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January 18, 2017

Date: 1/18/17Submitted in PLUM Committee

Council File No: _____

Item No. X7 & 8**VIA EMAIL**APPLICANT REP.

Planning and Land Use Management Committee
City of Los Angeles
200 N. Spring Street, Room 430
Los Angeles, CA 90012

Re: 333 S. La Cienega Boulevard Project (Council File Nos. 16-1368 & 16-1368-S2)

Dear Chairman Huizar, Vice Chair Harris-Dawson, and Honorable Councilmembers:

On behalf of CRM Properties, this letter is provided for your consideration in response to arguments raised by the Beverly Wilshire Homes Association ("BWA") in its January 6, 2017 letter challenging the November 18, 2016 City Planning Commission ("Planning Commission") unanimous approval of the vesting tentative tract map (VTT-74131-1A) and other entitlements for the 333 S. La Cienega Boulevard project (the "Project") (Cases: CPC-2015-896-GPA-VZV-HD-MCUP-ZV-DB-SPR and VTT-74131-1A). The issues raised by BWA are largely duplicative of the issues contained in BWA's appeal of the Planning Commission's determination on the Project and BWA's comments on the Environmental Impact Report ("EIR"). Accordingly, these issues have already been thoroughly responded to in the Final EIR and the record before the City, which includes our January 6, 2017 letter to the Planning and Land Use Management Committee. Nonetheless, the following augments the response to some of the issues raised.

Approval of the Subdivision Map is Proper

BWA alleges that the approval of the Project is a violation of the Subdivision Map Act (Government Code Section 66171.61) because the Project is not consistent with the General Plan. Contrary to BWA assertions, and as discussed below and in the EIR and other submittals, the Project complies with the General Plan and Wilshire Community Plan. Thus, the City did not violate the Subdivision Map Act in approving the vesting tentative tract map.

Additional General Plan and Community Plan Policies

The General Plan Framework Element provides general guidance related to long-term growth and planning for the City of Los Angeles. The Wilshire Community Plan, which is a

component of the General Plan's Land Use Element, provides area-specific goals, policies, and objectives that apply to the Project site. BWAHA contends that the Project is inconsistent with the Wilshire Community Plan. As explained in the EIR and other submittals, the Project is consistent with the overarching goals of the Wilshire Community Plan of providing housing, creating jobs, and utilizing public transportation. The Project is a mixed-use development, located adjacent to numerous existing transit stops and near the new Metro station which is under construction, and will provide much needed housing to the area, including affordable housing units, and will create jobs.

BWAHA alleges that the Project is not consistent with Wilshire Community Plan Policy 1-2.1 because it is not located near a major transportation center. That is plainly incorrect. The Project provides new residential housing units to an area with substantial access to public transportation. The Project is located in an area that the City of Los Angeles has identified as a Transit Priority Area and SCAG has identified as a High Quality Transit Area and Transit Priority Area. (City of Los Angeles, Department of City Planning, Transit Priority Areas; SCAG, High Quality Transit Area and Transit Priority Area.) The Project site is located in a highly transit-and-pedestrian accessible location with connectivity to many areas within the City, including more than 10 bus lines that stop near the Project and the Metro Rapid bus lines that provide service intervals under 15 minutes during peak hours. (DEIR, pp. 4.4-8-4.4-9.) The Project is also located within one-half mile of the Wilshire/La Cienega Purple Line subway station that is currently under construction. The Project will develop housing near to a commercial center that will have access to numerous existing bus routes and a future subway station. Therefore, the Project is consistent with Policy 1-2.1 of the Wilshire Community Plan.

BWAHA alleges that the Project is not consistent with Wilshire Community Plan Policy 2-1.2 because the Project includes a redesignation of the Project Site's land use. The full text of Policy 2-1.2 calls for the protection of commercial areas and Regional Commercial Centers from encroachment by standalone residential developments. The Project is not a standalone residential development, but instead includes ground floor retail and public open space. Thus, the Project is not inconsistent with Policy 2-1.2 of the Wilshire Community Plan. In addition, the Project is consistent with Policy 1-1.4, which calls for the provision of housing along mixed-use boulevards. The Project is bordered by three major arterials in a highly urban area that includes numerous commercial developments.

BWAHA alleges that the Project is inconsistent with Wilshire Community Plan Policy 1-1.1, which calls for the preservation of existing stable single-family and low-density residential neighborhoods from encroachment by higher density residential uses. The Project is not in a low-density residential neighborhood, but is instead in a highly-urban commercial corridor. The Project is bordered by three major arterials in a highly-urban area that includes numerous commercial developments. There are no parcels zoned for single-family residences abutting the Project site or fronting La Cienega Boulevard, 3rd Street, or San Vicente Boulevard across from the Project site. Therefore, the Project is not inconsistent with Policy 1-1.1 of the Wilshire Community Plan.

BWAHA alleges that the Project's approval is inconsistent with the General Plan Framework Element Policy 3.3.2, which requires the City to monitor population, development,

and infrastructure within the City and each community plan area. Objective 3.3 states: "Accommodate projected population and employment growth within the City and each community plan area and plan for the provision of adequate supporting transportation and utility infrastructure and public services." Policy 3.3.2 provides in part that the City shall "[m]onitor population, development, and infrastructure and service capacities within the City and each community plan area, or other pertinent service area." The Project is not inconsistent with Objective 3.3 or Policy 3.3.2, as it will accommodate the projected growth in the Wilshire Community Plan area. Further, the EIR analyzed the Project's impacts on, population and housing, transportation, and utility infrastructure in relation to current conditions and determined that the Project would not result in significant impacts. In particular, the Draft EIR concluded that the population in the Wilshire Community Plan area is below the population projected at buildout of the Community Plan. (Draft EIR, pp. B-81-82.)

Impacts to Traffic Are Insignificant

BWHA incorrectly asserts that the Project will result in a significant impact to traffic. As found in the EIR, the operation of the Project will result in an increase in traffic to and from the site, but not at a level that would result in a significant impact under CEQA. (FEIR, p. 2-9.)

In support of its assertion that the Project will result in traffic impacts, BWHA references a letter report prepared by Allyn Rifkin of the Rifkin Transportation Planning Group. The Mobility Group, the professional traffic engineering firm that prepared the Project Traffic Study, reviewed the report prepared by Mr. Rifkin and found that it contained numerous errors and inaccuracies. After considering Mr. Rifkin's comments, The Mobility Group confirmed that the Traffic Study was prepared in accordance with LADOT guidelines using standard traffic engineering principles, applied the correct methodologies and calculations, and was reviewed and approved by LADOT. Contrary to Mr. Rifkin's suggestions, The Mobility Group determined that the Traffic Study does not need to be revised. The Mobility Group's review of Mr. Rifkin's analysis is attached hereto as Exhibit A.

There are No Impacts to Fire Protection Service

Once again, BWHA argues that the analysis of the potential impacts to fire service in the EIR is not adequate because the EIR cites to a communication with the Captain of Los Angeles Department Station 61 and because of the response time and distance to Station 61. The Final EIR provides a detailed response to a similar comment regarding fire services and explains that a project only would be determined to have a significant impact on fire protection if it requires the addition of a new fire station or the expansion, consolidation, or relocation of an existing facility to maintain services. The Los Angeles Fire Department ("LAFD") has confirmed that there would be no need to expand Station 61, nor would the Project require the acquisition of new equipment, facilities or staff to serve the new employees and residents of the Project.

The proposed Project is 1.7 miles from Station 61. (DEIR Appendix A-I Initial Study, B-85.) The LAFD considers fire protection services for a project adequate if a project is within the maximum response distance for the land use proposed, as shown in the Los Angeles

Municipal Code¹ (“LAMC”). LAMC 57.507.3.3 provides a maximum response distance of 2 miles for a truck company and 1.5 mile for an engine company for High-Density Residential and Commercial Neighborhood uses.

Further, LAMC section 57.512.2 provides that “[w]here a response distance is greater than that shown in Table 57.507.3.3, all structures shall be constructed with automatic fire sprinkler systems. Additional fire protection shall be provided as required by the Chief.” As explained in the Final EIR, while the Project is approximately 1.7 miles from Station 61, which includes an engine company and truck company, the Project will also include automatic fire sprinklers consistent with the LAMC requirements.

In addition to the communication with the Captain of Los Angeles Department Station 61 referenced in the EIR, the LAFD sent inter-departmental correspondence to the Department of City Planning explaining the fire safety conditions the Fire Department sought to impose on the Project. (Exhibit B.) Each condition recommended by the Fire Department was specifically included in the November 18, 2016 Letter of Determination from the Los Angeles City Planning Commission. (Letter of Determination, p. T-3 to T-4) and are included in Vesting Tentative Tract Map No. 74131 for the Project.

The LAFD has confirmed, through personal communication with Craig Neilson, the Captain of LAFD Station No. 61, that there would be no need to require the expansion of Fire Station No. 61, nor would it require the acquisition of new equipment, facilities or staff to serve the new employees and residents generated by the Project. Moreover, the Fire Department did not require the expansion of Fire Station No. 61, the acquisition of new equipment, facilities or staff, in its conditions for the Project.

Per the Los Angeles Times database cited by BWhA, the national standard for rescuers to arrive after nearly all 911 calls is within six minutes.² According to FireStatLA, an online publication of LAFD response data, Station 61 is within the national standard. FireStatLA provides that from January 2016 to December 2016, Station 61 had an average Turnout Time³ of 59 seconds and an average Travel Time⁴ of 4 minutes and 43 seconds (5 minutes and 42 seconds

¹ The Los Angeles City CEQA Thresholds Guide references LAMC Section 57.09.07 for applicable response distances; however, that section has been replaced by LAMC Section 57.507.3.3.

² Los Angeles Times Data Desk, *How fast is LAFD where you live?*, available at <http://graphics.latimes.com/how-fast-is-lafd/#10/34.0498/-118.6002>.

³ FireStatLA defines “Turnout Time” as “The time interval between the activation of station alerting devices to when first responders put on their PPE3 and are aboard apparatus and en-route (wheels rolling). Both station alarm and en-route times are required to measure this for each unit that responds.”

⁴ FireStatLA defines “Travel Time” as “The time interval that begins when the first unit is en route to the incident and ends upon arrival of any of the units first on scene. This requires one valid en-route time and one valid on-scene time for the incident. Travel time can differ

in total) across 6313 Emergency Medical Service (“EMS”) incidents. Further, from January 2016 to December 2016, Station 61 had an average Turnout Time of 57 seconds and an average Travel Time of 4 minutes and 13 seconds (5 minutes and 10 seconds in total) across 1406 Non-EMS incidents. (Exhibit C.) Therefore, Station 61 is operating within the six-minute national standard as cited by BWA.

The record demonstrates that fire service for the Project is adequate and the EIR correctly determined there is no significant impact on fire services.

The Feasibility of Alternatives was Properly Analyzed

As explained in the EIR, an All Commercial Alternative and Offsite Location Alternative were considered for analysis but rejected as infeasible. A No Project Alternative, two options for an Existing Zoning Alternative and a Reduced Density Alternative were evaluated in the EIR. Neither the Existing Zoning or Reduced Density Alternatives would avoid the proposed Project’s significant and unavoidable construction noise impact and the alternatives would not meet the project objectives as detailed in the EIR. Further, as documented in the attached analysis by HR&A Advisors⁵, the alternatives that include residential uses also are not financially feasible.

The Statement of Overriding Considerations is Supported by Substantial Evidence.

The City’s findings detail how the Project benefits outweigh and override the significant and unavoidable construction noise impact of the Project, including, for example, the Project’s affordable housing units, bicycle and pedestrian amenities, community meeting room and jobs. In addition, attached for your consideration is an analysis prepared by HR&A Advisors⁶ that shows that the Project will result in 661 full and part-time on-site jobs and \$115.7 million in economic output associated with Project construction, and approximately 95 net full and part-time operations jobs and \$8.5 million in total annual economic output associated with on-site operations.

The Project’s Density Bonus is Proper

BWA alleges that the Project’s off-menu incentive that increased the allowable floor area ratio (“FAR”) is improper because an off-menu incentive may only be used to modify a development standard not included on the menu of incentives. The Applicant’s off-menu incentive request for additional FAR was submitted and processed as required by LAMC § 12.22.A.25.g.3.

considerably amongst stations. Many factors, such as traffic, topography, road width, public events and unspecified incident locations, may impact travel time.”

⁵ Financial Feasibility Analysis of Two EIR Alternatives for Planned Mixed-Use Project at 333 La Cienega Boulevard, dated January 18, 2017, attached hereto as Exhibit D.

⁶ Analysis of Economic Impacts of Planned Mixed-Use Project at 333 La Cienega Boulevard, dated January 17, 2016, attached hereto as Exhibit E.

BWHA alleges that the Planning Director and Planning Commission abused their discretion when approving the off-menu incentive because the evidence does not support a finding that the increased FAR is needed to provide the affordable housing. BWHA states that the Applicant's pro forma, which is submitted for the purpose of aiding the decision-maker in determining whether a project is eligible for a density bonus, is not sufficient to support the Director's decision authorizing the off-menu incentive. The appellant misstates the LAMC requirements when alleging that the "evidence does not support a finding that the increased FAR" is needed to provide the affordable housing. (January 6 Comment Letter, p. 28.) The LAMC states that the "Director shall approve a Density Bonus and requested Incentive(s) unless the Director finds" that the "incentive is not required in order to provide for affordable housing costs." (LAMC § 12.22.A.25.g.2.i.) HR&A advisors prepared a financial feasibility analysis of the Project without the density bonus and concluded that only the scenario with the off-menu additional FAR incentive would be financially feasible. HR&A's analysis was independently peer-reviewed by RSG Inc., and that peer review agreed with the assumptions and findings incorporated in HR&A's analysis.⁷ Thus, the Planning Director and Planning Commission did not abuse their discretion in granting the off-menu incentive.

CRM Properties is proud of the support that the 333 S. La Cienega Project has received from the community, including the Neighborhood Council, residents, and business and community groups. We appreciate your time and consideration and look forward to presenting the Project to you.

Very truly yours,



George J. Mhlsten
of LATHAM & WATKINS LLP

Enclosures

cc: Luciralia Ibarra, Department of City Planning
Alejandro Huerta, Department of City Planning
Corinne Verdery, Caruso
Sam Garrison, Caruso

⁷ BWHA has questioned the land value assumed in these financial analyses. Attached please find a copy of the independent Appraisal Report prepared by Curtis-Rosenthal, Inc. that estimates the land value at \$47,600, 000, the amount assumed in the financial analyses, attached hereto as Exhibit F.

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January 16, 2017

Mr. Samuel Garrison
Vice President, Development
& Strategic Initiatives
Caruso
101 The Grove Drive
Los Angeles, CA 90036

Ms. Corinne Verdery
Executive Vice President, Development
Caruso
101 The Grove Drive
Los Angeles, CA 90036

Dear Mr. Garrison and Ms. Verdery,

Re: 333 South La Cienega Project – Responses to Peer Review.

This provides a response to the letter from The Rifkin Transportation Planning Group describing a peer review of the EIR Traffic Study for the 333 S. La Cienega Project. Although not clear from the letter, it appears to have been commissioned by the Beverly Wilshire Homes Association, which is appealing the project approvals. The Rifkin Letter has a number of material factual inaccuracies and is fundamentally incorrect.

The points raised in that letter are addressed below in the same sequence as the letter.

Introduction

The Mobility Group prepared a Traffic Study for the 333 S. La Cienega Project which was submitted to the Los Angeles Department of Transportation (LADOT) March 17, 2015 (incorrectly identified in the Rifkin Letter as March 17, 2016). The Traffic Study followed LADOT Traffic Study Guidelines and was conducted according to a Memorandum of Understanding (MOU) approved by LADOT dated November 26, 2014. The Traffic Study was approved by LADOT in a letter of April 1, 2015. Subsequently, based on a reduction in the size of the proposed project, The Mobility Group prepared a revised analysis dated October 2015, which was approved by LADOT in a letter of November 12, 2015. In January 2016, the Mobility Group prepared an analysis to horizon year 2019, which was approved by LADOT in a letter of February 11, 2016.

Response to Comment #1.

Mr. Rifkin contends that the level of service (LOS) calculations in the Traffic Study for the intersection of La Cienega & 3rd Street are incorrect. He contends that the opposing left turn

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phases operate separately and that in the standard LADOT evaluation sheet used to calculate LOS (CMS Sheet) a “code #3” should have been inserted to reflect this. He further contends this would result in a worse LOS than shown in the Traffic Study.

Mr. Rifkin has, however, misinterpreted the meaning of the “code #3” in the LADOT evaluation sheet. That code is intended to reflect “opposing/approach phasing” when the entire intersection approaches operate separately (e.g. first the entire northbound approach, then the entire southbound approach). This is not the case at this intersection where the north-south left turns operate in a “lead-lag” fashion – where, for example, the southbound left turns “lead” with concurrent green for the southbound through moves, followed by concurrent north-south movements in both directions with no left turns in either direction, followed by the “lag” northbound left turn with concurrent northbound through moves. Thus, while the left turns may operate separately, they operate concurrently with the through move in the same direction, and for a majority of the time the northbound and southbound through moves operate concurrently. The east-west turns at this intersection do operate concurrently, so Mr. Rifkin is incorrect on this point also. A site visit conducted the week of January 9, 2017, confirmed the signal operates as described in the response above and as analyzed in the Traffic Study, and not as Mr. Rifkin contends. It is therefore incorrect to apply the “code #3” in the calculation and to do so would lead to a gross overestimation of the LOS. Mr. Rifkin’s estimate of LOS E/F at this intersection is therefore incorrect. It should also be noted that even if Mr. Rifkin’s assumption regarding the operation of the intersection were correct and the LOS were E/F, the Project’s impact would not be considered significant because the change in volume to capacity ratio for the intersection operating condition with the Project would be below the City’s significant traffic impact threshold. The calculations shown in the Traffic Study, as approved by LADOT, are correct.

Response to Comment #2

Mr. Rifkin contends that the use of a trip rate for the supermarket in the Project is incorrect for what he refers to as a “high end/specialty food market”. The Traffic Study refers only to a supermarket per the Project Description. The applicant has consistently characterized this use as a neighborhood serving market and not a destination market or a high end specialty market.

Mr. Rifkin then contends that “. . . the trip generation rates for Land Use Category 850 in the Institution of Transportation Engineers Trip Generation Handbook represents an average market size of 56,000 sq. ft., which is totally different to the proposed Project market size of

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27,000 sq. ft.” However, the ITE data represents sixty-two (62) studies with market sizes ranging from 15,000 sq. ft. to 140,000 sq. ft., so the Proposed Project market (of 27,685 square feet) falls well within the range of the ITE data.

Mr. Rifkin then discusses trip rates from another study in Burbank that surveyed Whole Foods Markets at three locations and identified higher trip rates than the ITE rates. Notwithstanding the fact that the comparison is inappropriate for the reason already identified above, Mr. Rifkin’s discussion has many errors. His letter (page 2, third para) states that the survey of Whole Food markets identified a PM peak hour trip rate of 15.16 vehicles per 1,000 sq. ft. However, the backup information provided in Appendix A Table 1 to the Rifkin Letter identifies the average PM peak hour trip rate as 12.08 trips / 1,000 sq. ft. Mr. Rifkin has a math error in his calculation. Mr. Rifkin then provides an alternate calculation of trips generated by the Project in Attachment 5 and contends that the number of net peak hour trips could be 320 trips or 75% higher than in the Traffic Study. However, this calculation uses incorrect trip rates for the inbound, outbound, and total PM peak hour trips (7.58, 12.08, 15.16) that are not consistent with those shown in the backup information in Appendix A to the Rifkin Letter (5.91, 6.17, 12.08) upon which he purports to rely. Even assuming that the trip generation rates for the 3 Whole Foods Markets applied, which they do not, if the total PM peak hour trip rate of 12.08 trips for this land use set forth in Appendix A to the Rifkin Letter were applied, it would yield 216 net trips or 18% more than the Traffic Study, and not the 320 net trips and 75% higher than the Traffic Study estimated by Mr. Rifkin. (The attached shows Mr. Rifkin’s Attachment 5 with the calculations corrected to the rates in Appendix A to the Rifkin Letter in red.) Mr. Rifkin’s analysis, therefore, has a very large mathematical error which makes his conclusion incorrect and extremely misleading.

As stated earlier, the comparison to the trip generation rate based on the survey of the 3 Whole Foods is not valid as Mr. Rifkin assumes a land use type (specialty market) that is not identified in the EIR or by the applicant. Further, Mr. Rifkin’s discussion of trip rates is based on three survey locations whereas the ITE trip rates used in the Traffic Study are based on a total of 62 studies in the ITE data. The ITE trip rates used in the Traffic Study, as approved by LADOT, are appropriate for the proposed land use and based on a more extensive and reliable source.

Response to Comment #3

Mr. Rifkin contends that with the use of his (incorrect) method of calculating LOS at the La Cienega & 3rd Street intersection, and using the trip rate for a Whole Foods high

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end/specialty market, that there would be a significant impact at that intersection. However he provides no evidence or analysis that that would be the case. His conclusion is therefore speculative and as identified in the responses above to Comments #1 and Comment #2, is based on erroneous analysis and reasoning.

Response to Comment #4

This comment contends that impacts may occur on residential street segments to the east of the Project. It states that the minimum threshold for residential impacts would be the addition of 120 vehicles per hour. This is only partly true. LADOT's thresholds for significant impacts on local residential streets are outlined in LADOT's Traffic Study Policies and Procedures, and in the majority of cases are based on a percentage increase in daily traffic volumes, as shown in Table 1 below.

Table 1 Definition of Significant Impact Criteria for Local Streets

| A local residential street shall be deemed significantly impacted based on an increase in projected average daily traffic (ADT) volumes on the street as follows: | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| Projected Average Daily Traffic with Project (Final ADT) | Project-Related Increase in ADT |
| 0 to 999 | 120 trips or more |
| 1,000 to 1,999 | 12% or more of final ADT |
| 2,000 to 2,999 | 10% or more of final ADT |
| 3,000 or more | 8% or more of final ADT |

Source: LADOT

LADOT has established guidelines (LADOT *Traffic Study Policies and Procedures*) for analysis of local residential streets, and identify that local residential streets can potentially be impacted through increased vehicle trips if traffic uses local residential streets as cut-thru routes to by-pass a congested arterial roadway. The guidelines state that when selecting street segments for analysis, all of the following conditions must be present. The guidelines are listed below, along with a review of the applicability of each condition to the Proposed Project.

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Condition #1. The proposed project is a non-residential development and not a school.

The proposed Project has both residential and non-residential land uses. The majority of Project square footage is residential, although there are also trips from commercial uses.

Condition #2. The arterial is sufficiently congested, such that motorists traveling on the arterial may opt to divert to a parallel route through a residential street; the congestion level of the arterial is based on the estimated level of service (LOS) under project conditions of the study intersections; LOS E and F are considered to represent congested conditions.

The Traffic Study does not show LOS E or LOS F on the arterial street east of the Project (where the comment contends impacts may occur).

Condition #3. The local residential street(s) provide motorists with a viable alternative route.

As identified in the Traffic Study on page 48, and in Responses to Comments in the FEIR, there are no viable parallel routes through the neighborhood for traffic to divert to. Blackburn Avenue does not provide an access route either to or from the Project Site, as all westbound traffic on Blackburn (accessed via Orlando Avenue) at La Cienega must turn right and therefore cannot access the Project, and all eastbound traffic exiting the Project must turn right and cannot proceed eastbound on Blackburn. Fourth Street westbound (also accessed via Orlando Avenue) is a more circuitous and much slower route than 3rd Street due to a number of stops signs and the fact that any traffic turning right from Fourth Street onto La Cienega to access the Project would have to quickly merge across three lanes of traffic in a very short distance (a difficult maneuver) to reach the left turn lane to enter the Project. Southbound traffic on La Cienega cannot access Fourth Street eastbound because of the existing raised median on La Cienega. All these conditions exist today and would be continued with the Project. Neither Blackburn or Fourth Street are viable alternate routes.

Condition #4. The project is projected to add a significant amount of traffic to the congested arterial that can potentially shift to an alternative route; project traffic would need to exceed the daily minimum significance thresholds listed in Table 4.7 under "Project-Related Increase in ADT".

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Mr. Rifkin contends that “. . . if 10% of daily traffic from the Project diverted to an Orlando-Blackburn or 4th Street route, that the impact would be 195 vehicles per day – significantly above the 120 vehicles per day threshold”. In addition to the above explanation that these are not viable diversion routes to the Project, the math in the comment is incorrect. The EIR Traffic Study estimates that 15% of trips would be distributed to the east of the Project (see also response to Comment #5). This represents approximately 290 daily trips. Not all of these would use 3rd Street as they would also use Beverly Boulevard, Wilshire Boulevard and Olympic Boulevard. The Traffic Study estimated that approximately 190 daily trips would use 3rd Street. Hypothetically, if half of those diverted to Blackburn Avenue (a very high hypothetical assumption) that would be 95 daily trips. The daily traffic volume on Blackburn is approximately 1,100 daily trips. Adding 95 trips would increase the total to 1,195 trips and the hypothetical Project –related increase would be approximately 8%. As shown in Table 1 above, this would be below the threshold of 12% of final daily traffic volumes for a street with volumes of 1,000 to 1,999 daily vehicles. So even in this hypothetical example there would be no significant impact. This condition does not apply to the Project however, as there are no viable alternate routes through the neighborhood, and hypothetically if there were Mr. Rifkin’s math is incorrect and potential trips would not cause a significant impact according to LADOT criteria.

In summary, of the four conditions only one is potentially applicable. Notwithstanding that fact, a hypothetical analysis demonstrated that the numbers in Mr. Rifkin’s letter are in error and that under a hypothetical scenario in which the conditions apply there would be no significant traffic impact on local neighborhood streets.

Response to Comment #5

This comment states that with regard to the applicant’s offer to assist in the installation of a bus transit shelter for the Rapid Bus Line stop at La Cienega Boulevard, and to install a pedestrian traffic signal and cross walk across Blackburn Avenue, there are no supporting conditions of approval that would compel the applicant to follow through on these measures. Condition Q.A.1.(x) included in the City Planning Commission’s Letter of Determination dated November 18, 2016 (Case CPC-2015-896-GPA-VZC –HD-MCUP-ZV-DB-SPR), provides the “[t]he applicant shall coordinate with Los Angeles County Metropolitan Transportation Authority (Metro) to install a new bus shelter with a shade structure along La Cienega Boulevard north of San Vicente Boulevard with amenities such as phone charging stations, wi-fi access and a real time information display.” Condition (Q)A.1 also provides that the project shall be in substantial conformance with the plans and materials in “Exhibit A”. “Exhibit A” details, among other things, the project Public Improvements, which

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includes enhanced crosswalks and a new pedestrian signalized crossing at Blackburn Avenue.

