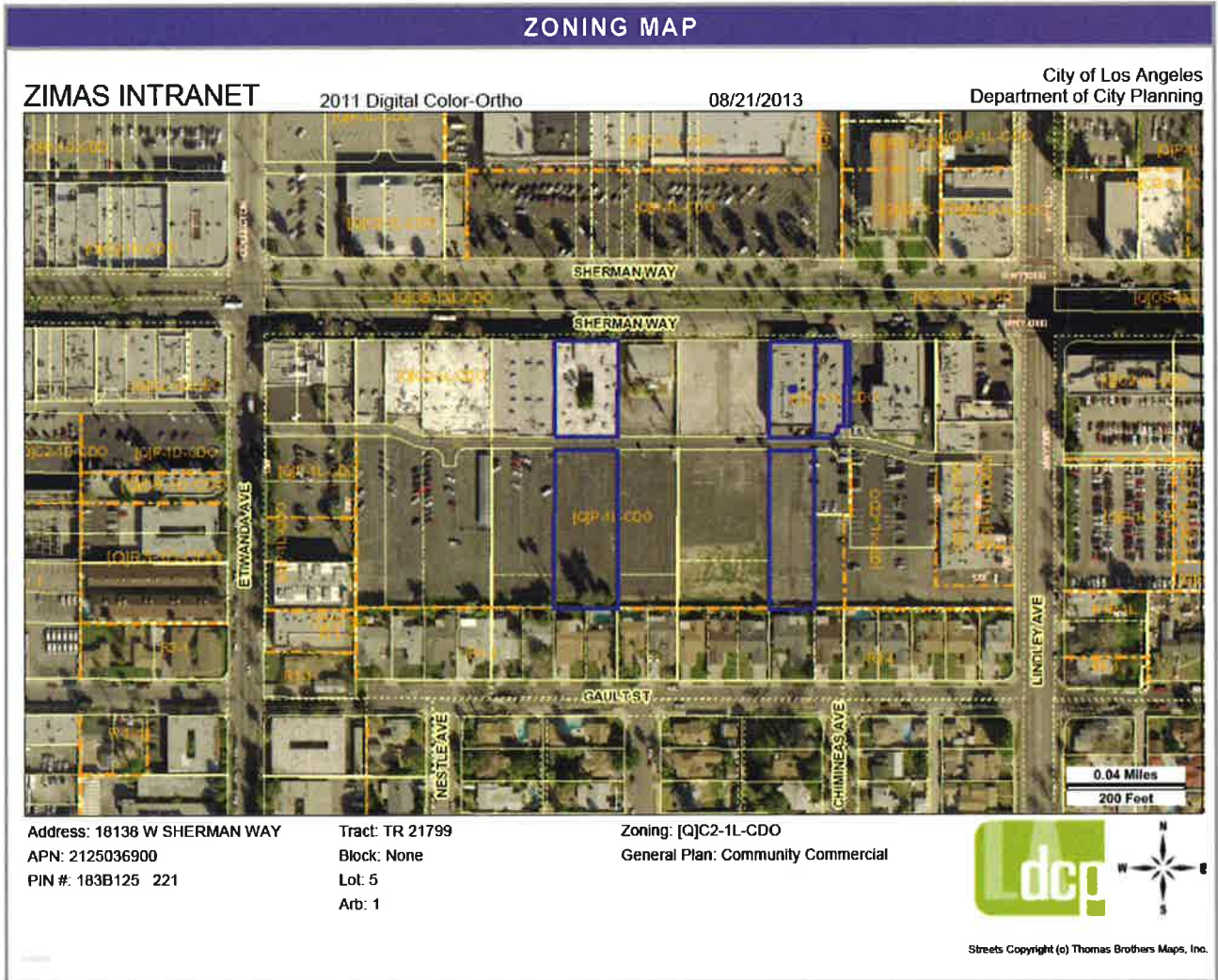
The subject parcels fronting Sherman Way are zoned [Q]C2-1L-CDO, while the subject parcels located on the south side of the alley are zoned [Q]P-1L-CDO. The portion of the Site zoned [Q]C2-1L-CDO has a by-right maximum FAR of 1.5:1. If developed with residential uses, however, it is our understanding that the by-right FAR increases to 3:1. The portion of the site zoned [Q]P-1L-CDO has no corresponding FAR limitations as the uses permitted for these parcels are limited to parking. Commercial and/or residential development is not permitted by-right.

If the P-zoned subject parcels were granted a zone change to the C2-1L zoning designation, than the entire Site would have a maximum floor area of approximately 139,000 square feet (1.5:1 FAR) if developed with commercial uses. If developed with residential uses, the entire site could yield a maximum floor area of 278,000 square feet.



Residential density in the C2 zone is per the R4 limitations, or one dwelling unit per 400 square feet of land area, or 108 units per acre. Density bonuses for the inclusion of affordable housing may be granted of up to 35 percent.

The subject's zoning designation indicates its location in the Community Development Overlay District (CDO). Accordingly, development of the subject sites will be subject to the design standards and guidelines of the CDO, including the permanent [Q] conditions applicable to the Site.



## APPROACH

The consultants evaluated the subject sites independently as well as if they were assembled with the adjacent 3<sup>rd</sup> party parcels. It was determined that there is an opportunity for the City of Los Angeles to redevelop the subject sites with the adjacent sites in a way that would maximize the development potential.

Assembling the subject parcels with the adjacent parcels is a viable option and represents the highest and best use of the subject property. This would allow for the most flexibility with regard to future development. Nonetheless, we evaluated four scenarios, two of which incorporate the adjacent sites, and two that involve only the City owned sites. In every scenario, the required parking is to be provided on the P-zoned parcels along the south side of the sites.

### Data Collected

The following information was reviewed in connection with this assignment:

- Relevant zoning ordinances, development limitations, and potential uses
- Market-based multifamily rental data, retail leasing data, and office leasing data
- Internal Memo prepared by the City of Los Angeles regarding the current improvements, zoning, and potential uses/density

## USE ANALYSIS

### GUIDING PRINCIPALS

- The existing improvements were evaluated to test their economic viability. We concluded that they do not contribute significantly to the value of the site, do not constitute the highest and best use of the subject property, and should be demolished.
- The utility of the property is limited in its current configuration; and the non-contiguous parcels provide limited efficiency for redevelopment
- The assemblage of the subject properties with the adjacent properties “in the middle” would create a well-positioned development site
- There is a lack of new, state of the market retail in the immediate area
- There has been relatively limited new multifamily residential development in the submarket in recent years

### ASSET POSITIONING

- Located on a primary commercial corridor in a predominantly residential area (mostly single-family) with some light industrial uses located southwest of the subject property
- Lack of new multifamily residential uses in the immediate area
- Average to good location within the San Fernando Valley with development pressure from superior locations in the SFV to the south and east
- The subject sites’ utility would be significantly improved if assembled with the adjacent parcels
- Owned by the City of Los Angeles
- Good access via Sherman Way, a primary east-west thoroughfare in the local area and easy access to 101 and 405 Freeways

## USES CONSIDERED

Based on our research, discussions with the City, the subject's land use context, and prevailing market conditions, we considered a wide range of development scenarios, as delineated below.

The predominant land use in the immediate area is single-family residential, complimented by relatively limited multifamily and commercial uses (primarily retail) located along Sherman Way. Additionally, there are commercial and light industrial uses located west of the subject along Reseda Boulevard. Other major land uses in the local area include the Van Nuys Airport, located approximately two miles east of the subject sites, and the Encino/Balboa/Woodley Lakes Golf Courses, located approximately 2.5 miles southeast of the subject sites.

### Residential

The local area is primarily comprised of single-family homes in every direction. As mentioned previously, there is a lack of new multifamily product in the local area. There are several existing multifamily buildings located along Sherman Way, both to the east and west of the subject property. The majority of these buildings, however, are of older vintage and inferior quality relative to that of a proposed new multifamily complex on the subject sites. While the local area adequately supports a relatively dense suburban population, the landscape of the subject's immediate area has the potential to be improved with the introduction of new, high-quality residential product, supported by new commercial and retail development. Residential redevelopment is a permitted use by right and would be a logical use considered by the market.

### Retail

The economics of a retail center are well-supported for this site and there are considerable retail uses located along Sherman Way, including across the street from the subject property. The existing retail offered in the local area, however, is of average quality and primarily comprised of Class B/C strip retail centers. Accordingly, there is an opportunity to provide superior quality retail in a new community retail center. The presence of widespread nearby residential uses, strong area demographics, and good access, support the consideration of retail uses.

## DEVELOPMENT SCENARIOS

Based on an analysis of market conditions, our read of the subject site and its likely market positioning, we developed a range of alternative use scenarios for the site.

- **Scenario A** - Subject sites are assembled with adjacent parcels and redeveloped as a mixed-use project (apartments & retail)
- **Scenario B** - Subject sites are assembled with adjacent parcels and developed as a community retail center
- **Scenario C** - Redevelop the subject sites (City-owned) as two standalone multifamily buildings
- **Scenario D** - Renovate the existing improvements and re-lease as office and retail space

In every scenario, the existing development potential “by-right” under current zoning was considered. Re-zoning the entire site to allow for non-parking uses on the P-zoned portions of the property was not evaluated. However, it is probable that such a re-zone could result in a more marketable site with a greater land residual.

	Scenario A	Scenario B	Scenario C		Scenario D
	As Is (Assemblage) - Residential with GF Retail	As Is (Assemblage) - 100% Retail	As Is East Site - Residential	As Is West Site - Residential	As Is - Existing Retail & Office
Site Area (SF) - C2 Zoned Parcels	78,970	78,970	21,655	16,855	38,510
Proposed Use	Mixed-Use (MF & Retail)	Retail	Residential	Residential	Retail & Office
Maximum Building Area	236,910	118,455	64,965	50,565	57,765
Proposed Building Area SF	200,000	78,970	46,080	36,000	43,277
FAR as Proposed	2.53	1.00	2.13	2.14	1.12
Multifamily Units	195	N/A	54	42	N/A
Avg. Unit Size (net)	750	N/A	711	714	N/A
Multifamily SF (net)	146,250	None	38,400	30,000	None
Multifamily as % of project	73%	N/A	83%	83%	N/A
Retail SF	24,500	78,970	None	None	30,102
Retail as % of project	12%	100%	N/A	N/A	70%
Office SF	None	None	None	None	13,175
Office as a % of project	N/A	N/A	N/A	N/A	30%
Parking	415	395	74	58	177
Ratios	1.5 per apartment unit 5/1000 retail	5/1,000 retail	1.37 per apartment unit	1.38 per apartment unit	5/1,000 retail 2/1,000 office



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## PRO FORMAS

### Scenario A

Subject sites are assembled with adjacent parcels and redeveloped as a mixed-use project (apartments & retail)

New institutional residential projects in inner suburban Los Angeles submarkets were surveyed in order to estimate the density, unit mix, and market rental rates for a multifamily project appropriate for the subject.

Conceptual Unit Mix and Rent Schedule				
Floor Plan	# of Units	Size (SF)	Rent (Monthly)	PSF
Studio	39	600	\$1,350	\$2.25
1BR/1BA	117	750	\$1,575	\$2.10
2BR/2BA	39	900	\$1,800	\$2.00
<b>TOTALS</b>	<b>195</b>	<b>146,250</b>	<b>\$307,125</b>	<b>\$2.10</b>

Revenue based on the above rents was offset by a market standard 5% vacancy and collection loss assumption and typical operating expenses for similarly positioned apartment communities to derive a net operating income.

As Is (Assemblage) - Residential with GF Retail		Scenario A
Site Area		78,970
Proposed Use		Mixed-Use
Proposed Building Area SF		200,000
Multifamily SF (net)		146,250
Number of Residential Units		195
Avg. Unit Size (net)		750
Retail SF		24,500
<b>REVENUE</b>		
Studios (22 units - 20% of unit mix)	\$1,350 per unit	\$631,800
1BR/1BA (66 units - 60% of unit mix)	\$1,575 per unit	\$2,211,300
2BR/2BA (22 units - 20% of unit mix)	\$1,800 per unit	\$842,400
Ground Floor Retail	\$2.25 PSF	\$661,500
<b>Potential Gross Income</b>	<b>\$22,292 per unit</b>	<b>\$4,347,000</b>
Vacancy and Collection Loss	5.00% of PGI	(\$217,350)
<b>Effective Gross Income</b>	<b>\$21,178 per unit</b>	<b>\$4,129,650</b>
<b>EXPENSES</b>		
Real Estate Taxes	1.2% of price	\$674,000
Property Insurance	\$200 per unit	\$39,000
Utilities	\$1,000 per unit	\$195,000
Repairs & Maintenance	\$900 per unit	\$175,500
Unit Turnover and Make Ready	\$300 per unit	\$58,500
Management Fees	3% of EGI	\$123,890
Payroll	\$950 per unit	\$185,250
Advertising and Marketing	\$180 per unit	\$35,100
General & Administrative	\$350 per unit	\$68,250
Replacement Reserves	\$250 per unit	\$48,750
<b>Total Expenses</b>	<b>\$8,222 per unit</b>	<b>\$1,603,240</b>
<b>NET OPERATING INCOME (ANNUAL)</b>	<b>\$12,956 per unit</b>	<b>\$2,526,411</b>

Applying a range of capitalization rates to the pro forma income results in a value range for this scenario the loft project assuming the project was complete and the property was operating at stabilized levels as demonstrated in the following table.

Capitalization Matrix				
Cap Rate	NOI	Indicated Price	Per Unit	PSF (NRA)
4.00%	\$2,526,411	\$63,160,263	\$323,899	\$369.90
4.25%	\$2,526,411	\$59,444,953	\$304,846	\$348.14
4.50%	\$2,526,411	\$56,142,456	\$287,910	\$328.80
4.75%	\$2,526,411	\$53,187,589	\$272,757	\$311.49
5.00%	\$2,526,411	\$50,528,210	\$259,119	\$295.92





**Scenario B****Subject sites are assembled with adjacent parcels and developed as a community retail center**

Retail space in the competitive market was surveyed in order to estimate current market rental rates for the retail scenario.

Revenue associated with third party leasing was offset by a market standard 10% vacancy and collection loss assumption and typical operating expenses, which are fully reimbursed, for similarly positioned retail centers to derive a net operating income for the proposed project.

<b>As Is (Assemblage) - 100% Retail</b>		<b>Scenario B</b>
Site Area		78,970
Proposed Use		Retail
Proposed Building Area SF		78,970
Retail SF		78,970
<b>REVENUE</b>		
Street Level Retail	\$24.00 PSF	\$1,895,280
Reimbursements	\$7.57 PSF	\$597,498
<b>Potential Gross Income</b>	<b>\$31.57 PSF</b>	<b>\$2,492,778</b>
Vacancy and Collection Loss	10.00% of PGI	(\$249,278)
<b>Effective Gross Income</b>	<b>\$28.41 PSF</b>	<b>\$2,243,500</b>
<b>EXPENSES</b>		
Real Estate Taxes	1.20% of price	\$329,000
Property Insurance	\$0.90 PSF	\$71,073
CAM Expenses	\$2.50 PSF	\$197,425
<b>Total Expenses</b>	<b>\$7.57 PSF</b>	<b>\$597,498</b>
<b>NET OPERATING INCOME (ANNUAL)</b>	<b>\$20.84 PSF</b>	<b>\$1,646,002</b>

Applying a range of capitalization rates to the pro forma income results in a value range for the retail scenario project assuming the project was complete and the property was operating at stabilized levels as demonstrated in the following table.

<b>Capitalization Matrix</b>			
<b>Cap Rate</b>	<b>NOI</b>	<b>Indicated Price</b>	<b>PSF (NRA)</b>
5.50%	\$1,646,002	\$29,927,313	\$378.97
5.75%	\$1,646,002	\$28,626,125	\$362.49
6.00%	\$1,646,002	\$27,433,370	\$347.39
6.25%	\$1,646,002	\$26,336,035	\$333.49
6.50%	\$1,646,002	\$25,323,111	\$320.67

**Scenario C****Redevelop the subject sites (City-owned) as two standalone multifamily buildings**

New, relatively small, residential projects in inner suburban Los Angeles submarkets were surveyed in order to estimate the density, unit mix, and market rental rates for a multifamily project appropriate for the subject.

<b>Conceptual Unit Mix and Rent Schedule - East Site</b>				
Floor Plan	# of Units	Size (SF)	Rent (Monthly)	PSF
Studio	14	600	\$1,350	\$2.25
1BR/1BA	40	750	\$1,575	\$2.10
<b>TOTALS</b>	<b>54</b>	<b>38,400</b>	<b>\$81,900</b>	<b>\$2.13</b>

<b>Conceptual Unit Mix and Rent Schedule - West Site</b>				
Floor Plan	# of Units	Size (SF)	Rent (Monthly)	PSF
Studio	10	600	\$1,350	\$2.25
1BR/1BA	32	750	\$1,575	\$2.10
<b>TOTALS</b>	<b>42</b>	<b>30,000</b>	<b>\$63,900</b>	<b>\$2.13</b>

Revenue based on the above rents was offset by a market standard 5% vacancy and collection loss assumption and typical operating expenses for similarly positioned apartment communities to derive a net operating income.

<b>Stand-Alone Multifamily on East and West Sites</b>		<b>Scenario C</b>
Site Area		38,510
Proposed Use		Retail)
Proposed Building Area SF		82,080
Multifamily SF (net)		68,400
Number of Residential Units		96
Avg. Unit Size (net)		713
<b>REVENUE</b>		
Studios (24 units - 25% of unit mix)	\$1,350 per unit	\$388,800
1BR/1BA (72 units - 75% of unit mix)	\$1,575 per unit	\$1,360,800
<b>Potential Gross Income</b>	<b>\$18,225 per unit</b>	<b>\$1,749,600</b>
Vacancy and Collection Loss	5.00% of PGI	(\$87,480)
<b>Effective Gross Income</b>	<b>\$17,314 per unit</b>	<b>\$1,662,120</b>
<b>EXPENSES</b>		
Real Estate Taxes	1.2% of price	\$257,000
Property Insurance	\$200 per unit	\$19,200
Utilities	\$1,000 per unit	\$96,000
Repairs & Maintenance	\$600 per unit	\$57,600
Unit Turnover and Make Ready	\$200 per unit	\$28,800
Management Fees	4.5% of EGI	\$74,795
Advertising and Marketing	\$90 per unit	\$8,640
General & Administrative	\$250 per unit	\$24,000
Replacement Reserves	\$250 per unit	\$24,000
<b>Total Expenses</b>	<b>\$6,146 per unit</b>	<b>\$590,035</b>
<b>NET OPERATING INCOME (ANNUAL)</b>	<b>\$11,168 per unit</b>	<b>\$1,072,085</b>

Applying a range of capitalization rates to the pro forma income results in a value range for this scenario the loft project assuming the project was complete and the property was operating at stabilized levels as demonstrated in the following table.

Capitalization Matrix				
Cap Rate	NOI	Indicated Price	Per Unit	PSF (NRA)
4.50%	\$1,072,085	\$23,824,102	\$248,168	\$348.31
4.75%	\$1,072,085	\$22,570,202	\$235,106	\$329.97
5.00%	\$1,072,085	\$21,441,692	\$223,351	\$313.48
5.25%	\$1,072,085	\$20,420,659	\$212,715	\$298.55
5.50%	\$1,072,085	\$19,492,447	\$203,046	\$284.98

**Scenario D****Renovate the existing improvements and re-lease as office and retail space**

This scenario considered the renovation of the existing improvements and subsequent re-leasing of the space as office and retail.

Revenue associated with third party leasing was offset by a market standard 10% vacancy and collection loss assumption and typical operating expenses, which are fully reimbursed, for similarly positioned retail centers, to derive a net operating income for the proposed project.

As Is - Existing Retail & Office		Scenario D
Site Area		38,510
Proposed Use		Retail
Building Area SF		43,277
Retail SF		30,102
Office SF		13,175
<b>REVENUE</b>		
Street Level Retail	\$21.00 PSF	\$632,142
Office Space	\$15.00 PSF	\$197,625
Reimbursements	\$5.77 PSF	\$249,823
<b>Potential Gross Income</b>	<b>\$24.95 PSF</b>	<b>\$1,079,590</b>
Vacancy and Collection Loss	20.00% of PGI	(\$215,918)
<b>Effective Gross Income</b>	<b>\$19.96 PSF</b>	<b>\$863,672</b>
<b>EXPENSES</b>		
Real Estate Taxes	1.20% of price	\$113,500
Property Insurance	\$0.90 PSF	\$38,949
Operating Expenses	\$2.25 PSF	\$97,373
<b>Total Expenses</b>	<b>\$5.77 PSF</b>	<b>\$249,823</b>
<b>NET OPERATING INCOME (ANNUAL)</b>	<b>\$14.18 PSF</b>	<b>\$613,849</b>

Applying a range of capitalization rates to the pro forma income results in a value range for the existing office and retail scenario project assuming the project was complete and the property was operating at stabilized levels as demonstrated in the following table.

Capitalization Matrix			
Cap Rate	NOI	Indicated Price	PSF (NRA)
6.00%	\$613,849	\$10,230,818	\$236.40
6.25%	\$613,849	\$9,821,585	\$226.95
6.50%	\$613,849	\$9,443,832	\$218.22
6.75%	\$613,849	\$9,094,061	\$210.14
7.00%	\$613,849	\$8,769,273	\$202.63

## SUMMARY OF ALTERNATIVES

What this analysis indicates is that, from a market perspective, the Highest and Best Use of the subject sites is to assemble the site with the adjacent property in order to facilitate a larger redevelopment project. Both the multifamily and retail scenarios (assemblage) result in a land residual that is in line (based on a moderate underwriting approach) with land sales in the market.

Below we have summarized the price indications and corresponding land residual for each scenario based on a conservative, moderate, and aggressive underwriting approach. This includes our estimates of construction costs to complete the proposed development for each respective scenario.

Construction Costs	Scenario A	Scenario B	Scenario C		Scenario D
Multifamily	\$30,712,500	N/A	\$8,064,000	\$6,300,000	N/A
Cost Per Unit	\$157,500	N/A	\$149,333	\$150,000	N/A
Retail	\$3,675,000	\$11,845,500	N/A	N/A	\$2,257,650
Cost PSF	\$150.00	\$150.00	N/A	N/A	\$75.00
Office	N/A	N/A	N/A	N/A	\$988,125
Cost PSF	N/A	N/A	N/A	N/A	\$75.00
Parking Cost Per Stall	\$12,000	\$12,000	\$3,000	\$3,000	\$3,000
Parking Cost Total	\$4,980,000	\$4,738,200	\$222,000	\$174,000	\$530,580
Total Hard Cost	\$39,367,500	\$16,583,700	\$8,286,000	\$6,474,000	\$3,776,355
Soft Cost @ 20% HC	\$7,873,500	\$3,316,740	\$1,657,200	\$1,294,800	\$755,271
<b>Total Construction Cost</b>	<b>\$47,241,000</b>	<b>\$19,900,440</b>	<b>\$9,943,200</b>	<b>\$7,768,800</b>	<b>\$4,531,626</b>
<b>Combined Construction Cost:</b>				<b>\$17,712,000</b>	

Price Indications	Scenario A	Per Unit	Scenario B	PSF	Scenario C	Per Unit	Scenario D	PSF
Conservative	\$63,160,263	\$323,899	\$25,323,111	\$320.67	\$19,492,447	\$203,046	\$8,769,273	\$202.63
Moderate	\$56,142,456	\$287,910	\$27,433,370	\$347.39	\$21,441,692	\$223,351	\$9,443,832	\$218.22
Aggressive	\$50,528,210	\$259,119	\$29,927,313	\$378.97	\$23,824,102	\$248,168	\$10,230,818	\$236.40

Land Residual	Scenario A		Scenario B		Scenario C		Scenario D	
Total Site Area (including P-zoned parcels)	200,025		200,025		92,775		92,775	
Proposed Use	Mixed-Use (MF & Retail)		Retail		Residential		Retail & Office	
Proposed Building Area SF	200,000		78,970		82,080		43,277	
<b>Land Residual Indications</b>		<b>PSF</b>		<b>PSF</b>		<b>PSF</b>		<b>PSF</b>
Conservative	\$3,287,210	\$16.43	\$5,422,671	\$27.11	\$1,780,447	\$19.19	\$4,237,647	\$45.68
Moderate	\$8,901,456	\$44.50	\$7,532,930	\$37.66	\$3,729,692	\$40.20	\$4,912,206	\$52.95
Aggressive	\$15,919,263	\$79.59	\$10,026,873	\$50.13	\$6,112,102	\$65.88	\$5,699,192	\$61.43
<b>Allocation to City Owned Parcels</b>								
Conservative	\$1,524,664	\$16.43	\$2,515,127	\$27.11				
Moderate	\$4,128,647	\$44.50	\$3,493,901	\$37.66				
Aggressive	\$7,383,625	\$79.59	\$4,650,634	\$50.13				

## LAND VALUATION

In order to weigh our Land Residual indications from the alternatives considered, we evaluated land investment activity in the San Fernando Valley, which is summarized on the following page.

