Appendix K

Urban Decay Report

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ANALYSIS OF POTENTIAL FOR "URBAN DECAY" AS A CONSEQUENCE OF THE PROPOSED DEVELOPMENT OF THE VILLAGE AT WESTFIELD TOPANGA, WEST SAN FERNANDO VALLEY, CITY OF LOS ANGELES

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I. EXECUTIVE SUMMARY

This report analyzes the potential for the operation of the approximately 1.0 million square foot, mixed-use retail-dining-office-hotel development known as The Village at Westfield Topanga ("Project"), to be located in the West San Fernando Valley area of the City of Los Angeles, to directly or indirectly cause "urban decay," as that concept has been addressed in court decisions interpreting the California Environmental Quality Act (CEQA).

Analysis of the potential for new mixed-use commercial development programs to cause urban decay — which has been described as a chain reaction of store closures and long term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake — requires a two-part analysis. First, it must be determined whether the new retail and other commercial development will attract retail sales or other business away from existing and/or other planned retail centers and businesses to any significant degree. Second, if sales and other types of business support will likely be attracted away, it must be determined whether the severity of this change in economic circumstances will cause disinvestment such that it is reasonably foreseeable that significant business closures, abandonment or other forms of physical deterioration or "decay" will result.

The commercial development area represented by the Project is 1,035,477 square feet of Gross Building Area (GBA), including 517,472 square feet of Gross Leasable Area (GLA) of retail and related floor space, with the balance of the development to include a 300,000 square foot commercial office building and a 275-room hotel.[8] The space will be distributed between the various retail and other uses as summarized in Table 1 below.

[8] Consistent with the conventions in the real estate industry, all proposed retail, restaurant and cinema floor areas used in this report are expressed in terms of Gross Leasable Area (GLA) and the proposed hotel and office building floor areas are expressed in terms of gross building area (GBA). The floor area quantities for each proposed use presented in this report are consistent in all respects with the floor area quantities expressed in terms of the City of Los Angeles Zoning Code definition of "floor area" as analyzed in the Project's Draft Environmental Impact Report.

Table 1
THE VILLAGE AT WESTFIELD TOPANGA
PROPOSED COMMERCIAL DEVELOPMENT AREA

Space Category	Square Feet Gross Leasable Area (GLA)		Square Feet Gross Building Area (GBA)	
Retail and Related Space				
Shopper Goods Retail Space	287,185	1/		
Convenience Goods Retail Space	140,261			
Eating and Drinking Facilities	56,285	2/		
Other Retail (Automotive/Building Materials)	14,037			
Business/Personal Services	4,704			
Museum/Community Facilities	15,000			
Subtotal	517,472		532,477	3/
Office Building			300,000	
Hotel			203,000	
Grand Total			1,035,477	

1/ 50,000 square feet GLA may be converted to a cinema complex in Phase 2.

2/ Includes 5,000 square feet GLA of restaurant space that will be located in the proposed hotel.

3/ Not including existing Crate & Barrel store (36,000 s.f.).

Sources: Westfield L. L. C.: HR&A Advisors, Inc.; W&W, Inc.

Construction of the Project is planned for completion in two phases between 2011 and 2015. Phase 1 will include a new Membership Discount Department Store, new Westfield specialty retail, and restaurants. Phase 2 will include additional Westfield specialty retail (and the potential for some of this area to be converted to a cinema complex), additional restaurants, a grocery store, the office building and the hotel. For purposed of this report, stabilized operation for Phase 1 uses are assumed to be 2013 (Membership Discount Department Store) and 2014 (Westfield retail and restaurants). Stabilized operation for Phase 2 uses are assumed to be 2015 (for the hotel), and 2016 (for the remaining retail uses, potential cinema complex and office building), and for the Project as a whole.

The analysis presented herein evaluates whether the retail and other types of commercial space contained in the Project will result in a significant adverse economic impact on existing and known future developments of a similar type in the relevant market areas surrounding the Project. Methodologically, the potential for such an impact can be determined through a comparison of the relative growth in demand for retail goods and other commercial activities, where demand is typically measured by the change in the amount of supportable space for particular commercial use categories, with the amount of the proposed additions to the supply of space that will be provided by the Project.

In this case, the analysis focuses on whether the proposed amount of floor area in each major commercial use category planned for the Project exceeds the likely increase in demand for each of those uses within the relevant market area, where demand is measured by the anticipated growth in population, per capita personal income, visitation patterns, employment growth and other factors between 2009 and 2016. If the proposed change in supply exceeds anticipated growth in demand, the resulting competitive conditions could challenge existing or planned future commercial developments to such a degree that net sales could be attracted away from such places of business without replacement by sales from new sources of demand. Under such circumstances, further in-depth analyses would be required to assess whether it is reasonably foreseeable that the decline in sales or decreases in occupancy at such businesses would be so extensive that it could result in significant disinvestment, business closures, abandonment and other forms of physical deterioration indicative of "urban decay."

If, on the other hand, the amount of commercial space planned for the Project, together with space for comparable uses in existing and other planned projects, *is equal to or less than* the increase in space that can be supported by projected increases in future demand, it can be concluded that: (1) there are no significant adverse competitive pressures being generated by the Project that could lead to conditions of urban decay; and (2) there is no need to further evaluate the potential for urban decay as a consequence of the development of the Project. This conclusion is justified when growth in customer demand will be large enough to comfortably support both the Project and other existing and planned projects offering comparable uses.

Making these economic impact measurements requires: (1) establishing an appropriate market area for each commercial space category in the Project for which future customer and/or user demand will be generated; (2) projecting the scale of demand based on population growth, income growth, spending growth, visitation growth and employment growth for the Project's commercial use categories over a relevant time period (i.e., 2009-2016, the period of time covering the entitling of the project through its first full calendar year of operation); and (3) converting projected changes in demand into magnitudes of supportable square feet of GLA, GBA or some other appropriate measure(s), so that the projected increase in demand for space can be compared directly with the projected change in supply proposed for each commercial use category in the Project's development program.

Accordingly, market areas were established and impact analyses were conducted for six types of retail and other commercial uses that are to be included in the Project: (1) Shopper Goods; (2) Convenience Goods; (3) Eating and Drinking Facilities; (4) Cinema Complex; (5) Hotel Facilities; and (6) Office Space. The market areas and principal findings of the six analyses are summarized below. It should be noted that these impact analyses reflect changes in market conditions resulting from the current recession. This was accomplished by, among other considerations, adjusting the rate of personal income growth and rate of annual change in annual sales for retail uses to correspond with latest available data from recently completed United States Census of Retail Trade and Accommodations and Foods Services reports, California State Board of Equalization taxable sales reports and the UCLA Anderson Forecast for the California economy.

- ***Delineation of Geographic Market Areas for Assessment of Potential Urban Decay.*** Five different market areas were established for the six land uses that were investigated in this analysis. These five market areas each provide a geographic frame of reference for understanding the market characteristics of supply and demand for the particular use(s) under investigation. In brief, the five market areas are as follows:

    - Regional Market Area (RMA). The RMA is utilized to evaluate the market for Shopper Goods retail uses. In this analysis the RMA is defined by the area of 21 ZIP codes that are within a half-hour or less driving time of the site. Presently, the RMA provides about 70 percent of the market support for Westfield Topanga and Westfield Promenade, which are immediately adjacent to the Project site.

    - The 5-Mile Market Area is represented by a five-mile radius around the proposed Project, with its center at the intersection of Topanga and Victory Boulevards. This market area is expected to generate 70 percent to 80 percent of the demand for Eating and Drinking Facilities and the potential Cinema complex, consistent with consumer behavior at comparable developments.

    - The 3-Mile Market Area or Convenience Goods Market Area (CGMA) is represented by a three-mile radius around the project with the same center as the 5.0-Mile Market Area. This market area is utilized for the evaluation of the market potentials for convenience goods retailers, including the proposed gourmet market, which should draw 70 percent to 80 percent of its market support from within this geographic area.

    - West San Fernando Valley Hotel Market Area. This market area, defined by PKF Consulting in its subdivision of Los Angeles County into major geographic sub-markets, generally includes major hotel facilities located westerly of Balboa Boulevard in the San Fernando Valley. The PKF inventory of comparable facilities has been augmented here slightly to include smaller boutique properties located along the Ventura Freeway/Highway 101 and the S.R. 118 Freeway.

    - West San Fernando Valley Office Space Market. The West Valley Office Space Market, as defined by Grubb & Ellis Company, a commercial office brokerage company that tracks office space in Southern California, is utilized for the evaluation of the office space market. For purposes of reporting on market conditions, Grubb & Ellis divides Los Angeles County (including portions of adjacent Ventura County) into seven regions and 28 sub-areas. The West San Fernando Valley sub-area, one of five sub-areas that are included in the L.A.

North Region, encompasses the communities of Chatsworth, West Hills, Woodland Hills, Tarzana, Canoga Park and Winnetka.

The analysis presented in the Report leads to the following findings about each of the Project's commercial uses as related to its relevant market area:

- ***Anticipated growth in demand within the RMA is sufficient to support development of the proposed General Merchandise Shopper Goods space.*** Over the seven-year projection period 2009-2016, the potential growth in retail sales demand for General Merchandise Shopper Goods in the RMA should approach $560.0 million annually as expressed in current (inflated) dollars. In comparison, the proposed General Merchandise space proposed for the Project — 78,385 square feet GLA within a Membership Club Discount Department Store — would likely capture $72.0 million in sales on an annual basis at stabilized operation in 2013, a capture rate that is equivalent to 25.3 percent of the total increase in demand for that retail category. By 2016, when the entire Project achieves stabilized operation, the Project's share of demand for General Merchandise space is projected to decline to 14.1 percent of demand, due to continued market area growth. The balance of the RMA projected sales demand would be available for capture by other existing and new general merchandise stores in the market area. As a result, this component of the Project will not create severe market competition that would lead to store closures and urban decay as defined in the CEQA statutes.

- ***Anticipated growth in demand within the RMA is sufficient to support development of the proposed Selected Shopper Goods space.*** Over the seven-year projection period 2009-2016, the growth in RMA demand for Selected Shopper Goods (Apparel; Furniture/Home Furnishings/Appliances; and Other or Specialty Goods) sales in the RMA is projected at $1.165 billion, an amount that can sustain an additional 2.3 million square feet GLA of Selected Shopper Goods space. Phase 1 of the Project will provide 154,600 square feet GLA of Selected Shopper Goods in 2013, an amount representing 12.0 percent of the potential additional supportable Selected Shopper Goods space in that year. Phase 2 will add 104,200 additional square feet GLA of Selected Shopper Goods in 2014, for a cumulative total of 15.8 percent of the potential additional supportable Selected Shopper Goods space in that year. By 2016, when the entire Project achieves stabilized operation, the Project's total share of demand for Shopper Goods space will be 11.2 percent. If 50,000 square foot GLA of Selected Shopper Goods Space is instead developed as a cinema complex in Phase 2, Project's Selected Shopper Goods Space would then capture 9.0 percent of projected demand in 2016. Given the Project's relatively small market share requirement, its Selected Shopper Goods space will not have a significant effect on the performance of existing retail stores in the RMA, thus is not likely to trigger conditions that would lead to urban decay as defined by CEQA.

- ***Anticipated growth in demand within the CGMA is sufficient to support development of the proposed Gourmet Market along with other food and beverage store space.*** CGMA retail sales support for Food and Beverage stores is projected to grow by $226.9 million (expressed in inflated dollars) over the period 2009-2016. Phase 1 of the Project will add 47,031 square feet GLA of Food and Beverage space, which would capture 48.4 percent of the additional demand in 2013. Phase 2 will add 42,878 additional square feet GLA of in 2014, accounting for a cumulative total of 66.7 percent of demand in that year. By 2016, when the entire Project achieves stabilized operation, the Project's total share of demand for food and beverage store space will be 47.0 percent, leaving a balance of $120.3 million of demand that would be available for then-existing facilities and a proposed 55,340 square foot GLA supermarket proposed for development at the Corbin Village Shopping Center. Given the magnitude of anticipated market support in the CGMA, it is unlikely that this component of the Project will contribute to competitive conditions that could lead to urban decay in the West San Fernando Valley.