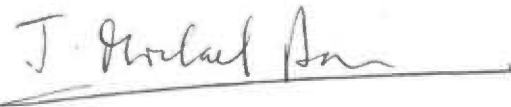
Response to Comment #6

This comment questions the geographic distribution of Project trips. The trip distribution in the Traffic Study was estimated based on our professional judgment using standard methods commonly used by traffic engineers in conducting traffic studies and as stated in the EIR Traffic Study was based on the types of land uses in the Project, considerations of surrounding land uses and densities and the related likely origins and destinations of Project residents and visitors, and the characteristics of the street system in the area of the Project. The trip distribution was approved by LADOT.

Summary

In conclusion, our review of Mr. Rifkin's letter has found many comments to be in error, including mathematical errors and inaccuracies or to be not relevant to the Traffic Study for this Project. In addition, there are errors in the supporting documentation to the letter. The EIR Traffic Study was prepared in accordance with LADOT guidelines using standard traffic engineering principles. The professional experience of Matthew Simons, the Project Manager of the Traffic Study, is attached. The Traffic Study followed an approved MOU, applied the correct methodologies and calculations, and was reviewed and approved by LADOT. After considering Mr. Rifkin's comments, there is no need to revise any of the Traffic Study analysis or report and there is no change to the conclusions in the Traffic Study.

Sincerely,
The Mobility Group



J. Michael Bates
Principal

ATTACHMENT 5
Comparative PM Peak Hour Trip Generation Analysis – Amended Project
(Edits in red reflect trip rates in attachment to Rifkin Letter.)

rpg 1-4-17

Trip Generation Analysis

333 S. LA CIENEGA
Revised Project
Modified Super Market

SOURCE: ITE - TRIP GENERATION MANUAL - 9TH EDITION

PM Peak

| Land Use Assumptions | Source & Code | Quantity | Units | PM Peak Hour | | | | | |
|------------------------------|---------------|----------|-------|--------------|------|-------|-------------|-----|-------|
| | | | | Trip Rate | | | Total Trips | | |
| | | | | In | Out | Total | In | Out | Total |
| EXISTING USES | | | | | | | | | |
| Department Store | ITE 875 | 47,676 | SF | 0.85 | 0.92 | 1.87 | -45 | -44 | -89 |
| Transit/Walk Reduction - 15% | | | | | | | 7 | 7 | 13 |
| Pass-by Reduction - 50% | | | | | | | 19 | 19 | 38 |
| | | | | | | | -19 | -19 | -38 |
| TOTAL EXISTING | | | | | | | -19 | -19 | -38 |
| PROPOSED USES | | | | | | | | | |
| Apartments | ITE 220 | 145 | DU | 0.40 | 0.22 | 0.62 | 60 | 29 | 90 |
| Transit/Walk Reduction - 15% | | | | | | | -9 | -4 | -13 |
| NET RESIDENTIAL | | | | | | | 50 | 26 | 76 |
| Super Market | see NOTE | 27,425 | SF | 5.91 | 6.17 | 12.08 | 162 | 169 | 331 |
| Internal Trip Reduction - 5% | | | | | | | -8 | -9 | -17 |
| Transit/Walk Reduction - 15% | | | | | | | -23 | -24 | -47 |
| Pass-by Reduction - 40% | | | | | | | -53 | -54 | -107 |
| NET SUPERMARKET | | | | | | | 78 | 82 | 160 |
| Restaurant | ITE 931 | 3,370 | SF | 5.02 | 2.47 | 7.49 | 17 | 8 | 25 |
| Internal Trip Reduction - 5% | | | | | | | -1 | 0 | -1 |
| Transit/Walk Reduction - 15% | | | | | | | -2 | -1 | -4 |
| Pass-by Reduction - 10% | | | | | | | -1 | -1 | -2 |
| NET RESTAURANT | | | | | | | 11 | 7 | 18 |
| TOTAL PROPOSED | | | | | | | 139 | 115 | 254 |
| TOTAL NET | | | | | | | 120 | 96 | 216 |

Note: PM Peak hour Supermarket rates from City of Burbank
- based on average of 3 So Calif Whole Foods Mkts

increase over previous trip assignments

DEIR SCENARIO

| | | |
|------------------------|----|-----|
| 114 | 77 | 191 |
| adjustment factor 1.11 | | |

REVISED ALTERNATIVE

| | | |
|------------------------|----|-----|
| 107 | 76 | 183 |
| adjustment factor 1.18 | | |

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

August 16, 2016

TO: Vincent P. Bertoni, Director of Planning
Department of City Planning
Attention: Darlene Navarrete

FROM: Fire Department

SUBJECT: **TRACT MAP NO. 74131 (333 S. La Cienga Blvd.)**

Submit plot plans for Fire Department approval and review prior to recordation of Tract Map Action.

RECOMMENDATIONS:

Access for Fire Department apparatus and personnel to and into all structures shall be required.

Where above ground floors are used for residential purposes, the access requirement shall be interpreted as being the horizontal travel distance from the street, driveway, alley, or designated fire lane to the main entrance of individual units.

The entrance or exit of all ground dwelling units shall not be more than 150 feet from the edge of a roadway of an improved street, access road, or designated fire lane.

No building or portion of a building shall be constructed more than 150 feet from the edge of a roadway of an improved street, access road, or designated fire lane.

The Fire Department may require additional vehicular access where buildings exceed 28 feet in height.

L.A.M.C. 57.09.03.B Exception:

- When this exception is applied to a fully fire sprinklered residential building equipped with a wet standpipe outlet inside an exit stairway with at least a 2 hour rating the distance from the wet standpipe outlet in the stairway to the entry door of any dwelling unit or guest room shall not exceed 150 feet of horizontal travel AND the distance from the edge of the roadway of an improved street or approved fire lane to the door into the same exit stairway directly from outside the building shall not exceed 150 feet of horizontal travel.
- It is the intent of this policy that in no case will the maximum travel distance exceed 150 feet inside the structure and 150 feet outside the structure. The term "horizontal travel" refers to the actual path of travel to be taken by a person responding to an emergency in the building.
- This policy does not apply to single-family dwellings or to non-residential buildings.

Building designs for multi-storied residential buildings shall incorporate at least one access stairwell off the main lobby of the building; But, in no case greater than 150ft horizontal travel distance from the edge of the public street, private street or Fire Lane. This stairwell shall extend unto the roof.

Entrance to the main lobby shall be located off the address side of the building.

Any required Fire Annunciator panel or Fire Control Room shall be located within 50ft visual line of site of the main entrance stairwell or to the satisfaction of the Fire Department.

Fire lane width shall not be less than 20 feet. When a fire lane must accommodate the operation of Fire Department aerial ladder apparatus or where fire hydrants are installed, those portions shall not be less than 28 feet in width.

Any roof elevation changes in excess of 3 feet may require the installation of ships ladders.

The Fire Department may require additional roof access via parapet access roof ladders where buildings exceed 28 feet in height, and when overhead wires or other obstructions block aerial ladder access.

Adequate public and private fire hydrants shall be required.

HELIPADS ON HIGHRISE BUILDINGS

Recently, the Los Angeles Fire Department (LAFD) modified Fire Prevention Bureau (FPB) **Requirement 10**. Helicopter landing pads are still required on all High-Rise buildings in the City. However, FPB's **Requirement 10** has been revised to provide two new alternatives to a full FAA-approved helicopter landing pad.

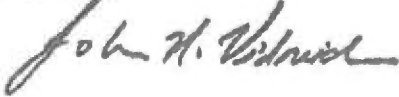
FPB #105 SECTION 510 EMERGENCY RESPONDER RADIO COVERAGE

5101.1 Emergency responder radio coverage in new buildings. All new buildings shall have approved radio coverage for emergency responders within the building based upon the existing coverage levels of the public safety communication systems of the jurisdiction at the exterior of the building. This section shall not require improvement of the existing public safety communication systems.

The applicant is further advised that all subsequent contact regarding these conditions must be with the Hydrant and Access Unit. This would include clarification, verification of condition compliance and plans or building permit applications, etc., and shall be accomplished BY APPOINTMENT ONLY, in order to assure that you receive service with a minimum amount of waiting please call (213) 482-6504. You should advise any consultant representing you of this requirement as well.

Darlene Navarrete
August 16, 2016
Page | 3

RALPH M. TERRAZAS
Fire Chief

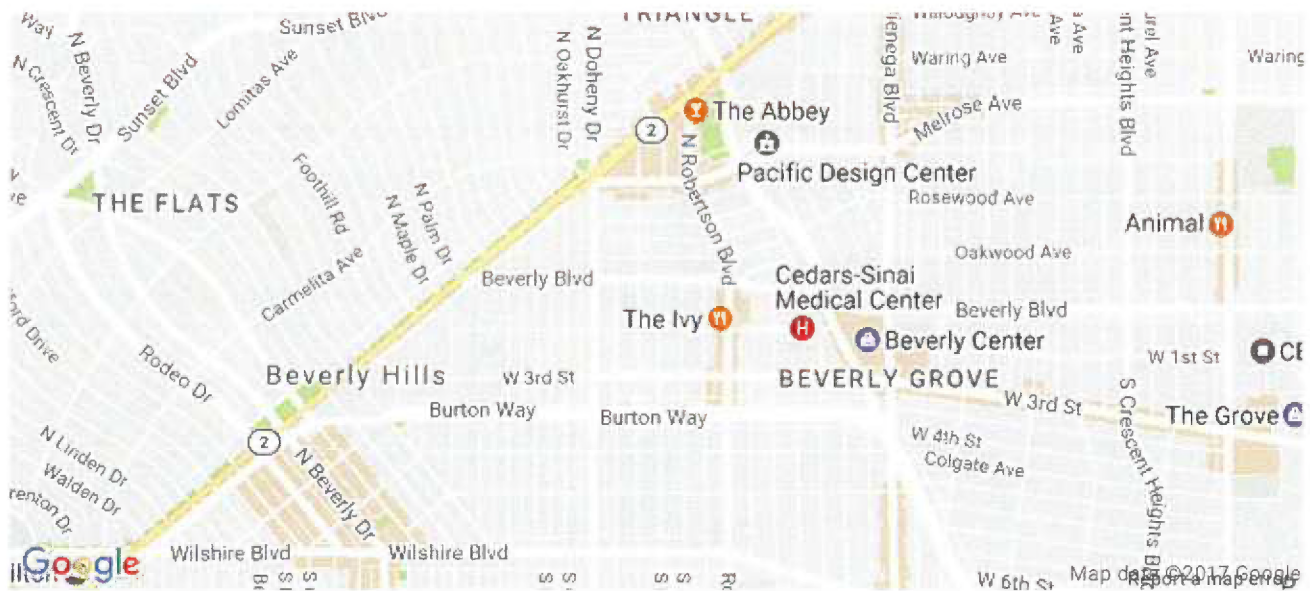
A handwritten signature in black ink, appearing to read "John N. Vidovich". The signature is fluid and cursive, with the first name "John" being the most prominent part.

John N. Vidovich, Fire Marshal
Bureau of Fire Prevention and Public Safety

JNV:RED:red
TR#74131
Map No. 138-171



THE LOS ANGELES FIRE DEPARTMENT



| NON EMS | EMS |
|------------------------------------------------------|-----|
| TURN OUT | |
| 00 MINS 59 SECS | |
| TRAVEL | |
| 04 MINS 43 SECS | |
| NUMBER OF INCIDENTS | |
| 6313 | |
| STATION 61 RESPONSE METRICS, JANUARY - DECEMBER 2016 | |

FireStatLA^{beta}

ENTER AN ADDRESS

address / cross street / zip code

or search by

COMMUNITY

or

FIRE STATION

and

YEAR

To see response metrics specific to a particular fire station, enter an address or choose a community or fire station.

GO

STATION 61 RESPONSE METRICS FOR 2016

January - December 2016

| AVERAGE TURN OUT TIME IN DISTRICT | | |
|--------------------------------------|-----------|-----------|
| | Non EMS | EMS |
| Month | Mins:Secs | Mins:Secs |
| Jan | 01:11 | 01:10 |
| Feb | 01:01 | 01:09 |
| Mar | 01:03 | 01:04 |
| Apr | 00:59 | 01:05 |
| May | 01:00 | 01:00 |
| Jun | 00:51 | 00:51 |
| Jul | 00:56 | 00:59 |
| Aug | 00:57 | 00:57 |
| Sep | 00:52 | 00:55 |
| Oct | 00:46 | 00:51 |
| Nov | 00:54 | 00:51 |
| Dec | 00:53 | 00:54 |
| Overall | 00:57 | 00:59 |

| AVERAGE TRAVEL TIME IN DISTRICT | | |
|------------------------------------|-----------|-----------|
| | Non EMS | EMS |
| Month | Mins:Secs | Mins:Secs |
| Jan | 03:56 | 04:22 |

| | | |
|---------|-------|-------|
| Feb | 03:37 | 04:21 |
| Mar | 04:02 | 04:42 |
| Apr | 03:59 | 04:43 |
| May | 03:40 | 04:44 |
| Jun | 04:36 | 04:45 |
| Jul | 04:20 | 04:58 |
| Aug | 04:31 | 04:45 |
| Sep | 04:06 | 04:50 |
| Oct | 04:27 | 04:52 |
| Nov | 04:36 | 04:46 |
| Dec | 04:27 | 04:45 |
| Overall | 04:13 | 04:43 |

| INCIDENT COUNT IN DISTRICT | | |
|-------------------------------|---------|-----|
| | Non EMS | EMS |
| Month | | |
| Jan | 138 | 535 |
| Feb | 99 | 507 |
| Mar | 105 | 540 |
| Apr | 99 | 493 |
| May | 107 | 556 |
| Jun | 138 | 513 |
| Jul | 109 | 580 |
| Aug | 116 | 545 |
| Sep | 117 | 517 |
| Oct | 125 | 509 |

| | | |
|---------|------|------|
| Nov | 125 | 497 |
| Dec | 128 | 521 |
| Overall | 1406 | 6313 |

[How We Calculate Results](#)
[LA City Open Data Website](#)



Analyze. Advise. Act.

700 South Flower Street, Suite 2995, Los Angeles, CA 90017

T: 310-581-0900 | F: 310-581-0910 | www.hraadvisors.com

MEMORANDUM

To: Corinne Verdery and Sam Garrison, Caruso

From: HR&A Advisors, Inc.

Date: January 18, 2016

Re: **Financial Feasibility Analysis of Two EIR Alternatives for the Planned Mixed-Use Project at 333 S. La Cienega Boulevard**

HR&A Advisors, Inc. ("HR&A") has completed a financial feasibility analysis for two alternative development concepts that were analyzed in the Environmental Impact Report (EIR) for the multi-family/retail development proposed by Caruso at 333 S. La Cienega Boulevard in the City of Los Angeles ("City"). Based on the analysis summarized below, and supported by the calculation detail in Attachment A to this memo, we conclude that, with respect to the two EIR alternatives:

- **The Alternative 2, Option 2 – "Existing Zoning Alternative" with 40 market rate units and ground floor medical office space, pursuant to existing zoning would not be financially feasible.** This is because: (1) the return on total development cost falls below a minimum threshold that we believe would be required to attract investment capital to finance this development scenario (i.e., 2.6% vs. 5.5%); and (2) it yields a negative developer profit margin; and
- **The Alternative 3 - "Reduced Density Alternative" development scenario with 87 market rate units and 20,000 square feet of ground floor retail space pursuant to a General Plan Amendment, also would not be financially feasible.** This is because (1) the return on total development cost again falls below the minimum threshold (i.e., 4.2% vs. 4.9%) for this development scenario; and (2) so does the minimum acceptable profit margin (i.e., 4.5% vs. 12.5%).

Our analysis utilizes a financial feasibility modeling approach for each EIR alternative that includes analysis of all development costs (i.e., land value, construction hard costs, "soft" costs and financing costs), net operating income (i.e., income from apartments and retail minus their respective operating costs), gross and net capitalized project value, and two measures of developer return on investment. In our experience, a development project must meet or exceed both measures of investment return to be considered by a reasonably prudent property owner or developer to be financially feasible.

The two measures of investment return which are used to determine financial feasibility are: (1) return on total development cost; and (2) developer profit margin. HR&A has utilized minimum

thresholds for each of these return measures based on our review of recent sales transactions and third-party real estate data for the Los Angeles area, and our experience and professional judgement. Both thresholds are widely used in the Los Angeles market and have been accepted by City decision makers. The minimum financial feasibility threshold for return on total development cost was set at one percentage point more than the applicable income capitalization (or "cap") rate (i.e., 4.5% for Alternative 2, Option 2 and 3.9% for Alternative 3) for new development at this location, and accounts for the spread between the prevailing cap rate for existing development and the level of investment yield required for new development in the Los Angeles real estate market. Cap rates were based on HR&A's analysis of sales since the third quarter of 2013 for newly constructed buildings within an approximately two-mile radius of the project, and were weighted based on each development scenario's land use mix. Our analysis shows that the return on total development cost for both EIR alternatives falls below the minimum acceptable thresholds.

The minimum financial feasibility threshold for developer profit margin was set at 12.5 percent, based on HR&A's experience and prevailing real estate analysis practice in the Los Angeles market. After using the cap rate to estimate the value of this development at stabilized operation, and then deducting costs of sale and total development costs, the resulting developer profit was compared with the net after-sale value. In the case of Alternative 2, Option 2, the total development costs exceeded the net after-sale value and produced a negative developer profit margin; in the case of Alternative 3, the ratio of developer profit to net after-sale value produced a profit margin of 4.5 percent, which is below the minimum threshold of 12.5 percent.

Therefore, because neither alternative meets or exceeds the minimum investment return thresholds, we conclude that neither alternative is financially feasible.¹

The details of our financial feasibility analysis for each alternative are included in Attachment A to this memo. HR&A relied on generally accepted third-party data sources and our own expertise. Sources for all assumptions are included in Attachment A.

We can be available to answer any questions about this analysis as needed.

Attachment A:

1. Financial Feasibility, EIR Alternative 2, 1.5 FAR Scenario
2. Financial Feasibility, Reduced Density, 2.7 FAR Scenario, Pursuant to a General Plan Amendment

¹ Income capitalization ("cap") rates in the Los Angeles real estate market have risen in recent months and are expected to continue rising during 2017 in response to changing economic circumstances, inflation, and a rising interest rate environment, among other factors. HR&A's analysis does not take into account either recent or anticipated increases in cap rates. Higher cap rates would increase the minimum investment return thresholds required to attract investment capital.

Attachment A

333 S. La Cienega Blvd

1. Financial Feasibility, EIR Alternative 2 Scenario

| | Per Unit | Total |
|----------------------------------------|----------|--------|
| Development Program¹ | | |
| Land Area (sf) | 1,255 | 50,216 |
| Gross Building Area (GSF) | 1,900 | 76,000 |
| Achieved FAR (based on GSF) | | 1.5 |
| Rentable Area - Residential (NSF) | 1,020 | 40,800 |
| Rentable Area - Commercial (NSF) | | 20,000 |
| Building Efficiency | | 80.0% |
| Apartments | | |
| Market Rate | | 40 |
| Affordable | | - |
| Total Units | | 40 |
| Subterranean Parking | | 130 |
| Levels | | 2 |
| Structured Parking | | - |
| Levels | | - |
| Total Parking | | 130 |

| Unit Mix¹ | Number | Net Rentable SF | Mo. Rent/NRSF | Mo. Rent | Total Mo. Rent |
|-----------------------------|--------|-----------------|---------------|----------|----------------|
| Market Rate ² | | | | | |
| 1 Bedroom | 18 | 800 | \$3.70 | \$2,960 | \$ 53,280 |
| 2 Bedroom | 22 | 1,200 | \$3.10 | \$3,720 | \$ 81,840 |
| | 40 | | | | \$ 135,120 |

| Land | Per Land SF | Per Unit | Total |
|----------------------|-------------|--------------|---------------|
| Land Acquisition* | \$ 947.91 | \$ 1,190,000 | \$ 47,600,000 |
| Subtotal Land | \$ 947.91 | \$ 1,190,000 | \$ 47,600,000 |

| Construction | Number of Spaces | Per Bldg. GSF | Per Unit/Space | Total |
|---------------------------------------------------------------|------------------|---------------|----------------|---------------|
| Hard Construction-Buildings ⁵ | | \$ 152 | \$ 288,800 | \$ 11,552,000 |
| Hard Construction-Structured Parking (per space) ⁵ | - | | \$ - | \$ - |
| Hard Construction-Subt. Parking (per space) ⁵ | 130 | | \$ 50,898 | \$ 6,616,740 |
| Hard Construction-Off Site Community Benefits ¹ | | | \$ - | \$ - |
| Tenant Improvements Allowance (x Retail NSF) ⁶ | | \$50 | \$ 13 | \$ 1,000,000 |
| Hard Cost Contingency (x Subtotal) ⁵ | | 5% | \$ 13 | \$ 23,961 |
| Subtotal Construction | | \$ 265 | \$ 503,179 | \$ 20,127,177 |

| Soft Costs⁶ | | | | | |
|----------------------------------------------------------|-------|----------|------------|----|-----------|
| Design, Engineering & Consulting Services (x Hard Costs) | 8.0% | \$ 21.19 | \$ 40,254 | \$ | 1,610,174 |
| Permits & Fees (x Hard Costs) | 4.0% | \$ 10.59 | \$ 20,127 | \$ | 805,087 |
| Taxes, Insurance, Legal & Accounting (x Hard Costs) | 5.0% | \$ 13.24 | \$ 25,159 | \$ | 1,006,359 |
| Development Management (x Hard Costs) | 4.0% | \$ 10.59 | \$ 20,127 | \$ | 805,087 |
| Soft Cost Contingency (x Subtotal) ⁵ | 3.0% | \$ 1.67 | \$ 3,170 | \$ | 126,801 |
| Subtotal Soft Costs | 24.0% | \$ 57.28 | \$ 108,838 | \$ | 4,353,508 |

| Construction Financing Costs⁶ | | Per GSF | Per Unit | Total |
|-------------------------------------------------|---------------|-------------|--------------|---------------|
| Land + Hard Costs + Soft Costs | \$ 72,080,685 | | | |
| Loan to Cost Ratio | 70% | | | |
| Construction Loan Principal | \$ 50,456,480 | | | |
| Loan Fees (%) | 1.5% | \$ 9.96 | \$ 18,921 | \$ 756,847 |
| Interest Rate | 6.00% | | | |
| Outstanding Principal Balance | 60% | | | |
| Term (years) | 2 | | | |
| Construction Period (months) | 24 | | | |
| Construction Loan Interest | | \$ 47.80 | \$ 90,822 | \$ 3,632,867 |
| Permanent Loan Points | 1.0% | \$ 6.64 | \$ 12,614 | \$ 504,565 |
| Subtotal Construction Loan | | \$ 64.40 | \$ 122,357 | \$ 4,894,279 |
| Total Development Cost (TDC) | | \$ 1,012.83 | \$ 1,924,374 | \$ 76,974,964 |

Net Operating Income

| | Per Unit/Mo. | Per NSF/Unit/Mo. | Annual |
|--------------------------------------------------------|------------------|---------------------|--------------|
| Gross Apartment Rental Income | | | |
| Market Rate Apartments ² | \$ 3,378 | \$ 3.31 | \$ 1,621,440 |
| Miscellaneous Revenue ⁶ | \$ 50 | \$ 0.05 | \$ 24,000 |
| Gross Income | \$ 3,428 | \$ 3.36 | \$ 1,645,440 |
| Less: Vacancy Allowance ⁶ | 5.0% \$ (171) | \$ (0.00) | \$ (82,272) |
| Effective Gross Income (EGI) | \$ 3,257 | \$ 3.36 | \$ 1,563,168 |
| Less: Annual Operating Expenses (x EGI) ⁶ | 35.0% \$ (1,140) | \$ (1.12) | \$ (547,109) |
| Less: Replacement Reserve (per unit/year) ⁶ | \$250 \$ (21) | \$ (0.02) | \$ (10,000) |
| Net Apartment Income | \$ 2,096 | \$ 2.22 | \$ 1,006,059 |

Gross Medical Office Rental Income (NNN)²

Less: Vacancy Allowance (x Gross Income)

Effective Gross Income (EGI)

Less: Management Fee (x EGI)⁶

Net Commercial Income

| | Per NSF/Mo. | Annual |
|------|-------------|--------------|
| | \$ 4.50 | \$ 1,080,000 |
| 5.0% | \$ (0.23) | \$ (54,000) |
| | \$ 4.28 | \$ 1,026,000 |
| 3% | \$ (0.13) | \$ (30,780) |
| | \$ 4.15 | \$ 995,220 |

Net Operating Income (NOI)**\$ 2.19 \$ 2,001,279****Feasibility**

Return on Total Development Cost

Net Operating Income (from above)

Total Development Cost (from above)

Return on Cost (NOI / TDC)

Feasible?(Minimum = Cap Rate + 1.00% = 5.5%)⁶

\$ 2,001,279

\$ 76,974,964

2.6%**NO**

Developer Profit Margin

Net Operating Income (from above)

Cap Rate⁷

Project Value (NOI x Cap Rate)

Less: Cost of Sale⁶

Net Project Sale Value

Less: Total Development Cost (from above)

Developer Profit Margin

% x Net Project Sale Value

Feasible?(Minimum = 12.5%)⁶

\$ 2,001,279

4.5%

\$ 44,472,871

3.0%

\$ (1,334,186)

\$ 43,138,685

\$ (76,974,964)

\$ (33,836,279)

-78.4%**NO****SOURCES & NOTES:**¹ Caruso.² HR&A, based on review of market comps for similarly scaled, newly constructed apartments with retail and a moderate set of amenities, in and near Beverly Grove.³ Reserved⁴ Per an independent appraisal commissioned by Caruso.⁵ HR&A estimate of weighted average retail and residential costs based on Marshall & Swift Cost Estimator software, December 2016 data for LA area. Includes demolition and site work; factored to remove soft costs listed separately. Parking costs estimated on a per square ft basis; parking square footage provided by Caruso.⁶ HR&A assumptions typical for this type of project and/or calculations.⁷ Based on HR&A review of third party data sources (e.g., CoStar sale records of new construction in and near Beverly Grove.)

Prepared by: HR&A Advisors, Inc.