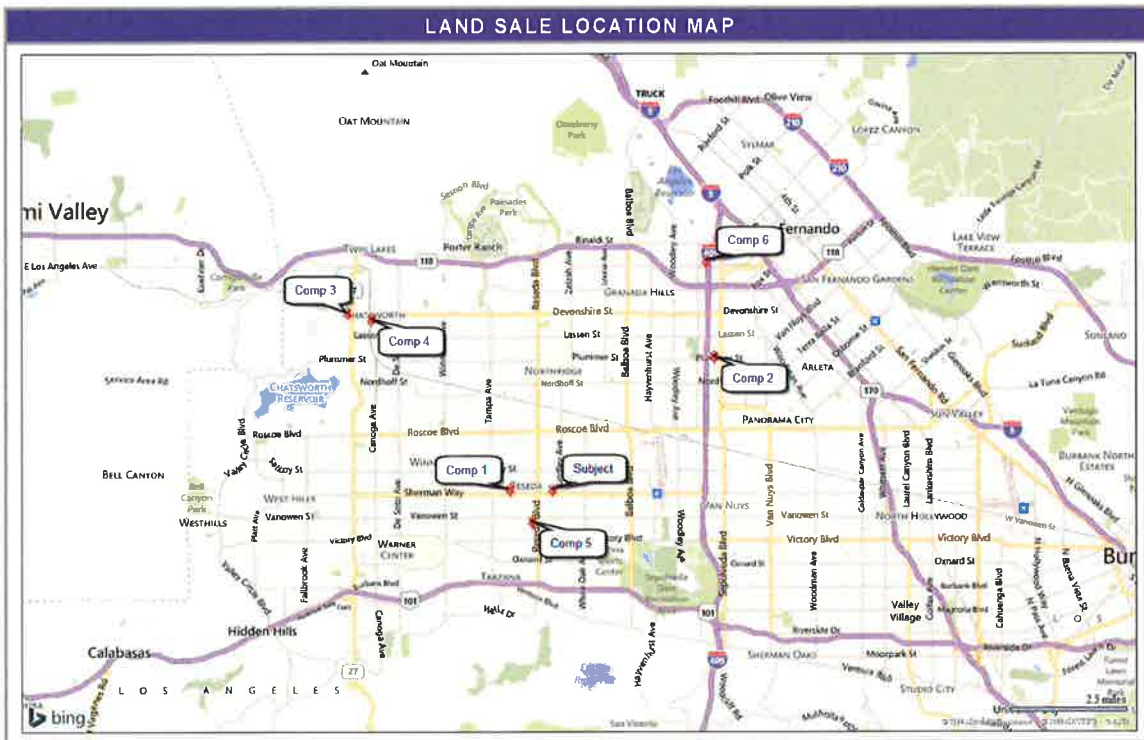
**SUMMARY OF LAND SALES**

PROPERTY INFORMATION							TRANSACTION INFORMATION						
No.	Location	Size (sf)	Size (Acres)	Max FAR	Potential Building Area	Proposed Use	Zoning	Grantor	Grantee	Sale Date	Sale Price/ List Price	\$/SF Land	\$/SF Build.
S	Subject Property	92,775	2.13	0.62	57,765	N/A	[Q]C2-1L-CDO and [Q]P-1L-CDO						
1	18854-18860 Sherman Way Reseda, CA	36,220	0.83	1.50	54,330	Multi Family Residential	[Q]C2-1VL-CDO and [Q]P-1VL-CDO	Thomas W. Rulledge Property Trust	Reseda 18860 LLC	4/14	\$1,800,000	\$44.17	\$29.45
2	9441 Sepulveda Blvd North Hills, CA	36,699	0.84	1.50	55,049	Multi Family Residential	[Q]C2-1VL	Jun S Kim 2011 Trust	Sepulveda Place LLC	1/14	\$1,400,000	\$38.15	\$25.43
3	10212 Topanga Canyon Blvd Chatsworth, CA	7,484	0.17	3.00	22,452	Retail	[Q]C2-2D	Vola LLC	S. Arora Consulting, Inc.	1/14	\$270,000	\$36.08	\$12.03
4	10108 Canoga Ave Chatsworth, CA	19,375	0.44	1.50	29,063	Industrial	(T)(Q)CM-1	Robert E. Main	Alfonso & Carmen Castillo	12/13	\$660,000	\$34.06	
5	6611-6625 Reseda Blvd Reseda, CA	104,544	2.40	1.50	156,816	Commercial	[Q]C2-1VL-CDO	The Burns Family Exemption Trust	Metric Holdings LLC	7/13	\$5,900,000	\$56.44	\$37.62
6	15553 San Fernando Mission Blvd Mission Hills, CA	9,065	0.21	1.50	13,598	Multi Family Residential	(T)(Q)C2-1VL	Jogar Inc	Daniel & Sofia C Klotzman	2/13	\$325,000	\$35.85	\$23.90
STATISTICS													
Low		7,484	0.17	1.50	13,598					2/13	\$270,000	\$34.06	\$12.03
High		104,544	2.40	3.00	156,816					4/14	\$5,900,000	\$56.44	\$37.62
Average		35,565	0.82	1.75	55,218					10/13	\$1,692,500	\$40.79	\$25.69

Compiled by Cushman & Wakefield Western, Inc.







## ALTERNATIVES TO MONETIZE CITY INTEREST

The scope of this assignment involved exploring, and quantifying to the extent possible, a range of potential structures the City could consider in its asset management decisions involving this asset. Given the attributes of this site, an outright sale is the recommended strategy to achieve the greatest proceeds for the City.

### OUTRIGHT SALE OF SUBJECT SITES

The subject property could be sold "As Is" to the owner of the adjacent parcels. A sale price in the range of \$1,500,000 to \$7,400,000 is likely based on the development potential of the sites assembled and considering the land investment activity involving similarly positioned sites.

# ADDENDUM A: REIS OUTPUT- MULTI-FAMILY SUBMARKET

Geographic Distribution of Inventory						
Submarket	No. Bldgs	Inventory (Units)	% Total	Vacancy Rate (%)	Free Rent (Months)	Asking Rent (\$/Month)
Chatsworth/Canoga Park	281	17,908	2.3%	5.8	0.4	\$1,342
Granada Hills/Northridge/Reseda	218	16,378	2.1%	1.8	0.3	\$1,313
Panorama Hills/San Fernando/Pacoima	340	19,072	2.5%	1.3	0.2	\$1,083
Woodland Hills/Tarzana/101 West	143	19,589	2.5%	3.9	0.1	\$1,684
Van Nuys/North Hollywood	619	27,884	3.6%	1.9	0.3	\$1,156
Sherman Oaks/Studio City/N Hollywood	867	45,087	5.8%	3.1	0.2	\$1,612
Burbank/North Glendale	464	17,799	2.3%	3.7	0.4	\$1,536
Tujunga/La Crescenta/Montrose	140	5,448	0.7%	3.3	0.2	\$1,308
Santa Clarita Valley/Canyon Country	72	16,246	2.1%	4.5	0.5	\$1,527
Palmdale/Lancaster	98	13,822	1.8%	5.6	0.6	\$859
Pasadena	318	19,583	2.5%	3.4	0.4	\$1,667
South Glendale/Highland Park	749	23,867	3.1%	4.5	0.1	\$1,333
Downtown	58	9,899	1.3%	3.7	0.4	\$2,019
Hollywood/Silver Lake	1102	52,706	6.8%	3.2	0.4	\$1,519
Wilshire/Westlake	712	45,389	5.9%	3.1	0.1	\$1,320
Beverly Hills/W Hollywood/Park La Brea	558	41,222	5.3%	1.9	0.1	\$2,032
West La/Westwood/Brentwood	768	36,175	4.7%	2.9	0.4	\$2,350
Mar Vista/Palms/Culver City	711	27,727	3.6%	1.8	0.2	\$1,559
Santa Monica	366	18,519	2.4%	2.7	0.5	\$2,463
Marina Del Rey/Venice/Westchester	182	26,567	3.4%	4.9	0.3	\$2,273
Mid-City/West Adams/Pico Heights	391	15,841	2.1%	2.4	0.4	\$1,118
Inglewood/Crenshaw	421	20,488	2.7%	2.6	0.2	\$1,073
South/Central La	496	14,065	1.8%	2.6	0.2	\$933
Hawthorne/North Torrance	431	16,786	2.2%	1.6	0.3	\$1,057
El Segundo/Hermosa Beach/Redondo Beach	400	18,145	2.4%	2.0	0.0	\$1,756
West Torrance/Ranchos Palos Verdes	136	9,995	1.3%	2.1	0.2	\$1,595
Carson/San Pedro/E Torrance/Lomita	338	15,972	2.1%	2.9	0.1	\$1,168
West Long Beach/Signal Hill	558	16,069	2.1%	3.8	0.5	\$1,273
East Long Beach/Los Altos	549	18,521	2.4%	3.2	0.3	\$1,458
N Long Beach/Lakewood/Artesia	167	12,216	1.6%	3.7	0.6	\$1,192
Paramount/Downey/Bellflower/Norwalk	440	22,688	2.9%	1.6	0.4	\$1,255
Whittier	204	9,478	1.2%	3.3	0.3	\$1,198
East La/Alhambra/Montebello/Pico Rivera	436	24,459	3.2%	3.4	0.3	\$1,169
Arcadia/Duarte/El Monte	393	14,250	1.8%	2.8	0.1	\$1,191
Azusa/Covina/Glendora	213	15,756	2.0%	3.3	0.2	\$1,207
Claremont/Pomona/La Verne	131	13,612	1.8%	4.6	0.5	\$1,364
West Covina/La Puente/Rowland Heights	72	11,766	1.5%	2.3	0.3	\$1,347
<b>Market Total</b>	<b>14,542</b>	<b>770,994</b>	<b>100.0%</b>	<b>3.0</b>	<b>0.3</b>	<b>\$1,499</b>

Source:

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### Historical & Projected Inventory (Units)

Year	Los Angeles		Granada Hills/Northridge/Reseda		
	Inventory	Completions	Inventory	Completions	% Total
2009	758,360	1,903	16,378	0	0.0%
2010	762,440	4,080	16,378	0	0.0%
2011	764,618	1,907	16,378	0	0.0%
2012	766,234	1,536	16,378	0	0.0%
2013	770,251	4,108	16,378	0	0.0%
1Q14	770,994	743	16,378	0	0.0%
2014	777,880	7,629	16,378	0	0.0%
2015	786,046	8,166	16,378	0	0.0%
2016	790,593	4,547	16,465	87	1.9%
2017	794,335	3,742	16,505	40	1.1%
2018	798,138	3,803	16,552	47	1.2%
<b>2009-2013</b>					
<b>Total Completions</b>		<b>13,534</b>		<b>0</b>	<b>0.0%</b>
<b>Annual Average</b>		<b>2,707</b>		<b>0</b>	

Source: Reis, Inc.

Historical and Projected Vacancy Rates						
Year	Los Angeles			Granada Hills/Northridge/Reseda		
	Class A	Class B/C	Total	Class A	Class B/C	Total
2009	6.4	4.8	5.3	4.1	6.1	5.4
2010	6.0	4.4	4.9	2.7	4.4	3.8
2011	4.8	3.6	4.0	1.7	3.7	3.0
2012	4.4	2.8	3.3	1.6	2.9	2.4
2013	5.0	2.3	3.2	1.5	2.3	2.0
1Q14	4.9	2.2	3.0	1.0	2.2	1.8
2014	---	---	3.2	---	---	2.1
2015	---	---	3.3	---	---	2.5
2016	---	---	3.5	---	---	2.4
2017	---	---	3.6	---	---	2.5
2018	---	---	3.7	---	---	2.7

Source: Reis, Inc.

Note: Reis does not differentiate between space that is available directly from the landlord or as a sublease. Any space that is available immediately for leasing (i.e. within 30 days) is considered vacant by Reis' standards.

Historical and Projected Net Absorption (units)								
Year	Los Angeles				Granada Hills/Northridge/Reseda			
	Class A	Class B/C	Total	Completions	Class A	Class B/C	Total	Completions
2009	2,039	(5,871)	(3,832)	1,903	77	(110)	(33)	0
2010	4,054	2,682	6,736	4,080	79	184	263	0
2011	4,861	4,322	9,183	1,907	57	73	130	0
2012	2,244	4,161	6,405	1,536	9	90	99	0
2013	2,600	2,367	4,967	4,108	4	61	65	0
1Q14	845	874	1,720	743	29	4	33	0
2014	---	---	7,504	7,629	---	---	(16)	0
2015	---	---	6,658	8,166	---	---	(65)	0
2016	---	---	2,821	4,547	---	---	101	87
2017	---	---	2,900	3,742	---	---	22	40
2018	---	---	2,840	3,803	---	---	13	47
<b>2009-2013</b>								
<b>Total Absorption</b>	<b>15,798</b>	<b>7,661</b>	<b>23,459</b>	<b>13,534</b>	<b>226</b>	<b>298</b>	<b>524</b>	<b>0</b>
<b>Annual Average</b>	<b>3,160</b>	<b>1,532</b>	<b>4,692</b>	<b>2,707</b>	<b>45</b>	<b>60</b>	<b>105</b>	<b>0</b>

Source: Reis, Inc.

**Historical and Projected Average Asking Rental Rates**

Year	Los Angeles						Granada Hills/Northridge/Reseda					
	Asking Rent \$/Month			Eff Rent	% Change	Concession Rent	Asking Rent \$/Month			Eff Rent	% Change	Concession Rent
	Class A	Class B/C	Total				Class A	Class B/C	Total			
2009	\$1,836	\$1,203	\$1,398	\$1,341	-5.0	4.1	\$1,435	\$1,122	\$1,233	\$1,178	-6.3	4.5
2010	\$1,827	\$1,203	\$1,397	\$1,348	0.5	3.5	\$1,457	\$1,104	\$1,229	\$1,187	0.8	3.4
2011	\$1,844	\$1,216	\$1,412	\$1,366	1.4	3.3	\$1,492	\$1,115	\$1,248	\$1,207	1.7	3.3
2012	\$1,911	\$1,252	\$1,459	\$1,421	4.0	2.6	\$1,525	\$1,140	\$1,276	\$1,240	2.8	2.8
2013	\$1,964	\$1,275	\$1,494	\$1,458	2.6	2.4	\$1,570	\$1,169	\$1,311	\$1,280	3.2	2.4
1Q14	\$1,972	\$1,278	\$1,499	\$1,463	0.4	2.4	\$1,563	\$1,175	\$1,313	\$1,283	0.2	2.3
2014	---	---	\$1,538	\$1,499	2.8	2.5	---	---	\$1,343	\$1,311	2.4	2.4
2015	---	---	\$1,578	\$1,535	2.4	2.7	---	---	\$1,375	\$1,342	2.4	2.4
2016	---	---	\$1,612	\$1,567	2.1	2.8	---	---	\$1,405	\$1,373	2.3	2.3
2017	---	---	\$1,645	\$1,595	1.8	3.0	---	---	\$1,435	\$1,402	2.1	2.3
2018	---	---	\$1,676	\$1,624	1.8	3.1	---	---	\$1,462	\$1,431	2.1	2.1
<b>CAGR</b>	<b>1.70%</b>	<b>1.46%</b>	<b>1.67%</b>	<b>2.11%</b>			<b>2.27%</b>	<b>1.03%</b>	<b>1.55%</b>	<b>2.10%</b>		

Source: Reis, Inc.

Notes: CAGR stands for Compound Annual Growth Rate. Asking rents cited by Reis reflect the advertised rental rates for actively marketed space. Effective rents net of any rental concessions, expressed over the life of the lease term. Reis quotes Apartment rents on a Gross basis.



**New Construction Activity - Complete**

Name	Location	Submarket	No. Units	Status	Completion
Citrus Walk	300 N Citrus Ave @ E Italia St	Azusa/Covina	49	Complete	January 2013
Glendora Village Collection	351 S Glendora Ave @ E Ada Ave	Azusa/Covina	53	Complete	January 2013
Metro@Hollywood	5555 Hollywood Blvd @ Garfield Pt	Hollywood	120	Complete	January 2013
Step Up On Vine	1057 Vine St @ Eleanor Ave	Hollywood	34	Complete	January 2013
Figueroa Senior Housing	7621 S Figueroa St @ W 76Th St	South/Central La	35	Complete	January 2013
1111 Wilshire	1111 Wilshire @ Bixel St	Wilshire/Westlake	210	Complete	February 2013
Canby Woods	7238 Canby Ave @ Darby Ave	Granada Hills	98	Complete	March 2013
Somerville I + II	4251-4263,4201-4219 S Central Ave @ E 42Nd Pl	South/Central La	41	Complete	March 2013
Long Beach/ Anaheim Arts Colony	200 E Anaheim St @ Locust Ave	West Long Beach	200	Complete	March 2013
Gershwin Apartments	5533 Hollywood Blvd @ Garfield Pl	Hollywood	163	Complete	March 2013
---	1800 Whitley Ave @ Yucca St	Hollywood	32	Complete	March 2013
High Place Affordable Housing Development	1959 High Pl @ Virginia Ave	Santa Monica	47	Complete	March 2013
Int Sherman Village	12629 Riverside Dr @ Whitsett Ave	Sherman Oaks	264	Complete	March 2013
Stella	13480 W Maxella Ave @ Del Rey Ave	Marina Del Rey	244	Complete	April 2013
---	19600 Plummer Ave @ Corbin Ave	Chatsworth	402	Complete	April 2013
Park View Place	133 Park Ave @ Robert F Kennedy Dr	Panorama Hills	61	Complete	April 2013
Park Place Apartments	4317-4331 Carlin Ave @ Cookacre Ave	South/Central La	99	Complete	April 2013
Regent Square	527 W Regent St @ N Cedar Ave	Inglewood/Crenshaw	145	Complete	April 2013
Elite Lofts & Skydeck	200 E Broadway @ N Maryland Ave	South Glendale	208	Complete	April 2013
Renaissance At City Center Ph II	21800 Avalon Blvd @ E Carson St	Carson/San Pedro	150	Complete	April 2013
The Gateway	720 E Carson St @ Avalon Blvd	Carson/San Pedro	86	Complete	May 2013
Iciss	546 W Colorado St @ S Pacific St	South Glendale	200	Complete	May 2013
Linda Vista Hospital Ph I	610 S Louis St @ E 6Th St	E La/Alhambra	24	Complete	May 2013
The Townhomes At Lost Canyon	18179 West Terra Verde Place @ Via Princessa	Santa Clarita Vly	157	Complete	May 2013
The Lacoruna Apartments	8101 Sepulveda Blvd @ Orion Ave	Panorama Hills	87	Complete	May 2013
Alta Warner	6701 Eton Ave @ Vanowen St	Chatsworth	298	Complete	May 2013
Luxe At 1427	1427 7Th St @ Santa Monica Blvd	Santa Monica	50	Complete	June 2013
430 Pico	430-508 Pico Blvd @ 4Th St	Santa Monica	32	Complete	June 2013
Lincoln Place Ph I	1012 Fredrick St @ 1077 Elk Grove Ave	Burbank/N Glendale	99	Complete	June 2013
Palms Point	10329 Palm Blvd @ Motor Ave	Mar Vista/Palms	31	Complete	June 2013
Flats On Landfair	510-516 Landfair Ave @ Ophir Dr	West La/Westwood	36	Complete	June 2013
Angel'S Dream Castle	345 S Gramercy Pt @ W 4Th St	Wilshire/Westlake	46	Complete	June 2013
Dunbar Village	4225-4233 S Central Ave @ E 42Nd Pl	South/Central La	40	Complete	June 2013
Main St Collection	410 W Main St @ N 4Th St	E La/Alhambra	88	Complete	June 2013
Tilden Terrace	11042-11056 Washington Blvd @ Tilden Ave	Mar Vista/Palms	33	Complete	July 2013
The Gordon	1553-1559 N Gordon St @ W Sunset Blvd	Hollywood	21	Complete	July 2013
Metro Art Sherman Oaks	14141 Ventura Blvd @ Hazelline Blvd	Sherman Oaks	112	Complete	July 2013
Mija Townhomes	4501-4507 S Figueroa St @ W 45Th St	South/Central La	21	Complete	August 2013
---	4900 Vineland Ave @ Peach Grove St	Sherman Oaks	82	Complete	August 2013
Belmont Court	Bellflower Blvd @ Belmont St	Paramount/Downey	30	Complete	August 2013
The Bw	1168 S Barrington @ Wilshire Blvd	West La/Westwood	78	Complete	August 2013
1600 Artesia Square	1600 W Artesia Blvd @ S Denker Ave	Hawthorne	63	Complete	September 2013
Tobias Terrace Apartments	9246 Tobias Ave @ Tupper St	Panorama Hills	56	Complete	September 2013
The Burton	123 Los Robles Ave @ El Dorado St	Pasadena	34	Complete	September 2013
---	12041 W Osborne St @ Foothill Blvd	South Glendale	60	Complete	September 2013
432 Oakhurst	432 N Oakhurst Dr @ Beverly Blvd	Beverly Hills	34	Complete	September 2013
Shores	4201 Via Marina Del Rey @ Panay Way	Marina Del Rey	544	Complete	October 2013
Sepulveda Ambulatory Care Center	16111 Plummer St @ Collett Ave	Panorama Hills	147	Complete	October 2013
Euclid Senior Housing	1924 Euclid St @ Pico Blvd	Santa Monica	24	Complete	October 2013
Mosaic	14121-14153 Ventura @ Hazelline Ave	Sherman Oaks	88	Complete	October 2013