- ***Anticipated growth in demand within the CGMA is sufficient to support development of the proposed Pharmacy/Drug Store space.*** The projected growth in market support for Pharmacy/Drug store space in the 3.0-mile radius identified as the CGMA for the Project is projected to reach $72.7 million between 2009 and 2016. This increase in demand should be more than sufficient to support the 8,230 square feet GLA of Pharmacy/Drug Store space that is planned for the Membership Club Discount Department Store, whose anticipated sales would approach $6.6 million. The Project's share of demand would be 16.8 percent in 2013, and declines to 9.4 percent by 2016. Thus, there is little likelihood that this component of the Project would have a competitive impact on other existing drug stores in the CGMA, and would allow for the proposed 15,789 square foot GLA drug store planned for the Vanowen & Corbin Shopping Center to receive ample support from the growing market demand.

- ***Anticipated growth in demand within the 5.0-Mile Market Area is sufficient to support development of the proposed Eating and Drinking Facilities.*** Analysis of the potential growth in demand within the 5.0-Mile Market Area indicates that there will be sufficient growth in demand by 2016 to support the proposed development of 33,185 square feet GLA of Limited Service Restaurants, such as coffee shops and fast food facility space, and 23,100 square feet GLA of Full Service Eating and Drinking Places at the Project. For Phase 1 (2013), the Project's share of demand for Limited Service Restaurants will be 23.5 percent, and its share of demand for Full Service Eating and Drinking Places will be 8.8 percent. By 2016, when Phase 2 is added and the entire Project has achieved stabilized operation, the Project's share of demand for Limited Service Restaurants will be 23.3 percent, and its share of demand for Full Service Eating and Drinking Places will be 8.5 percent. These shares of demand are not likely to place competitive stress on the then-existing and projected future base of dining facilities located near the Project.

- ***Anticipated growth in demand within the 5.0-Mile Market Area is sufficient to support development of a Cinema Complex in lieu of Selected Shopper Goods Space.*** The market analysis indicates that the 5.0-Mile Market Area is currently expanding at a rate of growth that can support the equivalent of at least 2.5 new movie theatre screens per year. Over the seven-year projection period 2009-2016, the 5.0-Mile Market Area can accommodate the equivalent of nearly 19 additional screens, thus providing the full support necessary to sustain a 10-screen cinema complex if about 50,000 square feet GLA is developed for this purpose in lieu of an equivalent amount of Selected Shopper Goods Space. Assessment of existing cinema complexes in the 5.0-Mile Market Area also indicates that they are well-positioned to compete effectively with a new cinema complex located at the Project by virtue of their modern facilities, dispersed locations and surrounding complementary uses.

- ***Anticipated growth in demand within the West San Fernando Valley market area is sufficient to support the operation of the proposed 275-room hotel.*** Visitor growth in the West San Fernando Valley is being driven by both business travelers to the Warner Center and Woodland Hills business centers as well as by visitors entering or leaving Los Angeles via the U. S. 101 Freeway, one of two major routes leading to and from central and northern California. Market analysis by PKF Consulting indicates that the West San Fernando Valley's 2,255 hotel rooms have achieved strong market recognition and support that is reflected in occupancy rates that reached 77 percent in 2006 and growth in room revenues that, until the recession hit were running in excess of five percent per year. Accordingly, projection of the continued growth in market demand, following a period of market softening in terms of performance covering the period 2008 through mid-2010, results in an anticipated increase in supportable hotel rooms between 2009 and 2016 of 466 rooms. This magnitude of demand growth should be sufficient to sustain the proposed 275-room hotel at the Project. Further indication of the market potential for the site is provided by the fact that the two existing major hotels in the Warner Center market area with 275 or more rooms (i.e., the Hilton and Marriott facilities) have enjoyed excellent market success.

- ***Anticipated growth in office space demand within the West Valley Office Space Market is sufficient to support the operation of the proposed 300,000 square feet of net rentable office space***. The West San Fernando Valley Office Space Market is an important suburban office location that is dominated by the Warner Center. As of 2010, the 94 buildings that comprise the market supply offer an inventory of 9.7 million square feet of space, 73 percent of which is classified as Class A space. While the recent national recession has resulted in a sudden spurt in vacancies that have been reflected by negative absorption of space in 2009 and the first part of 2010, the market should recover in the near future and continue to absorb new space at a rate ranging between 200,000 and 300,000 square feet on an annual basis. Given the favorable location in proximity with Warner Center and the array of available commercial services that would be offered, the office space should receive favorable market acceptance. The Project's proposed office space represents a potential three percent increase in the supply of rentable office space in the West San Fernando Valley Market Area as of 2016. While the market is currently experiencing high vacancy rates as a consequence of the recession and the particularly soft housing market, economic conditions by the date of the opening of the Project's office space can be expected to be sufficiently strong that the market could accommodate this new development (i.e., 7.2%-11.2% vacancy rate, depending on which of two different estimates of future demand discussed below is assumed). As a result, there is little likelihood that this component of the Project will create adverse market conditions that could lead to urban decay as defined by CEQA.

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In summary, while the Project will add new retail, restaurant, cinema, hotel and office space to the West San Fernando Valley real estate market, there is no reasonable likelihood that the operation of the Project would result in adverse economic competition within the market areas applicable to each land use to the degree that this competition would lead to urban decay. This conclusion is supported by the findings that the proposed Project's retail and related space, restaurants, cinema complex, hotel facility and office space can all be supported by anticipated future growth in market demand and due to the relative quality and physical positioning of existing facilities which are likely able to compete successfully in the future.

II. INTRODUCTION

A. Purpose of the Analysis

This report analyzes the potential for the operation of an approximately 1.0 million square foot, mixed-use (retail, dining, hotel, commercial office) development program known as The Village at Westfield Topanga ("Project"), which will be located on a 31-acre site in the West San Fernando Valley area of the City of Los Angeles ("City"), to directly or indirectly cause "urban decay," as that concept has been defined in court decisions interpreting the California Environmental Quality Act (CEQA).

Analysis of the potential for new commercial developments to cause urban decay — defined as "... a chain reaction of store closures and long term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake"[9] — requires a two-stage analysis. First, it must be determined whether the proposed new development will likely attract sales or other forms of customer patronage away from existing and/or planned future commercial development to any significant degree. Second, if so, it must be determined whether the severity of this change in economic circumstances is likely to cause significant disinvestment or other negative actions by business operators to such a degree that it is reasonably foreseeable that business closures, abandonment or other forms of physical deterioration or "urban decay" will result.

This Report was prepared for Westfield, LLC, the Project applicant, by HR&A Advisors, Inc. (HR&A), in association with Whitney & Whitney, Inc. (W&W). The two firms provide independent professional urban and other economic analysis to a wide range of public and private clients. Summaries of the firms' respective qualifications are included in Appendix A to this Report.

B. Overview of The Village at Westfield Topanga ("Project") Development Program

The following is a general description of The Village at Westfield Topanga. A more detailed Project description is included in the Project's Draft Environmental Impact Report.[10]

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[9] *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184 at 1204.

[10] Matrix Environmental, *The Village at Westfield Topanga*, Draft Environmental Impact Report, prepared for the City of Los Angeles Department of City Planning.

1. Project Location and Regional Access

As shown in Figure 1, the approximately 30.67-acre project site is located in the City of Los Angeles within the Warner Center area of the western San Fernando Valley, approximately 20 miles northwest of the City's downtown area and approximately 15 miles north of the Pacific Ocean.[11] The project site is generally bounded by Victory Boulevard to the north, Owensmouth Avenue to the east, Erwin Street to the south, and Topanga Canyon Boulevard to the west. The Ventura Freeway (US-101 Freeway) as well as a network of major roadways including Topanga Canyon Boulevard, Victory Boulevard, Canoga Avenue, and Ventura Boulevard provide regional and local access to the project site. Immediate site access is afforded via driveways along each of the streets bounding the project site.

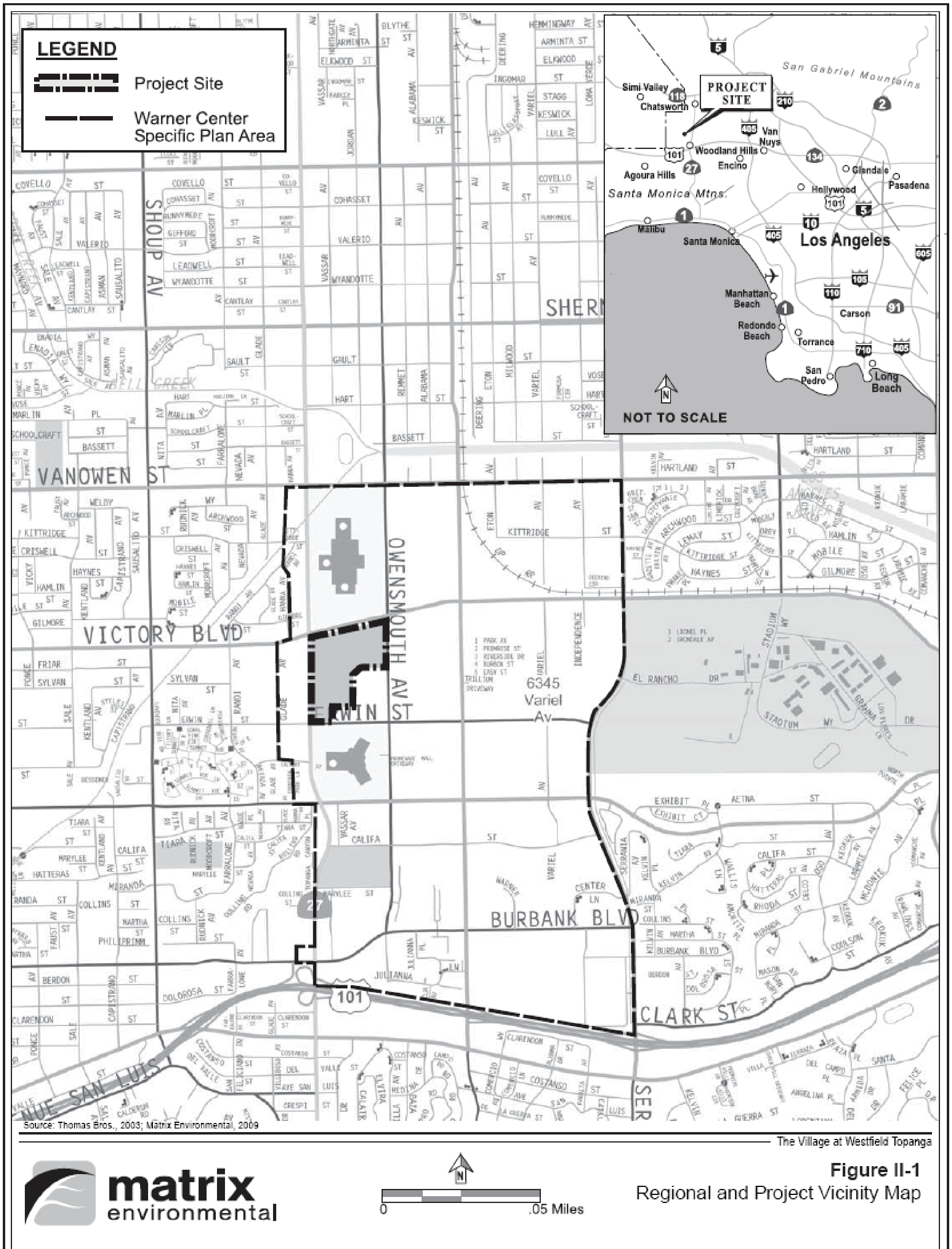
The project vicinity is a suburban area. The Westfield Topanga shopping center, which contains a variety of retail and restaurant uses, is located across Victory Boulevard to the north. The southeast quadrant of the city block on which the site is located (i.e., that portion of the block that is not a part of the project site) is occupied by four freestanding office buildings, two retail buildings, a credit union, and a fast food restaurant along with associated surface and structured parking areas.[12] The Westfield Promenade shopping center is located across Erwin Street to the south. Further south and southeast of the Westfield Promenade along Oxnard Street are the high-rise buildings that make up the skyline of the Warner Center area. These high rise buildings include the 16-story Marriott Hotel, the Warner Center towers that includes six high-rise office buildings between approximately 11 and 25 stories tall (the 25-story office building is the tallest in the Warner Center area), and the 12-story Blue Cross building.