Attachment A

333 S. La Cienega Blvd

2. Financial Feasibility, Reduced Density Scenario

| | Per Unit | Total |
|----------------------------------------|----------|---------|
| Development Program¹ | | |
| Land Area (sf) | 577 | 50,216 |
| Gross Building Area (GSF) | 1,569 | 136,500 |
| Achieved FAR (based on GSF) | | 2.7 |
| Rentable Area - Residential (NSF) | 1,025 | 89,200 |
| Rentable Area - Commercial (NSF) | | 20,000 |
| Building Efficiency | | 80.0% |
| Apartments | | |
| Market Rate | | 87 |
| Total Units | | 87 |
| Subterranean Parking | | 108 |
| Levels | | 2 |
| Structured Parking | | 108 |
| Levels | | 2 |
| Total Parking | | 216 |

| Unit Mix ¹ | Number | Net Rentable SF | Mo. Rent/NRSF | Mo. Rent | Total Mo. Rent |
|--------------------------|--------|-----------------|---------------|----------|----------------|
| Market Rate ² | | | | | |
| 1 Bedroom | 38 | 800 | \$6.30 | \$5,040 | \$ 191,520 |
| 2 Bedroom | 49 | 1,200 | \$5.50 | \$6,600 | \$ 323,400 |
| | 87 | | | | \$ 514,920 |

| Land | Per Land SF | Per Unit | Total |
|----------------------|-------------|------------|---------------|
| Land Acquisition* | \$ 947.91 | \$ 547,126 | \$ 47,600,000 |
| Subtotal Land | \$ 947.91 | \$ 547,126 | \$ 47,600,000 |

| Construction | Number of Spaces | Per Bldg. GSF | Per Unit/Space | Total |
|-------------------------------------------------------------------|------------------|---------------|----------------|---------------|
| Hard Construction-Buildings ⁵ | | \$ 252 | \$ 395,379 | \$ 34,398,000 |
| Hard Construction-Structured Parking (per space) ⁵ | 108 | | \$ 35,600 | \$ 3,844,800 |
| Hard Construction-Subt. Parking (per space) ⁵ | 108 | | \$ 50,898 | \$ 5,496,984 |
| Hard Construction-Off Site Community Benefits ¹ | | | | \$ - |
| Tenant Improvements Allowance (x Medical Office NSF) ⁶ | | \$50 | \$ 7 | \$ 1,000,000 |
| Hard Cost Contingency (x Subtotal) ⁵ | | 5% | \$ 16 | \$ 2,236,989 |
| Subtotal Construction | | \$ 344 | \$ 539,963 | \$ 46,976,773 |

| Soft Costs ⁵ | | | | |
|----------------------------------------------------------|-------|----------|------------|---------------|
| Design, Engineering & Consulting Services (x Hard Costs) | 8.0% | \$ 27.53 | \$ 43,197 | \$ 3,758,142 |
| Permits & Fees (x Hard Costs) | 4.0% | \$ 13.77 | \$ 21,599 | \$ 1,879,071 |
| Taxes, Insurance, Legal & Accounting (x Hard Costs) | 5.0% | \$ 17.21 | \$ 26,998 | \$ 2,348,839 |
| Development Management (x Hard Costs) | 4.0% | \$ 13.77 | \$ 21,599 | \$ 1,879,071 |
| Soft Cost Contingency (x Subtotal) ⁵ | 3.0% | \$ 2.17 | \$ 3,402 | \$ 295,954 |
| Subtotal Soft Costs | 24.0% | \$ 74.44 | \$ 116,794 | \$ 10,161,076 |

| Construction Financing Costs ⁶ | | Per GSF | Per Unit | Total |
|-------------------------------------------|----------------|-----------|--------------|----------------|
| Land + Hard Costs + Soft Costs | \$ 104,737,849 | | | |
| Loan to Cost Ratio | 70% | | | |
| Construction Loan Principal | \$ 73,316,494 | | | |
| Loan Fees (%) | 1.5% | \$ 8.06 | \$ 12,641 | \$ 1,099,747 |
| Interest Rate | 6.00% | | | |
| Outstanding Principal Balance | 60% | | | |
| Term (years) | 2 | | | |
| Construction Period (months) | 24 | | | |
| Construction Loan Interest | | \$ 38.67 | \$ 60,676 | \$ 5,278,788 |
| Permanent Loan Points | 1.0% | \$ 5.37 | \$ 8,427 | \$ 733,165 |
| Subtotal Construction Loan | | \$ 52.10 | \$ 81,744 | \$ 7,111,700 |
| Total Development Cost (TDC) | | \$ 819.41 | \$ 1,285,627 | \$ 111,849,549 |

Net Operating Income

| | Per Unit/Mo. | Per NSF/Unit/Mo. | Annual |
|--------------------------------------------------------|------------------|---------------------|----------------|
| Gross Apartment Rental Income | | | |
| Market Rate Apartments ² | \$ 5,919 | \$ 5.77 | \$ 6,179,040 |
| Miscellaneous Revenue ⁶ | \$ 50 | \$ 0.05 | \$ 52,200 |
| Gross Income | \$ 5,969 | \$ 5.82 | \$ 6,231,240 |
| Less: Vacancy Allowance ⁶ | 5.0% \$ (298) | \$ (0.00) | \$ (311,562) |
| Effective Gross Income (EGI) | \$ 5,670 | \$ 5.82 | \$ 5,919,678 |
| Less: Annual Operating Expenses (x EGI) ⁶ | 35.0% \$ (1,985) | \$ (1.94) | \$ (2,071,887) |
| Less: Replacement Reserve (per unit/year) ⁶ | \$250 \$ (21) | \$ (0.02) | \$ (21,750) |
| Net Apartment Income | \$ 3,665 | \$ 3.86 | \$ 3,826,041 |

| | | Per NSF/Mo. | Annual |
|-----------------------------------------------|------|----------------|---------------------|
| Gross Retail Rental Income (NNN) ² | | \$ 4.00 | \$ 960,000 |
| Less: Vacancy Allowance (x Gross Income) | 5.0% | \$ (0.20) | \$ (48,000) |
| Effective Gross Income (EGI) | | \$ 3.80 | \$ 912,000 |
| Less: Management Fee (x EGI) ⁶ | 3% | \$ (0.11) | \$ (27,360) |
| Net Commercial Income | | \$ 3.69 | \$ 884,640 |
| Net Operating Income (NOI) | | \$ 2.88 | \$ 4,710,681 |

Feasibility

| | | |
|--------------------------------------------------|--|----------------|
| Return on Total Development Cost | | |
| Net Operating Income (from above) | | \$ 4,710,681 |
| Total Development Cost (from above) | | \$ 111,849,549 |
| Return on Cost (NOI / TDC) | | 4.2% |
| Feasible? | | NO |
| (Minimum = Cap Rate + 1.00% = 4.9%) ⁶ | | |

| | | |
|-------------------------------------------|------|------------------|
| Developer Profit Margin | | |
| Net Operating Income (from above) | | \$ 4,710,681 |
| Cap Rate ⁷ | 3.9% | |
| Project Value (NOI x Cap Rate) | | \$ 120,786,685 |
| Less: Cost of Sale ⁶ | 3.0% | \$ (3,623,601) |
| Net Project Sale Value | | \$ 117,163,084 |
| Less: Total Development Cost (from above) | | \$ (111,849,549) |
| Developer Profit Margin | | \$ 5,313,535 |
| % x Net Project Sale Value | | 4.5% |
| Feasible? | | NO |
| (Minimum = 12.5%) ⁶ | | |

SOURCES & NOTES:

- ¹ Caruso.
- ² HR&A, based on review of market comps for high-end new construction apartments with retail in prime submarket areas and an analysis of rent premiums associated with highly-amenitized, luxury buildings.
- ³ Reserved
- ⁴ Per an independent appraisal commissioned by Caruso.
- ⁵ HR&A estimate of weighted average retail and residential costs based on Marshall & Swift Cost Estimator software, December 2016 data for LA area. Includes demolition and site work; factored to remove soft costs listed separately. Parking costs estimated on a per square ft basis; parking square footage provided by Caruso.
- ⁶ HR&A assumptions typical for this type of project and/or calculations.
- ⁷ Based on HR&A review of third party data sources (e.g., CoStar sale records of high-end new construction in and near Beverly Grove.)

Prepared by: HR&A Advisors, Inc.



Analyze. Advise. Act.

700 South Flower Street, Suite 2995, Los Angeles, CA 90017
T: 310-581-0900 | F: 310-581-0910 | www.hraadvisors.com

MEMORANDUM

To: Corinne Verdery and Sam Garrison, Caruso

From: HR&A Advisors, Inc.

Date: January 17, 2016

Re: **Analysis of Economic Impacts of the Planned Mixed-Use Project at 333 S. La Cienega Boulevard**

HR&A Advisors, Inc. ("HR&A") has completed an analysis of the general economic impacts that the proposed mixed-use development at 333 S. La Cienega Boulevard ("Project") will have on the economy of the City of Los Angeles ("Los Angeles" or "City"). The economic impacts are presented in gross Project terms and net of the operation of the previous ground level department store space ("Existing Site"). Table 1 provides a summary of the economic impacts of Project buildout construction; Table 2 provides a summary of the annual economic impacts of the completed Project at stabilized operation of the residential and retail uses. These results are also summarized in text form on the following page. Attachment A provides supporting calculations used in preparing the economic impact analyses, and more detailed analysis results by industry sector.

Inputs into the economic impact calculation models are based on high-level estimates of construction costs determined by HR&A. Operational data was provided by Caruso, with some additional assumptions developed by HR&A, including residential spending assumptions which are based on estimated rents. While the Project is anticipated to be developed over several years, impacts from all Project phases were calculated in non-escalated 2016 dollars and are reported in 2016 dollars.

We can be available to answer questions about these updated results as needed.

SUMMARY OF NET ECONOMIC IMPACTS IN THE CITY OF LOS ANGELES ECONOMY

Using Project hard construction cost estimates developed by HR&A using Marshall & Swift cost estimating software, and analyzed by HR&A using the most current (2014) IMPLAN input-output model of the City of Los Angeles economy, the following **construction-related economic impacts** were derived (see Table 1 for a summary of the economic impacts by Project land use):

- Approximately **1,205** total jobs (i.e., direct on-site + “multiplier effect”), of which **661** full-time and part-time construction jobs will be located on site.
- Approximately **\$50.7 million** in compensation paid to workers directly and indirectly associated with construction, of which **\$28.2 million** will be paid to on-site workers (in 2016 dollars).
- Approximately **\$195.5 million** in total economic output, including **\$115.7 million** associated with Project construction (in 2016 dollars).

Using employment estimates for the retail spaces and residential services, as provided by Caruso, and estimates of annual household spending derived from weighted average rental prices for the proposed apartments as estimated by HR&A, the following **net operations-related annual economic impacts** were derived (see Table 2):

- Approximately **245** total jobs (i.e., direct on-site + “multiplier effect”), of which **95** full-time and part-time operations jobs will be located on site.
- Approximately **\$10.0 million** in annual compensation paid to workers directly and indirectly associated with site operations, of which **\$3.4 million** will be paid to on-site workers (in 2016 dollars).
- Approximately **\$31.2 million** in total annual economic output, including **\$8.5 million** associated with on-site operations, measured in producer prices (in 2016 dollars).

Details of the net economic impact assumptions and results are included in Appendix A of this memorandum.

Table 1: Employment and Other Economic Impacts in the City of Los Angeles Economy from Construction of the Proposed Mixed-Use Project
(all dollar amounts in 2016\$)

| Impact Category ¹ | Direct Impact | Indirect Impact | Induced Impact | Total Impact ² |
|-------------------------------------------------------------------------------------------------|---------------|-----------------|----------------|---------------------------|
| Residential (Apartment) Construction | | | | |
| Employment | 498 | 311 | 160 | 969 |
| Employee Compensation | \$20,416,675 | \$11,659,852 | \$7,079,600 | \$39,156,128 |
| Total Economic Output | \$91,343,459 | \$42,213,909 | \$24,264,104 | \$157,821,472 |
| Retail Construction | | | | |
| Employment | 44 | 7 | 11 | 63 |
| Employee Compensation | \$2,111,421 | \$464,094 | \$502,818 | \$3,078,332 |
| Total Economic Output | \$6,329,774 | \$1,681,390 | \$1,723,849 | \$9,735,013 |
| Off-Site Community Benefits Construction | | | | |
| Employment | 16 | 5 | 5 | 25 |
| Employee Compensation | \$689,447 | \$279,576 | \$207,098 | \$1,176,121 |
| Total Economic Output | \$3,022,641 | \$1,165,148 | \$709,847 | \$4,897,636 |
| Parking Construction | | | | |
| Employment | 103 | 18 | 27 | 148 |
| Employee Compensation | \$4,992,772 | \$1,097,419 | \$1,188,988 | \$7,279,179 |
| Total Economic Output | \$14,967,701 | \$3,975,898 | \$4,076,300 | \$23,019,899 |
| TOTAL² | | | | |
| Employment | 661 | 341 | 203 | 1,205 |
| Employee Compensation | \$28,210,316 | \$13,500,941 | \$8,978,503 | \$50,689,760 |
| Total Economic Output | \$115,663,575 | \$49,036,346 | \$30,774,100 | \$195,474,021 |
| ¹ Employee Compensation and Total Economic Output values are stated in 2016 dollars. | | | | |
| ² Totals may not sum precisely due to independent rounding. | | | | |
| Sources: Caruso; IMPLAN; HR&A Advisors, Inc. | | | | |

Table 2: Employment and Other Economic Impacts in the City of Los Angeles Economy from Annual Operations of the Proposed Mixed-Use Project
(all dollar amounts in 2016\$)

| Impact Category ¹ | Direct Impact | Indirect Impact | Induced Impact | Total Impact ² |
|-------------------------------------------------------------------------------------------------|---------------|-----------------|----------------|---------------------------|
| Proposed Mixed-Use Project | | | | |
| Residential (Market Rate) | | | | |
| Employment | 0 | 0 | 117 | 117 |
| Employee Compensation | \$0 | \$0 | \$5,124,180 | \$5,124,180 |
| Total Economic Output | \$0 | \$0 | \$17,409,539 | \$17,409,539 |
| Residential (Affordable) | | | | |
| Employment | 0 | 0 | 3 | 3 |
| Employee Compensation | \$0 | \$0 | \$125,112 | \$125,112 |
| Total Economic Output | \$0 | \$0 | \$429,344 | \$429,344 |
| Retail | | | | |
| Employment | 84 | 8 | 14 | 107 |
| Employee Compensation | \$2,749,181 | \$384,416 | \$639,950 | \$3,773,546 |
| Total Economic Output | \$6,525,815 | \$1,455,328 | \$2,193,733 | \$10,174,876 |
| Residential Employment | | | | |
| Employment | 31 | 6 | 7 | 44 |
| Employee Compensation | \$1,296,495 | \$315,894 | \$293,693 | \$1,906,081 |
| Total Economic Output | \$3,661,617 | \$1,012,975 | \$1,007,082 | \$5,681,674 |
| SUBTOTAL - PROPOSED PROJECT² | | | | |
| Employment | 115 | 14 | 141 | 270 |
| Employee Compensation | \$4,045,676 | \$700,310 | \$6,182,935 | \$10,928,920 |
| Total Economic Output | \$10,187,432 | \$2,468,303 | \$21,039,699 | \$33,695,434 |
| Less - Existing Site | | | | |
| Department Store | | | | |
| Employment | 20 | 2 | 3 | 25 |
| Employee Compensation | \$625,441 | \$135,207 | \$135,237 | \$895,885 |
| Total Economic Output | \$1,648,636 | \$430,312 | \$463,763 | \$2,542,711 |
| NET PROJECT IMPACTS² | | | | |
| Employment | 95 | 12 | 137 | 245 |
| Employee Compensation | \$3,420,234 | \$565,102 | \$6,047,698 | \$10,033,035 |
| Total Economic Output | \$8,538,796 | \$2,037,991 | \$20,575,936 | \$31,152,723 |
| ¹ Employee Compensation and Total Economic Output values are stated in 2016 dollars. | | | | |
| ² Totals may not sum precisely due to independent rounding. | | | | |
| Sources: Caruso; IMPLAN; HR&A Advisors, Inc. | | | | |

APPENDIX A:

**ECONOMIC IMPACT ANALYSIS INPUTS
AND INDUSTRY SECTOR
RESULTS FOR THE PROJECT**

Appendix A, Table 1**Proposed Mixed-Use Project****Economic Impact Inputs****Construction**

| Cost Categories | Hard Construction Cost (2016\$)¹ | IMPLAN Sector # | IMPLAN Sector Name |
|---------------------------------|--------------------------------------------------------|----------------------------|----------------------------------------------------------------------|
| Residential (Apartments) | \$91,343,456 | 60 | Construction of new multifamily residential structures |
| Retail | \$6,329,774 | 57 | Construction of new commercial structures, including farm structures |
| Off-Site Improvements | \$3,022,641 | 56 | Construction of new highways and streets |
| Parking | \$14,967,700 | 57 | Construction of new commercial structures, including farm structures |
| Total Hard Costs | \$115,663,571 | | |

¹ HR&A Advisors, Inc.; Marshall & Swift.

Sources: Caruso; IMPLAN; HR&A Advisors, Inc.; Marshall & Swift.

Appendix A, Table 2
Proposed Mixed-Use Project
Economic Impact Inputs
Annual Operations

| | Gross Leasable | | IMPLAN Sector | | | |
|--------------------------------------|------------------------|--------------------------|-------------------|-----|--------------------------------------------|----------------------|
| Retail | Area (SF) ¹ | Jobs per SF ² | Jobs | # | IMPLAN Sector Name | Margin? ³ |
| Restaurant | 3,370 | 0.00271 | 9 | 501 | Full-service restaurants | no |
| Retail - Neighborhood Grocery Market | 27,685 | 0.00271 | 75 | 400 | Retail - Food and beverage stores | yes |
| Subtotal - Retail | 31,055 | | 84 | | | |
| | | | | | | |
| | | | IMPLAN Sector | | | |
| Residential Employment | | | Jobs ⁴ | # | IMPLAN Sector Name | Margin? ³ |
| Resident Service Employees | | | 31 | 499 | Hotels and motels, including casino hotels | no |
| Subtotal - Parking | | | 31 | | | |

¹ Caruso.

² Los Angeles Unified School District, 2012. 2012 Developer Fee Justification Study. February 9, 2012, Table 11. Based on the employee generation rate for "Neighborhood Shopping Center" land uses, which is 0.00271 employees per average square foot.

³ IMPLAN distinguishes between industries such as retail where purchases include margins and are in consumer prices rather than producer prices.

⁴ Caruso. On-site employment resembles typical hotel employment such as operational staff, housekeepers, landscapers, and valet attendants.

Sources: Caruso; Retail Maxim; IMPLAN; HR&A Advisors, Inc.

Appendix A, Table 3
Proposed Mixed-Use Project
Economic Impact Inputs
Annual Operations (cont'd)

| | |
|-------------------------------------------------------------|---------------------|
| Market Rate Apartments | |
| Total Apartments ¹ | 131 |
| Average Monthly Rent - psf ² | \$5.88 |
| Average sf | 1,454 |
| Average Yearly Rent | \$102,528 |
| Annual Utility Cost ³ | \$1,122 |
| Total Annual Housing Cost | \$103,650 |
| Housing Cost/Household Income | 35% |
| Total Project Gross Hhld. Income | \$38,794,890 |
| Total From Occupied Units (95% Occupied)⁴ | \$36,855,145 |
| IMPLAN Sector # ⁵ | 10009 |

¹ Caruso.

² HR&A Advisors estimate based on Caruso Project data and review of market comparables.

³ HR&A Advisors.

⁴ HR&A Advisors assumption of structural apartment vacancy at stabilization.

⁵ IMPLAN.

Sources: Caruso; IMPLAN; HR&A Advisors, Inc.

Appendix A, Table 4

Proposed Mixed-Use Project

Economic Impact Inputs

Annual Operations (cont'd)

Affordable Apartments (Very Low Income)

| | |
|-------------------------------------------------------------|------------------|
| Total Apartments ¹ | 8 |
| Average Monthly Rent - psf ² | \$0.42 |
| Average sf | 1,276 |
| Average Yearly Rent | \$6,435 |
| Annual Utility Cost ³ | \$1,122 |
| Total Annual Housing Cost | \$7,558 |
| Housing Cost/Household Income | 35% |
| Total Project Gross Hhld. Income | \$172,751 |
| Total From Occupied Units (95% Occupied)⁴ | \$164,113 |
| IMPLAN Sector # ⁵ | 10003 |

¹ Caruso.

² HR&A Advisors based on City of Los Angeles Housing and Community Investment Department 2016 Affordable Housing Income and Rent Limits.

³ HR&A Advisors.

⁴ HR&A Advisors assumption of structural apartment vacancy at stabilization.

⁵ IMPLAN.

Sources: Caruso; IMPLAN; HR&A Advisors, Inc.

Appendix A, Table 5
Proposed Mixed-Use Project
Economic Impact Inputs
Annual Operations (cont'd)

Affordable Apartments (Moderate Income)

| | |
|-------------------------------------------------------------|------------------|
| Total Apartments ¹ | 6 |
| Average Monthly Rent - psf ² | \$0.99 |
| Average sf | 1,326 |
| Average Yearly Rent | \$15,784 |
| Annual Utility Cost ³ | \$1,122 |
| Total Annual Housing Cost | \$16,906 |
| Housing Cost/Household Income | 35% |
| Total Project Gross Hhld. Income | \$289,824 |
| Total From Occupied Units (95% Occupied)⁴ | \$275,333 |
| IMPLAN Sector # ⁵ | 10005 |

¹ Caruso.

² HR&A Advisors based on City of Los Angeles Housing and Community Investment Department 2016 Affordable Housing Income and Rent Limits.

³ HR&A Advisors.

⁴ HR&A Advisors assumption of structural apartment vacancy at stabilization.

⁵ IMPLAN.

Sources: Caruso; IMPLAN; HR&A Advisors, Inc.

HR&A Advisors, Inc.

1/17/2017

333 S. La Cienega Boulevard Economic Impact Analysis
 Operating

Appendix A, Table 6

Existing Site

Economic Impact Inputs

Annual Operations

| Existing Site Retail | Gross Square | | Total Sales or Jobs (2016\$) | IMPLAN | | Margin? ³ |
|--------------------------|-------------------|---------------------------|------------------------------|----------|-------------------------------------|----------------------|
| | Feet ¹ | Sales Per SF ² | | Sector # | IMPLAN Sector Name | |
| Department Store | 47,676 | \$130 | \$6,197,880 | 405 | Retail - General merchandise stores | yes |
| Subtotal - Retail | 47,676 | | \$6,197,880 | | | |

¹ Caruso.² Department store sales PSF based on Retail Maxim 2015 for moderate price department stores.³ IMPLAN distinguishes between industries such as retail where purchases include margins and are in consumer prices rather than producer prices.

Sources: Caruso; IMPLAN; HR&A Advisors, Inc.

HR&A Advisors, Inc.

1/17/2017

333 S. La Cienega Boulevard Economic Impact Analysis
Existing

APPRAISAL REPORT
Effectively Vacant Land
333 S. La Cienega Boulevard
Los Angeles, CA 90048

File Number: 11364-16

October 14, 2016

Samuel Garrison
CRM Properties
101 The Grove Drive
Los Angeles, CA 90036
323-900-8185
sgarrison@carusoaffiliated.com

RE: Effectively Vacant Land
333 S. La Cienega Boulevard
Los Angeles, CA 90048
File #11364-16

Dear Mr. Garrison,

Per your request, we have appraised the above referenced property. Our appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP) and with the requirements set forth in Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

Our analyses and conclusions are contained in the attached appraisal report which is intended to comply with the reporting requirements set forth under USPAP Standards Rule 2. In conformance with the Scope of Work rule of USPAP, the sections below describe the Scope of Work for this assignment.

Client - The client for this assignment is Caruso Affiliated.

Intended User - The intended user of this report is exclusively the Client stated above. There are no other authorized users of this report.

Intended Use - The intended use of this assignment is to assist with preparing a pro forma for use in an application for entitlements.

Purpose of this Assignment - The purpose of this assignment is to develop an opinion of the “As-Is” Market Value of the Fee Simple Interest in the Subject Property.

Please see Definitions Section in the Addenda for definition of relevant terms.

Effective Date of Value - The effective date of value for this assignment is **October 11, 2016**, based on the last date that we inspected the property.

Relevant Characteristics of the Subject Property - The improved property being appraised, and which is the subject of this report, is located at 333 S. La Cienega Boulevard, within the incorporated City of Los Angeles, in Los Angeles County. The subject property is located south adjacent to the Beverly Center

The subject property consists of an irregular shaped, corner situated, C2-1VL-O zoned site totaling 50,156 square feet (±1.15 acres).

A 35,835 square foot, multi-story, single-tenant retail (Loehmann's Department Store) building and parking structure currently exists on the subject site. The buyer intends to demolish the existing improvements and construct a mixed-use project on the site.

Significant Valuation Issue – Highest & Best Use

As of the date of value of this report, no development entitlements have been granted to the subject site.

Significant Valuation Issue – Highest & Best Use

Our analysis indicates that the current improvement program does not offer contributory value over and above the underlying land value, and therefore, does not represent the Highest & Best Use of the subject property. To arrive at this conclusion, our analysis compares the market value of the subject property under two scenarios; 1) the current use of the subject property as a department store, and 2) the subject property if demolished and reconstructed under its Highest and Best Use (mixed-use redevelopment). Our analysis demonstrates that the market value of the subject property is higher under scenario #2. Therefore, it is our opinion, the Highest and Best Use of the subject is as effectively vacant land for mixed-use.

Conditions of the Assignment – The scope of our appraisal assignment included research of general data relating to the subject locale, research of improved sales in the subject district, as well as research of other market-related influences impacting the subject property. In our analysis, we gave consideration to the applicability of each of the traditional approaches to value. These include the Cost, Sales Comparison, and Income approaches. The Methodology and Data utilized in of our valuation of the subject property is detailed in the Valuation Section of this appraisal report. Ultimately, since the scope of our assignment is limited to the Fee Simple Interest in the land only, our study utilizes only the Sales Comparison Approach to estimate the Fee Simple Interest in the land. The Sales Comparison and Income Approaches are not applicable.

There are no Special Limiting Conditions, Hypothetical Conditions or Extraordinary Assumptions.

As a result of our investigation and analysis, it is our opinion that the **“As-Is” Market Value** of the **Fee Simple Interest** in the subject property, as of the effective date of valuation, **October 11, 2016**, is:

FORTY SEVEN MILLION SIX HUNDRED THOUSAND DOLLARS

\$47,600,000

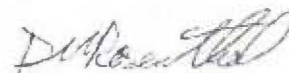
Our analyses and conclusions are subject to certain Assumptions and Limiting Conditions that are made a part of the attached appraisal report.

Thank you for the opportunity to have been of service to your company. If you should require any further assistance or should you have any questions regarding the material discussed in this report, please do not hesitate to call.

Sincerely,
CURTIS-ROSENTHAL, INC.



Michael Bergstrom, CGREA
CA #AG032563



David M. Rosenthal, MAI, FRICS
CA #AG001641

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EXECUTIVE SUMMARY

| | |
|---------------------------------|-----------------------------------------------------------------------|
| PROPERTY IDENTIFICATION: | 333 S. La Cienega Boulevard Los Angeles, CA 90048 |
| FILE NUMBER: | 11364-16 |
| INTENDED USER: | Caruso Affiliated Mr. Samuel Garrison |
| LEGAL DESCRIPTION: | Refer to Legal Description |
| ASSESSOR PARCEL NUMBERS: | 4334-009-160 |
| PROPERTY TYPE: | Land |
| NET LAND AREA: | Square Feet 50,156 Acres 1.15 |
| ZONING: | C2-1VL-O (Commercial) |
| HIGHEST AND BEST USE: | As Vacant Mixed-Use Development As Improved Mixed-Use Development |
| CRITICAL DATES: | Date of Inspection October 11, 2016 Date of Value October 11, 2016 |

OPINION OF VALUE CONCLUSION**"AS-IS" MARKET VALUE****\$47,600,000**

MARKET AREA ANALYSIS

The subject property is located within incorporated City of Los Angeles, in Los Angeles County. Los Angeles County is part of the Greater Los Angeles area or the Los Angeles Metropolitan Area comprised of Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties. The location map below shows the general location of the subject property.



| Population Statistics ¹ | | | |
|------------------------------------|-------------------------------------------|----------------------|--------------------------------------|
| Los Angeles (1/15) | Los Angeles County (1/16) ¹ | California (1/16) | United States (6/16) ² |
| 3,957,022 | 10,241,335 | 39,255,883 | 323,591,639 |

¹ California Department of Finance (Demographics Research Unit, www.census.gov, and www.stdbonline.com)

GREATER LOS ANGELES AREA

Components of Greater Los Angeles

The Los Angeles Metropolitan Area is widely considered to comprise the five counties of Los Angeles, Orange, Riverside, San Bernardino, and Ventura. The map below shows the components of Greater Los Angeles, which form four-Metropolitan Statistical Areas (MSA). These are as follows: Los Angeles, Orange County, Oxnard-Ventura, and Riverside-San Bernardino.