**New Construction Activity - Complete (Continued)**

Name	Location	Submarket	No. Units	Status	Completion
---	14925 Magnolia Blvd @ Saloma Ave	Sherman Oaks	49	Complete	October 2013
Cielo At Villa Metro	21853 Soledad Canyon Rd @ Centre Pointe Pkwy	Santa Clarita Vly	22	Complete	October 2013
Pvc Family Housing	153 N Glendale Blvd @ Rockwood St	Wilshire/Westlake	45	Complete	October 2013
Gateways Apartments	E 5Th St @ S San Pedro St	Downtown	108	Complete	October 2013
2802 Pico Blvd	2802 Pico Blvd @ 28Th St	Santa Monica	33	Complete	November 2013
Fame Santa Monica Senior Apartments	1754 19Th St @ Michigan Ave	Santa Monica	49	Complete	November 2013
The Huxley	1234 N La Brea Ave @ Fountain Ave	Hollywood	187	Complete	November 2013
Empire At Kings	1232 & 1236 N Kings Rd @ Fountain Ave	Beverly Hills	25	Complete	November 2013
The Whittier Apartments	3555 E Whittier Blvd @ Catalina Ave	Whittier	60	Complete	November 2013
The Courtyard At La Brea	1151 N La Brea Ave @ Lexington Ave	Hollywood	32	Complete	December 2013
Albers Apartments	12005 Albers St @ Ben Ave	Sherman Oaks	121	Complete	December 2013
Ferrara	5031 N Fair Ave @ Hesby St	E La/Alhambra	302	Complete	December 2013
---	Pico Blvd @ Centinela Ave	Santa Monica	95	Complete	December 2013
Barker Block Warehouse No. 1	510 S Hewitt St @ Palmetto St	Downtown	68	Complete	December 2013
Lotus Garden	715-721 Yale St @ Ord St	Downtown	60	Complete	December 2013
The Elysian	1111 W Sunset Blvd @ Alpine St	Hollywood	92	Complete	December 2013
Jefferson Park Terrace	3001-3023 S Western Ave @ W 30Th St	Mid-City/W Adams	60	Complete	December 2013
Emerson College Housing	W Sunset Blvd @ N Gordon St	Hollywood	224	Complete	December 2013
Arbor Green	21237 S Figueroa St @ W 135Th St	South/Central La	40	Complete	December 2013
Mosaic Gardens At Huntington Park	6337 Middleton St @ E Gage Ave	South/Central La	24	Complete	January 2014
Caroline Severance Manor	2924 & 2914 W 8Th St @ S Westmoreland Ave	Wilshire/Westlake	85	Complete	January 2014
Mayfair Theater Apartments	212-216 Santa Monica Blvd @ 2Nd St	Santa Monica	38	Complete	January 2014
Taylor Yard Apartments	1311 N San Fernando Rd @ Arvia St	South Glendale	67	Complete	March 2014
Millennium Del Rey	5550 Grosvenor Blvd @ W Jefferson Blvd	Marina Del Rey	196	Complete	March 2014
The H.W.	7928 Hollywood Blvd @ N Fairfax Ave	Beverly Hills	79	Complete	March 2014
K2 La Ph I	688 S Berendo St @ W 7Th St	Wilshire/Westlake	130	Complete	March 2014
Ramona Park	3290 E Artesia Blvd @ Indiana Ave	Paramount/Downey	61	Complete	April 2014
Jia Apartments	639 N Broadway @ Cesar Chavez Ave	Downtown	280	Complete	April 2014
Civic Center Village	1801 Main St @ Pico Blvd	Santa Monica	325	Complete	April 2014
Hill Sequoia Apartments	14402-14406 Hamlin St @ Sylmar Ave	Van Nuys/N Hollywood	24	Complete	April 2014
<b>Total Complete</b>			<b>8,337</b>		

**New Construction Activity - Under Construction**

Name	Location	Submarket	No. Units	Status	Completion
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Ava Little Tokyo Ph II	S Los Angeles St @ E 2Nd St	Downtown	176	Under Constr.	—
Terracina Apartments	1216 W Imperial Hwy @ Van Buren Ave	South/Central La	72	Under Constr.	May 2014
Motor Ave Apartments	3425 Motor Ave @ Woodbine St	Mar Vista/Palms	115	Under Constr.	May 2014
Waring Hudson	6217 W Waring Ave @ Wilcox Ave	Hollywood	23	Under Constr.	May 2014
Rio Vista Apartments	1515 N San Fernando Rd @ Arvia St	South Glendale	87	Under Constr.	May 2014
The Vermont	Wilshire Blvd @ S Vermont Ave	Wilshire/Westlake	464	Under Constr.	May 2014
Lorenzo	325 W Adams Blvd @ W 23Rd St	South/Central La	913	Under Constr.	May 2014
Westgate Pasadena Ph III	231 S De Lacey Ave @ Orange Pl	Pasadena	88	Under Constr.	May 2014
Westgate Pasadena Ph II	231 S De Lacey Ave @ Orange Pl	Pasadena	252	Under Constr.	May 2014
Skycourts	402-404 S San Gabriel Blvd @ Yorkshire Rd	Pasadena	31	Under Constr.	May 2014
---	702 Arizona Ave @ 7Th St	Sanita Monica	49	Under Constr.	May 2014
Day St Apartments	7639-7653 Day St @ Foothill Blvd	Tujunga/Montrose	46	Under Constr.	May 2014
Ava Little Tokyo Ph I	S Los Angeles St @ E 2Nd St	Downtown	104	Under Constr.	June 2014
La Verne Village	2855 Foothill Blvd @ Bradford St	Claremont/Pomona	172	Under Constr.	June 2014
Riverwalk At Reseda	18425 Kittridge St @ Darby Ave	Granada Hills	77	Under Constr.	June 2014
Eagle Vista	4258-4260 N Eagle Rock Blvd @ Monte Bonito Dr	South Glendale	56	Under Constr.	June 2014
Carson Family Housing	21227-21243 S Figueroa St @ W 213Th St	Carson/San Pedro	39	Under Constr.	June 2014
Kenwood Terrace Apartments	118 S Kenwood St @ E Broadway	South Glendale	35	Under Constr.	June 2014
Nms@La Cienega	375 N La Cienega Blvd @ Westmont Dr	Beverly Hills	125	Under Constr.	June 2014
Rosilyn Hotel	112 W 5Th @ Main St	Downtown	264	Under Constr.	June 2014
Avant Ph I	1360 S Figueroa St @ 1355 S Flower St	Downtown	237	Under Constr.	June 2014
Argyle Apartments	1560-1600 N Western Ave @ 5446 Carlton Way	Hollywood	40	Under Constr.	July 2014
Ucia Landfair & Glenrock Apartments	625 & 641 Landfair Ave @ 558 & 564 Glenrock Ave	West La/Westwood	104	Under Constr.	July 2014
Burlington Family Apartments	409-415 S Burlington Ave @ W 4Th St	Wilshire/Westlake	29	Under Constr.	July 2014
Latitudes At Silverlake	Glendale Blvd @ Waverly Dr	Hollywood	63	Under Constr.	July 2014
---	928 N Western Ave @ Melrose Ave	Hollywood	49	Under Constr.	July 2014
Downey: The View	8314 2Nd St @ Downey Ave	Paramount/Downey	50	Under Constr.	July 2014
The Dylan	Santa Monica Blvd @ N La Brea Ave	Hollywood	184	Under Constr.	July 2014
Western University Student Housing	E 4Th St @ S Eleanor St	Claremont/Pomona	230	Under Constr.	August 2014
The Village Of Santa Monica	Ocean Ave @ Pico Blvd	Santa Monica	318	Under Constr.	August 2014
Lex On Orange	321 N Orange St @ E California Ave	Burbank/N Glendale	310	Under Constr.	August 2014
Wilshire La Brea	5200 Wilshire Blvd @ S La Brea	Beverly Hills	478	Under Constr.	August 2014
Playa Del Oro West	7298 W Manchester Ave @ Rayford Dr	Marina Del Rey	260	Under Constr.	August 2014
Knob Hill Apartments	2403 W 4Th St @ S Park View St	Wilshire/Westlake	39	Under Constr.	August 2014
---	801 S Hope St @ W 8Th St	Downtown	290	Under Constr.	August 2014
Sol Y Luna Apartments	2915-2935 E 1St St @ S Savannah St	E La/Alhambra	53	Under Constr.	September 2014
Sage Park	1302 W 177Th St @ S Normandie Ave	Hawthorne	90	Under Constr.	September 2014
Camden Glendale	3900 San Fernando Rd @ S Central Ave	South Glendale	303	Under Constr.	September 2014
Front Porch	2400 S Fremont Ave @ Las Flores St	E La/Alhambra	88	Under Constr.	September 2014
Aragon At Signal Hill	1899 Orizaba Ave @ S 19Th St	East Long Beach	81	Under Constr.	September 2014
Gibson	1317 7Th St @ Arizona Ave	Santa Monica	58	Under Constr.	September 2014
Infinity	20600 Ventura Blvd @ Chalk Hill Driveway	Woodland Hills	340	Under Constr.	September 2014
Warner Center	21200 W Victory Blvd @ Variel Ave	Woodland Hills	395	Under Constr.	October 2014
The Millennium Woodland Hills	6219 Desoto Ave @ Erwin St	Woodland Hills	395	Under Constr.	October 2014
Nms@Culver City	9901 Washington Blvd @ Duquesne Ave	Mar Vista/Palms	131	Under Constr.	October 2014
Brand + Wilson	124 W Wilson Ave @ N Brand Ave	South Glendale	238	Under Constr.	October 2014
Emerson	237 S Grand Ave @ W 2Nd St	Downtown	271	Under Constr.	October 2014
Avalon Apartments	13218-13224 Avalon Blvd @ E 132Nd St	South/Central La	55	Under Constr.	October 2014
New Pershing Apartments	502 S Main St @ E 5Th St	Downtown	69	Under Constr.	October 2014
Jefferson And 4Th Mixed-Use	2401-2425 W Jefferson Blvd @ 4Th Ave	Mid-City/W Adams	40	Under Constr.	October 2014

#### New Construction Activity - Under Construction (Continued)

Name	Location	Submarket	No. Units	Status	Completion
Las Alturas	3525 E Whittier Blvd @ Spencer St	E La/Alhambra	78	Under Constr.	October 2014
Lindbrook-Hayley	10925 Lindbrook Dr @ Gayley Ave	West La/Westwood	34	Under Constr.	October 2014
Beloit At Ohio	1539 S Beloit Ave @ Massachusetts Ave	West La/Westwood	63	Under Constr.	October 2014
One Santa Fe	Santa Fe Ave @ E 7Th St	Downtown	438	Under Constr.	November 2014
Urban Village	1091 Long Beach Blvd @ W 10Th St	West Long Beach	129	Under Constr.	November 2014
Aragon	Orizaba Ave @ E 19Th St/E Pacific Co	East Long Beach	81	Under Constr.	November 2014
Avalon San Dimas	Bonita Ave @ San Dimas Canyon Rd	Claremont/Pomona	156	Under Constr.	December 2014
Brand & Wilson	120 W Wilson Ave @ N Brand Blvd	South Glendale	238	Under Constr.	December 2014
460 Palm	460 N Palm Dr @ Beverly Hills	Beverly Hills	35	Under Constr.	December 2014
Carmel Partners Apartments	S Olive St @ W 8Th St	Downtown	363	Under Constr.	December 2014
Blvd 6200 Apartments Ph I	6200 Hollywood Blvd @ Argyle Ave	Hollywood	535	Under Constr.	January 2015
Lincoln Place Ph II	1012 Fredrick St @ 1077 Elkgrove Ave	Burbank/N Glendale	621	Under Constr.	January 2015
White Magnolia	17720 Magnolia Blvd @ White Oak Ave	Woodland Hills	50	Under Constr.	January 2015
Veterans Village	327-331 W Salem St @ N Central Ave	South Glendale	44	Under Constr.	January 2015
Onni Tower	888 S Olive St @ W 9Th St	Downtown	283	Under Constr.	February 2015
Nexus On Central	610 N Central Ave @ W Doran St	South Glendale	235	Under Constr.	February 2015
Avant Ph II	1500 S Figueroa St @ Cameron Ln	Downtown	203	Under Constr.	February 2015
Grand & 8Th	770 S Grand Ave @ 8Th St	Downtown	700	Under Constr.	February 2015
Monterey Station	Monterey St @ Garey St	Claremont/Pomona	349	Under Constr.	February 2015
---	E Foothill Blvd @ Sierra Madres Villa Rd	Pasadena	212	Under Constr.	February 2015
Pacific Ave Arts Colony	325 S Pacific Ave @ W 3Rd St	Carson/San Pedro	48	Under Constr.	March 2015
Alta South Bay	S Vermont Ave @ W 23Rd St	Carson/San Pedro	246	Under Constr.	March 2015
Broadwood Terrace	5001-5025 S Main St @ E 50Th St	South/Central La	89	Under Constr.	March 2015
Hanover Olympic Boulevard	W Olympic Blvd @ S Hill St	Downtown	281	Under Constr.	March 2015
Santa Cecilia Apartments	1720 E 1St St @ Santa Ana Fwy	E La/Alhambra	100	Under Constr.	March 2015
Metro@Compton Senior	302 N Tamarind Ave @ E Palmer St	South/Central La	75	Under Constr.	April 2015
Alhambra Pacific Plaza	300 W Main St @ N 3Rd St	E La/Alhambra	120	Under Constr.	May 2015
Andreas Durate II	1700 Huntington Dr @ Pops Rd	Arcadia/Duarte	43	Under Constr.	June 2015
Lankershim Noho	5077 Lankershim Blvd @ Otsego St	Sherman Oaks	156	Under Constr.	June 2015
---	105 S Los Robles @ E Green St	Pasadena	50	Under Constr.	June 2015
---	5245 Santa Monica Blvd @ 5238 W Virginia Ave	Hollywood	52	Under Constr.	July 2015
---	7700 Laurel Canyon Blvd @ Keswick St	Van Nuys/N Hollywd	32	Under Constr.	August 2015
Step Up On Colorado	520 Colorado Ave @ 5Th St	Santa Monica	32	Under Constr.	August 2015
Sunset Gordon	5939 W Sunset Blvd @ Gordon St	Hollywood	299	Under Constr.	August 2015
Megatoyos Site	905 E 2Nd St @ S Garey St	Downtown	320	Under Constr.	August 2015
Aria	12601 Artesia Blvd @ Bloomfield Ave	N Long Beach	198	Under Constr.	September 2015
Runway At Playa Vista	W Jefferson Blvd @ Lincoln Blvd	Marina Del Rey	420	Under Constr.	September 2015
The Lo	710 El Centro Ave @ Melrose Ave	Hollywood	85	Under Constr.	October 2015
Da Vinci	909 W Temple St @ N Freemont Ave	Downtown	526	Under Constr.	October 2015

Int Sherman Circle	14500 Sherman Cir @ Gauli St	Van Nuys/N Hollywood	354	Under Constr.	November 2015
Sunset Millennium	W Sunset Blvd @ N La Cienega Blvd	Beverly Hills	190	Under Constr.	December 2015
Village Walk At Tarzana	5420-5432 N Yolanda Ave @ Redwing St	Woodland Hills	56	Under Constr.	January 2016
Metropolis Residential	9Th St @ Francisco St	Downtown	300	Under Constr.	February 2016
The Current	707 E Ocean Blvd @ Alamitos Ave	West Long Beach	223	Under Constr.	March 2016
Movietown Plaza	7302 Santa Monica Blvd @ Greenacre Ave	Hollywood	370	Under Constr.	April 2016
10000 Santa Monica Boulevard	10000 Santa Monica Blvd @ S Moreno Dr	West La/Westwood	283	Under Constr.	October 2016
Avalon Glendora	213 E Rte 66 @ S Glendora Ave	Azusa/Covina	256	Under Constr.	December 2016
<b>Total Under Construction</b>			<b>18,527</b>		

**New Construction Activity - Planned**

Name	Location	Submarket	No. Units	Status	Completion
Colorado St Apartments	124 W Colorado St @ S Brand Blvd	South Glendale	50	Planned	---
	W Wilson Ave @ N Orange St	South Glendale	166	Planned	---
Tropico Apartments	435 W Los Feliz Blvd @ Gardena Ave	South Glendale	225	Planned	---
Laemmle Lofts	111 E Wilson Ave @ N Brand Ave	South Glendale	42	Planned	---
313 & 315 California Ave	313-315 E California Ave @ N Louise St	South Glendale	84	Planned	---
	130 N Central Ave @ W Broadway	South Glendale	153	Planned	---
Glendale Arts Colony	121 N Kenwood St @ E Broadway	South Glendale	70	Planned	---
Route 66 & Colorado Townhomes	350 W Rte 66 @ 427 W Colorado Ave	Azusa/Covina	106	Planned	---
North Cherokee Apartment	1850 N Cherokee Ave @ Yucca St	Hollywood	46	Planned	---
	1737 N Las Palmas Ave @ Yucca St	Hollywood	82	Planned	---
Market Plaza Shopping Center Condos	Market St @ Florence Ave	Inglewood/Crenshaw	74	Planned	---
Hollywood Park Tomorrow Affordable	Century Blvd @ Prairie Ave	Inglewood/Crenshaw	450	Planned	---
Cedar Springs	1320-1350 Palomares Ave @ Blossom Ln	Claremont/Pomona	36	Planned	---
Essex Tower Apartments	44948 10Th St W @ W Jackman St	Palmdale/Lancaster	104	Planned	---
Greville Ave Condos	15122-15206 Greville Ave @ Marine Ave	Hawthorne	88	Planned	---
Aviation Station	11604 Aviation Blvd @ W 116Th St	El Segundo	390	Planned	---
	328 Pacific Ave @ Roble Way	West Long Beach	63	Planned	---
Ocean & Cherry	2010 E Ocean Blvd @ Cherry Ave	West Long Beach	33	Planned	---
431 E 6Th St	431 E 6Th St @ Frontenac Ct	West Long Beach	30	Planned	---
North Village Center	5801 Atlantic Ave @ E South St	N Long Beach	61	Planned	---
Second + Pch Residential	2Nd St @ Pacific Coast Hwy	Carson/San Pedro	325	Planned	---
Cabrillo Gateway	2001 River Ave @ W 20Th St	Carson/San Pedro	80	Planned	---
Immanuel Senior	3215 E 3Rd St @ Obispo Ave	East Long Beach	25	Planned	---
Long Beach & 21St Apartments	2112 Long Beach Blvd @ E 21St St	West Long Beach	41	Planned	---
San Fernando Rd Residential/Medical Office	12421 N San Fernando Rd @ N Ave 19	South/Central La	149	Planned	---
North Whitsett Apartments	6144 N Whitsett Ave @ Erwin St	Van Nuys/N Hollywood	20	Planned	---
Slauson Station Apartments	1707-1717 E 61St St @ Holmes Ave	South/Central La	29	Planned	---
Fountainview At Gonda	Lincoln Blvd @ Fwy 90	South/Central La	199	Planned	---
Jordan Downs Ph I	E Century Blvd @ S Alameda St	South/Central La	400	Planned	---
Jordan Downs Ph II	E 103Rd St @ Grape St	South/Central La	400	Planned	---
Jordan Downs Ph III	Grape St @ E 95Th St	South/Central La	400	Planned	---
Jordan Downs Ph IV	Grape St @ E 97Th St	South/Central La	600	Planned	---
Broadway Villas	9413-9501 S Spring St @ W 94Th St	South/Central La	48	Planned	---
	S Sepulveda Blvd @ W Pico Blvd	West La/Westwood	638	Planned	---
K2 La Ph II	680 S Berendo St @ W 7Th St	West La/Westwood	170	Planned	---
K2 La Ph III	685 S New Hampshire Ave @ W 7Th St	West La/Westwood	176	Planned	---
Kenmore Apartments	616 S Kenmore Ave @ W 6Th St	West La/Westwood	57	Planned	---
Casita De Zen	225-249 W Main St @ S 2Nd St	E La/Alhambra	92	Planned	---
	219 N Chapel Ave @ E Woodward Ave	E La/Alhambra	41	Planned	---
Alhambra Place Apartments	2 E Main St @ S Garfield Ave	E La/Alhambra	260	Planned	---
Chan Mixed Use	101 E Valley Blvd @ S Stoneman Ave	E La/Alhambra	56	Planned	---
Residences @ The Alhambra	Nec W Orange St @ S Dale Ave	E La/Alhambra	381	Planned	---
Montecedro Senior Living	2212 N El Mollno Ave @ Alameda St	Pasadena	186	Planned	---
Baldwin Park	Ramona Blvd @ Bogart Ave	Azusa/Covina	72	Planned	---
Terra Bella	57720 Clara St @ Eastern Ave	Paramount/Downey	64	Planned	---
Bellflower	9303 Alondra Blvd @ Santa Ana Ave	Paramount/Downey	57	Planned	---
Empire At Burton Way	9265 Burton Way @ N Elm Dr	Beverly Hills	23	Planned	---
Waldorf-Astoria Condos	Wilshire Blvd @ N Santa Monica Blvd	Beverly Hills	110	Planned	---
East Verdugo Ave Mixed	103 E Verdugo Ave @ S 1St St	Burbank/N Glendale	84	Planned	---
Talaria At Burbank	3401 W Olive Ave @ N Lima St	Sherman Oaks	241	Planned	---

**New Construction Activity - Planned (Continued)**

Name	Location	Submarket	No. Units	Status	Completion
23500 Park Sorrento	23500 Park Sorrento @ Park Granada	Non-Submarketed Areas	72	Planned	---
Las Virgenes Rd	4240 Las Virgenes Rd @ Country Creek Ln	Woodland Hills	78	Planned	---
Village At Calabasas	23500 Park Sorrento @ Park Mirasol	Woodland Hills	72	Planned	---
Cityview	616 E Carson St @ Avalon Blvd	Carson/San Pedro	152	Planned	---
East Carson II	401-409 E Carson St @ Ravenna Ave	Carson/San Pedro	40	Planned	---
	16700 Norwalk Blvd @ Cuesta Dr	Paramount/Downey	247	Planned	---
Pioneer Blvd	18810 Pioneer Blvd @ South St	N Long Beach	25	Planned	---
The Village Lofts	127 Oberlin Ave @ W 1St St	Claremont/Pomona	64	Planned	---
	W Washington Blvd @ Inglewood Blvd	Mar Vista/Palms	100	Planned	---
Marcasel	11957 W Washington Blvd @ Inglewood Blvd	Mar Vista/Palms	30	Planned	---
Legado Crossing	Washington Blvd @ National Blvd	Mar Vista/Palms	115	Planned	---
Washington Blvd	10601 W Washington Blvd @ Keystone Ave	Mar Vista/Palms	132	Planned	---
4210 S Del Rey Ave	4210 S Del Rey Ave @ E Central Ave	Non-Submarketed Areas	68	Planned	---
Lakewood & Gallatin	N Lakewood Blvd @ Gallatin Rd	Paramount/Downey	46	Planned	---
La Pro II	5311 S Ruthelen @ W 54Th St	South/Central La	119	Planned	---
The Serrano	975-983 S Serrano Ave @ San Marino St	Mid-City/W Adams	43	Planned	---
	1800-1812 W 11Th St @ S Burlington Ave	Mid-City/W Adams	25	Planned	---
The Village At USC - Residential	Jefferson Blvd @ S Vermont Ave/S Figueroa St	Mid-City/W Adams	2,500	Planned	---
	2003 S Oak St @ W 20Th St	Mid-City/W Adams	29	Planned	---
Vermont And James M Wood North	864 S Vermont Ave @ W 9Th/James M Wood Blvd	Wilshire/Westlake	187	Planned	---
Vermont And James M Wood South	864 S Vermont Ave @ W 9Th/James M Wood Blvd	Wilshire/Westlake	224	Planned	---
1411 N Highland Ave	1411 N Highland Ave @ Leland Way	Hollywood	76	Planned	---
Oak Village Residences Project	1939 Oak St @ W Washington Blvd	Mid-City/W Adams	142	Planned	---
3640 Wilshire	3640 Wilshire Blvd @ S Hobart Blvd	Wilshire/Westlake	209	Planned	---
Ardmore & 6Th St	645 S Ardmore Ave @ 6Th St	Wilshire/Westlake	268	Planned	---
Paloma Terrace	5000 S Main St @ E 50Th St	South/Central La	59	Planned	---