Directly to the east of the site are multi-family residential uses up to three stories in height, a restaurant, and major chain and big box retail stores. In addition, uses northeast of the site include a major retail store and industrial/manufacturing uses. The approximately 17-story Blue Shield of California twin buildings are located further to the east in the next block along Canoga Avenue.

[11] The project site encompasses the properties located at 6360 North Topanga Canyon Boulevard, 21700 – 21870 West Victory Boulevard, 6351 North Owensmouth Avenue, and 21919 – 21945 Erwin Street.

[12] The two larger of these office buildings, along with associated surface parking and a parking structure, comprise a small campus development on Owensmouth Avenue occupied by 21st Century.

Figure 1 - Regional and Project Vicinity Map



PRELIMINARY WORKING DRAFT-Work-in-Progress

West of the project site, land uses generally consist of low-rise commercial/retail strip developments fronting onto Topanga Canyon Boulevard with residential uses located further to the west. Specifically, commercial uses consisting of major chain and big box retail stores and restaurants as well as two mid-rise offices are located directly to the west. Commercial uses comprised of a fueling station, a fast food restaurant, small retail stores, and banks are located to the northwest. In addition, to the southwest are several car dealerships, retail stores, a fueling station, and a bank.

Several transit facilities are also located within the project vicinity. These facilities include the Warner Center Transit Hub, which is located to the southeast of the project site and the recently completed Metro Orange Line Canoga Station, which includes a “park and ride” surface parking lot located approximately 0.30 mile to the northeast of the project site at 6610 Canoga Avenue, north of Victory Boulevard.

The Project site is irregular in shape (roughly an upside down “L” shape), with frontage along Victory Boulevard, Owensmouth Avenue, Erwin Street, and Topanga Canyon Boulevard. It is currently occupied by buildings, surface parking areas, undeveloped areas that have been graded, and limited landscaping in the form of trees and shrubs throughout the parking areas, along the adjacent roadways, and around some building perimeters. The Project site is generally flat, with a topography that gently slopes down from the southwest to the northeast.

At the time of the Notice of Preparation (NOP) in October 2007, nine buildings were located on the Project site. These buildings included six one-story freestanding buildings comprised of a mix of restaurant and commercial uses, which were oriented toward Victory Boulevard and were separated from Victory Boulevard by an expansive surface parking area. Of these six buildings, two have been removed and one is now vacant since the time of the NOP. Specifically, an approximately 18,002 square foot restaurant building located at the northwest corner of the project site at 21870 Victory Boulevard was removed from the Project site after the NOP was issued in 2007. An approximately 4,500 square foot vacant bank building located at 21700 Victory Boulevard was also removed from the site in 2007. In addition, a one-story 11,293 square foot building formerly occupied by a restaurant at the time of the NOP at 21720 Victory Boulevard is now vacant. A one-story 6,350 square foot building occupied by a restaurant at 21844 Victory Boulevard and a 7,952 square foot commercial/retail building at 21816 Victory Boulevard just to the east of the restaurant remain occupied. The project site also includes a one-story 10,896 square foot vacant building at 21800 Victory Boulevard, which was also vacant at the time of the NOP.

In addition, a two-story 41,480 square foot office building is located along Owensmouth Avenue at 6351 Owensmouth Avenue. The southern portion of the project site contains two one-story commercial buildings along Erwin Street. The first building comprised of approximately

16,792 square feet at 21945 Erwin Street is occupied by retail, bank, and office uses. The last building on the site comprised of approximately 9,345 square feet and located at 21919 Erwin Street, was formerly occupied by a furniture retailer at the time of the NOP. Since then, however, this building has become vacant.

A new approximately 34,200 square foot retail building occupied by Crate & Barrel, which became operational in 2009, is located at the northwest corner of the site at 6360 Topanga Canyon Boulevard.

Neither the new Crate and Barrel nor the existing Owensmouth office building are included in the proposed Project. The remaining existing retail floor area is *de minimis* in scale and therefore is not considered in this analysis.[13]

2. Description of the Project's Commercial Uses

The focus of this analysis is on providing an assessment of the potential for the proposed commercial uses that are to be included in the Project to cause urban decay. As shown below in Table 2, in generic terms the commercial space can be divided into three major classifications: (1) Retail and Related Space; (2) Office Space; and (3) Hotel Space. Consistent with conventions in the real estate industry, Retail and Related Space is measured in terms of Gross Leasable Area (GLA), while Office Space is characteristically measured in terms of Gross Building Area (GBA) and Hotel Space evaluated in terms of the number of rooms and/or GBA.[14]

[13] That is, the analysis in this report is considered to be more conservative by using the full amount of new floor area associated with the Project's proposed uses, and not the net increase over the remaining existing uses at the Project site that will be demolished (i.e., 6,350 s.f. of dining, 11,114 of retail and 3,741 of office).

[14] The floor area quantities for each proposed use presented in this report are consistent in all respects with the floor area quantities expressed in terms of the City of Los Angeles Zoning Code definition of "floor area" as analyzed in the Project's Draft Environmental Impact Report.

Table 2
DISTRIBUTION OF NEW COMMERCIAL SPACE BY MAJOR ACTIVITY
THE VILLAGE AT WESTFIELD TOPANGA

Space Category		Phase 1		Phase 2	Total
		Westfield or Others	Membership Discount Dept. Store 1/	Westfield or Others	Total Square Feet GLA 2/
1. Retail and RelatedSpace					
(a) Shoppers Goods					
General Merchandise		-	78,385		78,385
Apparel and Accessories		77,300	-	27,100	104,400
Furniture, Home Furnishings and Appliances		38,650	-	13,550	52,200
Specialty		38,650	-	63,550 3/	102,200
	Subtotal	154,600	78,385	104,200	337,185
(b) Convenience Goods					
Food and Beverage Stores		-	47,031	35,000	82,031
Drug Stores/Pharmacies		-	8,230	-	8,230
	Subtotal		55,261	35,000	90,261
(c) Eating & Drinking Facilities					
Limited Service Restaurants		17,400	1,285	14,500	33,185
Full Service Eating and Drinking Places		12,600 4/	-	10,500	23,100
	Subtotal	30,000	1,285	25,000	56,285
(d) Other Retail Building Materials/Garden Supplies and Automotive Parts)		-	14,037	-	14,037
(e) Business/Personal Services		-	4,704	-	4,704
(f) Museum/Community Facilities		-	-	15,000	15,000
Grand Total, Retail and Related Space Expressed in Gross Leasable Area (GLA)		184,600	153,672	179,200	517,472
2. Office Space, Expressed in Square Feet ofGross Building Area (GBA) 5/				300,000	300,000
3. Hotel (rooms) 6/				275	275

1/ The Membership Discount Department Store space has been distributed to various retail sub-categories based upon approximations derived from existing stores.
2/ "GLA"--Gross Leasable Area.
3/ 50,000 s.f. GLA may be converted to a Cinema Complex in Phase 2.
4/ Total includes 5,000 square feet GLA of restaurant facilities situated in the Hotel.
5/ "GBA"--Gross Building Area.
6/ 5,000 square feet GLA of proposed restaurant space is included in the analysis of the Project's Eating and Drinking Facility space.
Sources: Westfield, LLC; HR&A Advisors, Inc.; W & W Inc.

In order to facilitate more finite and detailed analysis, the “Retail and Related Space” category that totals 517,472 square feet GLA has been disaggregated into seven sub-categories or sub-classifications that include the following: (a) Shopper Goods, 337,185 square feet GLA; (b) Convenience Goods, 90,261 square feet GLA; (c) Eating and Drinking Facilities, 56,285 square feet GLA; (d) Other Retail space including Building Materials/Gardens Supplies and Automotive Parts, 14,037 square feet GLA; (e) Personal/Financial Services, 4,704 square feet GLA; and (f) Other Services and Community Facilities and a Community Center, 15,000 square feet GLA. Of these, the four major sub-categories (a) through (d) represent quantities of space that are considered to be of sufficient magnitude that their potential development warrants consideration as potential causes of urban decay in the future. As a consequence, each of these sub-categories is reviewed in detail in this study. The other three “Retail and Related” space categories — (e) “Other Retail,” (f) Business/Personal Services, and (g) Museum/Community Facilities — either by their basic nature or by the relatively small amount of space they represent are not considered to constitute a significant competitive influence on the market, and thus are not subject to further analysis. Approximately 50,000 square feet GLA of the Shopper Goods Space may be converted to a 2,200-seat Cinema Complex.

The Project's office component will provide 300,000 square feet GBA, and the hotel component will feature 275 rooms of visitor accommodation along with limited restaurant facilities (5,000 square feet GLA that is added to the Retail and Related Space component noted above) and banquet services within 203,000 square feet of GBA. As these two components each represent major changes to supply, they are subject to urban decay assessment as well.

Construction of the Project is planned for completion in two phases between 2011 and 2016. Phase 1 will include a new Membership Discount Department Store, new Westfield specialty retail, and restaurants. Phase 2 will include additional Westfield specialty retail, additional restaurants, a grocery store, the office building and the hotel. For purposes of the analysis in this report, stabilized operation for Phase 1 uses are assumed to be 2013 (Membership Discount Department Store) and 2014 (Westfield retail and restaurants). Stabilized operation for Phase 2 uses are assumed to be 2015 (for the hotel), and 2016 for the remaining retail uses (including the potential cinema) and the office building, and for the Project as a whole. Conceptual site plans for the Project's proposed Phase 1 and Phase 2 are shown in Figures 2A and 2B, respectively.

Figure 2A. Conceptual Site Plan-Phase 1

Figure 2B. Conceptual Site Plan-Phase 2

The distribution of Retail and Related space categories that are the subject of this analysis is presented below in Table 3, together with projections of threshold total and taxable sales per square foot of GLA for each type of space. The projected sales per square foot standards utilized in Table 3 and at other places in this Report are based upon discussions with market analysts at Westfield; published industry standards, such as The Urban Land Institute's (ULI) *Dollars & Cents of Shopping Centers* biennial reports; discussions with other retail shopping center experts; and HR&A/W&W expert opinion with respect to the market potential for retail and other commercial space at the Project site.[15]

Table 3
PROPOSED TENANT PROFILE AND PROJECTED SALES, VILLAGE AT WESTFIELD TOPANGA

Space Category 1/	Proposed Tenant Type	Square Feet Gross Leasable Area (GLA)	Projected Sales 2/ per Square Foot GLA	Projected Taxable Sales 2/ per Square Foot GLA	Projected Annual 2/ Sales
(a) Shopper Goods 3/					
General Merchandise	Department Store (part)	78,385	$ 850	$ 850	$ 66,627,250
Selected Shopper Goods	Apparel & Accessories/ Furmniture et al/Specialty Stores	258,800	$ 425	$ 425	$ 109,990,000
(b) Convenience Goods 4/	Food Stores	82,031	$ 1,100	$ 325	$ 90,234,100
	Drug Stores/Pharmacies	8,230	$ 700	$ 225	$ 5,761,000
(c) Eating & Drinking Facilities	Limited Service Restaurants	33,185	$ 1,000	$ 1,000	$ 33,185,000
	Full Service Eating & Drinking Facilities	23,100 5/	$ 575	$ 575	$ 13,282,500
GRAND TOTAL 1/		483,731 6/			$ 319,079,850

1/ Includes only the four Retail and Related Space categories that are considered to constitute potential sources of urban decay as defined by CEQA (see Table 2).
2/ Measured in 2009 dollars.
3/ Shopper Goods, also identified as Comparison Goods, refer to the four principal categories of retail stores found in regional shopping centers. These include the following categories: General Merchandise; Apparel and Accessories; Furniture, Home Furnishings and Appliances; and Specialty (Other) Retail stores offering such items as Books, Stationery, Sporting Goods, Cameras, Office Supplies, Antiques, Jewelry, Art Supplies, et al. In this analysis, these four sub-classifciations have been reduced to two categories that reflect the general characteristics of the current program: (1) General Merchandise and (2) Selected Shopper Goods, encompassing the Apparel & Accessories, Furniture et al, and Specialty Store categories. 50,000 s.f. GLA of the Selected Shopper Goods Space may be converted to a Cinema Complex.
4/ Convenience Goods comprise goods that shoppers buy on a frequent basis at locations that are conveniently-located near the home or workplace. Convenience goods categories include Food and Beverage Stores and Drug Stores/Pharmacies.
5/ Total includes 5,000 square feet GLA of Restaurant space that will be developed as part of the Hotel.
6/ The following Retail and Related categories are not part of the urban decay analysis: "Other Retail" space, 14,037 square feet GLA; Business/Personal Services, 4,704 square feet GLA; and Museum/ Community Facilities, 15,000 square feet GLA. In total, they account for 33,741 square feet GLA, and do not represent significant competitive supply that would challenge existing and/or proposed facilities.