A map of the region is located below.



The region is well served by several international airports (including Los Angeles International), Amtrak (the national passenger rail service), and several east-west and north-south interstate highway systems. Intra-regional transportation service includes a network of freeways, a commuter rail system, several bus systems, and a small but growing system of "subway" and "light-rail" trains.

LOS ANGELES COUNTY

Los Angeles County is one of California's original 27 counties and was established February 18, 1850. Originally the County occupied a comparatively small area along the coast between Santa Barbara and San Diego, but within a year it expanded rapidly, as far east as the Colorado River. During subsequent years, Los Angeles County slowly reduced in size, with the last major detachment occurring in 1889 with the creation of Orange County. However, it remains one of the nation's largest counties with approximately 4,084 square miles, an area some 800 square miles larger than the combined area of the states of Delaware and Rhode Island; and marginally smaller than the state of Connecticut.

The County has a relatively central location within the region. Although it lies on the coast, it stretches inland approximately 100 miles. It includes the islands of San Clemente and Santa Catalina and is bordered on the east by Orange and San Bernardino Counties, on the north by Kern County, on the west by Ventura County, and on the south by the Pacific Ocean. Its coastline is 81 miles long.



Population

Los Angeles County is considered the capital of Greater Los Angeles. It contains 88 separate incorporated cities, more than twice as many as in any of the other Greater Los Angeles counties. It is the most populated county in the nation. According to Department of Finance estimates for January 2014, the county's population is more than 9.9 million. The most populated city within the county is the City of Los Angeles with more than 3.8 million residents, or 38 percent of the total county population. Total population in Los Angeles County is projected to reach over 10.22 million by the year 2020.

The table below shows current population figures, forecasts and trends for Los Angeles County.

Population

| | |
|------------------------|------------|
| 2000 Population | 9,519,135 |
| 2010 Population | 9,818,605 |
| 2014 Population | 9,969,834 |
| 2019 Population | 10,224,998 |
| 2000-2010 Annual Rate | 0.31% |
| 2010-2014 Annual Rate | 0.36% |
| 2014-2019 Annual Rate | 0.51% |
| 2014 Male Population | 49.4% |
| 2014 Female Population | 50.6% |
| 2014 Median Age | 35.1 |

In the identified area, the current year population is 9,969,834. In 2010, the Census count in the area was 9,818,605. The rate of change since 2010 was 0.36% annually. The five-year projection for the population in the area is 10,224,998 representing a change of 0.51% annually from 2014 to 2019. Currently, the population is 49.4% male and 50.6% female.

Median Age The median age in this area is 35.1, compared to U.S. median age of 37.7.

Households

| | |
|-----------------------------|-----------|
| 2000 Households | 3,133,720 |
| 2010 Households | 3,241,204 |
| 2014 Total Households | 3,285,214 |
| 2019 Total Households | 3,373,480 |
| 2000-2010 Annual Rate | 0.34% |
| 2010-2014 Annual Rate | 0.32% |
| 2014-2019 Annual Rate | 0.53% |
| 2014 Average Household Size | 2.98 |

The household count in this area has changed from 3,241,204 in 2010 to 3,285,214 in the current year, a change of 0.32% annually. The five-year projection of households is 3,373,480, a change of 0.53% annually from the current year total. Average household size is currently 2.98, compared to 2.98 in the year 2010. The number of families in the current year is 2,222,152 in the specified area.

Median Household Income

| | |
|------------------------------|----------|
| 2014 Median Household Income | \$53,372 |
| 2019 Median Household Income | \$61,011 |
| 2014-2019 Annual Rate | 2.71% |

Average Household Income

| | |
|-------------------------------|----------|
| 2014 Average Household Income | \$78,457 |
| 2019 Average Household Income | \$91,263 |
| 2014-2019 Annual Rate | 3.07% |

Per Capita Income

| | |
|------------------------|----------|
| 2014 Per Capita Income | \$26,208 |
| 2019 Per Capita Income | \$30,543 |
| 2014-2019 Annual Rate | 3.11% |

Households by Income

Current median household income is \$53,372 in the area, compared to \$52,076 for all U.S. households. Median household income is projected to be \$61,011 in five years, compared to \$59,599 for all U.S. households. Current average household income is \$78,457 in this area, compared to \$72,809 for all U.S. households. Average household income is projected to be \$91,263 in five years, compared to \$83,937 for all U.S. households. Current per capita income is \$26,208 in the area, compared to the U.S. per capita income of \$27,871. The per capita income is projected to be \$30,543 in five years, compared to \$32,168 for all U.S. households.

Housing

| | |
|------------------------------------|-----------|
| 2000 Total Housing Units | 3,270,886 |
| 2000 Owner Occupied Housing Units | 1,499,680 |
| 2000 Renter Occupied Housing Units | 1,634,040 |
| 2000 Vacant Housing Units | 137,166 |
| 2010 Total Housing Units | 3,445,076 |
| 2010 Owner Occupied Housing Units | 1,544,749 |
| 2010 Renter Occupied Housing Units | 1,696,455 |
| 2010 Vacant Housing Units | 203,872 |
| 2014 Total Housing Units | 3,500,149 |
| 2014 Owner Occupied Housing Units | 1,506,756 |
| 2014 Renter Occupied Housing Units | 1,778,458 |
| 2014 Vacant Housing Units | 214,935 |
| 2019 Total Housing Units | 3,579,958 |
| 2019 Owner Occupied Housing Units | 1,532,827 |
| 2019 Renter Occupied Housing Units | 1,840,653 |
| 2019 Vacant Housing Units | 206,478 |

Currently, 43.0% of the 3,500,149 housing units in the area are owner occupied; 50.8%, renter occupied; and 6.1% are vacant. Currently, in the U.S., 56.0% of the housing units in the area are owner occupied; 32.4% are renter occupied; and 11.6% are vacant. In 2010, there were 3,445,076 housing units in the area - 44.8% owner occupied, 49.2% renter occupied, and 5.9% vacant. The annual rate of change in housing units since 2010 is 0.71%. Median home value in the area is \$390,437, compared to a median home value of \$190,791 for the U.S. In five years, median value is projected to change by 5.72% annually to \$515,626.

Source: Site to do Business (2016)

County Economy²

With over 10 million residents in 88 cities spread across nearly 4,100 square miles, Los Angeles County's population exceeds that of 43 states. In addition to its signature industries – entertainment, tourism and fashion – its enormous and diversified economy is home to the largest port complex in the Western Hemisphere and the largest number of manufacturing jobs of any county in the country. Other significant industries include health care, education and knowledge creation, and business services. If it were a country, Los Angeles County would be the twenty-first largest economy in the world.

The county has seen significant job growth in the last few years, with nearly 100,000 jobs added last year and about the same expected this year. With a 2.5% average annual increase during the first part of 2015, the county has consistently outpaced the nation in job growth. This has driven the unemployment rate down to 7.1% in July (seasonally adjusted), a full percentage point below July 2014 and the lowest since mid-2008. Moreover, most major industries added jobs throughout the first part of this year. The county economy benefited from broad-based growth which pushed wage and salary jobs to a record high, surpassing the county's pre-recession employment peak. Mining and logging was the only major industry to post a significant percentage decrease in jobs this year, while both the manufacturing and finance and insurance sectors experienced only slight declines.

Total personal income increased by 4.2% in 2014, and is expected to grow at the same rate both this year and in 2016. With negligible inflation this year, households will experience significant gains in purchasing power. Gains will be more modest next year, with inflation expected at 2.2%. Similarly, per capita income will climb by 3.5% this year and 3.8% next year, after a 3.8% increase in 2014. Since much of the gain in income is expected to be spent, local consumption as measured by total taxable sales will rise by 4.6% this year and by 7.9% next year, following an increase of 7.1% in 2014. This means local sales and use tax revenues will continue to climb, putting local government agencies on a sounder financial footing.

Population growth is expected to slow this year and next, with the rate of growth at approximately 0.5% this year and 0.4% in 2016. Even so, the county will increase by approximately 50,000 residents over each of the next two years, equivalent to adding a city the size of Cerritos or Covina each year. Most of the recent population growth in Los Angeles County has been due to natural increase (births outnumbering deaths), while net migration was slightly negative last year. The county's high cost of living and lack of affordable housing units for low- and middle-income households are contributing to the slowdown in population growth.

² LAEDC 2015-2020, Economic Forecast and Industry Outlook

Throughout much of the state, the housing market saw a bounce in 2015. Los Angeles County was no exception. The median sales price of a home in Los Angeles County was \$492,000 in July, up 4.7% compared with a year earlier. Moreover, sales of homes increased 9.6% year-to-date through the first seven months of this year, putting the market on track to surpass last year's total and match or surpass the 2013 sales total, which was the strongest year of the last eight years. New home construction finally accelerated in 2015 and should continue to do so next year. Of course, the other side of the housing story is affordability. The housing affordability index (HAI) in Los Angeles County was 30 in the second quarter of this year, meaning that 30% of households in the county can afford to buy the median priced home. Although the HAI was unchanged from a year earlier, affordability in Los Angeles County is about half that of the U.S., meaning that the cost of housing locally is twice that of the nation. This contributes to the county's perception as a high-cost place to do business.

TRENDS IN MAJOR INDUSTRIES

Like the nation and state, Los Angeles County experienced broad-based job gains in 2015 and is on track to add nearly 100,000 jobs this year. Job gains have occurred across most major industries, with record highs reached in professional, scientific and technical services, healthcare, and leisure and hospitality. To date through July, the largest job gains occurred in healthcare and social assistance, along with leisure and hospitality, each adding over 20,000 jobs. Government added 12,000 jobs, mostly at the local level. The fastest-growing sectors in percentage terms were construction, educational services, and leisure and hospitality. Job losses occurred in mining and logging, durable and nondurable goods manufacturing, and finance and insurance.

International Trade: With the largest port complex in the nation and the Western Hemisphere, international trade is a significant industry in the local economy. The twin ports had their third-best year in 2014 with throughput of 15.2 million containers and are on track this year to match or surpass last year's performance. Two-way trade through the Los Angeles Customs District hit a record-setting volume of \$416.6 billion in 2014. In year-to-date terms, two-way trade was six percent lower than a year ago through July, but much of that difference occurred in January and February, when the ports were coping with congestion and a labor dispute. With the recent surge in activity at the ports, there is a chance that two-way trade will recover by the end of the year.

The Kyser Center tracks employment in two industries that are part of the international trade and goods movement sector: transportation and warehousing, and wholesale trade. Transportation and warehousing added 3,100 jobs (2.1%) year-to-date through July, while wholesale trade employment rose by 8,800 jobs (4.0%), for a net gain of 11,900 jobs. Given the strength of the U.S. economy, imports have the potential to achieve new record high levels in 2015. However, the strength of the dollar and weakness of the nation's trading partners will make it more difficult to hit a new record on the export side. Regardless, the long-term prospects for the industry are promising, and continued increases in trade activity will bring additional jobs in logistics, goods movement, wholesaling, and distribution.

Entertainment: The entertainment industry is the part of the economy that is most closely associated with Los Angeles. The industry's largest component is the motion picture and sound recording industry, which is a part of the information services super-sector. According to Film L.A., industry activity was mixed, with on-location television production days rising in yearly terms during the second quarter of this year, but feature films showing only a marginal increase and commercial production activity falling. Through July, motion picture and sound recording employment rose marginally (0.7%) from 118,300 jobs last year to 119,100 jobs. The revamped and expanded California Film Tax Credit might contribute to further increases in industry employment in the future, but it is still too early to judge its success or failure.

Professional Services and Technology: The professional services super-sector is the second largest in Los Angeles County with over 620,000 workers in July, surpassed only by healthcare and education with nearly 760,000 jobs. There are three major industries in this group: professional, scientific, and technical services; management of enterprises; and administrative, support and waste services. All have seen solid gains throughout the year.

The professional, scientific and technical services industry was the largest of the three with 290,000 jobs in July. The industry includes legal, accounting, architecture, computer systems design, consulting, research and advertising, and added 3,800 jobs through July year-to-date (1.3%). Management of enterprises, which encompasses corporate headquarters, is smaller at 60,800 jobs, but it grew slightly faster (3.2%, or 1,900 jobs added) over the same period. Finally, the administrative, support and waste services sector added 5,200 jobs (2.0%) on a base of approximately 270,000.

All three components of professional services and technology are expected see continued job gains this year and in 2016, both in absolute and in percentage terms.

LOOKING AHEAD

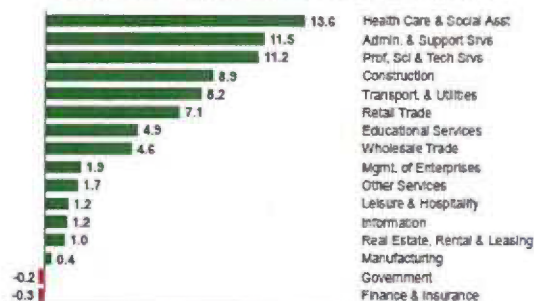
Los Angeles County has seen steady improvement over the past three years, a pattern that should continue through 2016. Long-standing segments of the economy have experienced solid job gains. Wage gains are expected over the next year across many occupations, especially those with the greatest number of job openings. Occupations that require higher education, specialized training or experience have generally seen the largest wage hikes in recent years.

Emerging industries tend to be less visible, at least when looking at official government statistics, but they are also on the rise. Through the first half of this year, the Los Angeles County/Orange County region was the third largest recipient of venture capital,¹⁷ after the Silicon Valley and the New York Metro Area. The Silicon Valley received about half of the \$31 billion, while the New York Metro Area received \$3.7 billion and Los Angeles/Orange County received \$3.1 billion. The leading recipients of venture capital funds flowing into the region are: software and IT services, medical devices, media/entertainment, and industrial/energy. Parts of Los Angeles County have become noteworthy for IT and online innovation, notably the I-405 Corridor from the Westside to the South Bay and Pasadena.

Los Angeles County Snapshot

L.A. County Employment Growth, 2016

Total nonfarm job growth forecast for 2016 (thousands): +77.7 jobs



Source: CA EDO, Labor Market Information Division, forecast by LAEDC

L.A. County Employment Growth, 2016

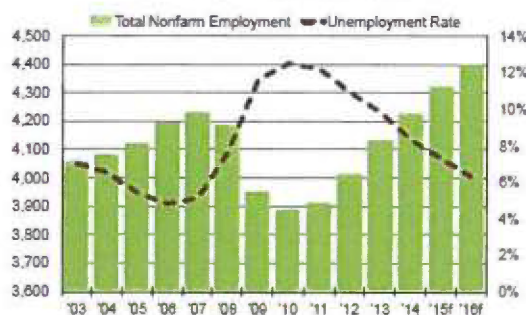
Total nonfarm job growth forecast for 2016, percent change: +1.8%



Source: CA EDO, Labor Market Information Division, forecast by LAEDC

Los Angeles County Employment

Annual average in thousands, 2014 benchmark



Source: EDO Labor Market Information Division, forecast by LAEDC

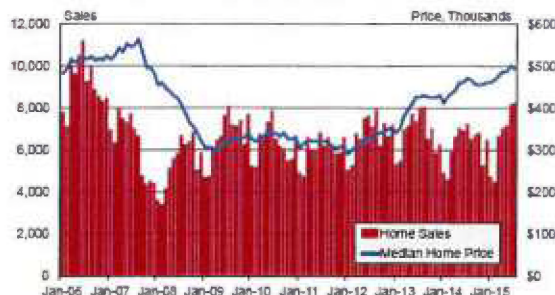
Los Angeles County Personal Income & Taxable Sales Growth



Source: California Board of Equalization, Dept. of Commerce, estimate & forecast by the LAEDC

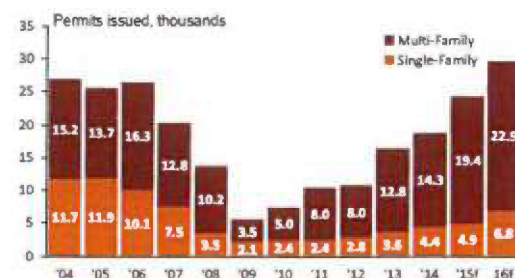
Home Sales & Median Prices Los Angeles County

New and existing, single-family homes and condos



Source: California Real Estate Research Council, DataQuick

Residential Building Permits Issued in Los Angeles County



Source: CIRS, California Home Building Foundation, forecast by LAEDC

Table 12: Los Angeles County Economic Indicators

| Year | Population on July 1 (Thousands) | Nonfarm Employment (Ave., thousands) | Unemployment Rate (Ave., %) | Total Personal Income (\$Billions) | Per Capita Personal Income (\$) | Total Taxable Sales (\$Billions) | Value of Two-way Trade (\$Billions) | Total Overnight & Day Visitors (Millions) | Housing Unit Permits Issued | Nonresidential Building Permits (\$Millions) | Chg. in CPI (%) |
|-------|----------------------------------|--------------------------------------|-----------------------------|------------------------------------|---------------------------------|----------------------------------|-------------------------------------|-------------------------------------------|-----------------------------|----------------------------------------------|-----------------|
| 2003 | 9,791.0 | 4,056.3 | 7.0 | 323.7 | 33,145 | 113.7 | 232.9 | — | 21,313 | 2,932 | 2.6 |
| 2004 | 9,822.5 | 4,079.1 | 6.5 | 339.2 | 34,632 | 122.5 | 261.7 | — | 26,935 | 3,174 | 3.3 |
| 2005 | 9,809.6 | 4,119.9 | 5.4 | 357.6 | 36,540 | 130.7 | 291.6 | — | 25,647 | 3,824 | 4.5 |
| 2006 | 9,787.3 | 4,194.5 | 4.8 | 384.7 | 39,508 | 136.2 | 326.4 | — | 26,348 | 3,896 | 4.3 |
| 2007 | 9,773.9 | 4,229.0 | 5.1 | 398.3 | 41,058 | 137.8 | 347.3 | 35.7 | 20,363 | 4,739 | 3.3 |
| 2008 | 9,796.8 | 4,185.4 | 7.6 | 410.5 | 42,165 | 131.9 | 355.8 | 36.5 | 13,704 | 4,491 | 3.5 |
| 2009 | 9,805.2 | 3,951.0 | 11.6 | 395.4 | 40,396 | 112.7 | 282.9 | 34.4 | 5,653 | 2,674 | -0.8 |
| 2010 | 9,825.2 | 3,890.0 | 12.5 | 404.5 | 41,163 | 116.9 | 346.8 | 38.5 | 7,468 | 2,677 | 1.2 |
| 2011 | 9,862.4 | 3,911.6 | 12.2 | 425.7 | 43,062 | 126.4 | 386.7 | 40.4 | 10,403 | 3,129 | 2.7 |
| 2012 | 9,946.9 | 4,010.5 | 10.9 | 455.8 | 45,800 | 135.3 | 403.5 | 41.4 | 10,709 | 1,803 | 2.0 |
| 2013 | 10,013.3 | 4,129.8 | 9.8 | 466.1 | 46,530 | 140.1 | 414.5 | 42.2 | 16,200 | 3,585 | 1.1 |
| 2014 | 10,069.0 | 4,226.4 | 8.3 | 485.9 | 48,300 | 150.0 | 416.6 | 44.2 | 18,707 | 6,241 | 1.4 |
| 2015f | 10,123.8 | 4,319.4 | 7.3 | 506.4 | 50,000 | 156.9 | 399.6 | 45.1 | 24,300 | 5,725 | 0.3 |
| 2016f | 10,169.1 | 4,397.1 | 6.3 | 527.7 | 51,900 | 167.7 | 415.7 | 46.0 | 29,700 | 6,700 | 1.8 |

| % Change | | | | | | | | | | | |
|----------|-------|-------|--|-------|-------|--------|--------|-------|--------|--------|--|
| 03/02 | 0.7% | -0.8% | | 3.8% | 3.2% | 4.5% | 9.5% | -- | 10.1% | 0.4% | |
| 04/03 | 0.3% | 0.6% | | 4.8% | 4.5% | 7.8% | 12.4% | -- | 26.4% | 8.3% | |
| 05/04 | -0.1% | 1.0% | | 5.4% | 5.5% | 6.7% | 11.4% | -- | -4.8% | 20.5% | |
| 06/05 | -0.2% | 1.8% | | 7.6% | 8.1% | 4.2% | 11.9% | -- | 2.7% | 1.9% | |
| 07/06 | -0.1% | 0.8% | | 3.5% | 3.9% | 1.2% | 6.4% | -- | -22.7% | 21.6% | |
| 08/07 | 0.2% | -1.0% | | 3.1% | 2.7% | -4.3% | 2.5% | 2.2% | -32.7% | -5.2% | |
| 09/08 | 0.1% | -5.6% | | -3.7% | -4.2% | -14.5% | -20.5% | -5.8% | -58.7% | -40.5% | |
| 10/09 | 0.2% | -1.5% | | 2.3% | 1.9% | 3.7% | 22.6% | 11.9% | 32.1% | 0.1% | |
| 11/10 | 0.4% | 0.6% | | 5.2% | 4.6% | 8.1% | 11.5% | 4.9% | 39.3% | 16.9% | |
| 12/11 | 0.9% | 2.5% | | 7.1% | 6.4% | 7.0% | 4.3% | 2.5% | 2.9% | -42.4% | |
| 13/12 | 0.7% | 3.0% | | 2.3% | 1.6% | 3.5% | 2.7% | 1.9% | 51.3% | 98.8% | |
| 14/13 | 0.6% | 2.3% | | 4.2% | 3.8% | 7.1% | 0.5% | 4.7% | 15.5% | 74.1% | |
| 15/14 | 0.5% | 2.2% | | 4.2% | 3.5% | 4.6% | -4.1% | 2.1% | 29.9% | -8.3% | |
| 16/15 | 0.4% | 1.8% | | 4.2% | 3.8% | 6.9% | 4.0% | 2.0% | 22.2% | 17.0% | |

Sources: State of California: Dept. of Finance, Employment Development Department, Board of Equalization; U.S. Dept of Commerce, Los Angeles Tourism and Convention Board, Construction Industry Research Board, California Homebuilding Foundation; estimates and forecasts by the LAEDC

Current County Economic Conditions³

The seasonally adjusted unemployment rate in Los Angeles County increased over the month to 4.9 percent in August 2016 from a revised 4.8 percent in July 2016 and was below the rate of 6.4 one year ago. Civilian employment increased by 20,000 to 4,829,000 in August 2016, while unemployment increased by 3,000 to 248,000 over the month. The civilian labor force increased by 24,000 over the month to 5,078,000 in August 2016. (All of the above figures are seasonally adjusted.) The unadjusted unemployment rate for the county was 5.3 percent in August 2016.

The California seasonally adjusted unemployment rate was 5.5 percent in August 2016, 5.5 percent in July 2016, and 6.0 percent a year ago in August 2015. The comparable estimates for the nation were 4.9 percent in August 2016, 4.9 percent in July 2016, and 5.1 percent a year ago.

Between July 2016 and August 2016, Los Angeles County total nonfarm employment expanded by 12,800 jobs to reach 4,335,200.

- Information posted the largest month-over gain (up 5,400) to reach 208,400 jobs. Most of the growth was in motion picture and sound recording (up 5,500) and broadcasting (except Internet) (up 100), with a slight decline in information residual (down 200) to offset the total industry growth.
- Professional and business services grew by 5,100 jobs. Month-over changes within professional and business services industry included: professional, scientific and technical services (up 4,500), administrative and support and waste services (up 1,100), and management of companies and enterprises (down 500).
- Other sectors that posted month-over jobs gains were leisure and hospitality (up 2,400), government (up 2,000), trade, transportation and utilities (up 1,300), financial activities (up 800), and educational and health services (up 200). Mining and logging remained unchanged.
- Manufacturing recorded the largest month-over decline, falling by 2,300 jobs. Nondurable goods (down 1,700), and durable goods (down 600), accounted for the employment loss in manufacturing. Other industries that posted month-over payroll cutbacks were construction (down 1,500), and other services (down 600).

³ California Labor Market Information Division, Los Angeles/Long Beach/Glendale (Los Angeles County), September 2016.

Between August 2015 and August 2016, total nonfarm employment in Los Angeles County grew by 73,900 jobs, or 1.7 percent.

- Educational and health services reported the largest year-over payroll increase, adding 22,800 jobs. This growth was divided between health care and social assistance (up 21,500) and educational services (up 1,300).
- Professional and business services also posted an over-the-year gain, increasing by 18,600 jobs. Administrative and support and waste services (up 8,700), professional, scientific and technical services (up 8,100), and management of companies and enterprises (up 1,800) accounted for the expansion in this industry.
- Other sectors that recorded year-over job gains were leisure and hospitality (up 14,600), trade, transportation and utilities (up 8,100), information (up 5,600), financial activities (up 5,100), government (up 4,600), and other services (up 1,700).
- Manufacturing posted the largest year-over decline with a loss of 6,400 jobs. Nondurables goods (down 3,300) and durables goods (down 3,100) resulted in the decline for this industry. Other sectors that recorded year-over decreases were mining and logging (down 400) and construction (down 400).

Largest Employers

The largest employers in Los Angeles County are shown below:

| Employer Name | Location | Industry |
|------------------------------|------------------|------------------------------------------|
| AHMC Healthcare Inc | Alhambra | Billing Service |
| American Honda Motor Co Inc | Torrance | Automobile & Truck Brokers (whls) |
| California State University | Long Beach | Schools-Universities & Colleges Academic |
| California State-Northridge | Northridge | Schools-Universities & Colleges Academic |
| Cedar Sinai Medical Ctr | West Hollywood | Hospitals |
| Children's Hospital | Long Beach | Dentists |
| FOX Networks LLC | Los Angeles | Television-Cable & CATV |
| International Rectifier Corp | El Segundo | Semiconductor Devices (mfrs) |
| Kaiser Permanente | Los Angeles | Hospitals |
| LAC & USC MEDICAL CTR | Los Angeles | Hospitals |
| Long Beach City Hall | Long Beach | Government Offices-City, Village & Twp |
| Los Angeles County Sheriff | Monterey Park | Government Offices-County |
| Los Angeles Police Dept | Los Angeles | Police Departments |
| Miller Children's Hospital | Long Beach | Hospitals |
| Nestle USA Inc | Glendale | Food Facilities (whls) |
| Paramount Petroleum Corp | Paramount | Asphalt & Asphalt Products-Manufacturers |
| Security Industry Specialist | Culver City | Security Systems Consultants |
| Six Flags-Magic Mountain Inc | Valencia | Marketing Programs & Services |
| Sony Pictures Entertainment | Culver City | Motion Picture Producers & Studios |
| Torrid | City Of Industry | Women's Apparel-Retail |
| UCLA | Los Angeles | Schools-Universities & Colleges Academic |
| UCLA Health System | Los Angeles | Schools-Universities & Colleges Academic |
| Vxi Global Solutions | Los Angeles | Call Centers |
| Walt Disney Co | Burbank | Motion Picture Producers & Studios |
| Warner Bros Studio | Burbank | Television Program Producers |

Source: America's Labor Market Information System (ALMIS) Employer Database – 2016

County Transportation

Los Angeles County is served by a diversified transportation system, including highways, freeways, rail, airports and seaports.