Little Tokyo Apartments	S San Pedro St @ E 2Nd St	Downtown	240	Planned		
950 Third Ph I	950 E 3Rd St @ S Santa Fe Ave	Downtown	248	Planned		
950 Third Ph II	950 E 3Rd St @ S Santa Fe Ave	Downtown	224	Planned		
Blossom Plaza	900 N Broadway @ W College St	Downtown	240	Planned		
5300-5312 Sepulveda Blvd	5300-5312 Sepulveda Blvd @ Machado Rd	Mar Vista/Palms	39	Planned		
---	20460 N Sherman Way @ Mason Ave	Chatsworth	42	Planned		
---	12128 W Sheldon St @ Telfair Ave	Panorama Hills	26	Planned		
Vibiana Lofts	221 S Los Angeles St @ E 2Nd St	Downtown	238	Planned		
1840 North Highland	1840 N Highland Ave @ Franklin Ave	Hollywood	118	Planned		
---	N Grand Ave @ W Cesar E Chavez Ave	Downtown	225	Planned		
Fidm	S Flower St @ W Olympic Blvd	Downtown	112	Planned		
South Park	1028 S Hope St @ W Olympic Blvd	Downtown	250	Planned		
---	224 E Washington Blvd @ S Los Angeles St	South/Central La	78	Planned		
Pico & Flower Ph I	W Pico Blvd @ S Flower St	Downtown	250	Planned		
Pico & Flower Ph II	W Pico Blvd @ S Flower St	Downtown	169	Planned		
G 12	S Grand Ave/W Pico Blvd @ S Olive St/W 12Th St	Downtown	300	Planned		
Astani Ph II	S Grand Ave/W Pico Blvd @ S Olive St/ W 12Th St	Downtown	340	Planned		
Olympic & Broadway Bldg 1	W Olympic Blvd @ S Broadway	Downtown	449	Planned		
Olympic & Broadway Bldg 2	S Main St @ S Broadway	Downtown	237	Planned		
1001 Olympic & Olive	1001 Olympic Blvd @ S Olive St	Downtown	201	Planned		
1000 Grand	1000 S Grand Ave @ W Olympic Blvd	Downtown	274	Planned		
Broadway & 9Th Bldg A	1028 S Broadway @ W 9Th St	Downtown	247	Planned		
Broadway & 9Th Bldg B	928 S Broadway @ W 9Th St	Downtown	437	Planned		
1001 S Olive St	1001 S Olive St @ E Olympic Blvd	Downtown	201	Planned		
Twelfth & Flower	1212 S Flower St @ W 12Th St	Downtown	730	Planned		

#### New Construction Activity - Planned (Continued)

Name	Location	Submarket	No. Units	Status	Completion
1249 Grand	1249 S Grand Ave @ W Pico Blvd	Downtown	112	Planned	
1133 Hope St	1133 S Hope St @ W 11Th St	Downtown	208	Planned	
Herald-Examiner Building	1111 S Broadway @ W 11Th St	Downtown	391	Planned	
The Project At Pico	1211 S Hill St @ W 12Th St	Downtown	362	Planned	
Wishire + Lucas Ph II	Wishire Blvd @ Lucas Ave	Wishire/Westlake	600	Planned	
Icon On Wishire	1027 Wishire @ St Paula Ave	Wishire/Westlake	376	Planned	
Wishire + Lucas Ph I	W 6Th St @ Lucas Ave	Wishire/Westlake	42	Planned	
888 S Hope St	888 S Hope St @ W 9Th St	Downtown	526	Planned	
Balboa Blvd Condominiums	5015-5041 Balboa Blvd @ Addison St	Mid-City/W Adams	42	Planned	
---	900 S Crenshaw Blvd @ 4114 W 9Th St	Wishire/Westlake	32	Planned	
The Walnut	1745 E 7Th St @ Mill St	Downtown	57	Planned	
Linda Vista Hospital Ph II	610 S Louis St @ E 6Th St	E La/Alhambra	74	Planned	
Wyvernwood Garden Apartments	2901 E Olympic Blvd @ E 8Th St	E La/Alhambra	1,200	Planned	
Wyvernwood Garden Apartments	2901 E Olympic Blvd @ E 8Th St	E La/Alhambra	3,200	Planned	
Whittier Place	4125 Whittier Blvd @ S Bonnie Beach Pl	E La/Alhambra	25	Planned	
Whittier Place	4125 - 4131 Whittier Blvd @ S Bonnie Beach Pl	E La/Alhambra	24	Planned	
Sears Building Apartments	2650 E Olympic Blvd @ S Boyle Ave	E La/Alhambra	1,000	Planned	
860 Devon Ave	860 S Devon Ave @ Wishire Blvd	West La/Westwood	33	Planned	
---	670 Kellon Ave @ Strathmore Dr	West La/Westwood	48	Planned	
---	Santa Monica Blvd @ Westwood Blvd	West La/Westwood	71	Planned	
---	1856 Kellon Ave @ Missouri Ave	West La/Westwood	24	Planned	
Landmark Apartments	11750 Wishire Blvd @ Granville Ave	West La/Westwood	376	Planned	
Barlow Respiratory Hospital Residential	2000 Stadium Way @ Scott Ave	Hollywood	888	Planned	
---	W Sunset Blvd @ Everett St	Hollywood	201	Planned	
---	1313-1315 Sunset Blvd @ Innes Ave	Hollywood	27	Planned	
4301 Sunset	4301 Sunset Dr @ Talmadge St	Hollywood	122	Planned	
Coronel Apartments	1600 Serrano Blvd @ W Sunset Blvd	Hollywood	54	Planned	
Selma Community Housing	1603-1609 N Cherokee Ave @ Selma Ave	Hollywood	66	Planned	
Columbia Square Residential	6101-6125 W Sunset Blvd @ N Gower St	Hollywood	200	Planned	
The Highland	N Highland Ave @ Selma Ave	Hollywood	248	Planned	
Millennium Hollywood - Residential	1749 N Vine St @ Hollywood Blvd	Hollywood	492	Planned	
The Camden	1540 Vine St @ W Sunset Blvd	Hollywood	287	Planned	
Hollywood Palladium	6215 W Sunset Blvd @ N El Centro Ave	Hollywood	598	Planned	
6230 Sunset	6230 W Sunset Blvd @ Argyle Ave	Hollywood	200	Planned	
Paseo Plaza Site 1	5601-5667 Santa Monica @ N Western Ave	Hollywood	365	Planned	
Paseo Plaza Sites 2+3	Santa Monica Blvd @ N Western Ave	Hollywood	68	Planned	
Sunset Junction Mixed	4000 Sunset Blvd @ Sanborn Ave	Hollywood	94	Planned	
---	4100 W Sunset Blvd @ Santa Monica Blvd	Hollywood	91	Planned	
Sunset Gateway	1185 Sunset Blvd @ Marion Ave	Hollywood	214	Planned	
Eastern & Lombardy	2520-2668 N Eastern Ave @ Lombardy Blvd	E La/Alhambra	20	Planned	
Wishire Coronado	2525 Wishire Blvd @ S Coronado St	Wishire/Westlake	154	Planned	
The Mansfield	5512 Wishire Blvd @ S Dunsmuir Ave	Beverly Hills	132	Planned	
727 Cloverdale	727 S Cloverdale @ Wishire Blvd	Beverly Hills	42	Planned	
La Brea Gateway	915 N La Brea Ave @ Willoughby Ave	Hollywood	179	Planned	
The Lexington Project Ph I	6677 W Santa Monica Blvd @ N Las Palmas Ave	Hollywood	394	Planned	
The Lexington Project Ph II	6677 W Santa Monica Blvd @ Santa Monica Blvd	Hollywood	392	Planned	
---	119 N Ave 56 @ N Figueroa St	South Glendale	20	Planned	
---	5712 E Marmon Way @ N Avenue 57	South Glendale	50	Planned	
West Villas	West Blvd @ E 66Th St	Inglewood/Crenshaw	49	Planned	
---	7401 S La Tijera Blvd @ W 74Th St	Marina Del Rey	140	Planned	
Walgreens Mixed-Use	8100 Santa Monica Blvd @ Crescent Heights Blvd	Beverly Hills	20	Planned	

#### New Construction Activity - Planned (Continued)

Name	Location	Submarket	No. Units	Status	Completion
---	1439 N Poinsettia Pl @ Fountain Ave	Hollywood	39	Planned	
---	1250 N Fairfax Ave @ Fountain Ave	Beverly Hills	53	Planned	
7120-7130 W Sunset Blvd	7120-7130 W Sunset Blvd @ N Detroit St	Hollywood	44	Planned	
Wetherly Dr Condos	300 S Wetherly Dr @ W 3Rd St	Beverly Hills	95	Planned	
Fairfax Theatre Apartments	7901 Beverly Blvd @ N Fairfax Ave	Beverly Hills	71	Planned	
Echo Park	1623-1649 W Temple St @ Glendale Blvd	Wishire/Westlake	49	Planned	
Brentwood Bel Air Villa	441 S Barrington Ave @ Lorna Ct	West La/Westwood	45	Planned	

---	11965 W Montana Ave @ S Bundy Dr	West La/Westwood	40	Planned	-- --
---	120 S Granville Ave @ W Sunset Blvd	West La/Westwood	32	Planned	-- --
Macarthur Park Block 2 (Phase B)	671 S Alvarado St @ S Westlake Ave	Mid-City/W Adams	82	Planned	-- --
Mirage Town Homes	5221 S Western Ave @ W 51st Pl	South/Central La	21	Planned	-- --
C On Pico	12301 W Pico Blvd @ S Centinela Ave	Mar Vista/Palms	260	Planned	-- --
Martin Expo Town Center Apts	12101 W Olympic Blvd @ S Bundy Dr	West La/Westwood	516	Planned	-- --
---	Eagle Rock Blvd @ W Ave 43	South Glendale	45	Planned	-- --
Taylor Yard Senior	1231 N San Fernando Rd @ Granada St	South Glendale	66	Planned	-- --
Marmion Way Apartments	3500-3526 Marmion Way @ Arroyo Seco Ave	South Glendale	49	Planned	-- --
Century Plaza Hotel Renovation	2025 Ave Of The Stars @ Constellation Blvd	West La/Westwood	63	Planned	-- --
Century Plaza Residential	2025 Avenue Of The Stars @ Constellation Blvd	West La/Westwood	290	Planned	-- --
---	927 Palm Ave @ Cynthia St	Beverly Hills	24	Planned	-- --
Beverly Terrace	3314 Beverly Blvd @ N Commonwealth Ave	Wishire/Westlake	40	Planned	-- --
Ldk Senior Apartments	900 S Crewshaw Blvd @ W 9Th St	Wishire/Westlake	67	Planned	-- --
12855 Runway Rd	12855 Runway Rd @ Seabluff Dr	Marina Del Rey	309	Planned	-- --
Playa Senior (Park Vista)	12481 W Fielding Cir @ W Millennium Dr	Marina Del Rey	83	Planned	-- --
---	14134 Yukon Ave @ W Rosecrans Ave	Hawthorne	127	Planned	-- --
---	16990-17000 W Sunset Blvd @ Marquez Pl	Santa Monica	49	Planned	-- --
Sb Omega	601 Main St @ Sunset Ave	Downtown	350	Planned	-- --
---	720-736 E Washington Blvd @ Marr St	South/Central La	55	Planned	-- --
Via Marina + Panay Way	Via Marina @ Panay Way	Marina Del Rey	585	Planned	-- --
Gateway Apartments	13366 + 13368 Beach Ave @ Glencoe Ave	Marina Del Rey	21	Planned	-- --
Marymount Student Housing	1600 Palos Verdes Dr N @ Athena Ave	Carson/San Pedro	86	Planned	-- --
Santa Anita Village	4241 E Live Oak Ave @ Eisenhower Ave	Arcadia/Duarte	318	Planned	-- --
Osborne St Apartments	12041 W Osborne St @ Osborne Pl	Granada Hills	56	Planned	-- --
---	20600-20620 W Roscoe Blvd @ Jellico Ave	Granada Hills	96	Planned	-- --
The Crossings On Amigo	7237 Amigo Ave @ Sherman Way	Granada Hills	61	Planned	-- --
---	23200 W Sherman Way @ Hesperia Ave	Granada Hills	200	Planned	-- --
Roscoe Estate	15157 Roscoe Blvd @ Burnet Ave	Panorama Hills	34	Planned	-- --
Riverside Village	10850 Riverside Dr @ Lankershim Blvd	Sherman Oaks	56	Planned	-- --
Legacy At Neplune Marina	Marquesas Way @ Via Marina	Marina Del Rey	400	Planned	-- --
---	Marquesas Way @ Via Marina	Marina Del Rey	126	Planned	-- --
Marina Coastal Plan - Senior	4220 Admiralty Way @ Promenade Way	Marina Del Rey	114	Planned	-- --
Marina Coastal Plan - Apartments	141126 Marquesas Way @ Via Marina	Marina Del Rey	526	Planned	-- --
Oceana	14025 Panay Way @ Via Marina	Marina Del Rey	114	Planned	-- --
Monrovia Apartments	1323 S Magnolia Ave @ W Cherry Ave	Arcadia/Duarte	21	Planned	-- --
Monrovia Station Square - Residential	E Duarte Rd @ S Myrtle Ave	Arcadia/Duarte	500	Planned	-- --
Monterey Park Town Centre Residential	123 W Garvey Ave @ S Garfield Ave	E La/Alhambra	109	Planned	-- --
Whitsett 23	5816 N Whitsett Ave @ Halteras St	Sherman Oaks	23	Planned	-- --
Westmont Living	Rancho Vista Blvd @ 20Th St E	Palmdale/Lancaster	130	Planned	-- --
Mission Place	1020 El Centro St @ Diamond Ave	Pasadena	90	Planned	-- --
Arroyo Village	235 Arroyo Dr @ Arroyo Sq	E La/Alhambra	46	Planned	-- --
Union Village	686 E Union St @ S El Molino Ave	Pasadena	118	Planned	-- --
---	131 N Mar Vista Ave @ E Union St	Pasadena	24	Planned	-- --

#### New Construction Activity - Planned (Continued)

Name	Location	Submarket	No. Units	Status	Completion
105 S Los Robles	105 S Los Robles @ E Green St	Pasadena	50	Planned	-- --
---	196200 S Oakland Ave @ Cordova St	Pasadena	21	Planned	-- --
Hudson El Molino & Walnut Apartments	700-770 E Walnut St @ N El Molino Ave	Pasadena	173	Planned	-- --
Oswego St Apartments	2460-2480 Oswego St @ S Altadena Dr	Pasadena	33	Planned	-- --
496 S Arroyo	496 S Arroyo Pkwy @ E California Blvd	Pasadena	26	Planned	-- --
Heritage Square	748 N Fair Oaks Ave @ E Orange Grove Blvd	Pasadena	70	Planned	-- --
---	86 S Fair Oaks Ave @ E Green St	Pasadena	64	Planned	-- --
---	270 S Oakland Ave @ E Del Mar Blvd	Pasadena	30	Planned	-- --
---	290 N Wilson Ave @ Corson St	Pasadena	33	Planned	-- --
1787 E Walnut St	1787 E Walnut St @ N Allen Ave	Pasadena	128	Planned	-- --
---	E Walnut St @ Hudson Ave	Pasadena	91	Planned	-- --
The Crossings On Amigo	7260 Amigo Ave @ Sherman Way	Granada Hills	61	Planned	-- --
San Fernando	San Fernando Mission @ Celis St	Panorama Hills	100	Planned	-- --
Las Tunas Dr Apartments	324 Las Tunas Dr @ N San Marino Ave	Arcadia/Duarte	20	Planned	-- --
835 E El Monte St	835 E El Monte St @ S San Gabriel Blvd	E La/Alhambra	88	Planned	-- --
Ponte Vista	26900 S Western Ave @ Peninsula Verde Dr	Carson/San Pedro	468	Planned	-- --
---	Newhall Ave @ Valle Del Oro	Santa Clarita Vly	35	Planned	-- --
Landmark Village	I-5 @ I-126	Santa Clarita Vly	1,136	Planned	-- --
603 Az	603 Arizona Ave @ 6Th St	Santa Monica	39	Planned	-- --
---	1650-1660 Lincoln Blvd @ Olympic Blvd	Santa Monica	160	Planned	-- --
401 Broadway	401 Broadway @ 4Th St	Santa Monica	56	Planned	-- --
---	1318-1324 2Nd St @ Santa Monica Blvd	Santa Monica	56	Planned	-- --
---	1325 6Th St @ Arizona Ave	Santa Monica	100	Planned	-- --
---	601 Colorado @ 6Th St	Santa Monica	70	Planned	-- --
---	501 Broadway @ 5Th St	Santa Monica	70	Planned	-- --
---	Ocean Ave @ Santa Monica Blvd	Santa Monica	22	Planned	-- --
Ocean Ave Condos	301 Ocean Ave @ San Vicente Blvd	Santa Monica	20	Planned	-- --
East Village Apartments	2930 Colorado Ave @ Stanford St	Santa Monica	161	Planned	-- --
Paseo Nebraska	3025 Olympic Blvd @ Nebraska Ave	Santa Monica	545	Planned	-- --
Roberts Center Apartments	2848-2912 Colorado Ave @ Stewart St	Santa Monica	231	Planned	-- --
Bergamot Transit Village Res	Olympic Blvd @ 26Th St	Santa Monica	325	Planned	-- --
Virginia Townhomes	2002-2018 21St St @ Virginia Ave	Santa Monica	21	Planned	-- --
Lincoln Blvd Collection	1601 Lincoln Blvd @ Colorado Ave	Santa Monica	98	Planned	-- --
Lincoln Blvd Collection	1613 Lincoln Blvd @ Colorado Ave	Santa Monica	100	Planned	-- --
Lincoln Blvd Collection	1637 Lincoln Blvd @ Colorado Ave	Santa Monica	143	Planned	-- --
Lincoln Blvd Collection	1641 Lincoln Blvd @ Colorado Ave	Santa Monica	78	Planned	-- --
Pico Blvd Apartments	3402 Pico Blvd @ 34Th St	Santa Monica	260	Planned	-- --
Il Villaggio Toscano	4827 N Sepulveda Blvd @ Camarillo St	Sherman Oaks	325	Planned	-- --
---	13439 W Burbank Blvd @ Greenbush Ave	Sherman Oaks	22	Planned	-- --
Sylmar Court	12415 San Fernando Rd @ Astoria St	Panorama Hills	149	Planned	-- --
---	1640 Cabrillo Ave @ W Carson St	Carson/San Pedro	44	Planned	-- --
Samoa Ave Apartments	10046-56 Samoa Ave @ Tujunga Canyon Blvd	Tujunga/Montrose	63	Planned	-- --
---	13840 W Sherman Way @ Tyrone Ave	Van Nuys/N Hollywood	24	Planned	-- --
The Glen At Valley Glen	Victory Blvd @ Fulton Ave/Coldwater	Van Nuys/N Hollywood	100	Planned	-- --
Courtleigh Dr	1928 Courtleigh Dr @ Kensington Rd	Mar Vista/Palms	22	Planned	-- --
4675 52Nd Dr	4675 52Nd Dr @ Mayflower Ave	South/Central La	45	Planned	-- --
Francesca Dr Mixed	760-808 Francesca Dr @ N Nogales St	W Covina/La Puente	71	Planned	-- --

Medallion Complex Ph II	E 4Th St @ S Main SU3Rd St/Los A	Downtown	185	Planned	---	---
Panama Apartments	403 E 5Th St @ San Julian St	Downtown	41	Planned	---	---
Topaz	540 S Main St @ W 6Th St	Downtown	159	Planned	---	---
---	430 S Broadway @ W 4Th St	Downtown	60	Planned	---	---

**New Construction Activity - Planned (Continued)**

Name	Location	Submarket	No. Units	Status	Completion
The Chelsea	216 W 5Th St @ Frank Ct	Downtown	28	Planned	---
5-Oh	S Olive St @ W 5Th St	Downtown	615	Planned	---
Broadway @ 4Th	S Broadway @ W 4Th St	Downtown	450	Planned	---
---	S Spring St @ W 6Th St	Downtown	252	Planned	---
---	801 S Olive St @ W 8Th St	Downtown	363	Planned	---
Onni Tower	S Olive St @ W 8Th St	Downtown	589	Planned	---
Spring Park	2010 W El Segundo Blvd @ S Wilton Pl	South/Central La	36	Planned	---
Legendary Towers	300 N Central Ave @ W California Ave	South Glendale	80	Planned	---
---	W Lexington Dr @ N Central Ave	South Glendale	535	Planned	---
Central + Wilson	N Central Ave @ W Wilson Ave	South Glendale	167	Planned	---
---	1296 N Fairfax Ave @ Fountain Ave	Beverly Hills	36	Planned	---
Domain West Hollywood	7141 Santa Monica Blvd @ N Formosa Ave	Hollywood	166	Planned	---
Beverly Blvd Associates	8899 W Beverly Blvd @ N Swall Dr	Beverly Hills	64	Planned	---
8350 Santa Monica Blvd	8350 Santa Monica Blvd @ N Flores St	Beverly Hills	48	Planned	---
Santa Anita Ave	3615 Santa Anita Ave @ Valley Blvd	Arcadia/Duarte	132	Planned	---
Peck Road Mixed Use	4141-4145 Peck Rd @ E Bryant Rd	Arcadia/Duarte	49	Planned	---
Roscoe Village	20600-20620 W Roscoe Blvd @ Cozycroft Ave	Chatsworth	118	Planned	---
---	20750 W Sherman Way @ Kelvin Ave	Chatsworth	95	Planned	---
Moonlight Villas	12381 Osborne St @ Glenoaks Blvd	Panorama Hills	27	Planned	December 2014
---	W Temple St @ Silver Lake Blvd	Wilshire/Westlake	67	Planned	February 2015
Veterans Housing	11240-11254 Ramona Blvd @ Stewart St	Arcadia/Duarte	41	Planned	May 2015
Urban Village - South Park	1027 S Olive St @ W Olympic Blvd	Downtown	96	Planned	May 2015
Vermont Villas	16304 S Vermont Ave @ W 163Rd St	Hawthorne	79	Planned	October 2015
Herman H Hellman Bldg	354 S Spring St @ W 4Th St	Downtown	212	Planned	October 2015
Vermont Manzanita	1225 S Vermont Ave @ W Pico Blvd	Mid-City/W Adams	40	Planned	October 2015
The Six	811 S Carondelet St @ W 8Th St	Wilshire/Westlake	50	Planned	October 2015
The Desmond On Wilshire	5500-5528 Wilshire Blvd @ S Burnside Ave	Beverly Hills	175	Planned	October 2015
Valencia	Wilshire Blvd @ Valencia St	Wilshire/Westlake	220	Planned	December 2015
Avalon West Hollywood	7304 Santa Monica Blvd @ Poinsettia Dr	Hollywood	371	Planned	December 2015
Del Lago	1450 W Pacific Coast Hwy @ Figueroa Pl	Carson/San Pedro	204	Planned	January 2016
14339 Whittier Blvd	14339 Whittier Blvd @ Catalina Ave	Whittier	76	Planned	April 2016
The Link	S Central Ave @ San Fernando Rd	South Glendale	142	Planned	April 2016
<b>Total Planned</b>			<b>52,377</b>		