Sources: Westfield, LLC.; HR&A Advisors, Inc.; W & W, Inc..

A discussion of the each of the proposed types of commercial space in the Project is provided as follows:

- ***Shopper Goods***. A total of 337,185 square feet GLA, equivalent to 69.7 percent of the proposed Retail and Related square feet GLA in the Project, is allocated for "Shopper Goods." Also referred to as "Comparison Goods" within the shopping center industry, this type of retail offering is the staple activity of most regional shopping centers. As defined in

[15] These are typical market threshold sales requirements for Retail and Related Uses that are found in a broad range of regional shopping centers, not including those with discount stores. Actual sales performance by retail stores at the Project may differ from these assumptions.

this analysis, Shopper Goods characteristically encompass four types of retail goods:[16] (1) Apparel and Accessories stores; (2) General Merchandise stores (most commonly, department stores); (3) Furniture, Home Furnishings, Appliance and related stores; and (4) Specialty retail stores, encompassing a diverse array of retail shops selling such items as gifts, art goods, sporting goods, flowers, photographic equipment, musical instruments, stationery, books, jewelry, and office and school supplies.[17] Shopper or Comparison Goods derive their name from the shopper behavior commonly related to their purchase. Characteristically, given the level of expenditure and the diversity of product choice involved, a shopper will travel a reasonable distance to compare prices and consider a range of alternative goods as part of the purchase decision.

At the present time, the Project leasing program is still in its preliminary phases with respect to tenant selection. While it has been determined that there will be only one department store — a Membership Discount Department Store — in the Project, the precise mix of the other Shopper Goods retailers has not been determined. As a result, the Project's likely mix of the other Shopper Goods categories has been aggregated into a single category identified as "Selected Shopper Goods" that encompasses the Apparel and Accessories, Furniture/Home Furnishings/Appliances, and Specialty store categories.

- ***Convenience Goods.*** Convenience Goods refer to those types of retail goods that are required to meet day-to-day living needs, such as food, beverages, drugs and sundries, which are typically purchased from stores conveniently located adjacent to residential developments or the work place. Convenience Goods retail space in the Project consists of proposed food and beverages stores with 82,031 square feet GLA and 8,230 square feet GLA of Pharmacy (Drug Store) space. In total, Convenience Goods will represent 90,261 square feet or about 17.4 percent of the Project's Retail and Related space.

- ***Eating and Drinking Facilities***. This use category constitutes a net addition of 56,285 square feet GLA, including 51,285 square feet GLA that will be part of the Retail component and 5,000 square feet in the proposed Hotel. For purposes of this analysis it has been assumed that a total of 23,100 square feet GLA will be utilized for full-service eating and drinking places, and 33,185 square feet GLA will be used for limited service restaurants, such as coffee shops and fast food establishments that will comprise the Project's food complex. While some eating and drinking facility patronage will likely come from office employees, hotel visitors and shoppers who are visiting the retail stores and the cinema complex, it is likely that the major source of support will come from local residents living and working within five miles of the site.

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[16] The definition of "Shopper Goods" generally follows the retail store classification system utilized by the State of California Board of Equalization and the shopping center industry.

[17] As noted above, 50,000 s.f. GLA of Specialty Shopping space may be converted to a Cinema Complex in Phase 2. This would add an important entertainment component to the Project. Along with the restaurants, this use would encourage longer stays and evening patronage. Assuming an average gross area of 5,000 square feet per screen, the Cinema Complex would offer 10 separate screens for the exhibition of a range of first-run and vintage feature films.

- ***Hotel Facilities.*** A 203,000 square foot GBA hotel with approximately 275 guest rooms, to be developed in Phase 2, will provide for the growing visitor population in the West San Fernando Valley. The hotel will serve both tourists traveling on the Highway 101 corridor coming into Los Angeles as well as business travelers who are connected with the sub-region's growing number of high-tech and information industry companies that are found at Warner Center and along Highway 101 between Thousand Oaks and Encino. The hotel will offer full service restaurant and bar facilities (5,000 square feet GLA) as well as banquet facilities.

- ***Office Space.*** A total of 300,000 square feet GBA of space will be available for use by a range of businesses that require office space on a rental basis. The office space will be situated in a free-standing high-rise office building developed in Phase 2 of the Project.

C. The "Urban Decay" Concept in Environmental Impact Analysis

When a proposed development project is subject to CEQA, both direct and indirect (or "secondary") impacts of the project on the physical environment must be analyzed.[18] Economic and social impacts of a project, though they may be included in a CEQA document, are not to be treated as "significant" impacts on the physical environment,[19] as defined.[20] To the extent that there is a direct or indirect causal connection between a change in economic or social circumstances and a change in the physical environment, the economic or social change may be used to establish whether the physical change is "significant."[21]

With this statutory and interpretive guidance in mind, the courts have recognized that there is a potential for a proposed new retail development to trigger economic competition with existing retailers and other commercial uses in the project's host community. If existing retailers and/or other commercial uses are adversely affected by this competition, declines in sales could directly result in and/or lead to disinvestment, business closures, abandonment and other forms of physical deterioration that are indicative of "urban decay." If the severity of this change in physical circumstances is so substantial that it adversely affects appropriate use of the area or otherwise threatens the public health, safety or general welfare, this situation may cross a threshold that defines a "significant impact" under CEQA, such that mitigation capable of reducing the impact on that physical environment must be considered.

Thus, for urban decay to be an issue within the meaning of CEQA there must first be an adverse economic circumstance that is likely to be caused by a proposed project. If such an

[18] CEQA Guidelines § 15358.

[19] CEQA Guidelines §§ 15064 and 15382.

[20] "A substantial or potentially substantial adverse change in the environment." (Public Resources Code § 21068). The focus on physical changes in the environment is further reinforced by §§ 21100 and 21151.

[21] See, in general, CEQA Guidelines §§ 15131(a) and (b), and their associated discussion section.

adverse effect is identified, then the severity of this economic impact must be evaluated for its potential to cause a significant change in the physical environment (i.e., "decay"). Accordingly, this Report presents an assessment of whether it is reasonably foreseeable that the Project's retail and other commercial uses could cause adverse economic circumstances in the surrounding market areas applicable to each of the Project's uses. Only to the degree that such adverse circumstances can be predicted reasonably is there any need to evaluate the potential to cause "decay" or other significant physical changes in the environment.

Section III of this Report presents an analytic framework for assessing whether the Project could cause adverse economic impacts on the surrounding market context, then applies this framework to the specific retail and other commercial components of the Project and their respective market areas in Sections IV and V. Appendices B and C include further details on the data sources and projections used in this analysis.

III. URBAN DECAY METHODOLOGY

A. Overview of the Urban Decay Analysis Methodology

The urban decay analysis measures the degree to which the construction and operation of the Project could result in a significant adverse economic impact on existing and proposed retail developments and other commercial uses in the same market area(s). Methodologically, any such impact is identified and measured by assessing the degree to which the amount of space planned for development in each of the Project's retail, dining, cinema and other commercial uses would *exceed* the anticipated increase in the supportable amount of retail, dining, cinema and other commercial space that can be projected to occur, based upon the anticipated growth in future demand for comparable activities in defined market areas. If the proposed supply exceeds the anticipated growth in demand, it could be argued that the Project would attract sales and other forms of market support away from other existing or planned new business establishments of the same type. Such a finding, in turn, would require further investigation to assess whether it is reasonably foreseeable that this potential attraction of sales away from other businesses could result in disinvestment, business closures, abandonment, and/or other forms of physical deterioration that are effectively indicators of "urban decay." If, on the other hand, the amount of retail, dining, cinema and other commercial space planned for the Project *is equal to or less than* the amount of space that can be supported by projected future demand, it can be concluded that the scale of potential demand is sufficiently large that it can support both the Project and all the other existing and planned space proposed for those other commercial use categories. There would be no need, therefore, to further evaluate the potential for urban decay associated with the Project.

Making these economic impact measurements typically requires: (1) establishing logical market areas appropriate for each retail, dining, cinema and other commercial use category for which future space will be provided by the Project; (2) projecting the likely increase in customer demand based on population growth, income growth and spending patterns for particular categories of retail goods, dining facilities and other uses over a relevant time period (i.e., 2009-2015); (3) converting the projected changes in future demand to amounts of supportable retail and other types of commercial space measured in square feet GLA or other appropriate units of analysis; and (4) making a comparison of the projected change in demand in supportable space with the change in supply as represented by the increase in GLA or other measures proposed for the Project and other proposed developments in the relevant market area(s).

Following this methodology, separate market impact analyses were conducted for the two principal types of retail space to be included in the Project – Shopper Goods and Convenience

Goods -- as well as for the Eating and Drinking Facilities, the Cinema Complex, Office Towers and the Hotel facilities[22]. These analyses are presented below.

B. Market Area Definitions

Given the proposed scale of development and the variety of uses to be included in the Project, five separate market areas were established. Three of these were utilized to evaluate the potential for the retail and related uses,[23] while separate market areas were established for the Office Space and Hotel Space components. These market areas include the following:

1. Regional Market Area (RMA)

While the Project represents an important addition to Westfield's retail offerings at the Topanga site, it does not fundamentally change the basic existing Regional Market Area that has been established by the two existing regional centers[24] that flank the Project on the north and south.