Freeways:

The system serves the entire county, connecting it with surrounding counties in Southern California. Major north/south freeways include the San Diego (I-405), the Golden State (I-5), the Harbor (110), and the Long Beach (I-710). Major east/west freeways serving the county are the Ventura (I-101 and 134), the Hollywood (I-101), the Santa Monica/San Bernardino (I-10), and the Pomona (I-60).

Water:

The ports of Los Angeles and Long Beach offer a combined 10,500 acres of land and some 40-miles of waterways. These modern facilities handle a variety of cargo classifications, including container, dry bulk, liquid bulk, auto and general cargo. On a combined basis, these two deep-water ports rank third in the world in container handling, after Hong Kong and Singapore.

Air:

Los Angeles International Airport (LAX) is a major transportation hub both for passengers and cargo, and has experienced substantial growth over the past 15 years. In fact, LAX ranks third in the world for the number of passengers and tonnage of air cargo handled.

Rail:

Services include Southern Pacific Railway, which operates freight service and Amtrak trains. Major switching facilities are located near downtown and in the South Bay area. The Metro Blue, Red and Green Lines provide commuter rail services. In addition to the Metro Rail Lines, Los Angeles County is served by the Metro Link, a commuter train system that connects commuters living and working in six counties: Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura.

CONCLUSION – Market Area Analysis

The size, centrality, and diversity of the Greater Los Angeles' economic base is expected to insulate it from the harshest effects of a national recessionary climate. The City of Los Angeles has held a premier position in the world for several years due to its leading role among the trading nations of the Pacific Rim, its extensive and still-developing transportation systems, its vast marketplace in terms of total purchasing power and diversity of consumers, and the establishment of various industrial and commercial headquarters in the city. The region is well positioned to continue economic leadership in the Pacific Rim and the rest of the state and country. Ultimately, the positive features of the Greater Los Angeles area including favorable climate, cultural appeal, and historic presence as a leading metropolitan area are considered to be beneficial traits and are expected to be sufficient to maintain the region as a leading commercial and economic center and should serve as a means of sustaining future economic growth

AREA MAP



NEIGHBORHOOD MAP



Area/Neighborhood Description – City of Los Angeles⁴

The subject property is located within the incorporated City of Los Angeles, in Los Angeles County.

City of Los Angeles

Los Angeles represents the cornerstone of the Southern California metropolitan area. It is the largest city in California with regard to both population and geographic size. It is the second largest city in the United States after New York. The City of Los Angeles, which encompasses approximately 470 square miles, operates under a council-mayor form of government. It was originally founded in 1781 and ultimately incorporated in 1850. During its development, it has become an area of distinctive cosmopolitan appeal.

The City's population has increased steadily over the decades as the area's favorable climate and numerous other resources have encouraged immigration. The overall rate of population growth was more vigorous during the 1980s when economic conditions were generally more robust. As the national recession manifested itself in the early 1990s, its effects were a slowdown in the overall rate of population growth within the City of Los Angeles. This trend has abated since the recovery, and the rate of growth, while not up to the level it had reached during the 1980s, is rising again.

Transportation systems servicing the city include all major forms such as water ports (Los Angeles/Long Beach Harbors), air (Los Angeles International Airport, Glendale-Burbank Airport, as well as several proximate regional airports, an extensive highway network, and a developing public transit system comprised of both above- and below-ground trains. The burgeoning population of the greater Los Angeles area has in the past two decades fostered increased traffic levels and created the need for developing a public transportation system that would not rely solely on highway and surface street automobile and bus travel. In response to the strain being generated by increasing traffic levels, Los Angeles County has initiated the development of several public rail systems to serve the region. These new transportation amenities include both subway and above-ground commuter trains emanating from the downtown area of the City of Los Angeles - extending outward to various locales throughout the County (the "Metrolink").

⁴ Excerpts taken from Wikipedia.com

The City of Los Angeles is unusual among American cities in that while it has a successful downtown commercial district, the city as a whole has a long history (dating back to the 1920s) of not being a singly concentrated urban area with one central business district that serves as its sole focal point. Rather, it has been a composite of intermingling communities; each characterized by their own centers and distinct commercial and residential dynamics. For example, in addition to the downtown core, there are other successful suburban districts, including the Westside and numerous communities within the San Fernando Valley, as well as several communities geared toward promoting and catering to specific cultures, such as Chinatown, Little Tokyo and Koreatown.

BEVERLY HILLS, CALIFORNIA

- **Beverly Hills**—Beverly Hills is a city in Los Angeles County, California, surrounded by the upscale suburbs of Los Angeles. Originally a Spanish ranch where lima beans were grown, Beverly Hills was incorporated in 1914 by a group of investors who had failed to find oil, but found water instead and eventually decided to develop it into a town. By 2013, its population had grown to 34,658. Sometimes referred to as “90210”, one of its primary ZIP codes, it is home to many actors and celebrities. The city includes the Rodeo Drive shopping district and world renown estates.
- **Restaurant Row**—La Cienega in Beverly Hills, north of Wilshire Boulevard, is known as Restaurant Row and features many upscale restaurants. From Wilshire Boulevard traveling north the best known establishments include The Stinking Rose, Dariush, Spice Affair, Newport Seafood, the original Lawry's the Prime Rib, Gerwa, Nobu Matsuhisa, Fogo de Chão, Gyu-Kaku, the larder at burton way, The Bazaar by José Andrés, and Morton's.
- **Beverly Hills “Golden Triangle”**—From world-renowned fashion houses to one-of-a-kind local boutiques, Beverly Hills offers a shoppers' paradise located within a compact, easily walkable area known as the Golden Triangle. Rodeo Drive is the epicenter for luxury retail in the United States. Beverly and Cañon Drives also provide hundreds of local boutiques, unique luxury shops, fantastic Beverly Hills restaurants and open-air cafés. Anchoring the southern border of the Golden Triangle is Department Store Row, home to the titans of luxury retailing, including Neiman-Marcus, Saks Fifth Avenue and Barneys New York.
- **La Cienega Design Quarter**—The area of La Cienega Boulevard, from Beverly Boulevard to Santa Monica Boulevard, and its satellite streets is known as the La Cienega Design Quarter. Its shops and galleries house many antiques, furniture, rugs, accessories and art. The Pacific Design Center borders the La Cienega Design Quarter.
- **La Cienega Park**—La Cienega Park is a public park in Beverly Hills, California. The largest park in Beverly Hills, it includes three baseball diamonds, two soccer fields, a jogging track, a playground, multiple tennis courts, and a community center. The park is managed by the City Beverly Hills. The park covers area on both sides of La Cienega Boulevard, between Gregory Way and Shumacher Drive.

Local Demographics - 1, 3, and 5-mile radius to the subject property**Demographic and Income Comparison Profile**

333 S La Cienega Blvd, Los Angeles, California, 90048
 Rings: 1, 3, 5 mile radii

Prepared by Esri

Date: 04/24/2012

Version: 2.10.3.10.00

| | 1 mile | 3 miles | 5 miles |
|--------------------------------------|-----------|-----------|----------|
| Census 2010 Summary | | | |
| Population | 30,041 | 256,118 | 840,083 |
| Households | 20,879 | 140,383 | 367,325 |
| Families | 7,517 | 56,518 | 172,579 |
| Average Household Size | 1.84 | 2.00 | 2.25 |
| Owner Occupied Housing Units | 3,967 | 42,812 | 99,890 |
| Renter Occupied Housing Units | 14,912 | 97,471 | 267,435 |
| Median Age | 39.6 | 37.7 | 35.7 |
| 2016 Summary | | | |
| Population | 40,226 | 296,858 | 877,917 |
| Households | 21,297 | 144,171 | 377,033 |
| Families | 7,733 | 58,389 | 177,606 |
| Average Household Size | 1.86 | 2.00 | 2.27 |
| Owner Occupied Housing Units | 5,758 | 41,930 | 97,711 |
| Renter Occupied Housing Units | 15,539 | 102,241 | 279,322 |
| Median Age | 40.7 | 38.6 | 36.6 |
| Median Household Income | \$77,801 | \$68,230 | \$52,589 |
| Average Household Income | \$112,836 | \$107,025 | \$89,858 |
| 2021 Summary | | | |
| Population | 41,498 | 309,378 | 906,023 |
| Households | 21,851 | 148,530 | 388,430 |
| Families | 7,977 | 60,337 | 183,277 |
| Average Household Size | 1.87 | 2.08 | 2.29 |
| Owner Occupied Housing Units | 5,872 | 42,679 | 99,606 |
| Renter Occupied Housing Units | 15,979 | 105,851 | 288,845 |
| Median Age | 41.1 | 38.9 | 37.2 |
| Median Household Income | \$87,526 | \$79,094 | \$57,071 |
| Average Household Income | \$124,192 | \$117,211 | \$96,075 |
| Trends: 2010-2021 Annual Rate | | | |
| Population | 0.62% | 0.69% | 0.68% |
| Households | 0.51% | 0.60% | 0.60% |
| Families | 0.62% | 0.66% | 0.63% |
| Owner Households | 0.39% | 0.35% | 0.38% |
| Median Household Income | 2.38% | 3.00% | 1.65% |

Source: U.S. Census Bureau, Census 2010 Summary File 1. Best forecasts for 2016 and 2021.



Demographic and Income Comparison Profile

333 S La Cienega Blvd, Los Angeles, California, 90048
 Rings: 1, 3, 5 mile radii

Prepared by Esri

Date: 04-01-2021

Longitude: -118.27579

| | 1 mile | | 3 miles | | 5 miles | |
|---------------------------|-----------|---------|-----------|---------|----------|---------|
| 2016 Households by Income | Number | Percent | Number | Percent | Number | Percent |
| <\$15,000 | 2,513 | 11.8% | 18,430 | 12.8% | 39,851 | 15.9% |
| \$15,000 - \$24,999 | 1,481 | 7.0% | 11,577 | 8.0% | 39,731 | 10.5% |
| \$25,000 - \$34,999 | 1,698 | 8.0% | 12,052 | 8.4% | 38,024 | 10.1% |
| \$35,000 - \$49,999 | 2,006 | 9.4% | 14,577 | 10.1% | 43,490 | 11.5% |
| \$50,000 - \$74,999 | 2,613 | 12.3% | 19,581 | 13.6% | 52,187 | 13.8% |
| \$75,000 - \$99,999 | 2,389 | 11.3% | 18,503 | 11.4% | 38,641 | 10.2% |
| \$100,000 - \$149,999 | 3,733 | 17.5% | 21,835 | 15.1% | 48,112 | 12.2% |
| \$150,000 - \$199,999 | 1,944 | 9.1% | 10,670 | 7.5% | 22,251 | 5.9% |
| \$200,000+ | 2,821 | 13.7% | 18,743 | 13.0% | 36,731 | 9.7% |
| Median Household Income | \$77,801 | | \$68,235 | | \$52,589 | |
| Average Household Income | \$112,838 | | \$107,823 | | \$89,858 | |
| Per Capita Income | \$60,514 | | \$51,988 | | \$39,247 | |
| 2011 Households by Income | Number | Percent | Number | Percent | Number | Percent |
| <\$15,000 | 2,503 | 11.5% | 18,999 | 12.8% | 63,292 | 18.3% |
| \$15,000 - \$24,999 | 1,333 | 6.1% | 10,794 | 7.3% | 38,071 | 9.8% |
| \$25,000 - \$34,999 | 1,596 | 7.3% | 11,701 | 7.9% | 36,190 | 9.3% |
| \$35,000 - \$49,999 | 1,898 | 8.7% | 13,348 | 9.0% | 41,353 | 10.6% |
| \$50,000 - \$74,999 | 2,270 | 10.4% | 18,883 | 10.7% | 43,490 | 11.2% |
| \$75,000 - \$99,999 | 2,348 | 10.7% | 17,343 | 11.7% | 41,891 | 10.8% |
| \$100,000 - \$149,999 | 4,210 | 19.3% | 28,220 | 17.7% | 55,726 | 14.3% |
| \$150,000 - \$199,999 | 2,343 | 10.7% | 13,080 | 8.8% | 25,847 | 6.9% |
| \$200,000+ | 3,344 | 15.3% | 21,197 | 14.3% | 41,577 | 10.7% |
| Median Household Income | \$67,526 | | \$79,004 | | \$57,071 | |
| Average Household Income | \$124,192 | | \$117,211 | | \$98,071 | |
| Per Capita Income | \$66,166 | | \$58,613 | | \$42,993 | |

Data Note: Income is expressed in current dollars.

Sources: U.S. Census Bureau, Census 2010 Summary File 1. But forecasts for 2016 and 2021.



Demographic and Income Comparison Profile

333 S La Cienega Blvd, Los Angeles, California, 90048
 Ring: 1, 3, 5 mile radii

Prepared by Esri

Latitude: 34.07122

Longitude: -118.37627

| | 1 mile | | 3 miles | | 5 miles | |
|------------------------|--------|---------|---------|---------|---------|---------|
| 2010 Population by Age | Number | Percent | Number | Percent | Number | Percent |
| Age 0 - 4 | 1,612 | 4.1% | 13,666 | 4.6% | 44,568 | 5.3% |
| Age 5 - 9 | 1,347 | 2.9% | 11,742 | 4.1% | 38,900 | 4.6% |
| Age 10 - 14 | 1,085 | 2.6% | 11,427 | 4.0% | 38,261 | 4.5% |
| Age 15 - 19 | 1,200 | 3.1% | 11,806 | 4.1% | 48,681 | 5.7% |
| Age 20 - 24 | 2,299 | 5.9% | 19,710 | 6.6% | 75,436 | 8.9% |
| Age 25 - 34 | 8,943 | 22.9% | 61,669 | 21.4% | 167,848 | 19.8% |
| Age 35 - 44 | 6,763 | 17.3% | 49,434 | 17.2% | 131,552 | 16.0% |
| Age 45 - 54 | 5,287 | 13.5% | 39,347 | 13.6% | 112,207 | 13.2% |
| Age 55 - 64 | 4,276 | 11.0% | 30,734 | 10.7% | 87,168 | 10.3% |
| Age 65 - 74 | 2,729 | 7.0% | 18,428 | 6.4% | 50,304 | 5.9% |
| Age 75 - 84 | 2,025 | 5.2% | 12,616 | 4.4% | 32,123 | 3.8% |
| Age 85+ | 1,673 | 4.3% | 7,667 | 2.7% | 16,586 | 2.0% |
| 2016 Population by Age | Number | Percent | Number | Percent | Number | Percent |
| Age 0 - 4 | 1,552 | 3.9% | 13,469 | 4.5% | 42,582 | 5.0% |
| Age 5 - 9 | 1,338 | 3.3% | 12,484 | 4.2% | 41,097 | 4.7% |
| Age 10 - 14 | 1,280 | 3.2% | 12,096 | 4.0% | 39,932 | 4.6% |
| Age 15 - 19 | 1,200 | 3.0% | 12,001 | 4.0% | 48,113 | 5.5% |
| Age 20 - 24 | 2,157 | 5.4% | 18,968 | 6.3% | 74,592 | 8.5% |
| Age 25 - 34 | 8,418 | 20.9% | 61,294 | 20.5% | 168,461 | 19.2% |
| Age 35 - 44 | 7,661 | 17.6% | 50,137 | 16.6% | 138,542 | 15.6% |
| Age 45 - 54 | 5,512 | 13.7% | 40,453 | 13.5% | 114,630 | 13.1% |
| Age 55 - 64 | 4,707 | 11.7% | 34,090 | 11.4% | 96,677 | 11.0% |
| Age 65 - 74 | 3,459 | 8.6% | 23,083 | 7.7% | 63,137 | 7.2% |
| Age 75 - 84 | 1,876 | 4.6% | 12,847 | 4.3% | 33,321 | 3.8% |
| Age 85+ | 1,588 | 3.9% | 7,667 | 2.6% | 17,613 | 2.0% |
| 2021 Population by Age | Number | Percent | Number | Percent | Number | Percent |
| Age 0 - 4 | 1,603 | 3.9% | 14,139 | 4.6% | 45,603 | 5.0% |
| Age 5 - 9 | 1,344 | 3.2% | 12,372 | 4.0% | 40,411 | 4.5% |
| Age 10 - 14 | 1,272 | 3.1% | 11,874 | 3.8% | 39,397 | 4.3% |
| Age 15 - 19 | 1,213 | 2.9% | 11,112 | 3.6% | 45,177 | 5.0% |
| Age 20 - 24 | 2,099 | 5.1% | 17,698 | 5.6% | 71,096 | 7.8% |
| Age 25 - 34 | 8,661 | 20.9% | 65,285 | 21.1% | 179,571 | 19.6% |
| Age 35 - 44 | 7,161 | 17.3% | 51,628 | 16.6% | 143,579 | 15.6% |
| Age 45 - 54 | 5,559 | 13.4% | 40,785 | 13.2% | 114,997 | 12.7% |
| Age 55 - 64 | 4,868 | 11.7% | 35,312 | 11.4% | 101,034 | 11.1% |
| Age 65 - 74 | 3,923 | 9.5% | 26,480 | 8.6% | 73,216 | 8.1% |
| Age 75 - 84 | 2,217 | 5.3% | 14,470 | 4.7% | 37,976 | 4.2% |
| Age 85+ | 1,540 | 3.7% | 7,724 | 2.5% | 18,005 | 2.0% |

Sources: U.S. Census Bureau, Census 2010 Summary File 1. But forecasts for 2016 and 2021.

SITE DESCRIPTION

| | |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Location | 333 S. La Cienega Boulevard Los Angeles, CA 90048 |
| Legal Description | Lots 1 thru 5, and a portion of vacant street adjacent on SW, Tract Number 7555, in the City of Los Angeles, County of Los Angeles, State of California, as shown on a map thereof recorded in Book 80, Page 53 of miscellaneous maps, in the Office of the County Recorder of Los Angeles County. |
| Assessor's Parcel Numbers | 4334-009-160 |
| Shape and Size | Irregular shaped, corner site 50,156 square feet, or 1.15± acres |
| Topography | Level |
| Improvements | 35,835 square foot department store |
| Site Coverage Ratio | 95% |
| Access | Vehicular and pedestrian access to the subject property is provided along La Cienega Boulevard. Freeway access to the subject property is considered average. |
| Earthquake Hazards | Since the subject property is located in Southern California, which is known for being prone to earthquakes, there is some degree of earthquake hazard at the subject location. It is recommended that any interested party obtain a complete geological study to determine any potential hazard specifically germane to the subject locale. |

Flood Zone

The subject site is located in Zone X500, per Map Number 060137-06037C1585F, dated September 26, 2008. Zone X500 is an area inundated by 500-year flooding with average depths of less than 1 foot or with drainage areas less than 1 square mile; or an area protected by levees from 100-year flooding.

Easements,
Encumbrances, and
Restrictions

Although requested, we were not provided with a recent title report for the subject property. Based on our physical on-site inspection of the subject property, we are not aware of any easements impacting the subject other than those imposed by local governmental and quasi-governmental agencies for common utilities, public right-of-ways, etc.

We emphasize to the user of this report that our valuation analysis and stated conclusions specifically assume the subject to be free and clear of any negative easements, restrictions, and encumbrances impacting the subject site.

Environmental
Conditions

No environmental hazards report has been made available to us for use in our analysis of the subject property. We are not aware of the use of the subject site prior to the existing development. Our on-site inspection of the subject property revealed no obvious or apparent evidence of soil contamination or the presence of toxic/hazardous substances. We are not aware of any environmental/toxic contamination impacting the subject site. The subject property is assumed to be free and clear of any such contamination.

Soil Conditions

No soils report has been made available to us for use in our analysis. Our on-site inspection of the subject property revealed no obvious or apparent evidence of geological conditions on the subject site. However, the appraisers are not qualified to detect significant geological or soil related nuisances. Therefore, it is an explicit assumption of this report that no detrimental geologic or soil-related conditions impact the subject property. The subject soil is assumed to be of suitable load-bearing capacity for normal commercial development.

Utilities

All necessary utilities are available and connected to the site, including water, natural gas, electricity, sewer and telephone.

Zoning

According to the City of Los Angeles Planning Department, the subject is located within the C2-1VL-O (Commercial) zone.

Los Angeles Planning and Zoning

SEC. 12.14. "C2" COMMERCIAL ZONE.

The following regulations shall apply in the "C2" Commercial Zone:

A. Use – No building, structure or land shall be used and no building or structure shall be erected, structurally altered, enlarged or maintained, except for the following uses, and when a "Supplemental Use District" is created by the provisions of Article 3 of this chapter, for such uses as may be permitted therein:

1. The following stores, shops or businesses when conducted in accordance with the limitations hereafter specified:

(a) **Types of uses:**

(1) Any use permitted in the C1.5 Limited Commercial Zone by Section 12.13.5 A.2. of this Code or in the C1 Limited Commercial Zone by Section 12.13 A.2. of this Code. (Added by Ord. No. 156,924, Eff. 8/23/82.)

(2) Art or antique shop.

(3) Bird store or taxidermist, or a pet shop for the keeping or sale of domestic or wild animals, other than those wild animals specified in the definition of "Accessory Use" as set forth in Section 12.03 of this Code, under an appropriate permit issued by the Department of Animal Services as provided in Section 53.38 of this Code. ("Department of Animal Regulation" renamed "Department of Animal Services" by Ord. No. 174,735, Eff. 9/13/02.)

(4) Carpenter, plumbing or sheet metal shop.

(5) Catering shop.

(6) Feed and fuel store.

(7) Interior decorating or upholstering shop.

(8) Sign painting shop.

(9) Tire shop, provided the tire shop is in compliance with all of the development standards and operating conditions set forth in Section 12.22 A.28. of this Code. (Amended by Ord. No. 178,382, Eff. 3/24/07.)

(10) Restaurant, tea room or cafe (including entertainment other than dancing) or a ground floor restaurant with an outdoor eating area. An outdoor eating area for ground floor restaurants may be located anywhere between the building and any required side or rear yard. (Amended by Ord. No. 165,403, Eff. 2/17/90.)

(b) **Limitations:**

(1) Any of the stores, shops or business listed in Paragraph (a) may be operated as a retail business, i.e., where the majority of the merchandise sold during each calendar month is sold at retail.

As an integral part of any such retail business, there may be manufacturing of products, or assembling, compounding, processing or treating of materials; providing that the majority of such products and materials sold during each calendar month are also sold at retail; that not more than five persons are engaged in such manufacturing of products and assembling, compounding, processing or treating of materials, and that such products, materials and all activities in connection therewith, are not objectionable due to odor, dust, smoke, noise, vibration or other causes.

(2) Any of the stores, shops or businesses listed in Paragraph (a) may be operated as a wholesale business, i.e., where the majority of the merchandise sold during each calendar month is sold at wholesale. The total area of all space used for storage on the premises in connection with any one such business shall not exceed 4,500 square feet. Such limitation shall include all storage space within a building, and all open storage space as provided for in subdivision 42 of this section. No manufacturing of products nor assembly, compounding, processing or treating of materials shall be conducted in connection therewith.

(3) In connection with the stores, shops or businesses listed in Paragraph (a) all activities, other than incidental storage and outdoor eating areas for ground floor restaurants, shall be conducted wholly within a completely enclosed building. (Amended by Ord. No. 165,403, Eff. 2/17/90.)

2. Advertising signs or structures and billboards.

3. (Amended by Ord. No. 168,516, Eff. 2/14/93.) Amusement enterprises, including a billiard or pool hall use, whether primary or ancillary to the subject business, bowling alley, games of skill and science, penny arcades (except those containing more than four coin or slug-operated or electrically, electronically or mechanically controlled game machines), shooting gallery, skating rink and the like, if all activities other than incidental storage are conducted wholly within a completely enclosed building, provided that:

(a) Billiard or pool hall use, whether primary or ancillary to the subject business, other than those located in a mini-shopping center and subject to conditional use approval pursuant to Section 12.24W27, shall also be subject to the following conditions: (Amended by Ord. No. 173,492, Eff. 10/10/00.)

(1) The billiard or pool hall use shall be located at least 500 feet from an A or R zone; and

(2) The billiard or pool hall use shall not be open for business or operate between the hours of 2:00 a.m. and 6:00 a.m.

4. Any use permitted in the C1.5 Limited Commercial Zone provided that all regulations and limitations of the C1.5 Limited Commercial Zone are complied with except as provided in this section. (Amended by Ord. No. 156,994, Eff. 9/25/82.)

5. Auditoriums having a seating capacity for not more than three thousand (3,000) people.

6. (Amended by Ord. No. 169,584, Eff. 4/23/94.) Automotive fueling and service station, provided that:

(a) (Amended by Ord. No. 172,468, Eff. 4/1/99.) All tire and tube repairing, battery servicing, automotive lubrication, mechanical adjustments and other vehicle maintenance activities shall be conducted wholly within a building, except for:

(1) Those servicing operations which are normally made in the area immediately adjacent to the pump island; and

(2) The following services when conducted within the first 18 feet in depth measured perpendicular to the entire length of the building wall containing a garage bay door, provided said area shall not displace any required parking:

(i) electrical diagnostics;

(ii) battery charging and changing; and

(iii) tire removal and replacement, if the vehicle is elevated no more than 12 inches off the ground measured to the bottom of the tire. A portable hoist may be used for this function.

Except as provided in (2)(iii) above, automotive hoists of any type or size shall be located or operated only inside a building.

(b) A six-foot high concrete or masonry wall, for the entire length of the property line, shall be constructed on any lot line which abuts an "A" or "R" Zone, or is separated therefrom only by an alley provided, however, that for a distance of 15 feet from the intersection of the lot line with the street, said wall shall be only 3 feet 6 inches high, and provided further, that where a lot line abuts an alley and the alley is used for ingress and egress the wall may be omitted for a distance not to exceed 25 feet from the intersection of said lot line with the street. Such walls shall be without openings and shall be of solid masonry or concrete with a minimum nominal thickness of 6 inches. Such walls shall be protected from damage or destruction by automobiles by the erection or installation of wheel blocks, guard rails or other appropriate devices on the property.

(c) No driveway approach shall be located within five feet of any property line abutting in an "A" or "R" Zone, said distance to be measured from the intersection of the lot line with the street to the far side of the nearest side slope of the driveway.

(d) No part of any pump island shall be located within 12 feet of any street.