**New Construction Activity - Proposed**

Name	Location	Submarket	No. Units	Status	Completion
Agoura Hills Senior	Agoura Rd @ Reyes Adobe Rd	Woodland Hills	46	Proposed	---
Golden Garden	101 N 3Rd St @ W Main St	E La/Alhambra	35	Proposed	---
9900 Wilshire	9900 Wilshire Blvd @ Santa Monica Blvd	Beverly Hills	252	Proposed	---
Boulevards At South Bay - Apartments	20400 Main St @ E Del Amo Blvd	Carson/San Pedro	400	Proposed	---
Westfield Century City Tower	1801 Avenue Of The Stars @ Santa Monica Blvd	West La/Westwood	262	Proposed	---
Glendale At Mapleton	N Glendale Ave @ Hwy 134	South Glendale	285	Proposed	---
---	4201 Pennsylvania Ave @ Encinal Ave	Tujunga/Montrose	30	Proposed	---
Rita Ave Condos	6335 Rita Ave @ Clarendon Ave/ E Gage Ave	South/Central La	95	Proposed	---
Rita Ave Condos	6713 Rita Ave @ Zoe Ave/Saturn Ave	South/Central La	151	Proposed	---
East Ocean Blvd Condos	1628-1724 E Ocean Blvd @ 11Th Pl	West Long Beach	51	Proposed	---
Beach Plaza Hotel + Condos	2010 E Ocena Blvd @ Cherry Ave	West Long Beach	56	Proposed	---
Sunset Flats	2223-35 Sunset Blvd @ N Bonnie Brae St	Hollywood	64	Proposed	---
---	320 N La Cienega Blvd @ Beverly Pl	Beverly Hills	43	Proposed	---
---	12448 Osbourne St @ Airpark Way	Panorama Hills	20	Proposed	---
Circa On Wilshire	3033 Wilshire Blvd @ S Virgil Ave	Wilshire/Westlake	190	Proposed	---
---	3670 Wilshire @ S Hobart Blvd	Wilshire/Westlake	377	Proposed	---
Grand Ave Parcel Q	121 S Olive St @ W 1St St	Downtown	400	Proposed	---
8Th + Spring	S Spring St @ W 8Th St	Downtown	257	Proposed	---
City Market Residential	1057 S San Pedro St @ E 11Th St	Downtown	945	Proposed	---
---	1317 S Hope St @ Cameron Ln	Downtown	38	Proposed	---
---	S Grand Ave @ W 11Th St	Downtown	1,500	Proposed	---
---	1900 S Sawtelle Blvd @ Missouri Ave	West La/Westwood	52	Proposed	---
---	5550 Hollywood Blvd @ Garfield Pl	Hollywood	280	Proposed	---
Hollywood Cherokee Apartments	1719 N Las Palmas Ave @ Hollywood Blvd	Hollywood	225	Proposed	---
Riverglen 120	2600-2750 Riverside Dr @ Fletcher Dr	Hollywood	120	Proposed	---
West Angeles	W 54Th St @ Crenshaw Blvd	Inglewood/Crenshaw	121	Proposed	---
---	1St St @ Lorena St	E La/Alhambra	52	Proposed	---
Playa Vista - Brookfield Homes	W Jefferson Blvd @ Lincoln Blvd - W Centinela Ave	Marina Del Rey	1,500	Proposed	---
Sunset Canyon	17030 Sunset Blvd @ Marquee Ave	Santa Monica	49	Proposed	---
Marengo Ave Villas	229 S Marengo Ave @ Cordova St	Pasadena	21	Proposed	---
Lindley Ave Condominiums	5445 N. Lindley Ave @ Killon St	Panorama Hills	43	Proposed	---
Lynwood Site	11600 Long Beach Blvd @ Lynwood Rd	South/Central La	68	Proposed	---
---	4140 S Glencoe Ave @ Beach Ave	Marina Del Rey	69	Proposed	---
Atlantic & Garvey Hotel	808 W Garvey Ave @ N Atlantic Blvd	E La/Alhambra	98	Proposed	---
Noho Art Wave Ph I	Lankershim Blvd @ Chandler Blvd	Sherman Oaks	550	Proposed	---
Wilson Ave Apts	135-145 S Wilson Ave @ Cordova St	Pasadena	30	Proposed	---
Fifth & Palos Verdes	550 S Palos Verdes St @ W 5Th St	Carson/San Pedro	219	Proposed	---
---	1560 Lincoln Blvd @ Colorado Ave	Santa Monica	97	Proposed	---
---	1415 5Th St @ Santa Monica Blvd	Santa Monica	100	Proposed	---
Fairmont Hotel	1133 Ocean Ave @ Wilshire Blvd	Santa Monica	120	Proposed	---
East Village Condos	2930 Colorado Ave @ Stanford St	Santa Monica	216	Proposed	---
1802 Santa Monica	1802 Santa Monica Blvd @ 18Th St	Santa Monica	26	Proposed	---
Santa Monica Gateway Residential	Sac Colorado Ave @ Stewart St	Santa Monica	145	Proposed	---
The Kensington	225-245 Sierra Madre Blvd @ N Mountain Trail	Arcadia/Duarte	75	Proposed	---
Calden Ct Apartments	8901 Calden Ave @ Firestone Blvd	South/Central La	216	Proposed	---
---	820 Mission St @ Orange Grove Ave	Pasadena	38	Proposed	---
Melrose Triangle Apartments	9050-9098 Santa Monica @ N Almond Dr	Beverly Hills	195	Proposed	---
The Palm	9001 Santa Monica Blvd @ Ramage St	Beverly Hills	42	Proposed	---
<b>Total Proposed</b>			<b>10,264</b>		

Source: Reis, Inc.

# ADDENDUM B: REIS OUTPUT- RETAIL SUBMARKET

**GEOGRAPHIC DISTRIBUTION OF INVENTORY**

Submarket	Community d	Inventory (SF)	% Total	Vacancy Rate (%)	Net Absorption	Asking Rent (\$/SF)
Burbank/Glendale/Pasadena	C	1,553,000	2.3	8.4	0	\$32.77
Burbank/Glendale/Pasadena	N	1,177,000	1.8	1.5	-5,000	\$31.38
<b>Burbank/Glendale/Pasadena</b>	<b>NC</b>	<b>2,730,000</b>	<b>4.1</b>	<b>5.4</b>	<b>-5,000</b>	<b>\$32.17</b>
Central Los Angeles	C	1,913,000	2.9	3.8	2,000	\$27.97
Central Los Angeles	N	1,578,000	2.4	6.1	-3,000	\$26.26
<b>Central Los Angeles</b>	<b>NC</b>	<b>3,491,000</b>	<b>5.2</b>	<b>4.8</b>	<b>-1,000</b>	<b>\$27.20</b>
Culver City/Inglewood/El Segundo	C	1,850,000	2.8	4.3	0	\$42.19
Culver City/Inglewood/El Segundo	N	1,354,000	2.0	2.9	2,000	\$34.84
<b>Culver City/Inglewood/El Segundo</b>	<b>NC</b>	<b>3,204,000</b>	<b>4.8</b>	<b>3.7</b>	<b>2,000</b>	<b>\$39.08</b>
Long Beach/Cerritos/Carson	C	3,715,000	5.6	7.1	3,000	\$30.05
Long Beach/Cerritos/Carson	N	3,204,000	4.8	8.1	0	\$26.35
<b>Long Beach/Cerritos/Carson</b>	<b>NC</b>	<b>6,919,000</b>	<b>10.4</b>	<b>7.6</b>	<b>3,000</b>	<b>\$28.34</b>
Paramount/Downey/East County	C	2,733,000	4.1	5.2	0	\$29.58
Paramount/Downey/East County	N	1,810,000	2.7	8.8	-12,000	\$20.12
<b>Paramount/Downey/East County</b>	<b>NC</b>	<b>4,543,000</b>	<b>6.8</b>	<b>6.6</b>	<b>-12,000</b>	<b>\$25.81</b>
San Fernando Valley-East	C	2,055,000	3.1	4.2	6,000	\$35.50
San Fernando Valley-East	N	1,812,000	2.7	9.3	18,000	\$29.33
<b>San Fernando Valley-East</b>	<b>NC</b>	<b>3,867,000</b>	<b>5.8</b>	<b>6.6</b>	<b>24,000</b>	<b>\$32.61</b>
San Fernando Valley-West	C	2,591,000	3.9	4.7	-18,000	\$34.36
San Fernando Valley-West	N	2,807,000	4.2	5.8	-3,000	\$33.50
<b>San Fernando Valley-West</b>	<b>NC</b>	<b>5,398,000</b>	<b>8.1</b>	<b>5.3</b>	<b>-21,000</b>	<b>\$33.91</b>
San Gabriel Valley-East	C	5,550,000	8.3	5.5	17,000	\$27.85
San Gabriel Valley-East	N	5,045,000	7.6	9.2	56,000	\$22.61
<b>San Gabriel Valley-East</b>	<b>NC</b>	<b>10,595,000</b>	<b>15.9</b>	<b>7.3</b>	<b>73,000</b>	<b>\$25.35</b>
San Gabriel Valley-West	C	3,931,000	5.9	2.3	0	\$31.37
San Gabriel Valley-West	N	1,610,000	2.4	2.3	3,000	\$24.40
<b>San Gabriel Valley-West</b>	<b>NC</b>	<b>5,541,000</b>	<b>8.3</b>	<b>2.3</b>	<b>3,000</b>	<b>\$29.34</b>
Santa Clarita Vly/Palmdale/Lancaster	C	5,436,000	8.1	7.4	11,000	\$24.71
Santa Clarita Vly/Palmdale/Lancaster	N	3,716,000	5.6	10.1	11,000	\$22.06
<b>Santa Clarita Vly/Palmdale/Lancaster</b>	<b>NC</b>	<b>9,152,000</b>	<b>13.7</b>	<b>8.5</b>	<b>22,000</b>	<b>\$23.63</b>
Santa Monica/Westside/Downtown	C	2,419,000	3.6	3.9	-7,000	\$47.58
Santa Monica/Westside/Downtown	N	2,847,000	4.3	5.5	-12,000	\$34.70
<b>Santa Monica/Westside/Downtown</b>	<b>NC</b>	<b>5,266,000</b>	<b>7.9</b>	<b>4.8</b>	<b>-19,000</b>	<b>\$40.62</b>
South Bay/Torrance	C	2,974,000	4.5	3.3	-27,000	\$34.90
South Bay/Torrance	N	3,134,000	4.7	4.9	-7,000	\$29.83
<b>South Bay/Torrance</b>	<b>NC</b>	<b>6,108,000</b>	<b>9.1</b>	<b>4.1</b>	<b>-34,000</b>	<b>\$32.30</b>
<b>Total Community</b>	<b>C</b>	<b>36,720,000</b>	<b>55.0</b>	<b>5.1</b>	<b>-13,000</b>	<b>\$31.81</b>
<b>Total Neighborhood</b>	<b>N</b>	<b>30,094,000</b>	<b>45.0</b>	<b>6.9</b>	<b>48,000</b>	<b>\$27.29</b>
<b>Total/Average</b>	<b>NC</b>	<b>66,814,000</b>	<b>100.0</b>	<b>6.0</b>	<b>35,000</b>	<b>\$29.77</b>

Source:

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**HISTORICAL AND PROJECTED INVENTORY & COMPLETIONS (SF)**

Year	Los Angeles					San Fernando Valley-West					% of Region
	Community	Completions	Neighborhood	Completions	Completions	Community	Completions	Neighborhood	Completions	Completions	
2009	36,086,000	0	29,737,000	49,000	49,000	2,591,000	0	2,699,000	49,000	49,000	100.0%
2010	36,086,000	0	29,863,000	126,000	126,000	2,591,000	0	2,807,000	108,000	108,000	85.7%
2011	36,086,000	0	29,902,000	39,000	39,000	2,591,000	0	2,807,000	0	0	0.0%
2012	36,416,000	330,000	30,048,000	146,000	476,000	2,591,000	0	2,807,000	0	0	0.0%
2013	36,720,000	304,000	30,094,000	46,000	350,000	2,591,000	0	2,807,000	0	0	0.0%
1Q14	36,720,000	0	30,094,000	0	0	2,591,000	0	2,807,000	0	0	0.0%
2014	---	---	---	---	1,341,000	---	---	---	---	0	0.0%
2015	---	---	---	---	635,000	---	---	---	---	47,000	7.4%
2016	---	---	---	---	542,000	---	---	---	---	65,000	12.0%
2017	---	---	---	---	658,000	---	---	---	---	78,000	11.9%
2018	---	---	---	---	709,000	---	---	---	---	85,000	12.0%
<b>2009-2013</b>											
<b>Total Completions</b>		<b>634,000</b>		<b>406,000</b>	<b>1,040,000</b>		<b>0</b>		<b>157,000</b>	<b>157,000</b>	
<b>Annual Average</b>		<b>126,800</b>		<b>81,200</b>	<b>208,000</b>		<b>0</b>		<b>31,400</b>	<b>31,400</b>	<b>15.1%</b>

Source: Reis, Inc.

**HISTORICAL AND PROJECTED VACANCY RATES (%)**

Year	Los Angeles			San Fernando Valley-West		
	Community	Neighborhood	Total	Community	Neighborhood	Total
2009	5.1	6.7	5.8	6.4	6.0	6.2
2010	5.2	7.5	6.2	6.5	7.6	7.1
2011	5.6	7.7	6.5	6.3	7.6	7.0
2012	5.1	7.6	6.2	5.7	7.2	6.5
2013	5.1	7.1	6.0	4.0	5.7	4.9
1Q14	5.1	6.9	6.0	4.7	5.8	5.3
2014	---	---	5.8	---	---	5.0
2015	---	---	5.5	---	---	5.2
2016	---	---	5.0	---	---	3.8
2017	---	---	4.7	---	---	3.6
2018	---	---	4.7	---	---	4.8

Source: Reis, Inc.

Note: Reis does not differentiate between space that is available directly from the landlord or as a sublease. Any space that is available immediately for leasing (i.e. within 30 days) is considered vacant by Reis' standards.

**HISTORIC AND PROJECTED NET ABSORPTION (SF)**

Year	Los Angeles				San Fernando Valley-West			
	Community	Neighborhood	Total	Total	Community	Neighborhood	Total	Total
			Absorption	Completions			Absorption	Completions
2009	-579,000	-374,000	-953,000	49,000	-93,000	-7,000	-100,000	49,000
2010	-33,000	-120,000	-153,000	126,000	-2,000	57,000	55,000	108,000
2011	-135,000	-29,000	-164,000	39,000	5,000	0	5,000	0
2012	486,000	157,000	643,000	476,000	15,000	11,000	26,000	0
2013	293,000	197,000	490,000	350,000	44,000	42,000	86,000	0
1Q14	-13,000	48,000	35,000	0	-18,000	-3,000	-21,000	0
2014	---	---	1,398,000	1,341,000	---	---	-6,000	0
2015	---	---	827,000	635,000	---	---	34,000	47,000
2016	---	---	805,000	542,000	---	---	139,000	65,000
2017	---	---	860,000	658,000	---	---	88,000	78,000
2018	---	---	717,000	709,000	---	---	13,000	85,000
<b>2009-2013</b>								
<b>Total Absorption</b>	<b>32,000</b>	<b>-169,000</b>	<b>-137,000</b>	<b>1,040,000</b>	<b>-31,000</b>	<b>103,000</b>	<b>72,000</b>	<b>157,000</b>
<b>Annual Average</b>	<b>6,400</b>	<b>-33,800</b>	<b>-27,400</b>	<b>208,000</b>	<b>-6,200</b>	<b>20,600</b>	<b>14,400</b>	<b>31,400</b>

Source: Reis, Inc.

**Historical and Projected Average Asking Rental Rates (\$/SF)**

Year	Los Angeles					San Fernando Valley-West				
	Community	Neighborhood	Total	% Change	Effective Rent	Community	Neighborhood	Total	% Change	Effective Rent
2009	\$30.95	\$26.85	\$29.10	-2.6	\$25.84	\$32.69	\$32.23	\$32.46	-1.4	\$27.97
2010	\$30.61	\$26.46	\$28.73	-1.3	\$25.13	\$32.14	\$31.95	\$32.04	-1.3	\$27.11
2011	\$30.75	\$26.66	\$28.90	0.6	\$25.28	\$33.40	\$32.75	\$33.06	3.2	\$28.02
2012	\$31.19	\$26.72	\$29.17	0.9	\$25.53	\$33.74	\$32.99	\$33.35	0.9	\$28.28
2013	\$31.69	\$27.08	\$29.61	1.5	\$25.95	\$34.02	\$32.95	\$33.46	0.3	\$28.45
1Q14	\$31.81	\$27.29	\$29.77	0.6	\$26.11	\$34.38	\$33.50	\$33.91	1.3	\$28.83
2014	---	---	\$30.32	2.4	\$26.66	---	---	\$34.20	2.2	\$29.22
2015	---	---	\$31.17	2.8	\$27.50	---	---	\$35.12	2.7	\$30.18
2016	---	---	\$32.22	3.4	\$28.51	---	---	\$36.29	3.3	\$31.40
2017	---	---	\$33.42	3.7	\$29.73	---	---	\$37.91	4.5	\$33.16
2018	---	---	\$34.81	4.2	\$31.04	---	---	\$38.84	2.5	\$34.34
<b>2009-2013</b>										
<b>CAGR</b>	<b>0.59%</b>	<b>0.21%</b>	<b>0.44%</b>		<b>0.11%</b>	<b>1.00%</b>	<b>0.55%</b>	<b>0.76%</b>		<b>0.43%</b>

Source: Reis, Inc.

Notes: CAGR stands for Compound Annual Growth Rate. Asking rents cited by Reis reflect the advertised rental rates for actively marketed space. Effective rents net of any rental concessions, expressed over the life of the lease term. Reis quotes Retail rents on a Triple Net (NNN) basis.

New Construction Activity - Completed						Est. Completion		
Name	Type	Location	City	Submarket	Year	Month	Size (SF)	
South Bay Village	Community	19330 Hawthorne Blvd @ Talisman St	Torrance	South Bay/Torrance	2013	January	109,293	
Downey Gateway	Neighborhood	8236-8274 Firestone Blvd @ Downey Blvd	Downey	Paramount/East Co.	2013	April	26,000	
Americana At Brand - Nordstrom	Regional	S Brand Blvd @ E Colorado St	Glendale	Bbnk /Glendale/Psdna	2013	September	135,000	
---	Mixed Use	1380 E Colorado St @ Griswold St	Glendale	Bbnk /Glendale/Psdna	2013	October	11,894	
Rio Rancho Towne Center	Community	Rio Rancho Rd @ Fwy 71	Pomona	San Gabriel Vily-E	2013	October	199,371	
---	Mixed Use	8711 Melrose Ave @ N San Vicente Blvd	West Hollywood	Westside/Downtown	2013	October	27,000	
Greenstreet Redondo Beach	Neighborhood	901 N Catalina Ave @ Francisca Ave	Redondo Beach	South Bay/Torrance	2013	November	20,756	
Trancas Shopping Center	Neighborhood	30745 Pacific Coast Hwy @ Trancas Canyon Rd	Malibu	Non-Submarketed Areas	2013	December	31,553	
Huntington Oaks Center Exp	Neighborhood	800 W Huntington Dr @ Hwy Esplanade	Monrovia	San Gabriel Vily-W	2013	December	10,000	
Slauson Central Retail Center	Neighborhood	E Slauson Ave @ S Central Ave	Los Angeles	Central L A	2014	April	77,000	
<b>Total Complete</b>							<b>647,867</b>	

New Construction Activity - Under Construction						Est. Completion		
Name	Type	Location	City	Submarket	Year	Month	Size (SF)	
---	Mixed Use	8564-8590 Melrose Ave @ Westmount Dr	West Hollywood	Westside/Downtown	2014	May	30,000	
Hing Wa Lee Plaza	Neighborhood	1635 Del Mar Ave S @ E Valley Blvd	San Gabriel	San Gabriel Vily-W	2014	July	14,079	
Azalea	Community	8653 Atlantic Ave @ Firestone Blvd	South Gate	Central L A	2014	July	379,000	
Storm Plaza	Neighborhood	Sepulveda Blvd @ Normandie Ave	Torrance	South Bay/Torrance	2014	September	45,000	
Shoppes At Westlake	Lifestyle Center	30800 Russell Ranch Rd @ Lindero Canyon Rd	Westlake Village	San Fernando Valley-W	2014	October	240,000	
Citadel Outlets - Ph IV + V	Outlet Center	100 Citadel Dr @ Telegraph Rd	Commerce	Central L A	2014	November	86,333	
One Santa Fe Retail	Neighborhood	Santa Fe Ave @ E 7Th St	Los Angeles	Westside/Downtown	2014	November	78,000	
The G	Neighborhood	S Oxford Ave @ W 5Th St	Los Angeles	Westside/Downtown	2014	December	135,000	
Runway At Playa Vista	Community	W Jefferson Blvd @ Lincoln Blvd	Marina Del Rey	Culver City/Inglwd	2014	December	200,000	
Blvd 6200 Retail Ph I	Neighborhood	6200 Hollywood Blvd @ Argyle Ave	Los Angeles	Westside/Downtown	2015	January	87,500	
The Platform At Culver Station	Neighborhood	8810 Washington Blvd @ 3920 Landmark St	Culver City	Culver City/Inglwd	2015	March	30,000	
Village At Westfield Topanga Retail	Mixed Use	Topanga Canyon Blvd @ Victory Blvd	Woodland Hills	San Fernando Valley-W	2015	March	340,000	
<b>Total Under Construction</b>							<b>1,664,912</b>	