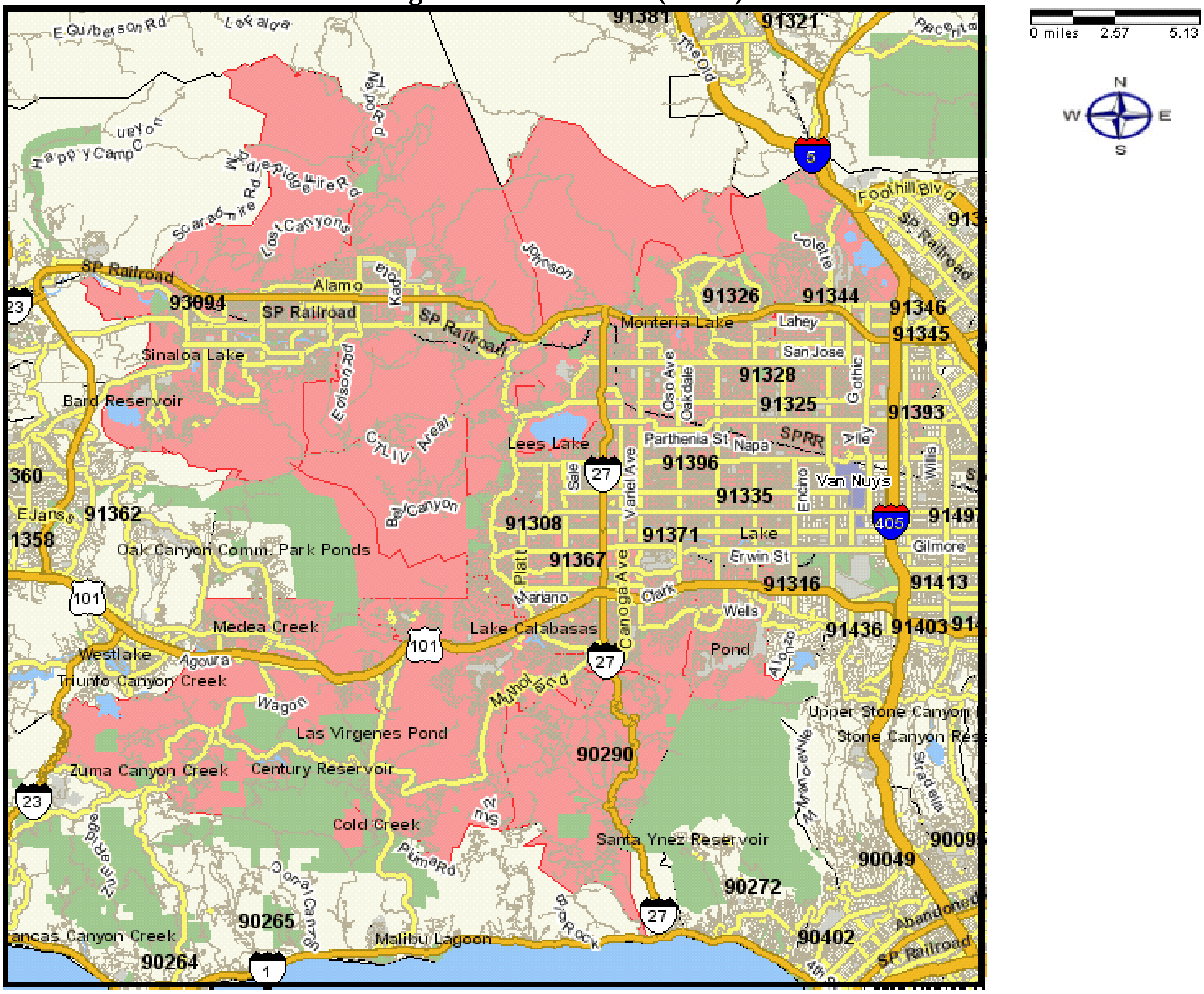
This Regional Market Area (RMA) consists of the residents found in the geographic area represented by 21 surrounding ZIP codes. These existing ZIP codes, delineated in Figure 3 below, cover all or portions of the following cities and communities: Agoura Hills; Calabasas; Canoga Park; Chatsworth; Granada Hills; Hidden Hills; Northridge; Porter Ranch; Reseda; Simi Valley; Tarzana; Topanga; Warner Center; West Hills; Winnetka; Woodland Hills, and unincorporated portions of Los Angeles County.

[22] Three small space categories that comprise a portion of the Retail and Related space in the Project were not evaluated in this study. These included "Other Retail" space for Automotive Parts and Building Materials/Garden Supplies (13,630 square feet GLA); Business/Personal Services (4,757 square feet GLA); and Museum/Community Facilities space (15,000 square feet GLA). These activities typically do not serve as anchor tenants to major commercial developments, and also are not significant enough in magnitude that their presence or absence could lead to destructive competitive circumstances and consequent urban decay in major retail complexes.

[23] The market areas utilized in this analysis are consistent with industry standards as reflected in both the Urban Land Institute and International Council of Shopping Centers' publications addressing the definitions of shopping center market areas. However, they have been adjusted to the particular characteristics of this unique geographic area, the types of retail stores being considered for development, and the historical performance of the existing retail facilities at Westfield Topanga and Westfield Promenade.

[24] In this respect, the RMA boundaries take into account customer patronage information provided by Westfield's on-site managers at the two existing Westfield retail developments that are adjacent to the Project site, the local and regional highway systems, locations of competitive centers and other factors. In the aggregate, the RMA typically generates 70+/- percent of the annual sales at the centers.

Figure 3
Regional Market Area (RMA)

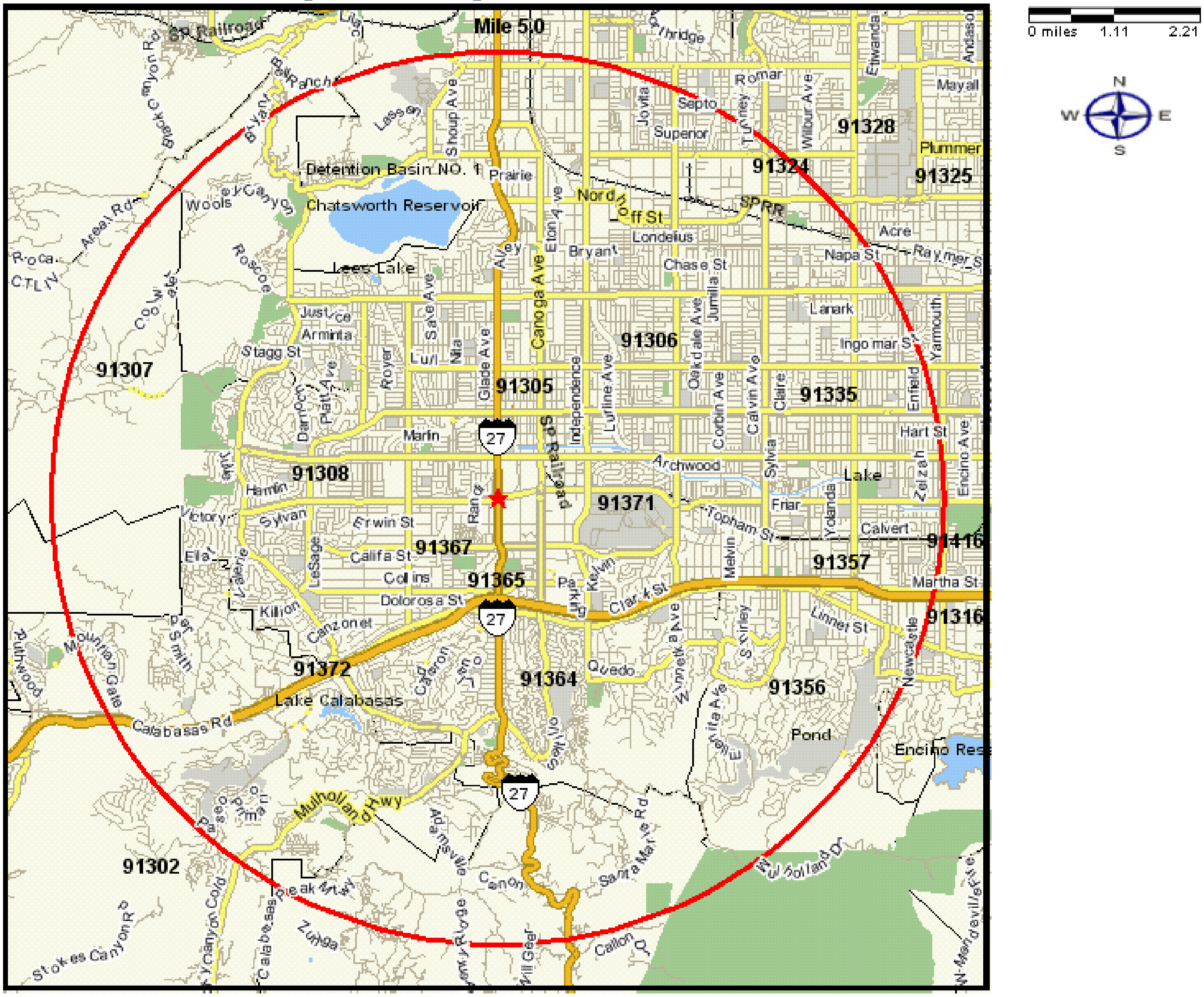


Source: Claritas, Inc.

2. <u>5.0-Mile Eating and Drinking Facilities/Cinema Market Area</u>

The 5.0-Mile Market Area has been established as a circular market around the Project with a radius of 5.0 miles. The center of the 5.0-Mile Market Area was set at the intersection of Topanga Canyon Boulevard and Victory Boulevard as shown in Figure 4 below. While the entire RMA should contribute to the market support for this component of the Project, the major share — between 70 to 80 percent — of the patronage for the Eating and Drinking Facilities and Cinema Complex components should come from residents living within a 10- to 15-minute driving time of the Project site that is represented geographically by a five-mile radius.

Figure 4
5.0-Mile Eating and Drinking Facilities/Cinema Market Area

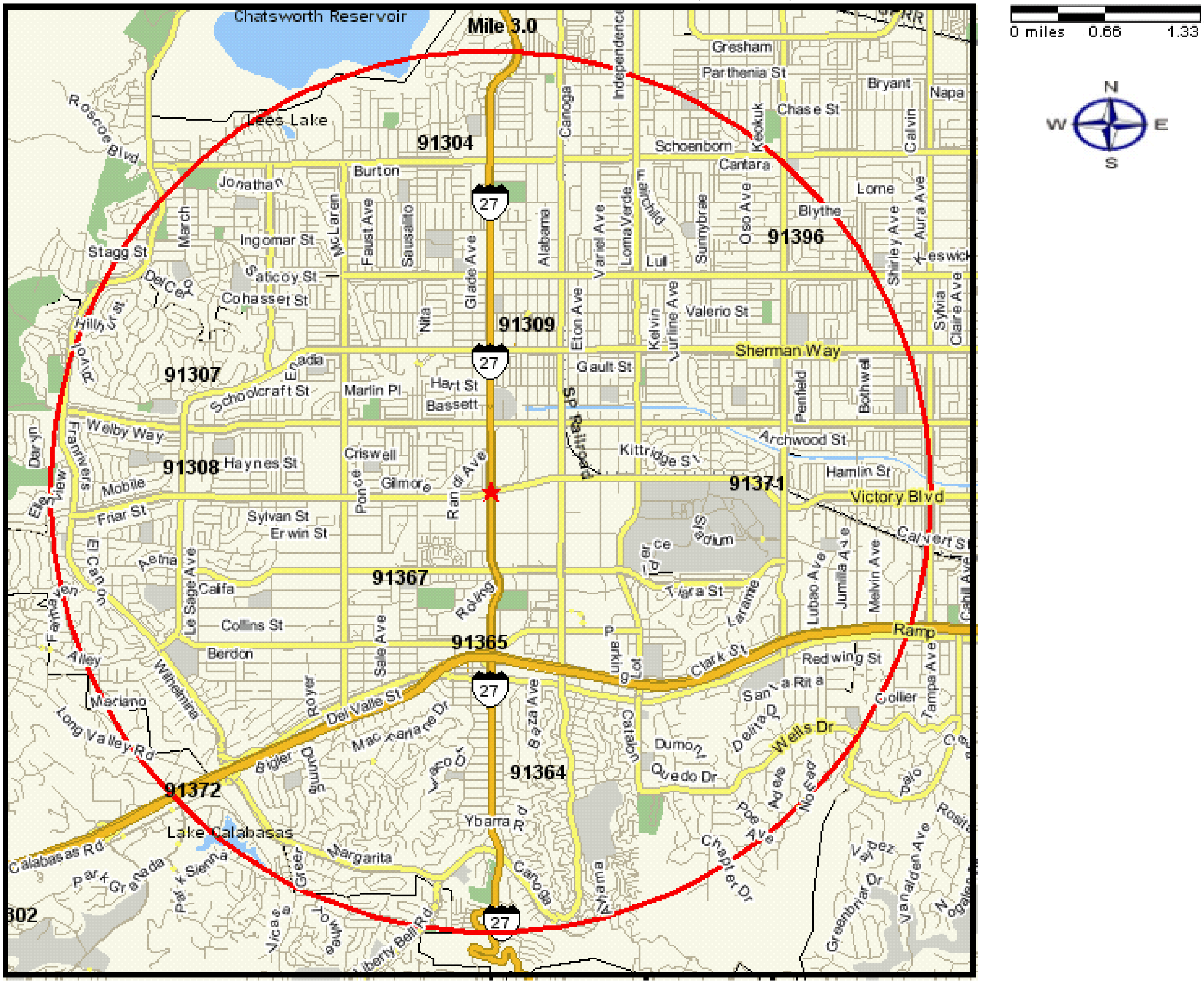


Source: Claritas, Inc.