(e) Display and/or storage of merchandise for sale, must be confined to the rear half of the lot measured from all street frontages, except that display of automotive merchandise for sale shall be permitted in enclosed buildings, on the pump islands, in the open within three feet of the exterior walls of the main building, and is not more than two portable or semi-portable cabinets, provided each of said cabinets shall not exceed 6 feet in height, nor exceed 40 square feet in base area, and provided further that said cabinets are located not less than 50 feet from all street lines. The display, rental and/or storage of household moving rental trucks and/or utility rental trailers as defined in Section 12.03 of this Code shall also be permitted in connection

with an automobile service station, which is currently active in dispensing gasoline and oil to the general public, and pursuant to the following restrictions:

(1) If the adjoining property, on any two of the three sides of the involved parcel not abutting the main street is in the C1.5, C2, C4 or C5 zone, then up to 10% of the lot area may be used for the display, rental, and/or storage of household moving rental trucks or utility rental trailers.

(2) If the adjoining property, on any two of the three sides of the involved parcel not abutting the main street is in the CM or a less restrictive zone, then up to 25% of the lot area may be used for the display, rental, and/or storage of household moving rental trucks or utility rental trailers.

No storage, display or rental of household moving rental trucks or utility rental trailers permitted by Subparagraphs 1 and 2 above shall take place within 25 feet of a residential zone.

Except for the storage, display or rental of household moving rental trucks and utility rental trailers permitted herein, there shall be no rental, storage or storage for rental purposes of equipment commonly used by contractors or commercial vehicles which exceed a registered net weight of 5600 pounds.

(f) Except as permitted in Subsection (e) hereof, open-air storage of merchandise or materials, including rubbish containers, used tires, used batteries and items of a similar nature must be confined to a storage area completely enclosed by a solid, non-combustible wall or fence (with necessary self-closing gates) six feet in height. Said storage area must be at least 150 square feet in area. No merchandise or material shall be stored higher than said wall or fence.

(g) Lights used to illuminate the service station site shall be arranged so as to reflect the light away from the adjacent premises in an "A" or "R" Zone and the light standard for such lights shall not exceed 20 feet in height.

(h) (Repealed by Ord. No. 169,130, Eff. 12/16/93.)

(i) (Repealed by Ord. No. 169,130, Eff. 12/16/93.)

(j) Notwithstanding Section 12.24 W.27. of this Code, the automotive fueling station use shall be in compliance with all of the development standards and operating conditions set forth in Section 12.22 A.28. of this Code. (Added by Ord. No. 178,382, Eff. 3/24/07.)

7. (Amended by Ord. No. 178,382, Eff. 3/24/07.) Used automobile and trailer sales area, provided the used automobile and trailer sales area is in compliance with all of the development standards and operating conditions set forth in Section 12.22 A.28. of this Code.

New automobile sales area and a secondary used automobile sales area, provided that all of the following conditions are met:

(a) The lot containing the automobile sales areas is located and developed in compliance with the provisions set forth in Section 12.21 A.6. of this Code.

(b) Any incidental repair of automobiles shall be done within a building.

8. Baseball or football stadiums or boxing arenas, having a seating capacity for not more than three thousand (3,000) people.
9. Automotive laundry or wash rack, provided the automotive laundry or wash rack is in compliance with all of the development standards and operating conditions set forth in Section 12.22 A.28. of this Code. (Amended by Ord. No. 178,382, Eff. 3/24/07.)
10. Church. (Added by Ord. No. 145,250, Eff. 12/24/73.)
11. (Deleted by Ord. No. 171,687, Eff. 8/19/97.)
12. Film and tape editing and motion picture reconstruction, provided that only safety film is used; and projection and screening rooms associated with such uses shall seat no more than 100 persons. (Added by Ord. No. 162,514, Eff. 7/31/87.)
13. Circus or amusement enterprise of a similar type, transient in character.
14. (Amended by Ord. No. 173,492, Eff. 10/10/00.) Drive-in businesses, including theaters, refreshment stands, restaurants, food stores, and the like when not subject to the conditional use requirements of Section 12.24W.
15. Ferris wheels, carousels, merry-go-rounds, and the like.
16. Film exchange.
17. Hospitals, sanitariums or clinics, except animal hospitals, when located as required by Section 12.21D.
18. Ice storage house, not more than five (5) tons capacity.
19. Medical or dental clinics and laboratories.
20. Music conservatory or music instruction.
21. Newsstand.
22. Nursery, flower or plant, provided that all incidental equipment and supplies, including fertilizer and empty cans, are kept within a building.
23. Parcel delivery service, branch, if all activities including storage and loading and unloading, are conducted within a completely enclosed building.
24. Parking buildings and all buildings containing automobile parking as primary or accessory uses. All buildings containing automobile parking shall be subject to the requirements of Sections 12.21A5 and 12.12.1.5A of this Code. (Amended by Ord. No. 160,273, Eff. 9/16/85.)
25. Pony riding ring, without stables.
26. Printing, publishing or lithographing establishments.
27. Automotive repair, provided the automotive repair is in compliance with all of the development standards and operating conditions set forth in Section 12.22 A.28. of this

Code. (Amended by Ord. No. 178,382, Eff. 3/24/07.)

28. (None)

29. Public services, including electric distributing substation, fire or police station, telephone exchange, and the like.

30. Second-hand store, except pawnshops, if all activities other than incidental storage are conducted wholly within a completely enclosed building. (Amended by Ord. No. 171,257, Eff. 10/4/96.)

31. (Repealed by Ord. No. 173,979, Eff. 6/29/01.)

32. Studios (except motion picture).

33. School (elementary or high), educational institution, or private school. (Added by Ord. No. 145,250, Eff. 12/24/73.)

34. (Amended by Ord. No. 173,492, Eff. 10/10/00.) Indoor swap meets when authorized pursuant to the provisions of Section 12.24 W.42.

35. Trade school, if not objectionable due to noise, odor, vibration, or other similar causes.

36. Wedding chapel, rescue mission or temporary revival church.

37. Massage parlor, where massage, alcohol rub, formentation, electric or magnetic treatment, or similar treatment or manipulation of the human body is administered by a medical practitioner, chiropractor, acupuncturist, physical therapist or similar professional person licensed by the State of California, and including an athletic club, health club, school, gymnasium, state licensed cosmetology or barber establishment, reducing salon, spa or similar establishment where massage or similar manipulation of the human body is offered as an incidental or accessory service. (Added by Ord. No. 155,718, Eff. 8/6/81.)

38. Laundries or cleaning establishment, provided that:

(a) All activities other than incidental storage are conducted wholly within a completely enclosed building;

(b) Not more than five persons are engaged in operating any laundry or cleaning establishment, excluding personnel engaged wholly in pressing, office and delivery work;

(c) The majority of the articles washed or cleaned during each calendar month period are handled at retail;

(d) The operations are not objectionable due to odor, dust, smoke, noise, vibration or other causes;

(e) Not more than two clothes cleaning units shall be used in any clothes cleaning establishment, neither of which shall have a rated load capacity of more than 40 pounds, or in lieu of the aforesaid two clothes cleaning units there may be used one unit with a rated load capacity of more than 40 pounds but it shall in no event exceed a rated load capacity of 80 pounds, and no cleaning fluid shall be used which is

explosive or flammable at temperatures below 138.5 degrees Fahrenheit. (Amended by Ord. No. 143,291, Eff. 6/20/72.)

39. Miniature or pitch and putt golf courses, golf driving tees or ranges, and similar commercial golf uses. (Amended by Ord. No. 144,365, Eff. 4/5/73, Oper. 9/1/73.)

40. Other uses similar to the above, as provided for in Sec. 12.21 A.2.

41. Conditional uses enumerated in Sec. 12.24 when the location is approved pursuant to the provisions of said section. (Amended by Ord. No. 117,450, Eff. 12/18/60.)

42. (Amended by Ord. No. 162,336, Eff. 6/6/87.) Uses customarily incident to any of the above uses, and accessory buildings, when located on the same lot. Open storage of materials and equipment, including used materials and equipment, shall be permitted only when incidental to the use of an office, store or other commercial building located on the front portion of the same lot, and provided that:

(a) Such storage is located on the rear one-half of the lot and is confined to an area of not to exceed three thousand (3,000) square feet;

(b) No power driven excavating or road building equipment is stored on the premises;

(c) The storage area is completely enclosed by a solid wall or fence not less than six (6) feet in height with necessary solid gates of the same height;

(d) No material or equipment is stored to a height greater than that of the wall or fence enclosing the storage area; and

(e) There shall be no rental, storage or storage for rental purposes of a commercial vehicle which exceeds a registered net weight of 5,600 pounds.

The phrase "used materials and equipment" includes vehicles, boats, or airplanes which are inoperable, wrecked, damaged or unlicensed, i.e. not currently licensed by the Department of Motor Vehicles.

43. Automobile parking space required for dwellings and for buildings other than dwellings, as provided for in Sec. 12.21 A.4.

44. Shelter for the homeless (as defined in Section 12.03 of this Code) containing not more than 30 beds and designed to serve not more than 30 persons. Except within the Central City Community Plan area, any shelter for the homeless established pursuant to this subdivision shall be located at least 600 feet from another such shelter. The residential yard requirements of this section shall not apply to a shelter in an existing non-residential building. The minimum number of off-street parking spaces provided in conjunction with such use shall comply with the requirements of Section 12.21 A.4.(w) of this Code. (Added by Ord. No. 161,427, Eff. 8/2/86.)

45. Motion picture, television, video and other media production, no outdoor sets. (Added by Ord. No. 172,106, Eff. 8/14/98.)

B. Restriction. (Amended by Ord. No. 173,268, Eff. 7/1/00, Oper. 7/1/00.) For any lot designated as Public, Quasi-Public, Public/Quasi-Public Use, Other Public, or Open Space on the land use map of the applicable community or district plan; any lot shown on the map as having

existing lakes, waterways, reservoirs, debris basins, or similar facilities; any lot shown on the map as the location of a freeway right-of-way; and any property annexed to the City of Los Angeles where a plan amendment was not adopted as part of the annexation proceedings:

Any of the uses permitted by Subsection A. of this section shall require prior approval in accordance with the provisions of Section 12.24.1 of this Code.

C. Area. (Amended by Ord. No. 144,365, Eff. 4/5/73, Oper. 9/1/73.) No building or structure nor the enlargement of any building or structure shall be hereafter erected or maintained unless the following yards, lot areas and loading spaces are provided and maintained in connection with such building, structure or enlargement:

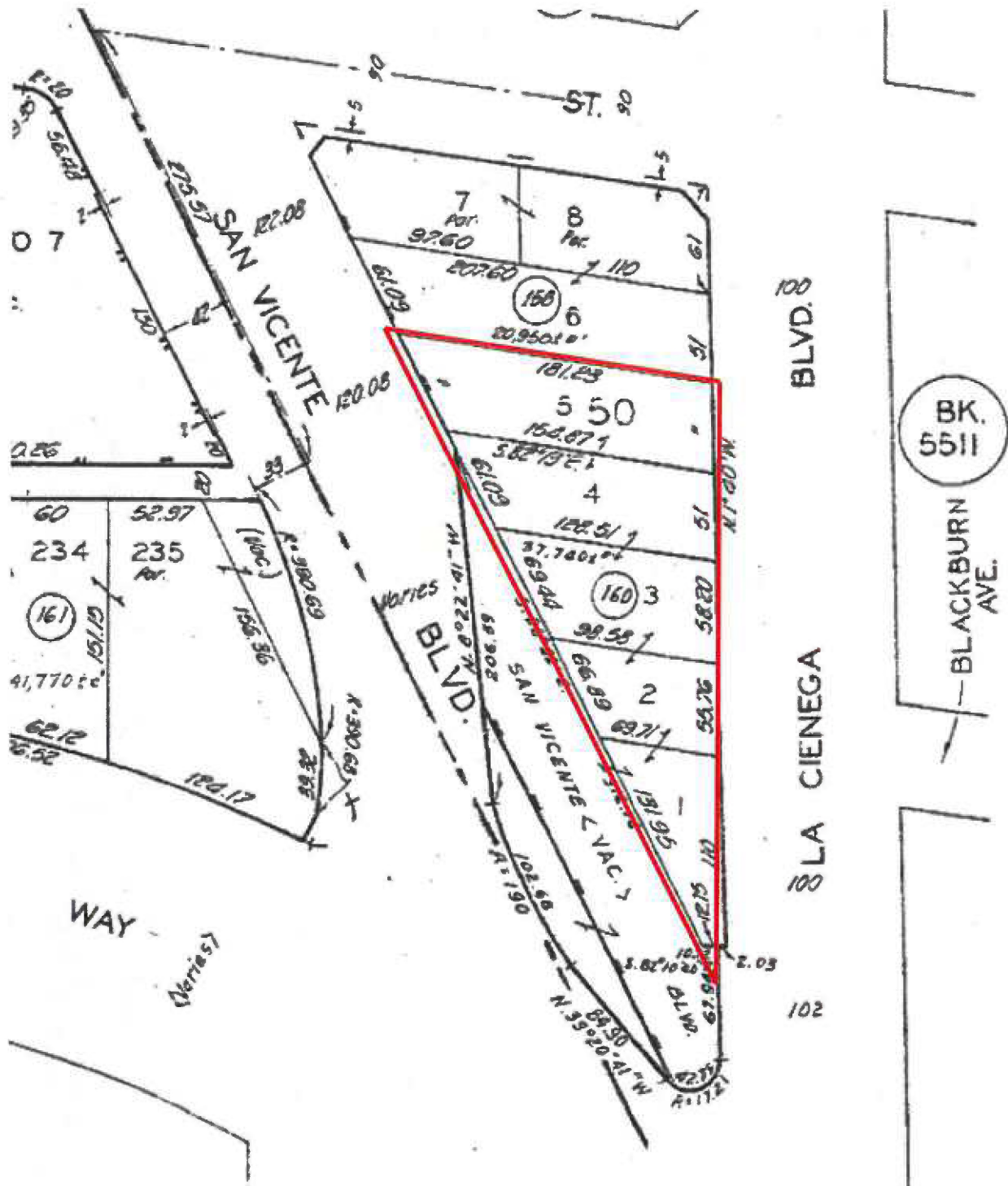
1. **Front Yard** – Not required.
2. **Side and Rear Yards** – Not required for buildings erected and used exclusively for commercial purposes.

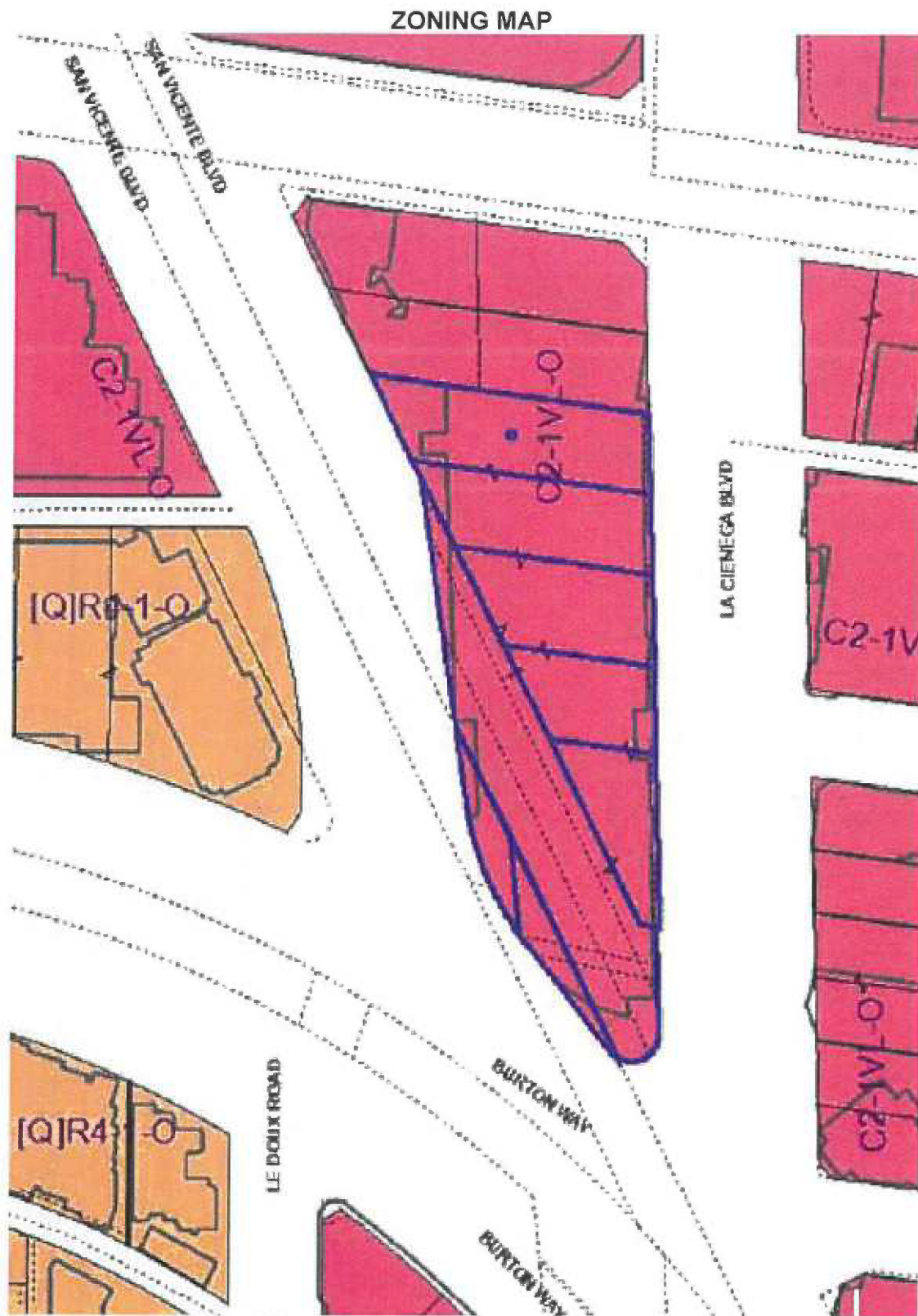
For all portions of buildings erected and used for residential purposes, side and rear yard conforming to the requirements of the R4 Zone (Section 12.11 C.2. and 3.) shall be provided and maintained at the floor level of the first story used in whole or in part for residential purposes.

3. **Lot Area** – The lot area requirements of the R4 Zone (Section 12.11 C.4.) shall apply to all portions of buildings used for residential purposes.

4. **Loading Space** – As required by Section 12.21 C.6., Exceptions to area regulations are provided for in Section 12.22 C.

PLAT MAP





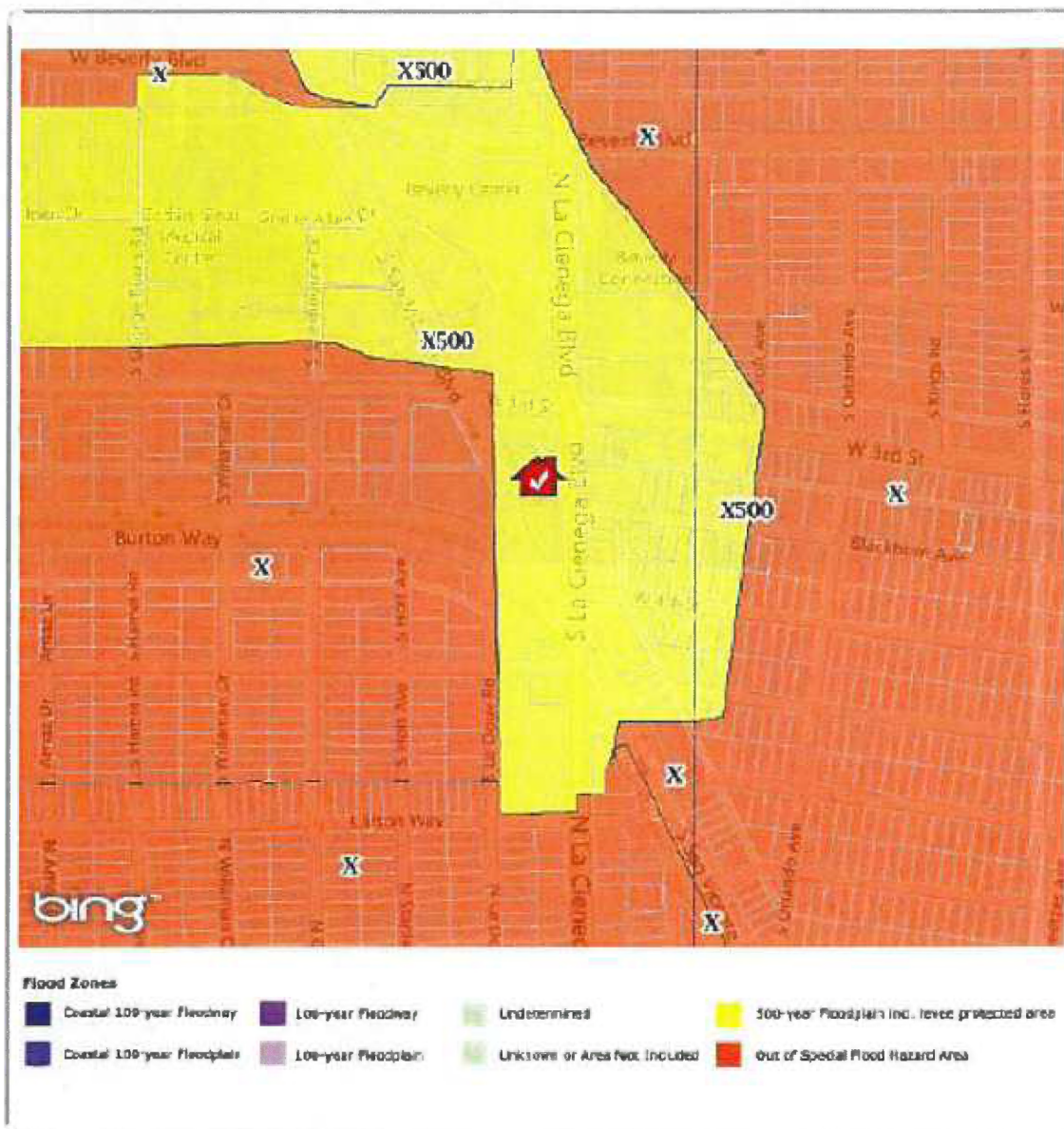
Subject Property – Zone C2-1VL-O (Commercial)

FLOOD MAP

| Flood Zone Code | Flood Zone Panel | Panel Date |
|----------------------------------|-----------------------------------------|----------------|
| X500 | 060137 - 06037C1585F | 09/26/2008 |
| Special Flood Hazard Area (SFHA) | Within 250 ft. of multiple flood zones? | Community Name |
| Out | Yes (X,X500) | LOS ANGELES |

Flood Zone Description:

Zone X (500-year)-An area inundated by 500-year flooding; an area inundated by 100-year flooding with average depths of less than 1 foot or with drainage areas less than 1 square mile; or an area protected by levees from 100-year flooding.



DESCRIPTION OF IMPROVEMENTS

A 35,835 square foot, multi-story, single-tenant retail (Loehmann's Department Store) building and parking structure currently exists on the subject site. The buyer intends to demolish the existing improvements and construct a mixed-use project on the site.

AERIAL VIEW



Ownership and Property History

Based on our review of the public records, title to the subject property is currently held by CRM Properties Inc. No transactions were noted in the past three years.

Assessed Value and Taxes

Under California Proposition 13, the real estate tax rate is limited to 1.00% of assessed value plus limited amounts for bonded indebtedness. Per the most current information available from the County Treasurer & Tax Collector, a summary of the current assessed value for the subject property is provided below:

| APN | Land | Improvement | Total | Special Assessments | Total Taxes |
|--------------|-------------|-------------|--------------|---------------------|--------------|
| 4334-009-160 | \$4,618,047 | \$9,513,630 | \$14,131,677 | \$565.23 | \$168,993.48 |

| | |
|----------------|-----------|
| ASSESSED YEAR: | 2016-2017 |
|----------------|-----------|

| | |
|----------------|----|
| TAX RATE AREA: | 67 |
|----------------|----|

| | |
|-----------|-----------|
| TAX RATE: | 1.191849% |
|-----------|-----------|

According to California Proposition 13, the subject property would be reassessed upon sale or other transfer of ownership, or if/when significant remodeling/new construction is completed. The new assessed value would be based on the current market value of the subject property at the time of sale or respective date of valuation (this typically corresponds with the purchase price paid for the property).

HIGHEST AND BEST USE

Highest and Best Use is defined as " the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued."⁵

Analysis of Land (As-If Vacant)

Physically Possible: The subject site consists of an irregular shaped, corner parcel. All utilities are in and available to service the site. Ingress and egress to the site are considered adequate. Topography of the site is level. The site's drainage appears adequate. No physical impediments that would prevent the site from being developed to its highest and best use were observed. The physical attributes of the subject site would not specifically preclude any type of development.

Legally Permissible: According to the City of Los Angeles Planning Department, the subject is located within the C2-1VL-O (Commercial) district. The property owner intends to demolish the existing improvements and construct a mixed-use development on the site, allowable by the development standards. See the zoning section of legally permissible uses.

Financially Feasible: The subject's immediate neighborhood consists primarily of medium to high-density commercial developments along the primary thoroughfares, and primarily medium to high-density single-family residential and multiple-family residential developments along the secondary thoroughfares. Therefore, if the subject were vacant, and suitable for development, it is our opinion that the highest and best use would be a mixed-use commercial/residential development.

Maximally Productive: The maximally productive use is that use which provides the greatest return and the most profitable alternative. Thus, in our opinion the most productive use would be a mixed-use commercial/residential development.

⁵ Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

Analysis of Property (As Improved)

The analysis of the subject property as improved relies on the same basic criteria outlined under the discussion of Highest and Best Use of the subject site assumed vacant. However, the current discussion focuses on whether the existing improvement program offers any contributory value.

A 35,835 square foot, multi-story, single-tenant retail (Loehmann's Department Store) building and parking structure currently exists on the subject site.

According to recently transacted (from January 2015 to present) comparable sales of department stores within the State of California, sales prices range widely from \$69 to \$577 per square foot of improvements. Applying the highest transaction price of \$577 psf, the market value of the current improvements is approximately \$20,700,000, considerably less than the market value of the underlying land.

Our analysis indicates that the current improvement program does not offer contributory value over and above the underlying land value, and therefore, does not represent the Highest & Best Use of the subject property. To arrive at this conclusion, our analysis compares the market value of the subject property under two scenarios; 1) the current use of the subject property as a department store, and 2) the subject property if demolished and reconstructed under its Highest and Best Use (mixed-use redevelopment). Our analysis demonstrates that the market value of the subject property is higher under scenario #2. Therefore, it is our opinion, the Highest and Best Use of the subject is as effectively vacant land for mixed-use.

VALUATION TECHNIQUES OVERVIEW

Three approaches to value form the foundation for current appraisal theory. These approaches are Cost Approach, Sales Comparison Approach, and Income Capitalization Approach.