New Construction Activity - Planned/Proposed						Est. Completion		
Name	Type	Location	City	Submarket	Year	Month	Size (SF)	
Elevation Retail	Mixed Use	717 N Douglas St @ Maple Ave	El Segundo	Culver City/Inglwd	---	---	13,285	
Market Plaza Shopping Center Retail	Neighborhood	Market St @ Floerme Ave	Inglewood	Culver City/Inglwd	---	---	12,000	
Hollywood Park Tomorrow Retail	Power Center	Century Blvd @ Prairie Ave	Inglewood	Culver City/Inglwd	---	---	620,000	
Ahorn Rentals	Neighborhood	13645 Live Oak Ave @ San Gabriel River Fwy	Irwindale	San Gabriel Vily-W	---	---	28,000	
The Promenade At Amargosa Creek	Power Center	10Th St @ W Ave K/W Ave L	Lancaster	Sant Cirta/Pimdl/Lanc	---	---	535,000	
Lancaster Spectrum	Power Center	Sec 20Th St E @ Ave J	Lancaster	Sant Cirta/Pimdl/Lanc	---	---	175,632	
K & 30Th Retail Center	Neighborhood	E Ave K @ 30Th St E	Lancaster	Sant Cirta/Pimdl/Lanc	---	---	35,700	
Lane Ranch Town Center	Power Center	Sec 60Th St W @ Ave L	Lancaster	Sant Cirta/Pimdl/Lanc	---	---	650,972	
Lancaster Lane	Community	60Th St W @ W Ave L	Lancaster	Sant Cirta/Pimdl/Lanc	---	---	395,955	
Second + Pch Retail	Community	2Nd St @ Pacific Coast Hwy	Long Beach	Long Bch /Cer /Crns	---	---	212,000	
Victory Blvd - Retail	Neighborhood	13075 Victory Blvd @ Elhel Ave	Los Angeles	San Fernando Valley-E	---	---	140,000	
Jordan Downs Retail	Community	Alameda St @ E 103Rd St	Los Angeles	Central L A	---	---	230,000	
The Village At USC - Retail	Community	Jefferson Blvd @ S Vermont Ave/S Figueroa St	Los Angeles	Central L A	---	---	350,000	
City Market Retail	Community	1057 S San Pedro St @ E 11Th St	Los Angeles	Westside/Downtown	---	---	224,862	
The Marina Gateway	Neighborhood	Washington Blvd @ Via Marina	Los Angeles	Westside/Downtown	---	---	16,719	
---	Neighborhood	1825 N Vermont Ave @ Franklin Ave	Los Angeles	Westside/Downtown	---	---	50,000	
Columbia Square Retail	Neighborhood	6101-6125 W Sunset Blvd @ N Gower St	Los Angeles	Westside/Downtown	---	---	41,300	
Hollywood Western Retail Center	Neighborhood	5507 Hollywood Blvd @ N Western Ave	Los Angeles	Long Bch /Cer /Crns	---	---	39,667	
Paseo Plaza	Mixed Use	5651 Santa Monica Blvd @ N Western Ave	Los Angeles	Westside/Downtown	---	---	377,900	
---	Community	S Sepulveda Blvd @ W Pico Blvd	Los Angeles	Culver City/Inglwd	---	---	260,000	
Martin Expo Town Center Retail	Neighborhood	12101 W Olympic Blvd @ Bundy Dr	Los Angeles	Westside/Downtown	---	---	67,000	
Century Plaza Retail	Neighborhood	2025 Avenue Of The Stars @ Constellation Blvd	Los Angeles	Westside/Downtown	---	---	94,000	
8511 Warner	Neighborhood	8511 Warner Dr @ Hayden Dr	Los Angeles	Culver City/Inglwd	---	---	51,200	
The Crossing At Firestone	Neighborhood	5800 Firestone Blvd @ Garfield Ave	Los Angeles	Central L A	---	---	64,000	
Malibu La Paz Ranch (Retail)	Neighborhood	3700 La Paz Lane @ Civic Center Way	Malibu	Non-Submarketed Areas	---	---	66,029	
Monterey Park Marketplace	Power Center	State Hwy 60 @ Paramount Blvd	Monterey Park	San Gabriel Vily-W	---	---	500,000	
Monterey Park Town Center Retail	Neighborhood	123 W Garvey Ave @ S Garfield Ave	Monterey Park	San Gabriel Vily-W	---	---	71,956	
Noho Art Wave Ph I (Retail)	Mixed Use	Lankershim Blvd @ Chandler Blvd	North Hollywood	San Fernando Valley-E	---	---	14,300	
Noho Art Wave Ph II (Retail)	Community	Lankershim Blvd @ Chandler Blvd	North Hollywood	San Fernando Valley-E	---	---	135,896	
Noho Art Wave Ph IV (Retail)	Neighborhood	Lankershim Blvd @ Chandler Blvd	North Hollywood	San Fernando Valley-E	---	---	21,604	
Valley Plaza	Regional	6100 Laurel Canyon Blvd @ Hollywood Fwy	North Hollywood	San Fernando Valley-E	---	---	750,000	
Quartz Hill Plaza Ph II	Neighborhood	E Ave N @ 50Th St E	Palmdale	Sant Cirta/Pimdl/Lanc	---	---	40,000	
Constance Hotel - Retail	Neighborhood	880-940 E Colorado Blvd @ S Lake Ave	Pasadena	Bbnk /Glendale/Psdna	---	---	60,271	
Washington + Passons Retail Center	Neighborhood	9316, 9332 Washington Blvd @ Passons Blvd	Pico Rivera	Paramount/East Co.	---	---	10,800	
Foothill At Town	Neighborhood	Nwc E Foothill Blvd @ W Foothill Blvd/Town A	Pomona	San Gabriel Vily-E	---	---	140,000	
Plaza At Santa Monica - Retail	Community	4Th St @ Arizona Ave	Santa Monica	Westside/Downtown	---	---	40,271	
Bergamot Transit Village - Retail	Neighborhood	Olympic Blvd @ 26Th St	Santa Monica	Westside/Downtown	---	---	47,123	
Del Amo Fashion Center Exp	Regional	Del Amo Cir @ Hawthorne Blvd	Torrance	South Bay/Torrance	---	---	140,000	
Alhambra Place Retail	Neighborhood	2 E Main St @ S Garfield Ave	Alhambra	San Gabriel Vily-W	---	---	140,000	
Alhambra Place	Neighborhood	S Meridian Ave @ Concord Ave	Alhambra	San Gabriel Vily-W	---	---	50,000	
The Shops At Alhambra - Exp	Community	1000 S Meridian Ave @ Concord Ave	Alhambra	San Gabriel Vily-W	---	---	152,000	
Unnamed Outparcel @ Main Ave Marketplace	Free Standing	Main Ave @ Clark St	Baldwin Park	San Gabriel Vily-E	---	---	3,000	
Green Hollow Square	Neighborhood	11991 W San Vicente Blvd @ Saltair Ave	Brentwood	Westside/Downtown	---	---	73,000	
Boulevards At South Bay-Power Center	Power Center	20400 Main St @ E Del Amo Blvd	Carson	Long Bch /Cer /Crns	---	---	690,000	
Westfield Century City	Regional	1801 Avenue Of The Stars @ Santa Monica Blvd	Century City	Westside/Downtown	---	---	358,881	
Gale Ave Hotel - Retail	Neighborhood	E Gale Ave @ Nogales St	City Of Industry	San Gabriel Vily-E	---	---	100,000	
Urban Entertainment Center	Community	Telegraph Rd @ S Tubeway Ave/I-5	Commerce	Central L A	---	---	250,000	
Parcel B	Neighborhood	9300 Culver Blvd @ Main St	Culver City	Culver City/Inglwd	---	---	40,000	
Tierra Luna	Power Center	N Lakewood Blvd @ Imperial Hwy	Downey	Long Bch /Cer /Crns	---	---	1,100,000	
Kings Road	Neighborhood	Santa Monica Blvd @ Kings Rd	West Hollywood	Westside/Downtown	---	---	40,300	

NEW CONSTRUCTION ACTIVITY - PLANNED/PROPOSED (CONTINUED) Est. Completion

Name	Type	Location	City	Submarket	Year	Month	Size (SF)
Melrose Triangle Retail	Mixed Use	9040-9098 Santa Monica @ N Almond Dr	West Hollywood	Westside/Downtown	--	--	82,021
The Point	Neighborhood	S Sepulveda Blvd @ Rosecrans Ave	El Segundo	Culver City/Inglwd	2014	November	90,000
West Covina Commercial Center	Neighborhood	Nogales St @ E Valley Blvd	West Covina	San Gabriel Villy-E	2014	December	23,000
District Square Retail Center	Community	Crenshaw Blvd @ Rodeo Rd	Los Angeles	Culver City/Inglwd	2014	December	300,000
<b>Total Planned/Proposed</b>							<b>10,205,544</b>

Source: Reis, Inc

**#7 #8 LH JAIL HUMBOLDT**

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## ASSET OVERVIEW

The High Priority Property list included both the 1903 Humboldt Street property and the Lincoln Heights Jail (Property #8 and #7, respectively). At the suggestion of the City, and given our own assessment of the properties, there are synergies between the two properties when considered in tandem, particularly given the limitations on the Lincoln Heights Jail property due to its historic designation.

The Humboldt site is primarily an undeveloped site comprised of two adjacent Assessor's parcels totaling 79,033 square feet. It is situated on the north side of Humboldt Street between Avenue 19 and San Fernando Road. The majority of the site is currently open storage accommodating Bureau of Sanitation (BOS) equipment and vehicles. There is a small carbon scrubbing facility located mid-block on San Fernando Road on the eastern side of the site. We have assumed, for purposes of our analysis, that there are no environmental issues or concerns regarding the future redevelopment of this property.

The Lincoln Heights Jail site is comprised of a single Assessor's parcel totaling 210,300 square feet situated along the west side of Avenue 19, just south of the 110 Freeway. The property abuts the Los Angeles River to the west. The jail facility originally opened in 1931 and was closed in 1965. The facility and grounds are currently used by the BOS. The main facility is five stories in height and totals approximately 226,100 square feet of gross building area. It is a designated Los Angeles Historical Landmark (Monument LA 587), and consequently, cannot reasonably be demolished. In addition, there are two supporting single-story facilities on-site that are approximately 5,000 and 13,430 square feet in size, respectively. Additionally, there is surface parking on site. The Jail does not appear to have been substantially renovated since its original construction.

Site	Total Land Area (SF)	Improvements (SF)
Humboldt	79,033	N/A
Lincoln Heights Jail	210,800	226,100 - Main Facility
		13,430 - Supporting Bldg 1
		5,000 - Supporting Bldg 2

Both sites have Hybrid Industrial land use designations within the Cornfield Arroyo Seco Specific Plan (CASP) area. Our analysis has considered the "by right" development potential of these sites under zoning and the Specific Plan framework.

The City of Los Angeles has preliminary plans to fulfill the requirements of the BOS on the 1903 Humboldt property. These plans would require the acquisition of the adjacent Goodwill Industries site, which is presently a surface parking lot adjacent to the 1903 Humboldt Street property. The BOS requirements are as follows:

- 60,000 square feet of office space
- 300 parking spaces (5:1,000 square feet)
- 15 large truck parking spaces:



## SUMMARY OF CRITICAL OBSERVATIONS

### SUMMARY OF CRITICAL OBSERVATIONS

The strengths and weaknesses analysis applies both specifically (attributes internal or specific to the subject) and generally (external or economic considerations that influence the subject).

#### STRENGTHS

- The LA River Project could spur redevelopment in the area and these sites could be catalyst projects. However, the timing of the project could be several years hence.
- There is development pressure outside of the core of downtown, which could mean appreciation of values and enhanced feasibility for projects in this area in the near term.
- The size of the Lincoln Heights Jail positions it for a range of or mix of conversion scenarios.

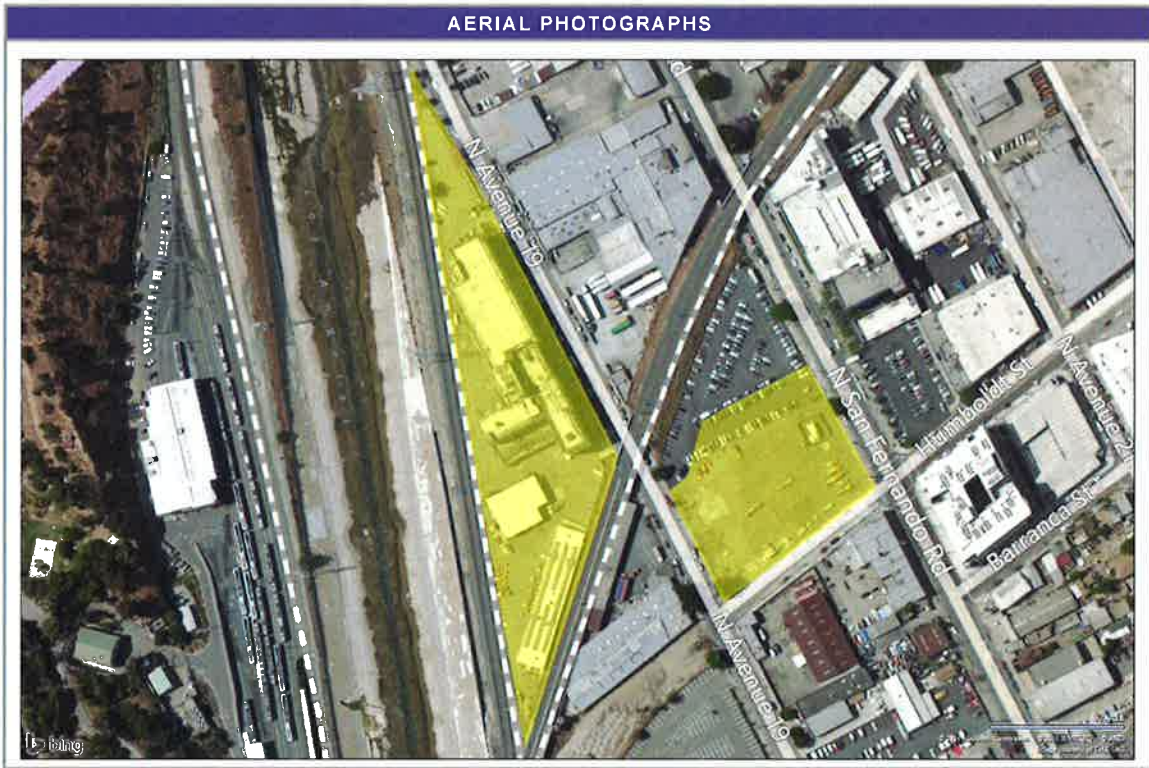
#### WEAKNESSES

- The properties are located outside of the core of downtown and to date development pressures have been limited in this node.
- There is a lack of retail services in the area.
- The Lincoln Height Jail site has limited site utility due to its triangular shape and the orientation of the building in the center of the site.

#### CONCLUSIONS

The requirement to maintain the Lincoln Heights Jail and its poor site utility make alternative uses challenging. The properties are located in a transitional area at the very early stages of possible redevelopment; however, the demographics of the immediate area are weak. Absent incentives or subsidy, the feasibility of redevelopment is currently poor. The City could utilize the Lincoln Height Jail and 1903 Humboldt sites for its own occupancy, but the costs would be above market relative to other location options. The overall priority for this asset is moderate and it is recommended that baseline analysis of the jail structure be performed to help refine alternatives and develop more accurate cost estimates.

## Property Photographs



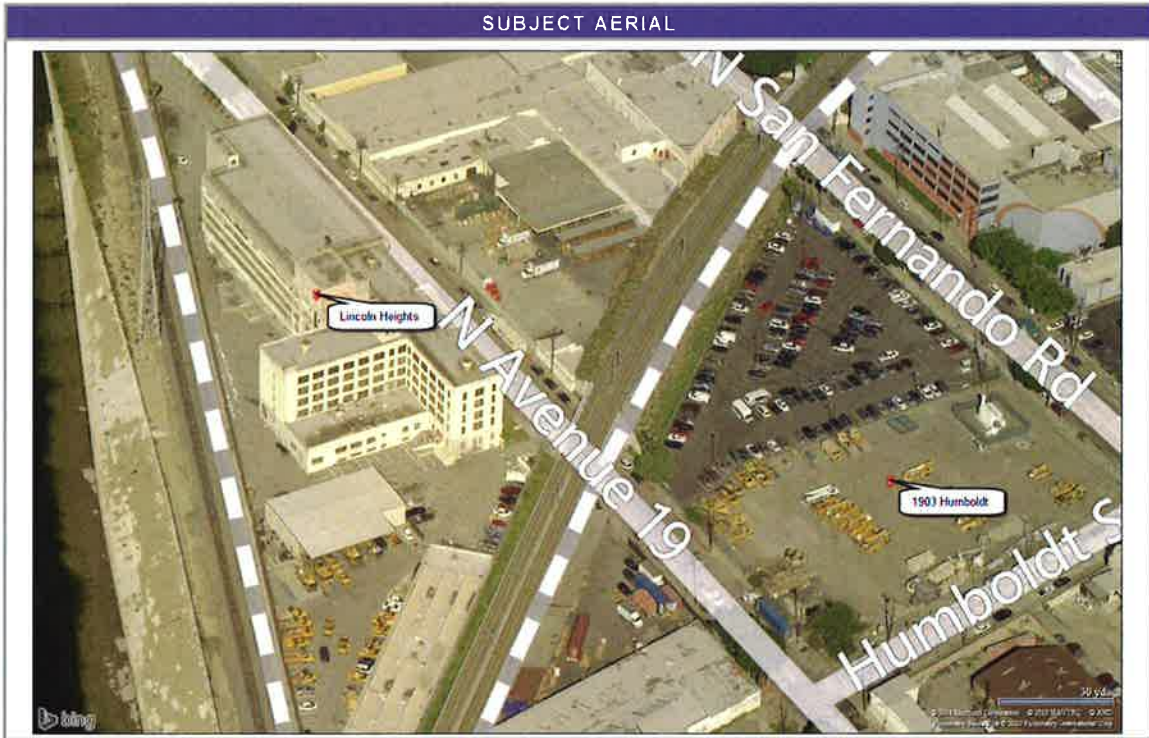
Lincoln Heights Jail site to the left, 1903 Humboldt to the right



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WAKEFIELD  
VALUATION & ADVISORY



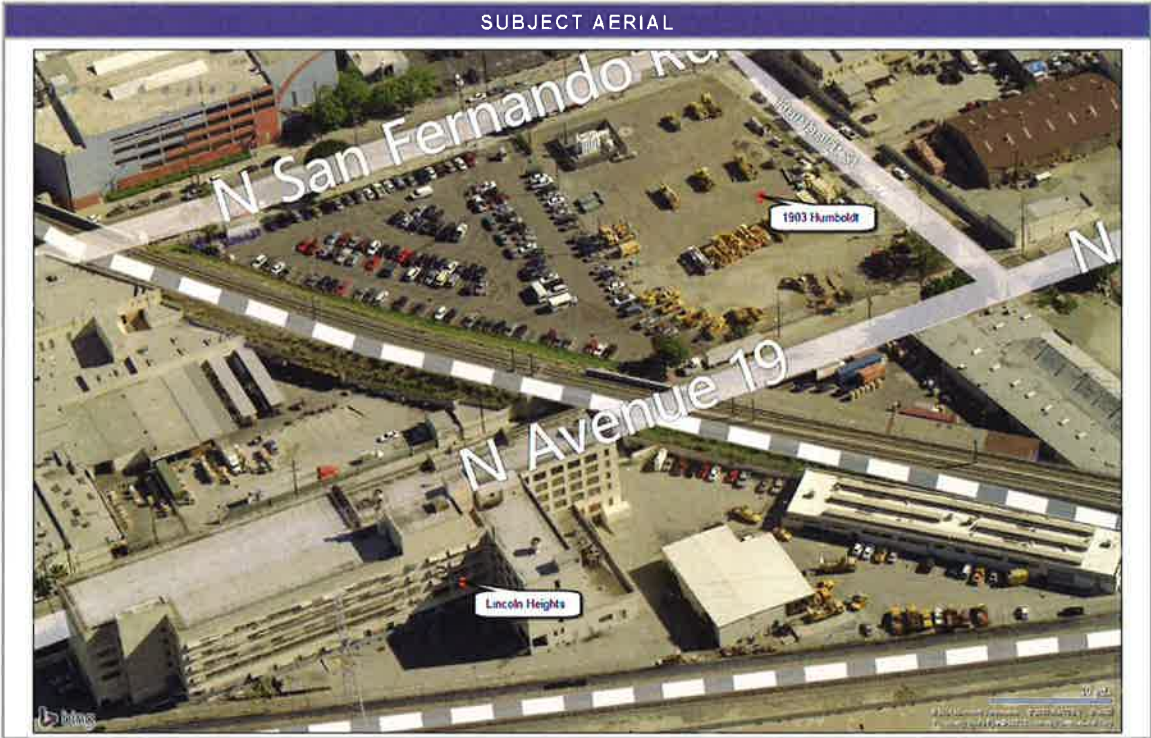
Subject Context – Northerly Perspective



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Subject Context - Easterly Perspective



Subject Context - Southerly Orientation



Subject Context - Westerly Orientation



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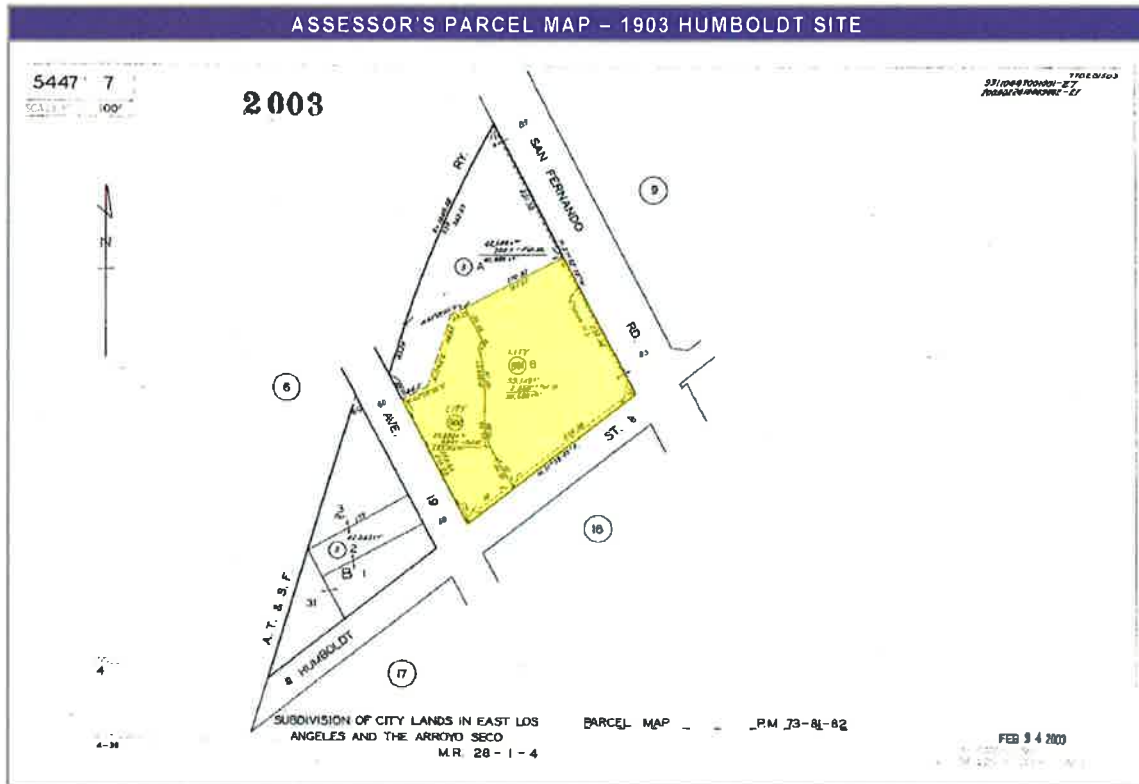
## SITE DESCRIPTION - 1903 HUMBOLDT SITE

Location:	<p>1903 Humboldt Street</p> <p>Los Angeles, Los Angeles County, CA 90031</p> <p>Located on the north side of Humboldt Street between Avenue 19 and San Fernando Road.</p>
Shape:	Generally rectangular
Topography:	Level at street grade
Land Area:	1.81 Acres / 79,033 square feet
Frontage:	<p>1903 Humboldt has good frontage. The frontage dimensions are listed below:</p> <p><b>Humboldt Street:</b> 327 feet</p> <p><b>Avenue 19:</b> 238 feet</p> <p><b>San Fernando Road:</b> 215 feet</p>
Site Improvements:	The existing site improvements include asphalt paving, perimeter fencing, concrete curbing and sidewalks, and drainage.
Land Use Restrictions:	We were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
Surrounding Uses:	<p><b>North:</b> Surface parking lot owned by Goodwill and train tracks. Single-story industrial uses north of the Goodwill site.</p> <p><b>South:</b> Single-story light industrial uses including an auto yard, surface parking, and a two-story multifamily residential building.</p> <p><b>East:</b> Goodwill Store and associated surface parking and the 7-story Alta Loft building.</p> <p><b>West:</b> Single-story light industrial uses and the Lincoln Heights Jail.</p>

## SITE DESCRIPTION - LINCOLN HEIGHTS JAIL SITE

Location:	401 North Avenue 19 Los Angeles, Los Angeles County, CA 90031 Located on the west side of Avenue 19 just south of the 110 Freeway.
Shape:	Triangular
Topography:	Level at street grade
Land Area:	4.84 Acres / 210,800 square feet
Frontage:	Frontage is good. The frontage dimensions are listed below: <b>Avenue 19:</b> 800 feet
Site Improvements:	The existing site improvements include asphalt paved parking areas, perimeter fencing, concrete curbing and sidewalks, lighting and drainage.
Land Use Restrictions:	We were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
Surrounding Uses:	<b>North:</b> Single-story light industrial uses, surface parking, and the 110 Freeway <b>South:</b> Single-story light industrial uses, vacant land, and surface parking <b>East:</b> Single-story light industrial uses and the 1903 Humboldt site <b>West:</b> Rail line and the Los Angeles River