3. <u>3.0-Mile Convenience Goods Market Area (CGMA)</u>

The CGMA has been established as a circular market area around the Project site with a radius of 3.0 miles. The center of the CGMA was also set at the intersection of Topanga Canyon Boulevard with Victory Boulevard. This market standard reflects the view that the primary source of support — from 80 to 90 percent — for Convenience Goods should mainly come from residents that live within a five- to ten-minute driving time of the center that is represented geographically by the CGMA. The CGMA is shown in Figure 5.

Figure 5
3.0-Mile Convenience Goods Market Area (CGMA)



Source: Claritas, Inc.

4. <u>Hotel Market Area</u>

The Hotel Market Area considers the geographic coverage represented by the West San Fernando Valley submarket as identified by PKF Consulting, an international hospitality consulting firm that analyzes customer and financial trends in the hotel industry throughout southern California and elsewhere. In this respect the Hotel Market Area includes lodging facilities found at Warner Center; clusters of hotels situated along Highway 101; cluster of hotels on or near Ronald Reagan Freeway (S.R. 118); and other freestanding facilities located in older community business districts situated westerly of Balboa Boulevard.

5. Office Space Market Area

The Office Space Market Area encompasses a geographic area that includes the West Valley Submarket Area as defined by Grubb & Ellis Company, one of the region's commercial office real estate brokerages with an extensive market research department. This market area includes the communities of Warner Center, Canoga Park, Woodland Hills, West Hills, Winnetka and Tarzana. This market area does not cover Encino or most of Northridge, which are considered to fall in the Central San Fernando Valley employment market.

The basic demographic characteristics of the three Retail and Related market areas are shown in Table 4, together with comparable data for Los Angeles County. According to Claritas, Inc., a well-accepted third party demographic data source, the 2009 population in the RMA is estimated at 751,101 persons. By 2016 it is expected to increase by 60,504 residents or 8.1 percent to 811,605 persons.

Table 4
BASELINE DEMOGRAPHIC ESTIMATES AND PROJECTIONS
VILLAGE AT WESTFIELD TOPANGA MARKET AREAS AND LOS ANGELES COUNTY
2000-2016

Data Category	Regional Market Area (RMA) (21 Zip Codes)	Eating & Drinking Facilities/Cinema 5.0-Mile Market Area	Convenience Goods 3.0-Mile Market Area (CGMA)	Los Angeles County
Population				
2000	692,582	355,682	185,631	9,519,338
2009	751,101	381,836	198,582	10,331,011
2013	785,100	397,735	206,615	10,535,717
2014	793,837	401,812	208,673	10,744,479
2015	802,672	405,931	210,752	10,971,559
2016	811,605	410,092	212,852	11,188,957
Net Increase 2000-2009	58,519	26,154	12,951	811,673
Net Increase 2009-2016	60,504	28,256	14,270	857,946
Per Capita Personal Income (per BEA Definition, Expressed in Current Year Dollars) 1/				
2009	$55,386	$53,723	$53,327	$41,208
2013	$64,829	$62,882	$62,419	$48,234
2014	$67,681	$65,649	$65,165	$50,356
2015	$70,659	$68,538	$68,032	$52,572
2016	$73,768	$71,553	$71,026	$54,885
Aggregate Income Expressed in Current Year (Inflated) Dollars				
2009	$ 41,600,224,776	$ 20,513,357,898	$ 10,589,764,944	$ 425,724,175,417
2013	$ 50,896,877,263	$ 25,010,508,302	$ 12,896,655,846	$ 508,180,971,841
2014	$ 56,091,686,031	$ 27,539,281,695	$ 14,196,540,316	$ 564,859,790,059
2015	$ 56,715,957,822	$ 27,821,588,598	$ 14,337,979,828	$ 576,797,875,635
2016	$ 59,870,428,975	$ 29,343,488,182	$ 15,118,005,335	$ 614,108,932,390
Net Increase 2009-2016	$ 18,270,204,199	$ 8,830,130,284	$ 4,528,240,391	$ 188,384,756,973

1/ See Appendix B, Tables B-1 through B-3 for explanation of Income definitions and data sources.

Sources: United States Bureau of Economic Analysis (BEA); Claritas, Inc.; HR&A Advisors, Inc.; W & W, Inc.

The 5.0-Mile Market Area currently has 381,836 residents. It is anticipated to grow by 28,256 persons or 6.9 percent between 2009 and 2016, reaching 410,092 residents. Finally, as of 2009 the 3-Mile Radius or CGMA holds 198,582 residents. By 2016 it should grow to 212,852 residents, a net increase of 14,270 persons or 7.2 percent.

Table 4 also shows for each market area the projected increases in per capita personal income[25] for the period 2009 to 2016, and the computation of growth of Aggregate Income, a key indicator of retail sales potential. Over the seven year projection period 2009-2016, Aggregate Income in the RMA is projected to increase by nearly $18.3 billion; for the 5.0-Mile Market Area, the Aggregate Income increase over the same period is expected to approach $8.8 billion. In comparison, over the same six-year period the smaller CGMA is expected to achieve a growth in Aggregate Income approaching $4.5 billion.

The characteristics of the Hotel Market Area and the Office Space Market Area are discussed in more detail in Sections IV.B. and IV.C. of this Report, respectively.

C. Existing and Projected Competitive Retail Facilities

Within the RMA there are a number of shopping districts and community shopping centers which will compete to some extent for customer support with the Project. Two of the largest of these complexes include retail developments owned and operated by Westfield: Westfield Topanga; and Westfield Promenade. It can be presumed that Westfield would manage its three properties in such a manner that the operation of one would not cause urban decay to occur at the others, and vice versa. At present, there are no other retail centers of any scale that are proposed for development in the same general time frame as the Project.

[25] The per capita personal income measure utilized here is based on the personal income definition utilized by the Bureau of Economic Analysis as reported for residents of the State of California and each county. The percentage of personal income utilized for retail sales is based upon estimates of aggregate personal income for the state *vis a vis* total retail sales. For further detail on these relationships, please see the discussion of income concepts presented in Appendix B.

As part of the analysis of existing and potential competitive retail supply that could be impacted by the Project, field surveys were conducted in order to determine the location, tenant mix and operating characteristics of these facilities and the likelihood that they would compete with the Project. The results of these field investigations are presented below.

- *Fallbrook Center*. The Fallbrook Center is a 1,000,000+/- square foot GLA open-air regional center located one mile west of the Project on the west side of Fallbrook Avenue between Vanowen Street and Victory Boulevard. Over its 35-year life the development has been through a number of configurations. Dating back to 1964, this was the second-to-last open air regional mall that was built in southern California (the last was Fashion Island in Newport Beach, 1965), and was an immediate failure due to the presence of the enclosed Topanga Canyon Mall that opened in the same year at a superior location on Topanga Canyon Boulevard that offered direct access from the Ventura Freeway. Fallbrook Center's original anchor tenants were J.C. Penney, Sears and Broadway, middle- to lower-middle income-oriented department stores when compared to the higher-end Bullock's and May Company stores that located at Topanga Plaza and attracted the growing, affluent resident population in Woodland Hills and Calabasas.

  Recognizing that the project had chosen a design that was obsolete, the developer converted the property to an enclosed mall, but was never able to overcome its stigma as a low-end, underperforming facility. Sears, the last remaining of the original anchors, closed after the 1994 Northridge earthquake and never reopened, leading to Fallbrook's listing on various the Website lists of "failed malls."[26]

  In recent years the property has been converted back to an open air, value-oriented power center with "big-box" retailers that compete effectively at price points that are lower than the ones that will be pursued by the retailers at the Project. The new line-up of major tenants[27] include Wal-Mart, Kohl's, Target, Burlington Coat Factory, Ross Dress For Less, Old Navy, Michael's Arts and Crafts, Home Depot, Ralph's and Sav-On-Drugs. As a group this list of anchors provide for both the convenience and value-retail needs of the market in a setting that is very different from that which will be offered at the Project. Moreover, given the diversity and strength of this new anchor base, the Fallbrook Center should not be significantly impacted by the development of the Project.

[26] See, for example, www.deadmalls.com.

[27] The Mervyn's store recently closed and has not yet been replaced. The primary option for many of the former Mervyn's locations in southern California is Kohl's, which is already is represented at the Fallbrook Center.

- *Northridge Fashion Center*. The second regional mall located within the Project's RMA is Northridge Fashion Center situated at the intersection of Nordhoff Street and Tampa Avenue approximately 4.5 miles northeast of the Project. The Northridge Fashion Center was constructed as an enclosed mall, opening in 1971. Damaged by the Northridge earthquake in 1994, it was rebuilt in virtually the same configuration as the original. Currently it offers 1,446,000+/- square feet of GLA. Its major market focus is toward Northwest San Fernando Valley including Porter Ranch. Given its relative proximity to the State Route 118 Freeway, it also "pulls" patronage from the Simi Valley and other residents of Ventura County.

  Major tenants at Northridge Fashion Center include J.C. Penney, Macy's and Sears. A fourth department store anchor, Robinson's-May, was replaced with an Old Navy Store. Another important draw is the 51,000 square foot GLA Pacific Theatres complex offering 10 screens with stadium seating. This center has been performing successfully for the last 35+ years in competition with the two existing Westfield centers that are located on Topanga Boulevard adjacent to the Project, offering many of the same retailers at a site sufficiently remote such that the market supports both centers. It is very unlikely that development of the proposed new retail facilities at the Project will upset the current market balance to such an extent that it will damage the performance of Northridge Fashion Center and lead to store closures and possible urban decay.

- *Platt Village*. Platt Village is a convenience-oriented shopping center with 137,721 square feet GLA located two miles west of the Project on the northeast corner of Platt Avenue and Victory Boulevard. Its two anchor tenants, a Pavilion's supermarket (49,972 square feet GLA) and a Rite-Aid drugstore (17,250 square feet GLA) occupy roughly half of the center. In addition to the two major tenants there are 24 small shops, most with a neighborhood focus providing services that will not be found at the Project such as mail box outlets and nail salons. This center is currently 100 percent occupied, and given its market focus will not likely be impacted by development of the Project.

- *Commons at Calabasas Park*. Located at the southwest corner of Calabasas Road and Park Granada in the City of Calabasas, the Commons at Calabasas is a highly successful 200,000 square foot GLA non-traditional community center. The project breaks with tradition in many important respects, offering an eclectic mix of convenience retailers (Ralph's, Rite-Aid) along with life-style tenants such as Chico's, M. Frederick and Williams-Sonoma that are more commonly found in regional centers. The Mediterranean architecture and landscaping also distinguish the project along with its provision of 10 restaurants – a selection of full service restaurants and coffee shops – and a six-screen Edwards Cinema. While this project offers a mix of retailers and restaurants that will likely compete to some extent with the offerings at the Project, the Commons is well positioned in the local market to serve high-income residents of the cities of Hidden Hills and Calabasas, and thus it is not likely to be significantly impacted by the development of the Project.

- *Loehmann's Plaza*. Loehmann's Plaza is a 184,000 square foot GLA community shopping center located at the northwest corner of the intersection of Tampa Avenue and Victory Boulevard 2.5 miles east of the Project site. The project has recently been renovated, and is owned and operated by Combined Properties, a well-respected management company. The center has been tenanted with a large number of well-known regional and national retailers, including Loehmann's, CVS Pharmacy, Von's Grocery, Big 5 Sporting Goods, Shoe Pavilion, Ortho Mattress and Blockbuster Video. The market orientation is toward convenience and value retailing, and thus the center does offer many goods and services that will be directly competitive with those provided at the Project. As a result, development of the Project is unlikely to cause a significant impact on the operation of this shopping center.