Cost Approach – Not Applicable

This approach is based upon the proposition that the informed purchaser would pay no more for a property than the cost of producing a substitute property with the same utility. It is particularly applicable when the subject property involves relatively new improvements that represent the highest and best use of the land, or when relatively unique or specialized improvements are located on the site for which there exist no comparable properties on the market.

Sales Comparison Approach

This, traditionally, is an appraisal procedure in which the market value estimate is predicated upon prices paid in actual market transactions and current listings. The former fixes the lower limit of value in a static or advancing market (price-wise), and fixes the higher limit of value in a declining market. The latter fixes the high limit in any market. It is a process of analyzing sales of similar, recently sold properties in order to derive an indication of the most probable sales price of the property being appraised.

The reliability of this technique is dependent upon:

1. The availability of comparable sales data;
2. The verification of the sales data; and,
3. The degree of comparability or extent of adjustment necessary for time differences affecting the sales price.

Income Capitalization Approach - Not Applicable

This approach is widely applied in appraising income-producing properties. Anticipated present and future income, as well as any future reversions, is discounted to the present value through capitalization. This approach relies upon market data to establish current economic rents and expense levels to arrive at an expected net income.

SALES COMPARISON APPROACH

The Sales Comparison Approach is a method of valuation that compares prices paid for similar properties in an open and free marketplace. A survey of the market in the subject area was made in an effort to locate comparable sales of similar properties, which would aid in forming an opinion of the value for the subject property.

Of the sales data discovered and investigated, the data presented are considered the most pertinent and most defensible since they represent transactions that have recently taken place among purchasers who could have considered the subject if it were available in the marketplace.

Our research parameters are summarized below.

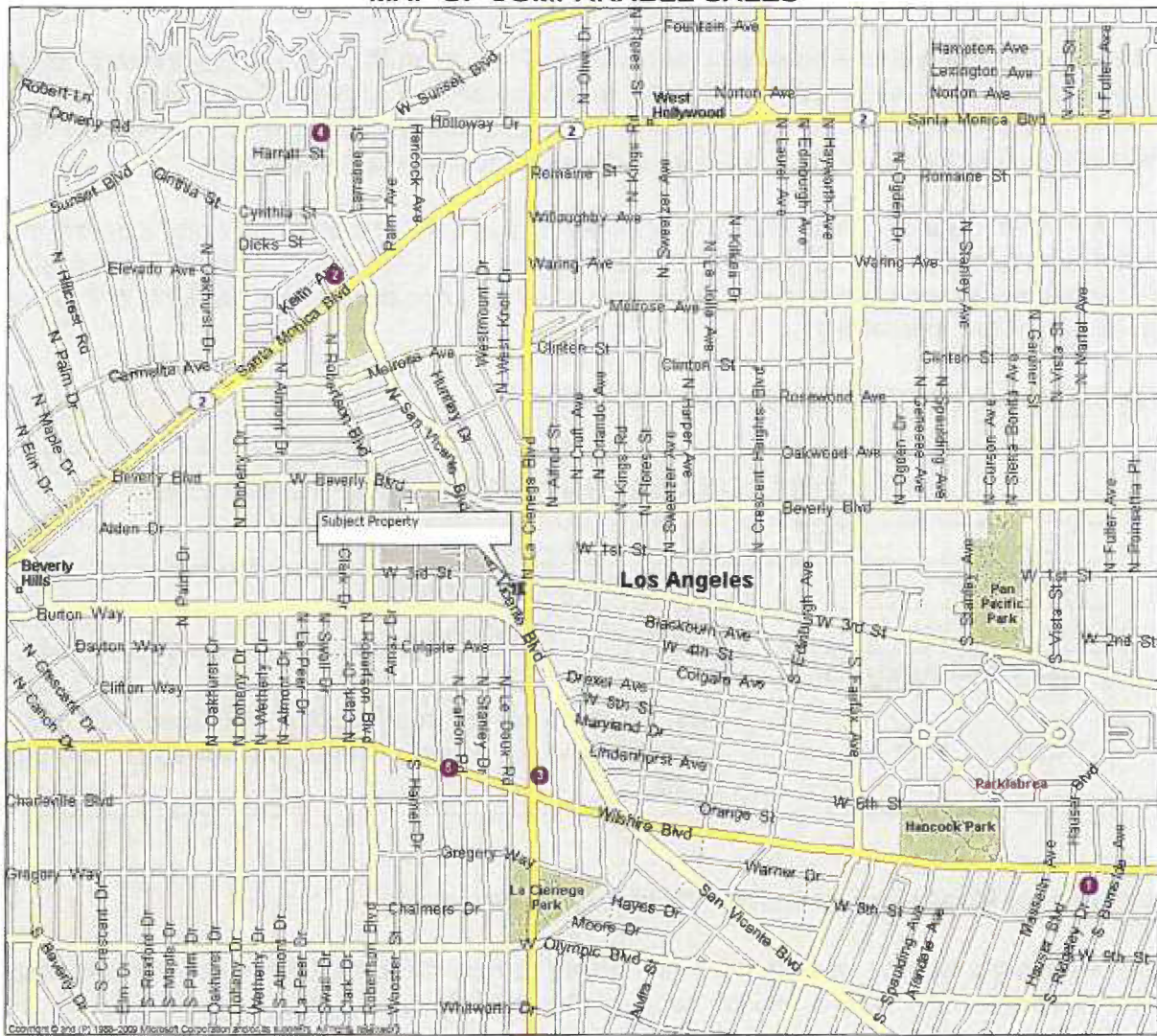
| SALE COMPARABLES PRIMARY SEARCH PARAMETERS | |
|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| Location | Immediately surrounding areas |
| Sale Date | 3 rd Quarter 2015 to present |
| Property Type | Effectively Vacant Sites |
| Method of Analysis | |
| Price Per Sq. Ft. | Our research in the marketplace indicated that most investors would analyze sales comparables on this basis. |

Comments Regarding Search for Comparable Sales

An extensive search was made for recent sales of sites within the immediately surrounding areas, with a similar zone as the subject site. Based on our search, we were able to uncover several closed sales transactions to compare to the subject property.

The analysis that follows relies on a discussion of specific strengths and weaknesses observed among the data items, with individual adjustments applied in the form of an adjustment matrix. Subsequent to the presentation of data, further comments relating to our analysis and valuation are provided.

MAP OF COMPARABLE SALES



SUMMARY OF EFFECTIVELY VACANT LAND SALES

| Item | Street Address | Sale Date | Zone | Cash Eqv. Price |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|-------------------------------|-------------------------|----------------------------|
| | City | Document Number | Sq. Ft. | Price psf |
| | Assessors Parcel Number | FAR | Acres | |
| 1 | 740 S Ridgeley Dr Los Angeles 5089-005-011 | In Escrow N/A 3 | R4-1 9,630 0.22 | \$7,200,000 \$747.66 |
| Comments: This is a purchase currently in escrow of a vacant, irregular shaped, corner lot located to the southeast of the subject property. The intent of the buyer is to develop a mixed-use project on the site. Kitty Wallace, Colliers, 310-622-1900 | | | | |
| 2 | 812 N Robertson Blvd West Hollywood 4340-009-006 thru 008, 011, 012 | May 19, 2016 573479 1.5 | CC1 28,749 0.66 | \$32,140,000 \$1,117.95 |
| Comments: This is a purchase of an irregular shaped, dual corner site located to the northwest of the subject property. The site includes a three office buildings and a retail building to be town down. Confirmed by public records. | | | | |
| 3 | 38 N La Cienega Blvd Beverly Hills 4334-021-055, 056, 057 | March 8, 2016 258625 2 | BH-C3 22,000 0.51 | \$20,500,000 \$931.82 |
| Comments: This is a purchase of a rectangular shaped, interior site located to the south of the subject property. The property contains a vacant 7,188 SF restaurant building, formerly occupied by Benihan, but sold for land value only. There was a phase one environmental study performed on the property, and there were no concerns. The sale was an all cash transaction. The buyer plans to tear down the existing building and redevelop the property; however, it was not entitled for future development at the time of sale. Thus, the buyer does not know what they want to redevelop the property into at this time, but may wait awhile, since there is a subway station being built on the next corner (the future Wilshire/La Cienega MTA Line). Joel Frank, CBRE, 310-550-2513 | | | | |
| 4 | 8920 W Sunset Blvd West Hollywood 4340-001-024 | July 9, 2015 822798 2 | SSP 18,731 0.43 | \$18,300,000 \$977.00 |
| Comments: This is a purchase of a rectangular shaped, corner lot located to the northwest of the subject property. The site includes a two-story mixed-use building to be replaced with a multi-story mixed-use retail/residential project. James Harris, The Agency, 424-230-3700 | | | | |
| 5 | 8654 Wilshire Blvd Beverly Hills 4333-018-007 | July 6, 2015 796719 2 | BH-C3 5,062 0.12 | \$4,276,000 \$844.73 |
| Comments: This is a purchase of a nearly rectangular shaped, interior lot located to the southwest of the subject property. The site includes a 2,388 sf tear down single-story office building to be replaced with a multi-story office building. The site includes little frontage, and significant depth. Daniel Chiprut, Commercial Asset Group, 310-407-6581 | | | | |

ADJUSTMENT OF COMPARABLE BUILDING DATA

| | SUBJECT | ONE | TWO | THREE | FOUR | FIVE |
|-------------------------|----------------------|-------------|--------------|--------------|--------------|-------------|
| Sale Price | N/A | \$7,200,000 | \$32,140,000 | \$20,500,000 | \$18,300,000 | \$4,276,000 |
| Site Size (sf) | 50,156 | 9,630 | 28,749 | 22,000 | 18,731 | 5,062 |
| \$ psf | N/A | \$747.66 | \$1,117.95 | \$931.82 | \$977.00 | \$844.73 |
| Rights Conveyed | Fee Ownership | | | | | |
| Adjusted \$ psf | N/A | \$747.66 | \$1,117.95 | \$931.82 | \$977.00 | \$844.73 |
| Financing Terms | Conventional | | | | | |
| Adjusted \$ psf | N/A | \$747.66 | \$1,117.95 | \$931.82 | \$977.00 | \$844.73 |
| Condition of Sale | Conventional | | | | | |
| Adjusted \$ psf | N/A | \$747.66 | \$1,117.95 | \$931.82 | \$977.00 | \$844.73 |
| Δ Market Conditions | October-16 | | | | 5% | 5% |
| Adjusted \$ psf | N/A | \$747.66 | \$1,117.95 | \$931.82 | \$1,025.85 | \$886.96 |
| General Location | Los Angeles | | | | | |
| Specific Location | La Cienega @ Beverly | 20% | | | | 10% |
| Site Size (sf) | 50,156 | | | | | |
| Site Configuration | Corner | | -5% | | | 5% |
| Site Shape | Irregular | | | | -5% | |
| Topography | Generally Level | | | | | |
| Utility Status | All Available | | | | | |
| Zone/FAR | C2-1VL-O 1.5:1 FAR | -5% | | -5% | -5% | -5% |
| Other | Improved | | | | | |
| Subtotal of Adjustments | N/A | 15% | -5% | -5% | -10% | 10% |
| FINAL INDICATORS | N/A | \$860 | \$1,062 | \$885 | \$923 | \$976 |
| Total % Adjustment | N/A | 15% | -5% | -5% | -6% | 16% |

General Comments Regarding Adjustments

As previously discussed, adjustments have been made for features of comparison deemed most relevant given the nature of the subject property and the marketplace in which it is located. The adjustments applied are not necessarily representative of paired-data analyses and are not intended to be precise of *absolute* context. Rather, they are intended to offer general insight with regard to the order of magnitude afforded each of the adjustment categories, as determined by the appraisers by virtue of our investigations into the subject marketplace.

Discussion of Comparable Sales

- **Comparable Sale Number One** is considered superior to the subject property for zoning, and inferior for location.
- **Comparable Sale Number Two** is considered superior to the subject property for site configuration.
- **Comparable Sale Number Three** is considered superior to the subject property for zoning.
- **Comparable Sale Number Four** is considered superior to the subject property for site shape and zoning. An upward adjustment was made for improving market conditions since the date of this transaction.
- **Comparable Sale Number Five** is considered superior to the subject property for zoning, and inferior for location and site configuration. An upward adjustment was made for improving market conditions since the date of this transaction.

Range of Unit Value Indicators

| Price PSF - Land | | |
|------------------|------------|----------|
| | Unadjusted | Adjusted |
| Minimum: | \$748 | \$860 |
| Maximum: | \$1,118 | \$1,062 |
| Range: | \$370 | \$202 |

Conclusion of Market Value

Overall, the comparables indicate a range of \$748 to \$1,118 per square foot. Consideration is given to each comparable due to their overall similarities with the subject property. After adjustments, the comparables indicate a range of \$860 to \$1,062 per square foot.

In our opinion, the estimated Market Value of the Subject Property should fall towards the middle of the adjusted range, or approximately **\$950.00 per square foot**.

Therefore, it is our opinion that the **"As-Is" Market Value** of the **Subject Property**, as of the date of value, is estimated as follows:

| <u>Site Size (sf)</u> | <u>x</u> | <u>Unit Value</u> | <u>=</u> | <u>Market Value</u> |
|--------------------------|----------|-------------------|----------|---------------------|
| 50,156 | x | \$950 | = | \$47,648,200 |
| Market Value (Rounded) = | | | | <u>\$47,600,000</u> |

It is therefore our opinion that the **"As-Is" Market Value** of the **Fee Simple Interest** in the subject property, as of the date of value, **October 11, 2016**, is as follows;

FORTY SEVEN MILLION SIX HUNDRED THOUSAND DOLLARS

\$47,600,000

Our analyses and conclusions are based on the Scope of Work described above and the General Assumptions and Limiting Conditions.

EXPOSURE TIME ESTIMATION**Exposure Time⁶**

- "1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have to have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market."*

According to our Sales Comparables, the exposure time ranged from 35 to 99 days.

| | Days on Market |
|---------------------|----------------|
| Sales Comparable #1 | 50 Days |
| Sales Comparable #2 | 77 Days |
| Sales Comparable #3 | 35 Days |
| Sales Comparable #4 | N/A |
| Sales Comparable #5 | 99 Days |

In our opinion, the exposure time for the subject property should be approximately 3-6 months.

⁶ The Dictionary of Real Estate Appraisal, Fifth Edition, page 73.

CERTIFICATION

We certify that to the best of our knowledge and belief:

The statements of fact contained in this report are true and correct.

The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.

We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.

We have performed no services, as an appraiser or in any other capacity, regarding the subject of this report within the three-year period immediately preceding acceptance of this assignment.

We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

Michael Bergstrom has made a personal inspection of the property that is the subject of this report. David M. Rosenthal has not made a personal inspection of the property that is the subject of this report.

Michael Bergstrom has performed the selection of comparable properties, collection and verification of data, and preliminary analysis. David M. Rosenthal reviewed and approved the final selection of comparable properties, and the final analysis and conclusion of value. Other than those mentioned, no one provided significant real property appraisal assistance to the person(s) signing this certification.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, David M. Rosenthal has completed the continuing education program for Designated Members of the Appraisal Institute.

The signatories of this report have had ample experience with the subject property type, as well as the subject market place, and possess the requisite knowledge to perform this appraisal assignment competently.

Respectfully submitted,
CURTIS-ROSENTHAL, INC.



Michael Bergstrom, CGREA
CA #AG032563



David M. Rosenthal, MAI, FRICS
CA #AG001641

ADDENDA

Definitions

General Assumptions and Limiting Conditions

Appraisal Report Type

Appraiser Qualifications

Partial List of Clients

Photographs

Aerials of the Land Comparables

Engagement Letter

DEFINITIONS⁷

Appraisal – “1. The act or process of developing an opinion of value.
2. An opinion of value.” (USPAP, 2012-2013 edition)

“As Is” Market Value – “The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.”

Extraordinary Assumption – “An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis.” (USPAP, 2012-2013 edition)

Fee Simple Estate – “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Ground Lease – “A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term.”

Hypothetical Condition – “That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.” (USPAP, 2012-2013 edition)

Leased Fee Interest – “A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease).”

Leasehold Interest – “The tenant’s possessory interest created by a lease.”

Market Rent - “The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).”

⁷ All definitions are from The Dictionary of Real Estate Appraisal, 5th Edition, published by the Appraisal Institute, 2010 unless a specific reference is cited.

Market Value - "The following definition of **Market Value** is used by agencies that regulate federally insured financial institutions in the United States:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- a. buyer and seller are typically motivated;
- b. both parties are well-informed or well-advised, and acting in what they consider their best interests;
- c. a reasonable time is allowed for exposure in the open market;
- d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- e. the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

(12 C.F.R. Part 34.42(g); 55 *Federal Register* 34696, August 24, 1990, as amended at 57 *Federal Register* 12202, April 9, 1992; 59 *Federal Register* 29499, June 7, 1994)

Prospective Opinion of Value - "A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy."

Sandwich Leasehold Estate - "The interest held by the original lessee when the property is subleased to another party; a type of leasehold estate."

Stabilized Occupancy - "An expression of the expected occupancy of a property in its particular market considering current and forecasted supply and demand, assuming it is priced at market rent."

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following **general assumptions**:

- 1) No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- 2) The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
- 3) Responsible ownership and competent property management are assumed.
- 4) The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
- 5) All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
- 6) It is assumed that there are no hidden or apparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
- 7) It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
- 8) It is assumed that there is compliance with all applicable zoning and use regulations and restrictions, unless nonconformity has been stated, defined, and considered in the appraisal report.
- 9) It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- 10) It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

This appraisal report has been made with the following **general limiting conditions**:

- 1) The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal, and are invalid if so used.
- 2) Possession of this report, or a copy thereof, does not carry with it the right of publication.
- 3) The appraisers, by reason of this appraisal, are not required to give further consultation, testimony, or be in attendance in court with reference to the property in question, unless arrangements have been previously made.
- 4) Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or the firm with which the appraisers are connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
- 5) Any value estimates provided in the report apply to the entire property, and any pro-ration or division of the total into fractional interests will invalidate the value estimate, unless such pro-ration or division of interests has been set forth in the report.
- 6) The appraisers assume that the reader or user of this report has been provided with copies of available building plans and all leases and amendments, if any, encumbering the property.
- 7) No survey was furnished so the appraisers relied on the assessor's plat map to ascertain the physical dimensions and acreage of the subject property. Should a survey prove these characteristics inaccurate, it may be necessary for this appraisal to be adjusted.
- 8) The forecasts, projections, or operating estimates contained herein are based upon current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes in future conditions.
- 9) Complete building plans and specifications were not available for use in the preparation of this appraisal. The analysis, therefore, is subject to review of the final plans and specifications when available.
- 10) Any proposed improvements are assumed to have been completed unless otherwise stipulated. Any construction is assumed to conform to the building plans referenced in the report.

- 11) Since earthquakes are not uncommon in the area, no responsibility is assumed due to their possible effect on individual properties, unless detailed geologic reports are made available.
- 12) No termite inspection report was available. The appraisers personally inspected the subject property and found no significant evidence of termite damage or infestation. No guarantee that none exists, however, should be construed.
- 13) No consideration has been given in this appraisal as to the value of the property considered by the appraisers to be personal, located on the premises, or the cost of moving/relocating such personal property. Only the real estate has been considered.
- 14) In this appraisal assignment, the existence of potentially hazardous materials used in the construction or maintenance of the building, such as the presence of asbestos or urea formaldehyde foam insulation, and/or the existence of toxic waste, which may or may not be present on the property, has not been considered. The appraisers not qualified to detect such substances. We urge the client to retain an expert in the field, if desired.
- 15) Unless otherwise stated, no responsibility is assumed for any damages sustained in connection with actual or potential deficiencies or hazards such as, but not limited to, inadequacies or defects in the structure, design, mechanical equipment or utility services associated with the improvements, air or water pollution, lead paint, noise, flooding, storms or wind, traffic and other neighborhood hazards, radon gas, asbestos, natural or artificial radiation, or hazardous materials or toxic substances of any description, whether on or off the property appraised. The appraisers are not qualified to detect hazardous waste or materials on, in or under the land or the improvements. Such a determination requires the investigation of a qualified expert in hazardous materials and assessment. In this appraisal assignment, the existence of potentially hazardous material used in the construction or maintenance of the building, such as the presence of asbestos or urea formaldehyde foam insulation, and/or existence of toxic waste, which may or may not be present on the property, has not been considered. The appraisers are not qualified to detect such substances. We urge the client to retain an expert in this field, if desired.

- 16) The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the subject property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to-cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance with ADA. A brief summary of the subject's physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost-to cure any deficiencies would be needed for the Department of Justice to determine compliance.
- 17) The appraisers made no engineering survey of the subject property. Except as specifically stated, data relative to size and area has been taken from sources considered reliable, but no guarantee of accuracy is expressed or implied. Interested parties should retain a surveyor or other qualified professional for exact measurements of the subject property.

SPECIAL ASSUMPTIONS AND LIMITING CONDITIONS

*The applicability of any **Special Assumptions, Special Limiting Conditions, Extraordinary Assumptions** or **Hypothetical Conditions** is addressed in the **Scope of Work** section of this report.*

EDUCATION

Business Economics, 1985-1989
University of California, Santa Barbara

PROFESSIONAL DESIGNATIONS

State of California, Office of Real Estate Appraisers
Certified General Real Estate Appraiser (#AG032563)

CFA (Chartered Financial Analyst) Program, 1995-1997

The Chartered Financial Analyst (CFA) program is globally recognized by employers, investment professionals, and investors as the definitive standard by which to measure serious investment professionals. CFA Body of Knowledge includes Real Estate Analysis, Ethical and Professional Standards, Quantitative Methods, Economics, Financial Statement Analysis, Corporate Equity and Debt Analysis, Derivatives Analysis, and Portfolio Management.

EXPERIENCE

CURTIS - ROSENTHAL, Inc., 2003 to date, Senior Appraiser

Independent appraisal and consulting firm. Perform field appraisals and review appraisals, management and training of staff appraisers. Properties appraised include: residential, apartments, commercial, industrial, special purpose, vacant land and proposed construction.

STUDENTBUY.COM, 1999-2002, Principal

Principal party and shareholder for private-funded, newly developed Internet start-up firm. Internet site catered to University students to enhance their overall education experience. The site included displays from local advertisers, career path outlines, course outlines, and local social gatherings and functions.

LEHMAN BROTHERS, Securities Broker and Institutional Operations Manager, 1991-1999

Initially as securities broker at Shearson Lehman Brothers (predecessor to Lehman Brothers). Provided securities brokerage services to wealthy individuals, pension funds, and corporate entities. Later, managed institutional brokerage operations of Downtown Los Angeles Private Client Group.

PROFESSIONAL DESIGNATIONS

Appraisal Institute

MAI Member, Appraisal Institute (MAI #8024)

Member of the Regional Ethics & Counseling Panel, 1994-1997, 2000-2003

Fellow of the Royal Institution of Chartered Surveyors

FRICS Member

State of California, Office of Real Estate Appraisers

Certified General Real Estate Appraiser (#AG001641)

EDUCATION

Master of Management Degree (MBA), 1980

J.L. Kellogg Graduate School of Management, Northwestern University,
Evanston, Illinois - Concentrations in Finance and Accounting

Bachelor of Science Degree, 1978

University of Florida, Gainesville, Florida
Major in Business Administration - concentration in Finance

EXPERIENCE

CURTIS - ROSENTHAL, Inc., 1983 to present – President & CEO

Founding principal of regional commercial real estate appraisal and consulting firm. Perform field appraisals and review appraisals for: Commercial Mortgage Lenders (CMBS, Life Insurance Companies, Banks, Pension Funds), Public Agencies (City Governments, Redevelopment Agencies, Transit Agencies), Law Firms (Real Estate Litigation, Estate Planning, Lease Negotiation), Corporations (Valuation for Financial Reporting), and Accounting Firms. Properties appraised include: retail, office, industrial, apartments, condominiums, mixed-use, special purpose, and vacant land. Areas of experience include southern and northern California, Arizona and Nevada.

Security Pacific National Bank, 1981-1982 - Corporate Loan Officer

Responsible for portfolio of loans consisting primarily of real estate companies. Projects financed included construction and renovation of income properties and development of new residential tracts.