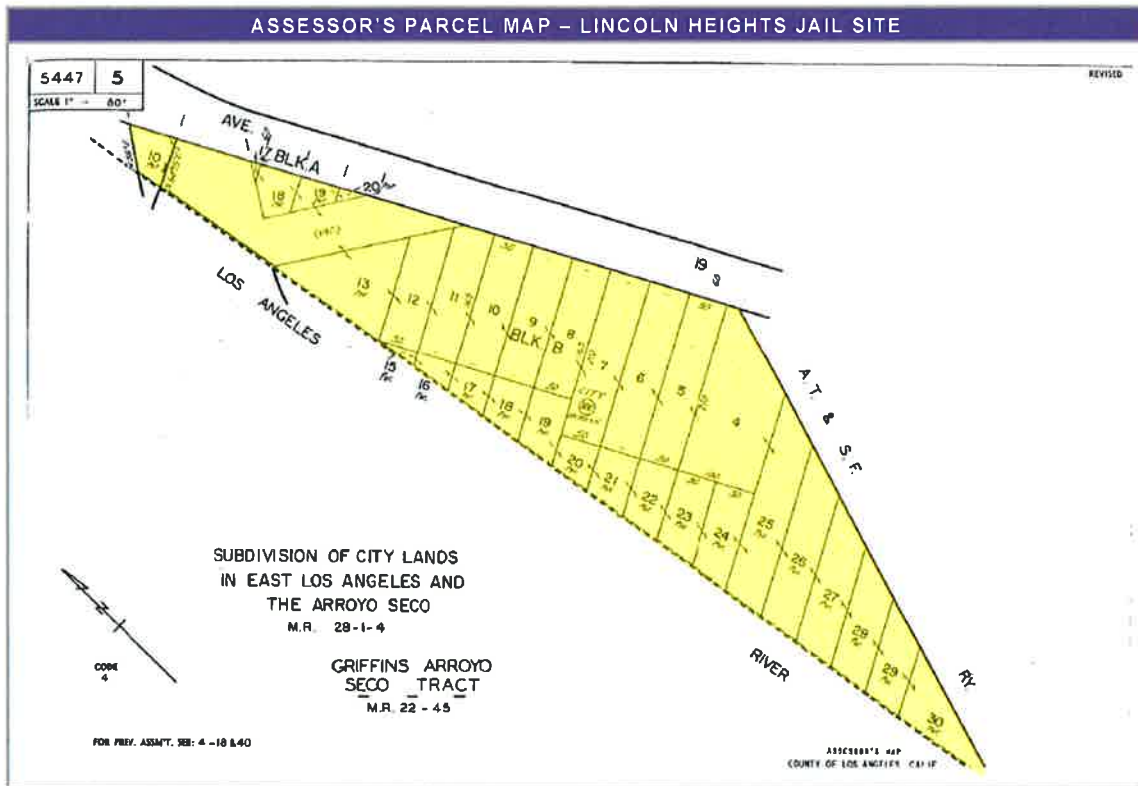




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## ZONING AND PLANNING FRAMEWORK

### GENERAL INFORMATION

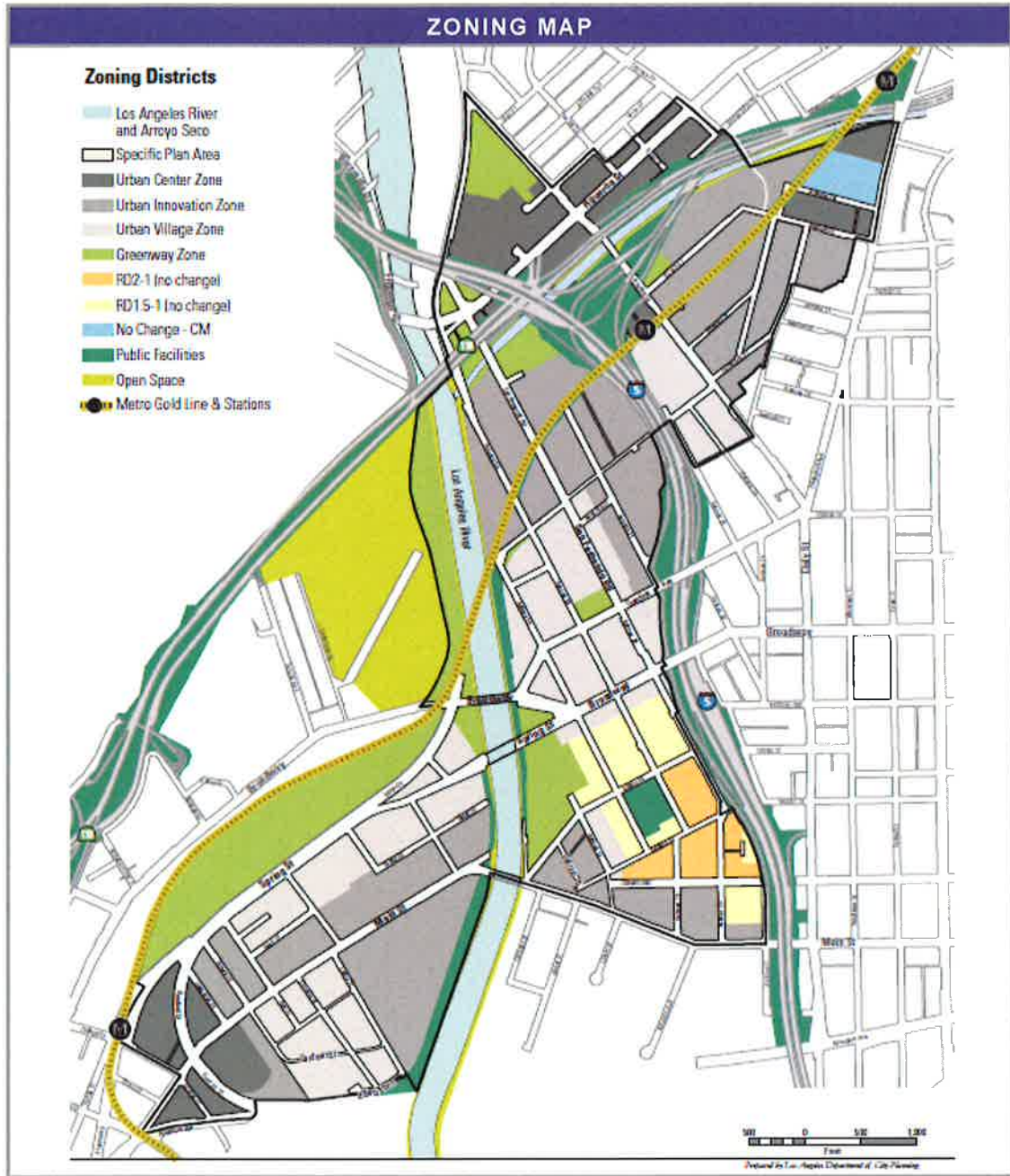
The property is zoned Cornfield Arroyo Seco Specific Plan by the City of Los Angeles.

ZONING	
<b>Municipality Governing Zoning:</b>	City of Los Angeles
<b>Current Zoning:</b>	Cornfield Arroyo Seco Specific Plan
<b>Current Use:</b>	Industrial
<b>Is current use permitted:</b>	Yes
<b>Permitted Uses:</b>	Permitted uses within this district include light manufacturing and assembly, urban agriculture, residential multi-family, hotels, entertainment, recreation facilities and spectator sports, religious assembly, and schools.
<b>Prohibited Uses:</b>	Prohibited uses within this district include single family residential, heavy manufacturing, trucking and transportation terminals.

ZONING REQUIREMENTS	CODE
Minimum Building Height:	25 ft.
Maximum Building Height:	60 ft.
Maximum Floor Area Ratio (FAR):	4:1 (Humboldt Site) & 1.5:1 (Lincoln Heights Jail Site)
Maximum Lot Coverage (% of lot area):	85.0%
Minimum Yard Setbacks	
Front (feet):	0 - 10 ft max
Rear (feet):	0 - 10 ft max
Side (feet):	0 - 10 ft max
Required On-Site Parking:	1.0 per 1,000 Maximum

*Compiled by Cushman & Wakefield Western, Inc.*

The Cornfield Arroyo Seco Specific Plan (CASP) is intended to transform an underserved and neglected vehicular-oriented industrial and public facility area into a cluster of mixed-use, pedestrian-oriented neighborhoods. The Plan is also intends to increase access to open space and provide places for people to socialize that are combined with shops and services. The subject sites are both located within the Hybrid Industrial land use area and within the Urban Innovation Zone within the CASP. The FAR limitations for the subject sites are specifically delineated in the CASP. The boundaries of the zoning district are outlined in the map below. The 1903 Humboldt site corresponds to Site 48 in the CASP and the Lincoln Heights Jail site corresponds to Site 52 in the CASP.



## APPROACH

The consultants evaluated the two sites independently and collectively considering their proximity. It was determined that there is an opportunity for the City of Los Angeles to redevelop the subject properties in a synergistic manner, so that they help shape the overall character of the immediate area, supporting and positively impacting each other.

According to discussions with the City, the approach has incorporated the requirements of the BOS. Due to the historic designation protection for the Lincoln Heights Jail facility, however, creative adaptive reuse scenarios have also been explored, particularly considering future plans for the revitalization of the Los Angeles River. There were some creative use ideas set forth for the Lincoln Heights Jail in connection with this plan such as artists' lofts and a site for urban agriculture. We have analyzed a variety of case studies nationally in which former jails have been converted to alternate uses.

Additionally, it is our understanding that the City of Los Angeles desires to monetize the assets either through generation of positive cash flow from a redeveloped project or proceeds from an outright sale.

### Data Collected

The following information was reviewed in connection with this assignment:

- Humboldt Street Corridor Study
- Cornfields Arroyo Seco Specific Plan
- Internal Memo prepared by Caroline Sim of the CAO's office concerning BOS requirements
- Broker opinion of value on Lincoln Heights Jail assuming mixed use development incorporating BOS requirements.

## USE ANALYSIS

### GUIDING PRINCIPALS

C&W evaluated the 1903 Humboldt Site and Lincoln Heights Jail Site from a variety of perspectives in an effort to examine not only a range of potential land uses and alternatives for the individual sites, but also to consider possible combined schemes that would interact synergistically given the proximity of the two sites. Based on discussions with the City, our market history and knowledge, and the current state of the economy in general and real estate in particular, we informed our analysis using the following guidelines:

- The subject's location in the Cornfield Arroyo Seco Specific Plan. This generally blighted area located southeast of the core of Downtown Los Angeles is largely characterized by industrial uses and undeveloped land, primed for redevelopment.
- The requirement to accommodate the needs of the BOS. The BOS currently operates out of the Media Center located approximately 2.5 miles northeast of the subject properties. The BOS occupies 64,820 square feet of office space in the Media Center through a lease that expires September 30, 2017 and costs an estimated \$1.2 million annually. Furthermore, the BOS utilizes the Humboldt Site to support operations. According to discussions with the City, the BOS would like to relocate their operations to the one or both of the subject sites, given the location and city owned status. It is our understanding that the BOS will require 60,000 square feet of office space for 265-300 employees, 300 parking spaces, and 15 oversized parking spaces in any potential development on the subject sites. Ideally, this relocation would occur prior to or by the expiration of their current lease at the Media Center (September 2017).
- The Lincoln Heights Jail primary facility is a designated Historical Landmark and therefore, cannot reasonably be demolished. As a result, the facility and surrounding grounds shall be creatively repositioned to accommodate any variety of new uses. We present several comparable case studies later in this report to demonstrate the potential range of uses upon conversion. It is our understanding, that the other two small buildings on the Lincoln Heights Jail Site can be demolished and relocated.
- The Humboldt Site utility would be significantly improved with the acquisition of the northerly adjacent parcel currently owned by Goodwill. This parcel is approximately 42,500 square feet and is currently improved with surface parking. If assembled with the subject parcels, the resulting site would cover the entire block bound by Humboldt Street to the south, San Fernando Road to the east, the train tracks to the north, and Avenue 19 to the west.

### ASSET POSITIONING

- Located in a predominantly industrial area with several underutilized sites (largely parking or open storage uses).
- Lack of multifamily residential uses in the immediate area other than pockets of affordable housing
- Lack of amenities in the immediate area such as basic service retail (grocery, etc.), dining, open space, and entertainment
- Development pressure from the south (Chinatown & Artists District) and east (Lincoln Heights)
- Gentrification of the surrounding areas to the south and west
- The Humboldt Site utility would be significantly improved if assembled with the Goodwill Parcel

- Potential to benefit from proximity to the economic drivers, employment centers, and community amenities associated with the core of Downtown Los Angeles
- Owned by the City of Los Angeles
- Good access to freeways
- Partial freeway visibility
- Future LA River revitalization plans will positively impact area if implemented

## USES CONSIDERED

Based on our research, discussions with the City, the subject's land use context, and prevailing market conditions, we considered a wide range of development scenarios, as delineated below.

### BOS Requirements

The City has indicated that the new development plan for the subject sites must incorporate a provision of the necessary facilities for the BOS relocation, given their expiring lease in September 2017. As described previously, this specifically entails approximately 60,000 square feet of office space for 265-300 employees, 300 parking spaces, and 15 oversized parking spaces designed to accommodate the unique BOS vehicles.

### Commercial Office

According to the Humboldt Street Corridor Study provided to us, a few potential development scenarios have already been developed by consultants for the 1903 Humboldt Site. Generally, these approaches have incorporated three primary elements: BOS office and parking requirements, additional creative flex space, and additional parking. All of them have been predicated on the assumption that the City acquires the northerly adjacent parcel owned by Goodwill. The consultants have assumed that Goodwill was a willing seller for purposes of this study. These schemes are summarized below:

- A concept for an 11-story building with multi-level parking (including a subterranean level) was developed for the BOS but was discarded due to the economic infeasibility (costs estimated at \$40 million) and dense design configuration.
- An alternative, multi-phased project that significantly reduces cost (down to \$30 million) while still meeting the needs of the BOS. The first phase would develop the headquarters for the City of Los Angeles BOS, providing 60,000 square feet of office, training, and laboratory space, as well as 13,000 square feet of creative flex space in a four-story at-grade structure.
- An alternate development plan was considered in a prior version of the Humboldt Street Corridor Study. This proposal aimed to encourage a more evenly distributed density throughout the Campus via the utilization of a shared parking structure on the subject Humboldt Site. It envisioned a four-story parking facility providing 966 spaces with 57,000 square feet of creative flex space effectively "wrapping" the site. This proposed development would not incorporate any of the BOS requirements and accordingly, implies that the BOS would relocate to a portion of a renovated Lincoln Heights Jail Site.

In our analysis, we considered the feasibility of satisfying the needs of the BOS in an adaptive reuse project for the Lincoln Heights Jail as well as a build-to-suit scenario on the 1903 Humboldt site.

### Residential

The predominant land use in the immediate area is industrial with several truck yards and low rise industrial facilities surrounding the subject sites. Additionally, there is limited commercial (Goodwill) and a few poor to average quality multifamily buildings in the surrounding area. There are considerable residential uses, primarily single-family, located directly east of the subject sites. The subject's local area has the potential to be a pioneering location along the northern periphery of Downtown Los Angeles, adjacent to the Lincoln Heights neighborhood and directly east of Elysian Park and Dodger Stadium. Still, the subject sites are located approximately two miles north of the dense urban development in central Downtown Los Angeles and as mentioned previously, the immediate area lacks retail and commercial amenities to support a considerable residential population.



There is precedent in pioneering locations surrounding downtown Los Angeles for residential loft conversions. Therefore, our analysis considers the economics of a complete residential conversion of the existing Lincoln Heights Jail facility into residential uses. Residential conversion is a permitted use by right but only 15% of the FAR of the project in the subject's UI overlay could be multifamily residential use. Live/work uses are also permitted. Both use classifications would be a logical use considered by the market. Full residential conversion would require discretionary approvals from the City.

### **Mixed Use**

Pursuant with the parameters of the Urban Innovation designation of the Specific Plan, a scenario allocating a maximum of 15% of the gross building area to multifamily residential uses and 85% of the building area to commercial uses was also evaluated. The BOS requirement for 60,000 was incorporated into this scenario.

In our professional opinion, this scenario is highly speculative from the perspective of use compatibility. The integration of office space and traditional apartment units in a singular project has limited precedent and is not widely accepted by the market in Los Angeles. Live/work situations are commonplace; however, the economics of those projects are more in line with the residential scenario we have modeled here.

### **Alternative Creative Uses**

Non-traditional uses have been evaluated conceptually based on a national survey of converted public jail facilities.

### **Retail**

The economics of a retail center are not supported for this site due to the lack of nearby residential concentrations, weak area demographics, and insufficient access and circulation for a retail use.

## DEVELOPMENT SCENARIOS

Based on an analysis of market conditions, our read of the subject site and its likely market positioning, and given the emphasis on mixed use projects on key sites throughout Los Angeles, we developed a range of alternative use scenarios for the site.

### SCENARIO A – RESIDENTIAL CONVERSION

This scenario assumes the entire Lincoln Heights Jail property would be converted to market rate apartments. The market positioning is industrial loft, likely without traditional bedroom configurations. We have evaluated this use both with and without the provision of market based parking requirements. Parking would be accommodated in a new on-site structure.

Criteria	Scenario A - Residential Conversion
Site Area (sf)	210,800
Proposed Use	Multifamily
Building Area Gross	226,100
Building Area Net (80%)	180,880
Multifamily Units	212
Average Unit Size	850
Office SF (BOS needs)	N/A
Office SF (3rd party)	N/A
Parking	318 (On-site)
<i>Ratios</i>	<i>1.5 spaces per apartment unit</i>

### SCENARIO B – OFFICE CONVERSION

These scenarios assumes that the entire Lincoln heights Jail property would be converted to office space and accommodate the BOS requirement. The economic analysis assumes the BOS, at least hypothetically, would sign a lease for its premises at market supported rental rates. This use has been evaluated assuming that both the prescribed over-standard BOS parking requirements and market-required parking needed to lease the non-BOS office space was provided in a new on-site parking structure.

Criteria	Scenario B - Office (BOS + Other Office)
Site Area (sf)	210,800
Proposed Use	BOS + Market Rate Office
Building Area Gross	226,100
Building Area Net (80%)	180,880
Multifamily Units	N/A
Average Unit Size	N/A
Office SF (BOS needs)	60,000
Office SF (3rd party)	120,880
Parking	663 Total - 300 (BOS) + 363 (3rd party)
<i>Ratios</i>	<i>5 spaces per 1,000 SF for BOS uses 3 spaces per 1,000 SF for market rate office uses</i>

### SCENARIO C – MIXED USE PROJECT (15%MFR/85% OFFICE)

These scenarios assumes that the Lincoln heights Jail property would be converted to a mix of multifamily residential and office space and accommodate the BOS requirement. The economic analysis assumes the BOS, at least hypothetically, would sign a lease for its premises at market supported rental rates. This use has been evaluated assuming that both the prescribed over-standard BOS parking requirements and market-required parking needed to lease the non-BOS office space was provided in a new on-site parking structure.

Criteria	Scenario C (By Right 15% MFR/85% Office)
Site Area (sf)	210,800
Proposed Use	Multifamily/BOS/Market Rate Office
Building Area Gross	226,100
Building Area Net (80%)	180,880
Multifamily Units	40
Average Unit Size	850
Office SF (BOS needs)	60,000
Office SF (3rd party)	91,980
Parking	636
<i>Ratios</i>	<i>1.5 per apartment unit 5 spaces per 1,000 SF for BOS uses 3 spaces per 1,000 SF for market rate office uses</i>

Our economic analysis assumes the proposed use scenarios are reasonably achievable from the perspective of the suitability of the existing building and that the existing building is relatively well suited for redevelopment. The suitability for conversion depends on a variety of factors including, but not limited to:

- Slab-to-slab depths that result in floor-to-ceiling heights that are at or above market standard
- For office, the ability to open floor plate to create workable and efficient floor plans
- Floor plates and fenestration that allow reasonable penetration of natural light
- Ability to provide adequate ingress/egress in emergency situations
- Probable maximum loss (PML) of the existing structure

Our analysis of comparable adaptive reuse conversions for similarly positioned assets into residential and/or office uses indicates a very wide range of costs associated with the conversion. The scope of the conversion and the condition and suitability of the existing structure directly impact overall cost. Accordingly, we estimated the cost of conversion for the subject Lincoln Heights Jail facility based on three cost scenarios: low, medium, and high. These estimations are presented below:

Estimated Cost of Conversion			
Range	Cost per SF	Total Building SF	Total Cost
Low	\$200	226,100	\$45,220,000
Medium	\$300	226,100	\$67,830,000
High	\$400	226,100	\$90,440,000

Additionally, we have estimated the cost of providing the required parking spaces associated with both the residential and office development scenarios.

Estimated Cost for On-site Parking Structure			
Scenario	# of Spaces	\$/space	Total Cost
Residential	318	\$18,000	\$5,724,000
Office	663	\$18,000	\$11,934,000

## PRO FORMAS

### SCENARIO A - RESIDENTIAL CONVERSION

Residential loft projects around downtown Los Angeles were surveyed in order to estimate current market rental rates for a mix of units appropriate for the conversion.

Conceptual Unit Mix and Rent Schedule				
Floor Plan	# of Units	Size (SF)	Rent (Monthly)	PSF
Studio	64	650	\$1,495	\$2.30
1BR/1BA	127	900	\$1,935	\$2.15
2BR/2BA	21	1,200	\$2,400	\$2.00
<b>TOTALS</b>	<b>212</b>	<b>181,100</b>	<b>\$391,825</b>	<b>\$2.16</b>

Revenue based on the above rents was offset by a market standard 5% vacancy and collection loss assumption and typical operating expenses for similarly positioned apartment communities to derive a net operating income for the proposed conversion.

Residential Pro Forma		Scenario A
Site Area		210,800
Proposed Use		Multifamily
Building Area Gross		226,100
Building Area Net (80%)		180,880
Number of Residential Units		212
Average Unit Size		850
<b>REVENUE</b>		
Studios (64 units - 30% of unit mix)	\$1,495 per unit	\$1,148,160
1BR/1BA (127 units - 60% of unit mix)	\$1,935 per unit	\$2,948,940
2BR/2BA (21 units - 10% of unit mix)	\$2,400 per unit	\$604,800
<b>Potential Gross Income</b>	<b>\$22,179 per unit</b>	<b>\$4,701,900</b>
Vacancy and Collection Loss	5% of PGI	(\$235,095)
<b>Effective Gross Income</b>	<b>\$21,070 per unit</b>	<b>\$4,466,805</b>
<b>EXPENSES</b>		
Real Estate Taxes	1.2% of price	\$572,000
Property Insurance	\$200 per unit	\$42,400
Utilities	\$1,000 per unit	\$212,000
Repairs & Maintenance	\$1,200 per unit	\$254,400
Unit Turnover and Make Ready	\$300 per unit	\$63,600
Management Fees	3% of EGI	\$134,004
Payroll	\$950 per unit	\$201,400
Advertising and Marketing	\$180 per unit	\$38,160
General & Administrative	\$350 per unit	\$74,200
Replacement Reserves	\$300 per unit	\$63,600
<b>Total Expenses</b>	<b>\$7,510 per unit</b>	<b>\$1,592,164</b>
<b>NET OPERATING INCOME (ANNUAL)</b>	<b>\$13,560 per unit</b>	<b>\$2,874,641</b>

Applying a range of capitalization rates to the pro forma income results in a value range for the loft project assuming the conversion was complete and the property was operating at stabilized levels as demonstrated in the following table.

Only using the most aggressive underwriting (lowest capitalization rate and cost estimates) does the project provide a positive residual indication suggesting feasibility. In the most "realistic" underwriting approach, or the moderate scenario, residential conversion is not feasible from a market perspective.

Capitalization Matrix					Residual Value of Lincoln Heights Property Renovation Cost Scenario		
Cap Rate	NOI	Indicated Price	Per Unit	PSF (NRA)	Low	Moderate	High
5.00%	\$2,874,641	\$57,492,817	\$271,193	\$317.85	\$6,548,817	(\$4,756,183)	(\$16,061,183)
5.25%	\$2,874,641	\$54,755,064	\$258,279	\$302.71	\$3,811,064	(\$7,493,936)	(\$18,798,936)
5.50%	\$2,874,641	\$52,266,197	\$246,539	\$288.96	\$1,322,197	(\$9,982,803)	(\$21,287,803)
5.75%	\$2,874,641	\$49,993,754	\$235,820	\$276.39	(\$950,246)	(\$12,255,246)	(\$23,560,246)
6.00%	\$2,874,641	\$47,910,681	\$225,994	\$264.88	(\$3,033,319)	(\$14,338,319)	(\$25,643,319)
<b>Total Cost of Conversion/Renovation:</b>					<b>\$50,944,000</b>	<b>\$62,249,000</b>	<b>\$73,554,000</b>

Elimination the provision for an on-site parking garage to provide structured parking at a market standard 1.5 spaces per unit (and freeing up a considerable amount of the site for open space), does not improve the economics of the conversion. For this "test" we have reduced the rental rates by 15% to account for the lack of covered garage parking assuming much but not all of the demand could be accommodated in surface lots.