- *Northridge Plaza*. Northridge Plaza is a community shopping center located at the northeast corner of Parthenia Street and Corbin Avenue, four miles northeast of the Project in the shadow of Northridge Fashion Square. Developed in 1980, the center has 232,016 square feet GLA. Its two anchor tenants are Target, with 102,400 square feet GLA, and Kohl's, which is taking the 82,000 square foot GLA space that was left by the closed Mervyn's. Small stores occupy the remaining 54,290 square feet GLA. Given its "nested" position within the retail hierarchy established by the Northridge Fashion Center and its value-oriented price point, it is unlikely that the Project will have a significant impact on this center.

- *Small Retail Centers, Ventura Boulevard*. Field surveys and listings of existing shopping centers identified a number of smaller retail shopping centers located within five miles of the Project at sites found along Ventura Boulevard in the communities of Woodland Hills and Tarzana. Many of these properties are older, convenience-oriented facilities; some are anchored by supermarkets while others have no significant retail "drawing card." Properties of this genre include: Woodland Hills Center and Warner Plaza, two convenience centers anchored by supermarkets[28] located at 21915 Ventura Boulevard and 21777 Ventura Boulevard, respectively, which have essentially grown together over time; Corbin Village; Woodland Hills Village; Capri Plaza; Tarzana Square; and Tarzana Village. With the exception of Corbin Village,[29] these projects are exhibiting occupancy rates with a tenant base comprised of smaller convenience-oriented retailers, restaurants and services.

  Ventura Boulevard is undergoing a significant revitalization of its existing retail base from redevelopment along the street featuring larger and more intensive commercial centers. The process in many respects is proceeding westerly down Ventura Boulevard. In recent years, three retail projects have been clustered on the Boulevard in Encino: Courtyard Shops of Encino; Encino Town Center and Encino Oaks. In recognition of this transformation, a sign has been erected, announcing the location as "Encino Commons, the Valley's Miracle Mile." Tarzana is currently undergoing a similar transformation at the intersection of Yolanda Avenue with Ventura Boulevard, where a two-story 150,000 square foot GLA retail addition[30] to an existing project known as Village Walk is presently under construction. The anchor tenants include a 60,000 square foot GLA Whole Foods "Flagship" store and a 10,000 square foot YogaWorks that are scheduled to open in 2010. Several dinner restaurants are already in operation at the 43,000+ square foot GLA first phase.

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[28] Warner Plaza is in the process of replacing a former Von's supermarket with a Henry's Farmers Market as of March 2009.

[29] See discussion of the proposed change in Corbin Village's anchor tenant under proposed projects below.

[30] The project is also including 100,000 square feet (72 units) of residential space.

In the future, some of the larger Woodland Hills commercial sites will likely be redeveloped in a manner similar to the Tarzana and Encino projects, offering a somewhat different tenant base from the retailers locating at the Project; moreover, they will serve a much more localized resident market living in the neighborhoods southerly of Ventura Boulevard. Development of the Project should not have a significant impact on the operation of these smaller facilities, even though its construction and opening may occur over a period of time that runs concurrently with the demise and recycling of the older Woodland Hills commercial sites.

- *Canoga Park Downtown*. The Canoga Park Downtown located along Sherman Way from Shoup Avenue to Variel Avenue offers a varied mix of local retail and service uses that have important ties with surrounding neighborhoods. There are very few vacancies. The major stores in the district such as the CVS drug store, Vallarta Market and Big Lots are not likely to compete with stores at the Project. Similarly, the smaller stores include such activities as automotive repair and supplies stores; motorcycle sales; building materials stores; garden supplies stores, ethnic food stores; thrift stores; and antique shops. None of these types of retailers are commonly found as tenants in regional malls like the Project. Given these basic differences in store types, store location preferences, product offering and market orientation, it is unlikely that the development of the Project would stimulate such competition with the Canoga Park Downtown that there would be significant store closures and losses of retail tenants in that district.

A review of proposed retail developments in the vicinity of the Project, identified in its Draft EIR as "Related Projects", that are believed to be open and at least partially occupied by 2013 include only two such facilities that are in excess of 25,000 square feet GLA in scale. These two proposed developments include: (1) the Corbin Village Shopping Center, a proposed 55,340 square foot GLA supermarket that would replace an existing "99 Cent Store," located at 19750 Ventura Boulevard on a site that is approximately 2.5 miles east of the Project; and (2) the Vanowen & Corbin Shopping Center located at 19701 Vanowen Street, a 28,269 square foot GLA project with a 15,789 square foot GLA drug store that is located approximately two miles east of the Project. Both of these facilities should be completed and have established a presence in the competitive market area by the time that the Project's retail space is opened in 2014.

Summarizing the above, based on the field surveys and review of published information, there is very little likelihood that development of the Project will impact the competitive retail balance – either with respect to existing centers or new shopping facilities – in the West San Fernando Valley to such a degree that it could lead to high vacancy rates and ultimately cause urban decay as within the meaning of CEQA and related court decisions.

IV. URBAN DECAY IMPACT ANALYSIS

This Chapter presents the application of the urban decay methodology described in the preceding Chapter to each of the Project's commercial use categories that will be offered in amounts sufficiently large that there is the possibility their development will potentially cause urban decay as defined in the CEQA statutes.

A. Retail and Related Uses

The future demand for retail goods and services provides the primary basis for future market support for space to be provided at the Project. Based upon the projected population and income growth in the RMA presented in Table 4 and the propensities for residents to spend a reasonably consistent share of their incomes on retail goods,[31] total demand for retail sales should increase by about $5.8 billion during the six-year period 2009-2016 as presented in Table 5.

1. Shopper Goods Impact Analysis

As was pointed out in Section II above, for purposes of this analysis the retail category of Shopper Goods has been disaggregated into two sub-categories: (1) General Merchandise Shopper Goods that are primarily associated with department stores; and (2) Selected Shopper Goods, embracing Apparel and Related, Furniture/Home Furnishings/Appliances, and Specialty Retail stores. Each Shopper Goods sub-category is discussed separately below.

(a) General Merchandise Shopper Goods

General Merchandise Shopper Goods space will be provided in the proposed Membership Discount Department Store. Of the total 153,672 square feet GLA of such space, an estimated 78,835 square feet GLA will be allocated for General Merchandise as defined here, with the balance of the space allocated to Convenience Goods and various other retail commodities and personal/business services.

[31] Please refer to discussion of retail spending as a percent of income presented in Appendix B, pages B-5 and B-6 and data provided in Table B-4..

Table 5
PROJECTED GROWTH IN DEMAND FOR RETAIL SALES
VILLAGE AT WESTFIELD TOPANGA REGIONAL MARKET AREA (RMA)
2009-2016

Population and Income Growth	Net Change 2009-2016	2009	2010	2011	2012	2013	2014	2015	2016
Regional Market Area (RMA) Population	60,504	751,101	759,460	767,912	776,458	785,100	793,837	802,672	811,605
Per Capita Personal Income (per BEA Definition)	18,382	$ 55,386	$ 56,438	$ 58,526	$ 62,096	$ 64,829	$ 67,681	$ 70,659	$ 73,768
Aggregate Regional Market Area Income ('000s)	$ 18,270,181	$ 41,600,225	$ 42,862,398	$ 44,942,975	$ 48,215,181	$ 50,896,850	$ 53,727,670	$ 56,715,936	$ 59,870,406
Percent of Personal Income Allocable for Retail Sales:		31.6%	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%
Potential Demand for Retail Sales ('000s))	**$ 5,773,377**	**$ 13,145,671**	**$ 13,544,518**	**$ 14,201,980**	**$ 15,235,997**	**$ 16,083,405**	**$ 16,977,944**	**$ 17,922,236**	**$ 18,919,048**

Source: California State Board of Equalization; Claritas, Inc.; HR&A Advisors, Inc.; W & W, Inc.

Table 6
PROJECTED GROWTH IN DEMAND FOR GENERAL MERCHANDISE SHOPPER GOODS SALES
VILLAGE AT WESTFIELD TOPANGA REGIONAL MARKET AREA (RMA)
2009-2016

	% of Retail Sales Demand	Net Change 2009-2016	2009	2010	2011	2012	2013	2014	2015	2016
Potential Demand for All Retail Sales ('000s))	100.0%	$5,773,377	$13,145,671	$13,544,518	$14,201,980	$15,235,997	$16,083,405	$16,977,944	$17,922,236	$18,919,048
Potential Demand for General Merchandise Sales	9.70%	$ 560,018	$ 1,275,130	$ 1,313,818	$ 1,377,592	$ 1,477,892	$ 1,560,090	$ 1,646,861	$ 1,738,457	$ 1,835,148
Incremental Growth in Demand by Year ('000s))				$ 38,688	$ 63,774	$ 100,300	$ 82,199	$ 86,770	$ 91,596	$ 96,691
Cumulative Growth in Demand ('000s)				**$ 38,688**	**$ 102,462**	**$ 202,762**	**$ 284,960**	**$ 371,730**	**$ 463,327**	**$ 560,018**
Average Annual Increase, 2009-2016 ('000s)										**$ 80,003**

Sources: California State Board of Equalization; United States Census of Retail Trade; Claritas, Inc.; HR&A Advisors, Inc.; W & W, Inc.

Based upon a review of retail sales patterns in the State of California and Los Angeles County as reflected in California State Board of Equalization annual taxable sales reports and the United States Censuses of Retail Trade and Accommodations and Food Services, a share of 9.70 percent of Total Retail Sales can be allocable to General Merchandise stores. As shown below in Table 6, between 2009 and 2016 demand for General Merchandise sales in the Project's Regional Market Area (RMA) should increase by $560.0 million, equivalent to an annual average growth increase of $80.0 million over the six-year projection period.

The potential growth in General Merchandise sales demand for 2009-2016 is compared with the anticipated General Merchandise sales that will be attracted to the proposed Membership Discount Department Store in Table 7. Based upon the performance of such stores in comparable market contexts, there is an expectation that General Merchandise sales would approach $850 square foot GLA, expressed in constant 2009 dollars, or $1,004 per square foot GLA in 2016 inflated dollars. Allowing for 78,220 square feet GLA of the store to be allocated for General Merchandise goods, the Membership Discount Department Store can expect to capture nearly $78.7 million in General Merchandise sales during its first full calendar year of operation. In comparison, as noted above total General Merchandise retail sales growth in the RMA is expected to approach $560.0 million, a magnitude that is more than six times the expected sales at the Membership Discount Department Store. In effect, there would likely be an additional $481.3 million in General Merchandise sales growth that would be available for capture by existing and new stores entering the RMA.

Given the likely surplus of potential sales that will be available for capture by other facilities, it is highly unlikely that the Project's General Merchandise space will create retail space supply conditions that would likely lead to conditions of urban decay.

Table 7
PROJECTED MARKET SHARE OF GENERAL MERCHANDISE SHOPPER GOODS SALES CAPTURED BY
VILLAGE AT WESTFIELD TOPANGA RETAIL FACILITIES
2009-2016

			2009	2010	2011	2012	2013	2014	2015	2016
Cumulative Growth in Demand for General Merchandise Sales ('000s)				$38,688	$102,462	$202,762	$284,960	$371,730	$463,327	$560,018
Potential Sales Capture per Square Foot	Base		$ 850							
Inflation Rate[1]				1.3%	1.6%	2.0%	3.0%	3.0%	3.0%	3.0%
Incremental Growth in Required Sales per Square Foot				$ 861	$ 875	$ 892	$ 919	$ 947	$ 975	$ 1,004
Sales Required by Project's Shopper Goods										
General Merchandise Space ('000s)	**78,385**	sq ft GLA					**$ 72,043**	**$ 74,204**	**$ 76,431**	**$ 78,723**
Village at Westfield Topanga Market Share of Increase in Demand							**25.3%**	**20.0%**	**16.5%**	**14.1%**

[1] Per UCLA Anderson Forecast for California, Sept. 2010 (2009-2012); HR&A Advisors, Inc. and W & W, Inc. (2013-2015).