EXPERT WITNESS

Accepted as an expert witness in the following courts:

Federal Bankruptcy Court - California Central District
Superior Court - Los Angeles County, and Orange County
Municipal Court - Orange County

INSTRUCTOR

University of California at Los Angeles, 1988

UCLA Extension, Financial Institutions Management Program - Guest Lecturer

Loyola Marymount University, 1987 - 2008

College of Business Administration, Finance Department - Guest Lecturer

PROFESSIONAL AFFILIATIONS

California Bankers Association
California Mortgage Bankers Association (CMBA), Affiliate Member
 Organizing Committee for Commercial Real Estate Finance Conference, 2003 – 2009
 Organizing Committee for Deal Makers Forum, 2003, 2005, 2007
Entrepreneurs Organization (EO, formerly YEO/WEO)
Los Angeles Mortgage Association (LAMA), Co-Founder, Co-Chair 2000 – present
Southern California Real Estate Alliance (SCREA), Co-Chair 1995-1996, 2003
International Council of Shopping Centers (ICSC)
Western Real Estate Business Magazine, Editorial Advisory Board
Western Independent Bankers

SPEAKING ENGAGEMENTS

Appraisal Institute
 Western Regional Conference, Seminar Moderator 1996-1999
 SF Bay Area Fall Conference, Seminar Moderator 1998
 LA Westside Group, Speaker April 2004
California Bankers Association
 Chief Credit Officers Symposium, Speaker 2008
 Annual Conference, Speaker 2009
California Mortgage Bankers Association
 Commercial Real Estate Finance Conference, Seminar Moderator 2003-2009
 Deal Makers Conference, Seminar Moderator 2003, 2007; Seminar Panelist 2005
California CPA Education Foundation
 Seminar Speaker 1998
Crittenden National Conference
 Seminar Panelist, 2009
Institute of Management Accountants
 Seminar Speaker 1997
International Right of Way Association, IRWA/AI Joint Conference
 Seminar Moderator 2002
National Council of Real Estate Investment Fiduciaries, National Conference
 Seminar Moderator 2005
Southern California Developers Forum
 Seminar Panelist 2004
Western Independent Bankers
 Troubled Asset Forum, Speaker, 2009

PUBLICATIONS

California Real Estate Journal
 "Telling the Story – A Solutions Approach to Appraisal", September 2003
Real Estate News Television (RENTV.com)
 "Economic Update", Regular Column 2002 to present
Real Estate Southern California
 "When Will Things Get Better?", September 2008
 "What Happened to CMBS?", September 2007
 "The ABC's of CDO's", September 2006
 "The CMBS Market Comes of Age", March 2006
 "Real Estate Cycles – A Long Term Perspective", September 2005
 "Invest in Your Relationships", September 2004
Western Real Estate Business
 "Orange County Industrial Market Update, Q1 2006", April 2006

PARTIAL LIST OF CLIENTS SERVED

COMMERCIAL BANKS

1st Enterprise Bank
American Continental Bank
Americas United Bank
Bank of America
Bank of Manhattan
Bank of Hemet
Bank of the West
Bank One Arizona
BBCN Bank
Beach Business Bank
Borel Private Bank & Trust Co.
Boston Private Bank & Trust Co.
Builders Bank
California Business Bank
California United Bank
Capital One Bank
Cathay Bank
Centennial Bank
Citigroup
City National Bank
City State Bank
Eastern International Bank
East West Bank
EverTrust Bank
Far East National Bank
Farmers and Merchants Bank
FDIC
First Commerce Bank
First Foundation Bank
First National Bank of Northern California
First Republic Bank
Grandpoint Bank
Greater Bay Bancorp
Habib American Bank
Hanmi Bank
Heritage Oaks Bank
Independence Bank
JP Morgan Chase Bank
Key Bank
Korea Exchange Bank
La Jolla Bank
Macquarie Bank
Marshall & Isley Bank

Mellon First Business Bank
Mercantile National Bank
MidFirst Bank
Mission Valley Bank
NARA Bank
National Bank of California
Northern Trust Bank
Pacific Capital Bancorp
Pacific City Bank
Pacific Commerce Bank
Pacific Mercantile Bank
Pacific Premier Bank
Pacific Western Bank
Philippine National Bank
Popular Community Bank
Preferred Bank
Premier Business Bank
Premier Commercial Bank
Provident Bank
Royal Business Bank
Saehan Bank
Silvergate Bank
Sunwest Bank
The Private Bank of California
US Bancorp
Vibra Bank
Wedbush Bank
Wells Fargo Bank
Wilshire State Bank
Zions Bank

CREDIT UNIONS

Altura Credit Union
Business Partners, LLC
California Coast Credit Union
California Credit Union
Kinecta Federal Credit Union
LA Fireman's Credit Union
Orange County's Credit Union
Premier America Credit Union

PARTIAL LIST OF CLIENTS SERVED

INSURANCE COMPANIES

AEGON USA
Allianz Life Insurance Company
Allstate Investments, LLC
American Equity Investment Life Insurance Co.
American National Insurance Company
American United Life Insurance Company
Chubb Group of Insurance Companies
Columbian Mutual Life Insurance Company
Genworth Financial
Golden State Mutual Life
Great West Life Insurance Company
Hartford Insurance Company
Home Life Insurance Company
IDS Life Insurance Company
ING Life Insurance Company
John Hancock Real Estate Finance
Kansas City Life Insurance Company
Lafayette Life Insurance Company
MetLife Capital Financial Corporation
Principal Global Investors
Protective Life Insurance Company
Prudential Mortgage Capital
Riversource
Southern Farm Bureau Life Insurance
Stancorp Mortgage Investors, LLC
State Farm Insurance Company
Sun Life Insurance Company
SunAmerica Insurance Company
Symetra Financial
Thrivent Financial for Lutherans
Union Central Life Insurance Company
Union Labor Life Insurance Company
United Olympic Life Insurance Company

COMMERCIAL MORTGAGE BANKERS/ BROKERS

Alison Mortgage Company
Amherst Real Estate Capital
Arroyo and Coates Financial Group
Balboa Financial
Barry S. Slatt Mortgage Company
Berkadia Commercial Mortgage
Bond Street Capital
Buchanan Street Partners
Burnham Capital Markets
Churchill Mortgage Corporation
Cohen Financial
Dwyer-Curlett, Inc.
George Elkins Mortgage Banking
George Smith Partners, Inc.
Highland Realty Capital, Inc.
Holiday Fenoglio Fowler, LP
iCap Realty Advisors
Johnson Capital
Koss Financial Corporation
LJ Melody Company
Love Funding Corporation
Marcus and Millichap Capital Corporation
Mason McDuffie Financial Corporation
Meridian Capital Group, Inc.
Newmark Realty Capital, Inc.
NorthMarq Capital, Inc.
Pacific Southwest Realty Services
Partners Realty Capital, LLC
Pathfinder Mortgage Corporation
Q10 National Mortgage Co.
Sunrise Mortgage & Investment Company
Terrix Financial Corporation

PARTIAL LIST OF CLIENTS SERVED

MULTI-FAMILY LENDERS

ABN/AMRO Apartment Lending
Ameriprise Financial
Amerisphere Multi-Family Finance
Arbor National Mortgage
Beech Street Capital
Centerline Capital Group
CW Capital
Deutsche Bank Mortgage Capital
Mark One Capital, Inc.
PNC/ARCS Commercial Mortgage
Prudential Huntoon Paige
Walker & Dunlop

PENSION FUNDS / ADVISORS

Alcatel Lucent Asset Management Corp.
American Realty Advisors
CALPERS
California State Teachers Retirement
System
Construction Laborers Pension Trust
Crosson Dannis, Inc.
Emerson International
Equitable Real Estate Investment Mgt., Inc.
Essex Property Trust
Guggenheim Trust Company, LLC
Heitman/JMB Institutional Realty Advisors
J.P. Morgan Investment Management
Olympic Realty Advisors
Principal Real Estate Investors
Standard Management Company

CMBS SPECIAL SERVICERS

C-III Asset Management, LLC
Midland Loan Services
Helios AMC, LLC
Berkadia Commercial Mortgage
TriMont Real Estate Advisors

DEVELOPERS

Athena Group, LLC
California Landmark Development
Catellus Development Corporation
Champion Real Estate Services
CIM Group
Cloverfield Group
Combined Properties
Daiwa House Corporation
First City
Goldrich and Kest Industries
Haseko, Inc.
HB Drollinger Company
Held Properties, Inc.
Jamison Services, Inc.
Kennedy Wilson
Koar Development Group, LLC
O&S Holdings
Regency Centers
Roberts Companies
Soboroff Partners
Trammel Crowe

PARTIAL LIST OF CLIENTS SERVED

PUBLIC AGENCIES

California Housing Finance Association
Carson Redevelopment Agency
City of Gardena
City of Inglewood
City of Los Angeles
City of Palos Verdes
City of Pasadena
City of San Louis Obispo, Housing Authority
City of San Mateo
City of Santa Monica
City of Vernon
City of Whittier
Compton Unified School District
Consulate General of Poland
County of San Mateo
Inglewood Redevelopment Agency
Inglewood Unified School District
Los Angeles Community College District
Los Angeles Housing Department
Los Angeles Unified School District
Los Angeles World Airports (LAWA)
Metropolitan Transit Authority (MTA)
Mountains Recreation & Conservation Authority
Newport Harbor Nautical Museum
Oakland Community Housing, Inc.
Philippine Consulate
Rosamond Community Services District
San Fernando Valley Economic Development Corp.
Santa Monica College
Santa Monica-Malibu Unified School District
Simi Valley Unified School District
The Port of Long Beach
The Port of Los Angeles
US General Services Administration
US Postal Service

CORPORATIONS

Alta Hospital System
ATT Wireless Services, Inc.
Best California Gas Co.
Bridgestone Retail Operations
Brotman Hospital
California Sports, Inc.
Chevron Oil Company
Getty Oil Company
IMAX Corporation
Los Angeles Orthopedic Hospital Foundation
Mercury Air Cargo, Inc.
Mobil Oil Corporation
Neiman-Marcus Group, Inc.
Pandemic Studios
Rite Aid Corporation
Safeway Corporation
Salvation Army
Santa Monica Home Owners Corporation
Thrifty Oil Company
Wal-Mart Stores, Inc.
Whirlpool Financial Corporation

CMBS LENDERS

Barclays Capital Real Estate, Inc.
Bridger Commercial Funding
CIBC World Markets Corp.
Column Financial
Credit Suisse First Boston Corporation
CW Capital
Deutsche Banc Mortgage Capital
JP Morgan Mortgage Capital
Key Commercial Mortgage
Morgan Stanley
Natixis Real Estate Capital, Inc.
Nomura Securities, Inc.
ORIX Capital Markets, LLC
RBS Greenwich Capital
UBS Securities, LLC

PARTIAL LIST OF CLIENTS SERVED

ATTORNEYS

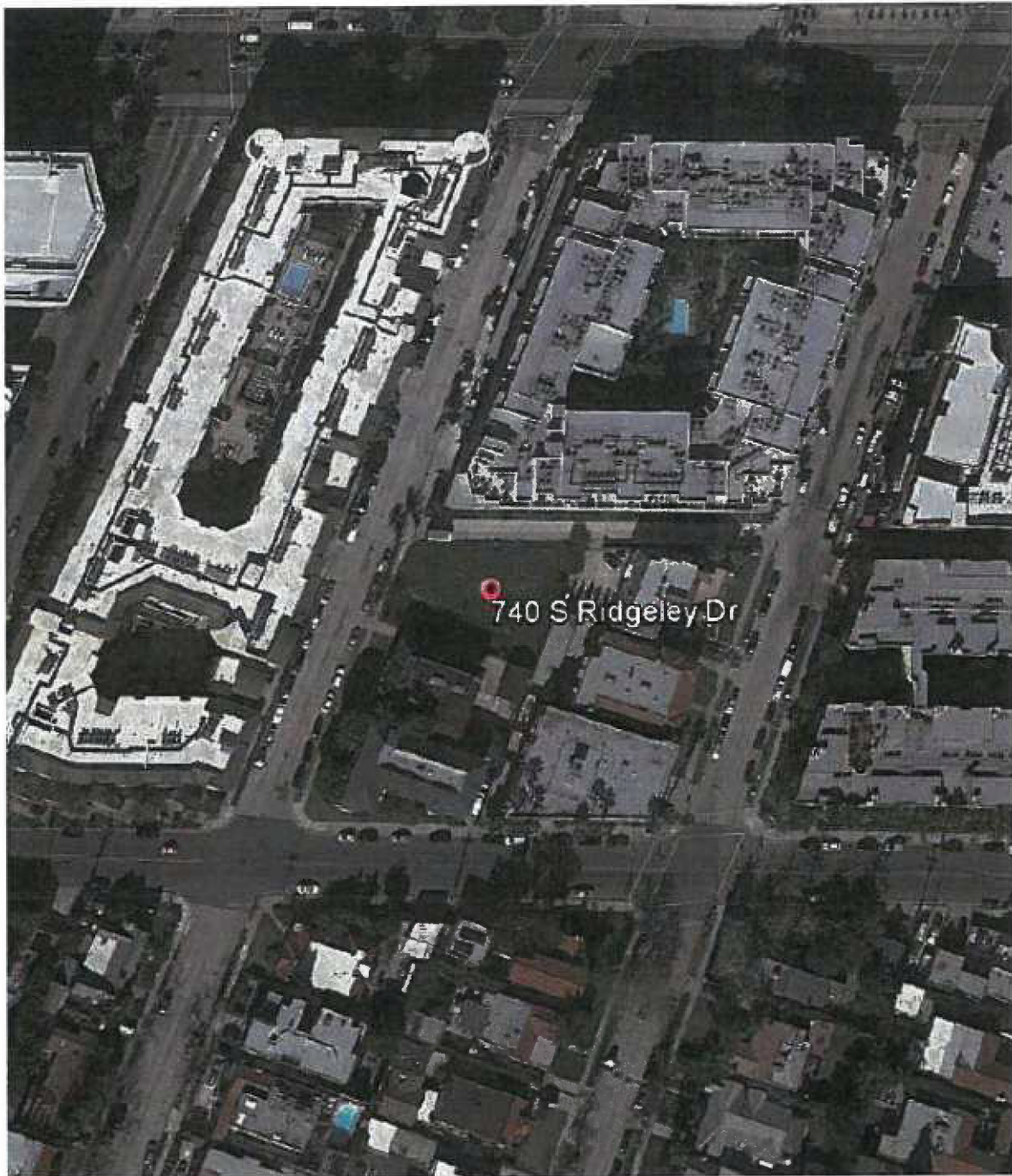
Akin Gump Strauss Hauer & Feld, LLP
Allen Matkins Leck Gamble Mallory & Natsis
Arter & Hadden
Bird, Marella
Booth, Mitchel & Strange, LLP
Brownstein, Hyatt, Farber, Schreck, LLP
Bryan Cave
Burhenn & Gest, LLP
Cadden & Fuller, LLP
Charlston, Revich, & Williams
Chrystie and Berle
Coudert Brothers, LLP
Cox, Castle, & Nicholson
DeCastrow, West, Chodorow, Glickfield & Nass
Engstrom, Lipscomb and Lack
Frandzel and Share
Gianelli and Morris
Gibson, Dunn and Crutcher, LLP
Goodson and Wachtel
Greenberg, Glusker, Fields, Claman and Machtinger
Greenberg Traurig
Haight, Brown, & Bonesteel
Hoffman, Saban and Watenmaker
Holt Ney Zatcoff & Wasserman, LLP
Inman, Weisz, & Steinberg
Jeffer, Mangels, Butler, & Marmaro
K&L Gates, LLP
Kane, Ballmer & Berkman
Katten, Muchin, Zavis and Weitzman
King, Holmes, Paterno & Berliner, LLP
Levin & Seligman
Levinson & Lieberman
Loeb and Loeb
Manatt, Phelps, Phillips, & Kanter
Luce, Forward, Hamilton & Scripps LLP
Manatt, Phelps & Phillips, LLP
Marlin and Saltzman
McDermott, Will & Emery
McGuire Woods
McNicholas & McNicholas, LLP

Mindlin and Tigerman
Mitchell, Silberberg, & Knupp, LLP
Morris, Polich and Purdy, LLP
Munger, Tolles, & Olson
Murchison & Cumming
Musick, Peeler & Garrett, LLP
Nixon Peabody, LLP
O'Melvany and Meyers
Orbach, Huff & Suarez, LLP
Parker Milliken
Pillsbury, Madison, and Sutro
Pircher, Nichols, and Meeks
Resch, Polster, Alpert and Berger
Robinson, Diamant, & Brill
Rodi, Pollock, Pettker, Christian & Pramov
Rucker and Clarkson
Shapiro, Poesell, & Close
Shiotani & Inouye
Sidley and Austin
Smith and Hilbig
Thomashow, Brown and Paiallii, LLP
Tilem and Gole
Troy and Gould
Weinstock, Manion
White & Case
Wolf, Rifkin, Shapiro & Shulman
Youngerman and McNutt, LLP

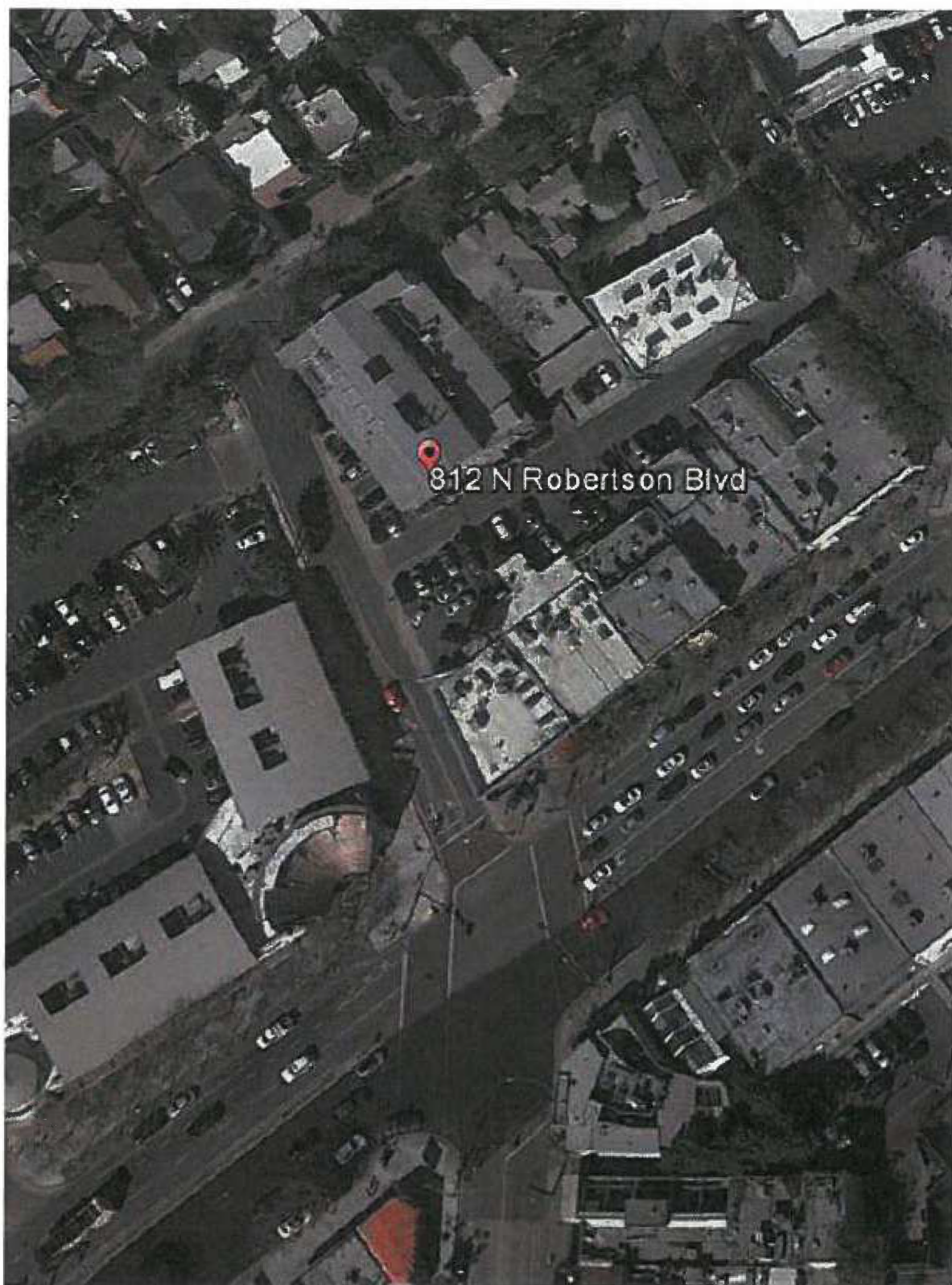
SUBJECT PROPERTY



AERIAL OF LAND COMPARABLE #1



AERIAL OF LAND COMPARABLE #2



AERIAL OF LAND COMPARABLE #3



AERIAL OF LAND COMPARABLE #4



AERIAL OF LAND COMPARABLE #5



David M. Rosenthal, MAI, FRICS
William K. Corde (FRS) - 2002
Thomas Curtis, MRICS
Tom Malghan
Deve Olson, MRICS
Mike Bergstrom, CFA
Reidell Black, ASA, MRICS
Robert Hare
Marion Peck
John Goff
Yemen Fowler
John Gilliam
Juha Westman
Moon Jee

CONTRACT FOR SERVICES

I. SCOPE OF WORK

1. The Client for this assignment is *Caruso Affiliated*.
2. The Intended User of this report is *exclusively* The Client stated above. There are no other authorized users of this report.
3. The Intended Use of this assignment is to assist with preparing a pro forma for use in an application for entitlements.
4. The Purpose of this Assignment is to develop an opinion of the Market Value of the Fee Simple estate in the subject property at its Highest and Best Use as land available for development.

The definition of Market Value used in this assignment is taken from *The Dictionary of Real Estate Appraisal*, 5th edition, published in 2010 by the Appraisal Institute.

5. The Effective Date of Value for this assignment will be a current date, based on the last date that we inspected the subject property.
6. The following are Relevant Characteristics of the Property that is the subject of this assignment:
 - The subject property is located at 333 La Cienega, Los Angeles, California.
 - It is described as a commercial zoned site that is currently improved with a retail building that does not represent the Highest and Best Use of the site.
 - There are no known unusual conditions related to this assignment.
7. This assignment is subject to the following conditions:
 - This assignment will conform to the Uniform Standards of Professional Appraisal Practice, and the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute.
 - Curtis-Rosenthal has not performed professional services, including real estate appraisal services, regarding the subject property within the past three years.
 - This assignment will be subject to the following Client Specific Requirements, Special Assumptions, Special Limiting Conditions, Extraordinary Assumptions and/or Hypothetical Conditions: None

II. AVAILABILITY OF DATA

The Client agrees to provide the following information (if available) to Curtis-Rosenthal, Inc., prior to commencement of this assignment:

1. Title Report (or Preliminary Title)
2. Current Rent Roll
3. Architectural Plans
4. Copies of All Current Leases in their Entirety
5. Real Estate Tax Bill
6. Access to the exterior and the interior of the subject property for our inspection.

The access contact is as follows (to be completed by Client):

| | |
|----------------------|-------------------------------------|
| <u>Samuel Garson</u> | <u>VP Development</u> |
| Name | Title |
| <u>323 900 8125</u> | <u>sgarson@carusaaffiliated.com</u> |
| Phone Number | E-mail |

III. PERSONNEL

Curtis-Rosenthal, Inc. will engage licensed appraisers to perform this assignment. There will be an Appraiser or Analyst and a Project Manager working on this assignment. The determination of staffing for this assignment will be at our discretion, and it will occur after execution of this contract.

IV. TIMING

This report is estimated to be completed approximately one week from the date this contract (signed by both Curtis-Rosenthal, Inc. and The Client), the retainer fee, and the requested information (noted above) are received by Curtis-Rosenthal, Inc.

Please note that any delay by the Client in providing Curtis-Rosenthal, Inc. with the requested information specified above, or changes by the Client in the Scope of Work for this assignment, may result in a delay in the report delivery.

V. REPORTING

This assignment will be reported in an Appraisal Report format. We will prepare an electronic PDF copy and if desired, two bound printed copies of this report upon its completion. Additional copies may be purchased for \$150 per copy.

This appraisal report will be addressed and sent to (to be completed by Client):

| | |
|-------------------|-------|
| Client: | _____ |
| Address: | _____ |
| City, State, Zip: | _____ |
| E-Mail: | _____ |
| Phone: | _____ |

/ Same
as below

VI. FEES AND BILLING ARRANGEMENTS

The fee for this assignment will be **\$7,500** total. This fee is based exclusively on our estimate of the time required to complete this assignment. It is in no way connected with any value to be estimated.

Please note that any changes by the Client in the Scope of Work for this assignment may result in an increase in the fee.

The Client agrees to pay Curtis-Rosenthal, Inc. the fee as follows:

- A retainer of \$3,750 will be paid with this signed contract.
- The balance will be paid upon notification that the final report is completed and prior to its delivery.

Invoices for this assignment shall be addressed to the Client as follows (*to be completed by Client*):

Client: CRM Properties
Address: 101 The Grove Dr.
City, State, Zip: LA CA 90036
E-Mail: sgarrison@carusoaffiliated.com
Phone: 323 900 8185

Curtis-Rosenthal, Inc. herein shall not be required to give testimony or to attend any public or private hearing in court with reference to the property unless a Supplemental Employment Agreement has been executed. In the event Curtis-Rosenthal, Inc. is subpoenaed or otherwise required to give testimony or to attend any public or private hearing as a result of having prepared this report, The Client agrees to pay Curtis-Rosenthal, Inc. on a portal to portal basis, \$500.00 per hour for court preparation (including: meeting with attorneys, or preparation of declarations or exhibits), and \$550.00 per hour for depositions, court attendance or testimony required. The Client further agrees to a four-hour minimum for court appearances or depositions.

It is further agreed and understood that if any portion of the compensation or costs due to Curtis-Rosenthal, Inc. becomes delinquent, The Client will pay interest thereon at the rate of 12% per annum on said account from the due date until paid, and further agrees to pay all costs of collection thereof, including reasonable attorney's fees, court costs, etc.

In the event that The Client desires to cancel this contract, written notice thereof shall be delivered to Curtis-Rosenthal, Inc., and it is agreed that Curtis-Rosenthal, Inc. shall receive compensation from The Client for all services rendered at the rate of \$400.00 per hour (Appraiser) or \$475 per hour (Manager) for the time actually spent prior to receipt of written notice to stop work, plus all costs advanced in connection with said work prior to receipt of such written notice.

VII. GENERAL BUSINESS TERMS

- A. **Services** – It is understood and agreed that Curtis-Rosenthal, Inc.'s services may include advice and recommendations, but all decisions in connection with the implementation of such advice and recommendations are the responsibility of and made by the Client.
- B. **Limitation on Damages** – The Client agrees that Curtis-Rosenthal, Inc. and its officers, employees, affiliates, subsidiaries, parent entities, agents and representatives shall not be liable to the Client for any claims, liabilities or expenses relating to this engagement for an aggregate amount in excess of the fees paid by the Client to Curtis-Rosenthal, Inc. pursuant to this engagement. In no event shall Curtis-Rosenthal, Inc. be liable for consequential, special, indirect, incidental, punitive or exemplary loss, damage, or expense relating to this engagement.
- C. **Indemnification** – The Client (the "Indemnifying Party") shall indemnify, protect and hold harmless Curtis-Rosenthal, Inc. and its officers, employees, affiliates, subsidiaries, parent entities, agents and representatives (collectively, the "Indemnified Party") from and against any claims, actions, liabilities, damages and expenses, including, without limitation, reasonable attorneys' fees, incurred by the Indemnified Party in defending or compromising actions brought or claims made against Indemnified Party by any person or entity arising out of or related to the acts or omissions of the Indemnified Party, its employees, agents or representatives in connection with the performance or non-performance of duties by the Indemnified Party pursuant to this contract, including all amendments hereto.
- D. **Information and Data** – Curtis-Rosenthal, Inc. shall be entitled to assume, without independent verification, the accuracy of all representations, assumptions, information and data that the Client and its representatives provide to Curtis-Rosenthal, Inc. All assumptions, representations, information and data to be supplied by the Client and its representatives will be complete and accurate to the best of the Client's knowledge. Curtis-Rosenthal, Inc. may use information and data furnished by others; however, Curtis-Rosenthal, Inc. shall not be responsible for and Curtis-Rosenthal, Inc. shall provide no assurance regarding the accuracy of any such information or data.

- E. **Client Responsibilities** – The Client shall cooperate with Curtis-Rosenthal, Inc. in the performance by Curtis-Rosenthal, Inc. of the Services, including without limitation, providing Curtis-Rosenthal, Inc. with reasonable facilities and timely access to data, information and personnel of the Client. The Client shall be responsible for the performance of its personnel and agents and for the accuracy and completeness of all data and information provided to Curtis-Rosenthal, Inc. for purposes of the performance by Curtis-Rosenthal, Inc. of the Services. The Client acknowledges and agrees that Curtis-Rosenthal, Inc.'s performance is dependent upon the timely and effective satisfaction of the Client's responsibilities hereunder and timely decisions and approvals of the Client in connection with the Services. Curtis-Rosenthal, Inc. shall be entitled to rely on all decisions and approvals of the Client. The Client shall be solely responsible for, among other things: a) making all management decisions and performing all management functions; b) designating a competent management member to oversee the Services; c) evaluating the adequacy and results of the Services; d) accepting responsibility for the results of the Services; and e) establishing and maintaining internal controls, including, without limitation, monitoring ongoing activities.

Accepted and agreed to by:

Caruso Affiliated

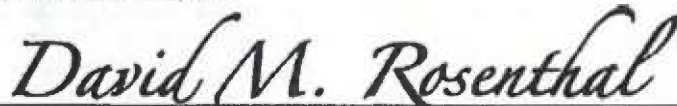


By: SAMUEL GARRISON

Title: VP, Development

10/7/16
Date

CURTIS - ROSENTHAL, Inc.



10/7/2016

By: David M. Rosenthal, MAI, FRICS
President & CEO

Date