Residential Pro Forma (No Structured Parking)		Scenario A
Site Area		210,800
Proposed Use		Multifamily
Building Area Gross		226,100
Building Area Net (80%)		180,880
Number of Residential Units		212
Average Unit Size		850
<b>REVENUE</b>		
Studios (64 units - 30% of unit mix)	\$1,271 per unit	\$975,936
1BR/1BA (127 units - 60% of unit mix)	\$1,645 per unit	\$2,506,599
2BR/2BA (21 units - 10% of unit mix)	\$2,040 per unit	\$514,080
<b>Potential Gross Income</b>	<b>\$18,852 per unit</b>	<b>\$3,996,615</b>
Vacancy and Collection Loss	5% of PGI	(\$199,831)
<b>Effective Gross Income</b>	<b>\$17,909 per unit</b>	<b>\$3,796,784</b>
<b>EXPENSES</b>		
Real Estate Taxes	1.2% of price	\$501,000
Property Insurance	\$200 per unit	\$42,400
Utilities	\$1,000 per unit	\$212,000
Repairs & Maintenance	\$1,200 per unit	\$254,400
Unit Turnover and Make Ready	\$300 per unit	\$63,600
Management Fees	3% of EGI	\$113,904
Payroll	\$950 per unit	\$201,400
Advertising and Marketing	\$180 per unit	\$38,160
General & Administrative	\$350 per unit	\$74,200
Replacement Reserves	\$300 per unit	\$63,600
<b>Total Expenses</b>	<b>\$7,080 per unit</b>	<b>\$1,501,064</b>
<b>NET OPERATING INCOME (ANNUAL)</b>	<b>\$10,829 per unit</b>	<b>\$2,295,721</b>

Capitalization Matrix					Residual Value of Lincoln Heights Property Renovation Cost Scenario (No Parking)		
Cap Rate	NOI	Indicated Price	Per Unit	PSF (NRA)	Low	Moderate	High
5.00%	\$2,295,721	\$45,914,414	\$216,577	\$253.84	\$694,414	(\$10,610,586)	(\$21,915,586)
5.25%	\$2,295,721	\$43,728,014	\$206,264	\$241.75	(\$1,491,986)	(\$12,796,986)	(\$24,101,986)
5.50%	\$2,295,721	\$41,740,377	\$196,889	\$230.76	(\$3,479,623)	(\$14,784,623)	(\$26,089,623)
5.75%	\$2,295,721	\$39,925,578	\$188,328	\$220.73	(\$5,294,422)	(\$16,599,422)	(\$27,904,422)
6.00%	\$2,295,721	\$38,262,012	\$180,481	\$211.53	(\$6,957,988)	(\$18,262,988)	(\$29,567,988)
<b>Total Cost of Conversion/Renovation:</b>					<b>\$45,220,000</b>	<b>\$56,525,000</b>	<b>\$67,830,000</b>

## SCENARIO B OFFICE CONVERSION

Office/flex space and creative office space in the competitive market were surveyed in order to estimate current market rental rates for the conversion of Lincoln Heights Jail to office.

Revenue associated with third party leasing was offset by a market standard 10% vacancy and collection loss assumption and typical operating expenses for similarly positioned office buildings to derive a net operating income for the proposed conversion. Vacancy and collection loss was not applied to BOS space leases. Parking revenue was associated with all spaces at a rate of \$75 per space per month.

Direct Capitalization Value (Mixed-Use Office Scenario)		Scenario B
Site Area		210,800
Proposed Use		BOS + Market Rate Office
Building Area Gross		226,100
Building Area Net (80%)		180,880
BOS Office Space		60,000
3rd Party Office Space		120,880
<b>REVENUE</b>		
BOS Lease	\$24.00 PSF	\$1,440,000
3rd Party Office Space	\$24.00 PSF	\$2,901,120
Parking Revenue	\$3.30 PSF	\$596,700
<b>Potential Gross Income</b>	<b>\$27.30 PSF</b>	<b>\$4,937,820</b>
Vacancy and Collection Loss (3rd Party Space Only)	10.00% of PGI	(\$290,112)
<b>Effective Gross Income</b>	<b>\$25.69 PSF</b>	<b>\$4,647,708</b>
<b>EXPENSES</b>		
Real Estate Taxes	1.20% of price	\$550,000
Property Insurance	\$0.45 PSF	\$81,396
Building Operating Expenses	\$7.00 PSF	\$1,266,160
<b>Total Expenses</b>	<b>\$10.49 PSF</b>	<b>\$1,897,556</b>
<b>NET OPERATING INCOME (ANNUAL)</b>	<b>\$15.20 PSF</b>	<b>\$2,750,152</b>

Applying a range of capitalization rates to the pro forma income results in a value range for the office conversion project assuming the conversion was complete and the property was operating at stabilized levels as demonstrated in the following table.

Under no scenario is the office conversion and addition of a parking structure to accommodate all parking on site feasible from a market perspective.

Capitalization Matrix				Residual Value of Lincoln Heights Property Office Conversion		
Cap Rate	NOI	Indicated Price	PSF (NRA)	Low	Moderate	High
5.50%	\$2,750,152	\$50,002,764	\$276.44	(\$7,151,236)	(\$18,456,236)	(\$29,761,236)
5.75%	\$2,750,152	\$47,828,730	\$264.42	(\$9,325,270)	(\$20,630,270)	(\$31,935,270)
6.00%	\$2,750,152	\$45,835,867	\$253.40	(\$11,318,133)	(\$22,623,133)	(\$33,928,133)
6.25%	\$2,750,152	\$44,002,432	\$243.27	(\$13,151,568)	(\$24,456,568)	(\$35,761,568)
6.50%	\$2,750,152	\$42,310,031	\$233.91	(\$14,843,969)	(\$26,148,969)	(\$37,453,969)
<b>Total Cost of Conversion/Renovation:</b>				<b>\$57,154,000</b>	<b>\$68,459,000</b>	<b>\$79,764,000</b>

The economics of the office conversion scenario improves if the on-site structured parking consideration is eliminated. This assumes that the parking needs could be satisfied in surface parking spaces but would necessitate that 1903 Humboldt would be needed to provide surface parking.

Capitalization Matrix				Residual Value of Lincoln Heights Property Office Conversion/Surface Parking		
Cap Rate	NOI	Indicated Price	PSF (NRA)	Low	Moderate	High
5.50%	\$2,750,152	\$50,002,764	\$276.44	\$4,782,764	(\$6,522,236)	(\$17,827,236)
5.75%	\$2,750,152	\$47,828,730	\$264.42	\$2,608,730	(\$8,696,270)	(\$20,001,270)
6.00%	\$2,750,152	\$45,835,867	\$253.40	\$615,867	(\$10,689,133)	(\$21,994,133)
6.25%	\$2,750,152	\$44,002,432	\$243.27	(\$1,217,568)	(\$12,522,568)	(\$23,827,568)
6.50%	\$2,750,152	\$42,310,031	\$233.91	(\$2,909,969)	(\$14,214,969)	(\$25,519,969)
<b>Total Cost of Conversion/Renovation:</b>				<b>\$45,220,000</b>	<b>\$56,525,000</b>	<b>\$67,830,000</b>

### SCENARIO C MIXED USE (BY RIGHT UNDER UI)

The subject is located in the Urban Innovation (UI) district of the CASSP. In this district, which encourages mixed use projects, the maximum percentage of a building that can be multifamily residential uses is 15% of the total gross area of the project. In other words, 85% of the FAR needs to be dedicated to commercial uses. Similar assumptions were made for this scenario as in the previous scenarios with respect to unit mix, rental rates and operating expenses.

Direct Capitalization Value (By Right Scenario - 15% MFR/85% Office)		Scenario C
Site Area		210,800
Proposed Use		Scenario C (By Right 15% MFR/85% Office)
Building Area Gross		226,100
Building Area Net (80%)		180,880
Multifamily Units		40
BOS Office Space		60,000
3rd Party Office Space		91,980
<b>REVENUE</b>		
Apartment Revenue (based on Scenario A assumptions)	\$21,070 unit	\$842,793
BOS Lease	\$24.00 PSF	\$1,440,000
3rd Party Office Space	\$24.00 PSF	\$2,207,520
Parking Revenue	\$3.30 PSF	\$501,363
<b>Potential Gross Income</b>	<b>\$27.60 PSF</b>	<b>\$4,991,676</b>
Vacancy and Collection Loss (Excluding BOS)	10.00% of PGI	(\$305,031)
<b>Effective Gross Income</b>	<b>\$25.91 PSF</b>	<b>\$4,686,645</b>
<b>EXPENSES</b>		
Real Estate Taxes	1.20% of price	\$545,000
Residential OpEx at 38% of Resi EGI	\$7,206 per unit	\$288,235
Property Insurance (Office Component)	\$0.45 PSF	\$68,391
Building Operating Expenses (office Component)	\$7.00 PSF	\$1,063,860
<b>Total Expenses</b>	<b>\$10.87 PSF</b>	<b>\$1,965,486</b>
<b>NET OPERATING INCOME (ANNUAL)</b>	<b>\$15.04 PSF</b>	<b>\$2,721,158</b>



Applying a range of capitalization rates to the pro forma income results in a value range for the mixed use project assuming the conversion was complete and the property was operating at stabilized levels as demonstrated in the following table.

Only using the most aggressive underwriting (lowest capitalization rate and cost estimates) does the project provide a positive residual indication suggesting feasibility. In the most "realistic" underwriting approach, or the moderate scenario, conversion to a mixed use project is not feasible from a market perspective.

Capitalization Matrix				Residual Value of Lincoln Heights Property 15% MFR/85% Office w/Surface Parking		
Cap Rate	NOI	Indicated Price	PSF (NRA)	Low	Moderate	High
5.50%	\$2,721,158	\$49,475,606	\$273.53	\$4,255,606	(\$7,049,394)	(\$18,354,394)
5.75%	\$2,721,158	\$47,324,492	\$261.63	\$2,104,492	(\$9,200,508)	(\$20,505,508)
6.00%	\$2,721,158	\$45,352,638	\$250.73	\$132,638	(\$11,172,362)	(\$22,477,362)
6.25%	\$2,721,158	\$43,538,533	\$240.70	(\$1,681,467)	(\$12,986,467)	(\$24,291,467)
6.50%	\$2,721,158	\$41,863,974	\$231.45	(\$3,356,026)	(\$14,661,026)	(\$25,966,026)
<b>Total Cost of Conversion/Renovation:</b>				<b>\$45,220,000</b>	<b>\$56,525,000</b>	<b>\$67,830,000</b>

## SUMMARY OF CONVERSION ALTERNATIVES

Across the board, only the most aggressive position on underwriting the residential conversion results in a positive residual indication suggesting the project is feasible. In the office conversion scenario, similarly only the most aggressive stance on the conversion and including 1903 in the redevelopment to provide surface parking indicates feasibility. In the office scenario, the very high BOS parking requirements factor into the very high cost of the project.

What this analysis indicates is that, from a market perspective, development incentives would likely be required to support private investment.

If converted for its own use and occupancy for the BOS and leased to third parties, the cash flow from Lincoln Heights Jail could reasonably offset the City's cost to occupy the space. However, only through the inclusion of the 1903 Humboldt Street site for surface parking and conversion costs at the low end of the range would the project reasonably break even (assuming the city analysis included a "lease" to itself).

We note; however, that at our estimate of market terms (rental rates and parking charges) the cost of occupancy for the BOS in a converted Lincoln Heights Jail would exceed its current occupancy costs at its leased premises at Media Tech Center. The BOS occupied building at 2714 Media Center Drive sold to an investor in December of 2013 for \$13,500,000 or just over \$200 per square foot. Other buildings in that campus are selling below this price. As it relates specifically to BOS occupancy requirements, the economics of purchasing their existing building in Media Tech Center or purchasing another building in that campus is much more favorable to the City than pursuing a conversion of the Lincoln heights Jail for its own occupancy or developing its own building on 1903 Humboldt at an estimated (City's internal estimates) of \$36.5 million, or over \$600 per square foot.

## OUTRIGHT SALE OF 1903 HUMBOLDT STREET

On the assumption that the City wanted to monetize its interest in 1903 Humboldt Street through an outright sale, we have investigated land investment activity in the immediate area and in nodes surrounding downtown Los Angeles with similar land use and market dynamics. The sales we evaluated are summarized and mapped on the following pages.

### SUMMARY OF LOCAL LAND INVESTMENT ACTIVITY

There is somewhat limited activity for similarly situated land in the local area, specifically undeveloped sites in industrial areas to the east and north of the core of Downtown Los Angeles. As a result, we considered sales dating back to 2012, sites that are relatively small, and outside of the immediate area surrounding the subject properties. We made an effort to select sales with similar overall development potential, zoning, and land use context.

All of the sales are all located within three miles of 1903 Humboldt in the areas to the east and north of the core of Downtown Los Angeles. Four of the eight sales are located within one mile of 1903 Humboldt. The sites ranged in size from 0.22 to 3.16 acres and had maximum floor-area-ratios (FAR) of 1.5:1, unlike 1903 Humboldt which has a much denser 4.5:1 FAR under the CASSP. The sales occurred between January 2012 and April 2014. Pricing ranged from \$22 to \$139 per-square-foot of land area, averaging \$62 per-square-foot of land area. The FAR pricing ranged from \$15 to \$93 per-square-foot of FAR and averaged \$45 per-square-foot of FAR.

The subject's development density by right is beyond that which would be developed under current market conditions. Therefore the land investment activity is reasonable to consider with lower by right FARs.

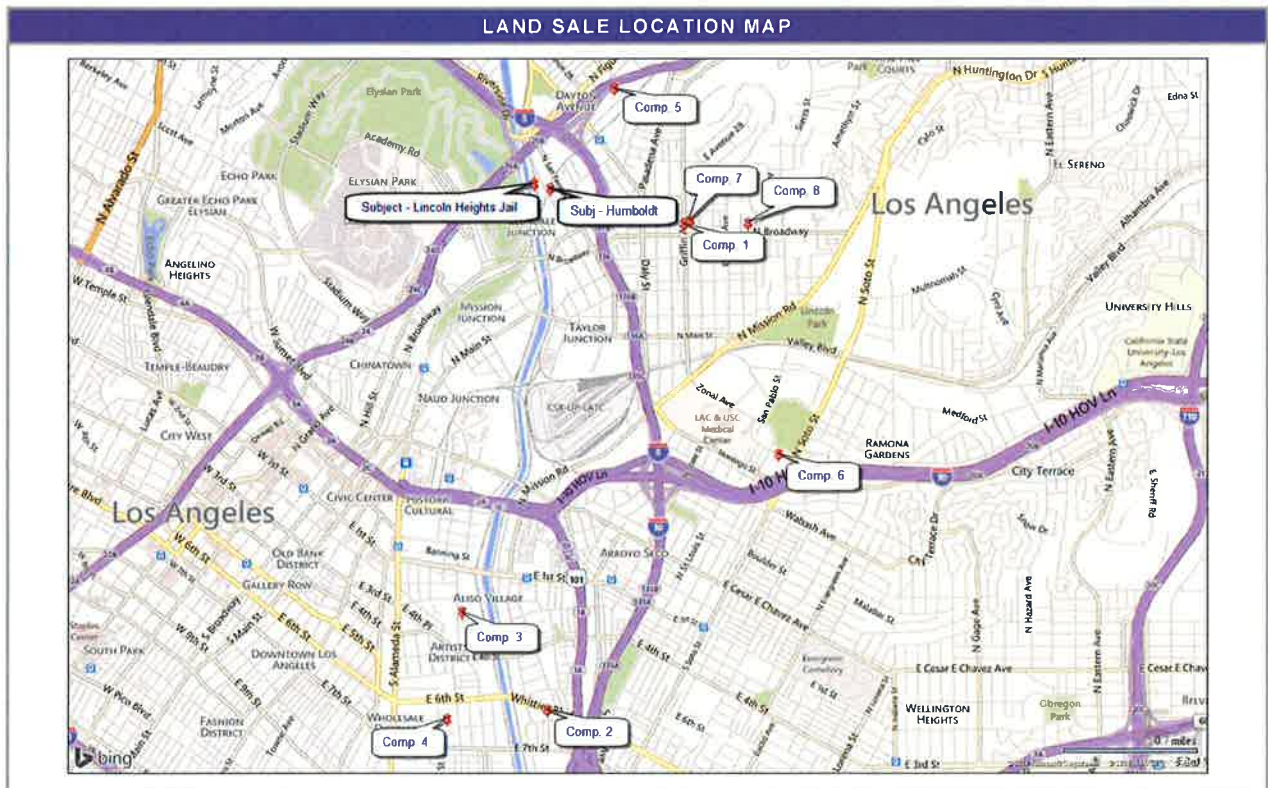
Based on the predominant range demonstrated by the land investment activity, a reasonable range of achievable pricing for 1903 Humboldt Street is summarized in the following table.

PROBABLE PRICING	Conservative	Moderate	Aggressive
Indicated Value	\$40.00	\$50.00	\$60.00
Site Size	x 79,033	x 79,033	x 79,033
Indication	\$3,161,320	\$3,951,650	\$4,741,980
<b>(Rounded) Indication</b>	<b>\$3,150,000</b>	<b>\$3,950,000</b>	<b>\$4,750,000</b>

**SUMMARY OF LAND SALES**

PROPERTY INFORMATION										TRANSACTION INFORMATION			
No.	Location	Size (sf)	Size (Acres)	Max FAR	Potential Building Area	Zoning	Grantor	Grantee	Sale Date	Sale Price	\$/SF Land	\$/SF Build.	
S	Humboldt Site	79,033	1.81	4.00	316,132	CASSP							
1	2901 North Broadway, Los Angeles, CA	16,280	0.37	1.50	24,420	[Q]C4-1VL-CDO	East Gate Hall Association	Hospitality Group LLC	4/14	\$1,900,000	\$116.71	\$77.81	
2	2271 Jesse Street, Los Angeles, CA	7,840	0.18	1.50	11,760	M2-1	Jimenez Rene & Gloria	Joel R Unangst	5/13	\$350,000	\$44.64	\$29.76	
3	214 South Santa Fe Avenue, Los Angeles, CA	22,002	0.51			PF-1XL	Magnus Walker	Chalmers-Santa Fe LLC	4/13	\$500,000	\$22.73	N/A	
4	647 Mateo Street, Los Angeles, CA	37,026	0.85	1.50	55,539	M3-1	Hovanes O & Alvard Patukyan	Arts Plus International LLC	3/13	\$2,750,000	\$74.27	\$49.51	
5	3225 Lacy Street, Los Angeles, CA	137,650	3.16	1.50	206,475	MR1	Lacy Street Commercial LP	Self-Realization Fellow ship Church	12/12	\$5,050,000	\$36.69	\$24.46	
6	2303 East Charlotte Street, Los Angeles, CA	9,728	0.22	1.50	14,592	[Q]C2-1VL	Maria C Gomez Trust	Kidney Center Inc	9/12	\$1,350,000	\$138.77	\$92.52	
7	2415 Johnston Street, Los Angeles, CA	9,901	0.23	1.50	14,852	[Q]C4-1XL-CDO	Carol A Blau	Johnbroad LLC	6/12	\$220,000	\$22.22	\$14.81	
8	Land Development Site 3301-3331 North Broadway, Los Angeles, CA	48,840	1.12	1.50	73,260	[Q]C4-1VL-CDO	Las Villas Inc	Oppidan LLC	1/12	\$2,085,000	\$42.69	\$28.46	
<b>STATISTICS</b>													
Low		7,840	0.18	1.50	0				1/12	\$220,000	\$22.22	\$14.81	
High		137,650	3.16	1.50	206,475				4/14	\$5,050,000	\$138.77	\$92.52	
Average		36,158	0.83	1.50	50,112				12/12	\$1,775,625	\$62.34	\$45.33	

Compiled by Crickman & Malinfield Winston Inc



## ALTERNATIVES TO MONETIZE CITY INTEREST

The scope of this assignment involved exploring, and quantifying to the extent possible, a range of potential structures the City could consider in its asset management decisions involving these two high priority properties. We have outlined the most apparent structures below.

### OUTRIGHT SALE OF LINCOLN HEIGHTS JAIL

Based on the marginal feasibility of a conversion under current conditions, the city could consider the sale of the Lincoln Heights Jail at a market oriented price and provide incentives to spur development.

### CONTRIBUTION OF LINCOLN HEIGHTS JAIL TO JV FOR ALTERNATIVE USE

The economics of a residential and an office conversion are not presently compelling. The City could contribute the Lincoln Heights Jail to a partnership for alternative uses. Some national examples follow.

Property	Location	Converted Use	Cost of Conversion
Arthur Kill Correctional Facility	2911 Arthur Kill Road, Staten Island, NY 10309	Movie Backlot	\$20 million
Bayview Correctional Facility	550 West 20th St., New York, NY 10011	Commercial-Nonresidential	Unknown
Gainesville Correctional Facility	2845 NE 39th Ave Gainesville, FL 32609	Homeless Shelter	\$1.4 million
Camp Gabriels Minimum Security Prison	737 State Route 86, Town of Brighton, Franklin County	Private Group Camp	Unknown
Mid-Orange Correctional Facility	Warwick, NY 10990	Business Park	Unknown
Charles Street Jail	215 Charles St, Boston, MA 02114	Hotel	\$120 million
Occoquan Workhouse Prison	9601 Ox Rd, Lorton, VA 22079	Arts Center	Unknown

### OUTRIGHT SALE OF 1903 HUMBOLDT (AS IS)

Humboldt Street could be sold "as is". A sale price in the range of \$3,150,000 to \$4,175,000 is likely based on land investment activity involving similarly positioned sites.

## RECOMMENDATIONS

We considered and analyzed a range of potential redevelopment scenarios for the Lincoln Heights Jail site and in effect, how that would impact the 1903 Humboldt Street property. Specifically, we focused on two potential conversion/renovation scenarios: market rate residential apartments and a combination of BOS needs and market rate office space. Based on our analysis, we have made the following conclusions:

- The pricing analysis presented previously indicates that both redevelopment scenarios are generally unfeasible from an economic standpoint.
- Based on market data for comparable conversions, the cost of converting this type of facility/asset into a commercial or residential property is prohibitively high. If somehow redevelopment could be completed at a cost below the range we presented (\$200-\$300/SF of GBA), the feasibility of the potential redevelopment would be greatly impacted.
- Marketing the subject property to investors as a typical redevelopment opportunity (residential or office) will likely prove to be a difficult.
- Because of the subject's historical designation and corresponding inability to demolish the existing improvements, creative and untraditional redevelopment opportunities should be considered and evaluated for the subject site.
- It is our opinion that alternative scenarios for the provision of the BOS space and facility requirements should be considered.
- The parking requirements for a potential redevelopment on the subject site would be so significant that it would likely necessitate the construction of a standalone parking structure which would add substantially to the total redevelopment cost.

## B CITY-LEASED PROPERTIES

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**MS Excel file containing City-Leased Property Analyses:**



Copy of Lease  
Analysis - new.xlsx

# C PRO-FORMA TEMPLATES FOR CAO TO SUPPORT PORTFOLIO OPTIMIZATION ANALYSES (TASK 3)

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Pro-forma Template: Lease Analysis



Copy of Lease  
Analysis Template.xlsx

Pro-forma Template: Residual Analysis Template - Alternative Use Scenarios



Residual Analysis  
Template - Alternative

Pro-forma Template: Hotel Analysis



Hotel Analysis  
Template.xlsx





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