Sources: California State Board of Equalization; United States Census of Retail Trade; Claritas, Inc.; HR&A Advisors, Inc.; W & W, Inc.

(b) Selected Shopper Goods

Phase 1 of the Project will provide 154,600 square feet of Selected Shopper Goods space that will accommodate a variety of apparel, home furnishings and specialty goods retailers; Phase 2 will provide an additional 54,200 square feet, for an overall Project total of 208,800 square feet GLA of such space. As noted in Table 8, selected Shopper Goods characteristically represent 20.17 percent of total retail sales, based upon data derived from retail expenditure patterns found in Los Angeles County.

Table 8
SELECTED SHOPPER GOODS SALES AS A PERCENT OF TOTAL RETAIL SALES DEMAND
VILLAGE AT WESTFIELD TOPANGA REGIONAL MARKET AREA (RMA)

Retail Category	Percent of Retail Sales
Apparel and Accessories	5.06%
Furniture, Home Furnishings and Appliances	3.66%
Specialty ("Other")	11.45%
Total	20.17%

Source: California State Board of Equalization, 2008 Annual Reports, 2002-2008; HR&A Advisors, Inc.; W & W, Inc.

The projected market potential in the RMA over the period 2009-2015 for Selected Shopper Goods space is presented in Tables 9 through 11. Table 9 presents a summary measure of the projected increase in demand for Selected Shopper Goods within the RMA over the six-year projection period. The total increase, presented in current year (inflated) dollars, is nearly $1.2 million in annual sales, with just over half (56.8%) of that increase produced by a diverse group of Specialty Store retailers.

Table 9
SUMMARY OF PROJECTED INCREASE IN DEMAND FOR SELECTED SHOPPER GOODS SALES, VILLAGE AT WESTFIELD TOPANGA REGIONAL MARKET AREA (RMA)
2009-2016

Retail Category	Projected Increase in Retail Sales Demand in Millions
Apparel and Accessories	$ 292.1
Furniture, Home Furnishings and Appliances	$ 211.3
Specialty ("Other")	$ 661.1
Total	$ 1,164.5

Source: California State Board of Equalization, 2008 Annual Report; HR&A Advisors, Inc.; W & W, Inc.

Table 10 provides a year-by-year projection of the anticipated growth in potential sales for the three retail store types that comprise the Selected Shopper Goods category. As presented in the table, the RMA demand for Selected Shopper Goods sales is projected to increase at an average rate of nearly $166.4 million annually between 2009 and 2016.

Table 10
PROJECTED GROWTH IN DEMAND FOR SELECTED SHOPPER GOODS SALES
VILLAGE AT WESTFIELD TOPANGA REGIONAL MARKET AREA (RMA)
2009-2016

	% of Retail Sales Demand	Net Change 2009-2016	2009	2010	2011	2012	2013	2014	2015	2016
Potential Demand for All Retail Sales ('000s))	100.0%	$5,773,377	$13,145,671	$13,544,518	$14,201,980	$15,235,997	$16,083,405	$16,977,944	$17,922,236	$18,919,048
Potential Demand for Selected Shopper Goods Sales										
Apparel and Related ('000s)	5.06%	$ 292,133	$ 665,171	$ 685,353	$ 718,620	$ 770,941	$ 813,820	$ 859,084	$ 906,865	$ 957,304
Incremental Growth in Demand by Year ('000s))				$ 20,182	$ 33,268	$ 52,321	$ 42,879	$ 45,264	$ 47,781	$ 50,439
Cumulative Growth in Demand ('000s)				$ 20,182	$ 53,449	$ 105,771	$ 148,649	$ 193,913	$ 241,694	$ 292,133
Furniture, Furnishings and Appliances ('000s)	3.66%	$ 211,306	$ 481,132	$ 495,729	$ 519,792	$ 557,638	$ 588,653	$ 621,393	$ 655,954	$ 692,437
Incremental Growth in Demand by Year ('000s))				$ 14,598	$ 24,063	$ 37,845	$ 31,015	$ 32,740	$ 34,561	$ 36,483
Cumulative Growth in Demand ('000s)				$ 14,598	$ 38,661	$ 76,506	$ 107,521	$ 140,261	$ 174,822	$ 211,306
Specialty or "Other" Retail Goods ('000s)	11.45%	$ 661,052	$ 1,505,179	$ 1,550,847	$ 1,626,127	$ 1,744,522	$ 1,841,550	$ 1,943,975	$ 2,052,096	$ 2,166,231
Incremental Growth in Demand by Year ('000s))				$ 45,668	$ 75,279	$ 118,395	$ 97,028	$ 102,425	$ 108,121	$ 114,135
Cumulative Growth in Demand ('000s)				$ 45,668	$ 120,947	$ 239,342	$ 336,370	$ 438,795	$ 546,917	$ 661,052
Total, Selected Shopper Goods Sales	20.17%	$ 1,164,490	$ 2,651,482	$ 2,731,929	$ 2,864,539	$ 3,073,101	$ 3,244,023	$ 3,424,451	$ 3,614,915	$ 3,815,972
Incremental Growth in Demand by Year ('000s))				$ 80,447	$ 132,610	$ 208,561	$ 170,922	$ 180,429	$ 190,464	$ 201,057
Cumulative Growth in Demand, Selected Shopper Goods Sales ('000s)				**$ 80,447**	**$ 213,058**	**$ 421,619**	**$ 592,541**	**$ 772,969**	**$ 963,433**	**$ 1,164,490**
Average Annual Increase, 2009-2016 ('000s)										**$ 166,356**

Source: California State Board of Equalization; United States Census of Retail Trade; Claritas, Inc.; HR&A Advisors, Inc.; W & W, Inc.

Table 11
PROJECTED INCREASE IN SUPPORTABLE SPACE FOR SELECTED SHOPPER GOODS
VILLAGE AT WESTFIELD TOPANGA REGIONAL MARKET AREA (RMA)
2009-2016

		2009	2010	2011	2012	2013	2014	2015	2016
Cumulative Growth in Demand, Selected Shopper Goods ('000s)			$ 80,447	$ 213,058	$ 421,619	$ 592,541	$ 772,969	$ 963,433	$ 1,164,490
Sales per Square Foot of GLA Requirement, Average:		$ 425	$ 431	$ 437	$ 446	$ 460	$ 473	$ 488	$ 502
Base	$ 425								
Annual Increase in Required Support, per CPI[1]			1.3%	1.6%	2.0%	3.0%	3.0%	3.0%	3.0%
Projected Increase in Supportable Retail Space					***In Square Feet GLA***				
Supportable Apparel Space in GLA, Annual Increase			46,877	76,055	117,270	93,307	95,628	98,006	100,444
Cumulative Increase (Adjusted for higher sales requirement per square foot)			46,877	122,194	237,068	323,470	409,676	495,749	581,754
Supportable Funiture/Furnishings Space in GLA, Annual Increase			33,907	55,012	84,824	67,491	69,169	70,890	72,653
Cumulative Increase (Adjusted for higher sales requirement per square foot)			33,907	88,385	171,476	233,972	296,327	358,586	420,794
Supportable Specialty Retail Space in GLA, Annual Increase			106,075	172,101	265,363	211,139	216,390	221,773	227,289
Cumulative Increase (Adjusted for higher sales requirement per square foot)			106,075	276,506	536,448	731,962	927,033	1,121,805	1,316,419
Cumulative Increase in Selected Shopper Goods Supportable Space by Year			**186,859**	**487,085**	**944,991**	**1,289,403**	**1,633,035**	**1,976,140**	**2,318,968**
Annual Average Increase, 2009-2016									**331,281**

[1] Per UCLA Anderson Forecast for California, Sept. 2010 (2009-2012); HR&A Advisors, Inc. and W & W, Inc. (2013-2015).

Source: HRA Advisors, Inc.; W & W, Inc.

This projected sales demand is translated into supportable Selected Shopper Goods retail space in Table 11 by using a 2009 sales support requirement per square foot GLA of $425[32] that is increased or decreased annually consistent with projected changes in the Consumer Price Index. By 2016, the supportable sales threshold approaches $502 per square foot GLA. Application of the sales support requirement to the projected sales demand results in a supportable Selected Shopper Goods space projection of about 2.3 million square feet GLA, representing an average annual increase in supportable space of about 331,300 square feet GLA for the projection period.

The final step in the analysis calls for a comparison between the proposed supply of Selected Shopper Goods space at the Project with the projected growth in the RMA's projected increase in Selected Shopper Goods supportable space between 2009 and 2016. As shown in Table 12, the projected net increase of 154,600 square feet GLA of Selected Shopper Goods space in Phase 1 represents 12.0 percent of the potential increase in supportable space in 2013, effectively leaving 1,134,800 square feet GLA of supportable space to be captured by other retail developments located in the RMA. The additional 104,200 square feet GLA to be added in 2014 consumes an additional 6.4 percent share of the increase in supportable space demand in that year. By 2016, when the entire Project is expected to achieve stabilized occupancy, and accounting for further growth in demand by that year, the total of 258,800 square feet GLA of Selected Shopper Goods will account for 11.2 percent of demand, which leaves about 2.1 million square feet of supportable space to be captured by other retail developments located in the RMA. As also shown in Table 12, if 50,000 square foot GLA of Selected Shopper Goods Space is instead developed as a cinema complex in Phase 2, Project's Selected Shopper Goods Space would then capture 9.0 percent of projected demand in 2016.

Given the size of the existing RMA and its likely continued growth in population and per capita personal income over the five-year period 2009 through 2016, the Project's quantity of Selected Shopper Goods space is not likely to have a significant impact on the existing and projected supply of competitive Shopper Goods retail activities, thus should not create conditions of urban decay from this component of the development program.

[32] As noted previously, threshold sales support requirements presented in this Report are based upon consideration of data from various sources, including The Urban Land Institute and International Council of Shopping Centers, *Dollars & Cents of Shopping Centers/The SCORE*, 2008.

Table 12
COMPARISON OF PROJECTED INCREASE IN SUPPORTABLE SPACE WITH PROPOSED PROJECT SUPPLY
SELECTED SHOPPER GOODS
VILLAGE AT WESTFIELD TOPANGA REGIONAL MARKET AREA (RMA)
2009-2016

	In Square Feet GLA						
	2010	2011	2012	2013	2014	2015	2016
Increase in Supportable Apparel Space in RMA	46,877	122,194	237,068	323,470	409,676	495,749	581,754
Increase in Supportable Furniture/Furnishings Space in RMA	33,907	88,385	171,476	233,972	296,327	358,586	420,794
Increase in Supportable Specialty Retail Space in RMA	106,075	276,506	536,448	731,962	927,033	1,121,805	1,316,419
Cumulative Increase in Supportable Selected Shopper Goods Space	**186,859**	**487,085**	**944,991**	**1,289,403**	**1,633,035**	**1,976,140**	**2,318,968**
Village at Westfield Topanga Selected Shopper Goods Retail Space-Phase 1				154,600	154,600	154,600	154,600
Village at Westfield Topanga Market Share of Increase in Demand				***12.0%***	***9.5%***	***7.8%***	***6.7%***
Village at Westfield Topanga Selected Shopper Goods Retail Space-Phase 2					104,200	104,200	104,200
Village at Westfield Topanga Market Share of Increase in Demand					**6.4%**	**5.3%**	**4.5%**
Village at Westfield Topanga Selected Shopper Goods Retail Space-Total Project				154,600	258,800	258,800	258,800
Village at Westfield Topanga Market Share of Increase in Demand-Total Project				***12.0%***	***15.8%***	***13.1%***	***11.2%***
Village at Westfield Topanga Selected Shopper Goods Retail Space-Total Project w/Cinema Converted to Selected Shopper Goods							208,800
Village at Westfield Topanga Market Share of Increase in Demand-Total Project w/Cinema Converted to Retail							***9.0%***

Sources: HRA Advisors, Inc.; W & W, Inc.

2. Convenience Goods Impact Analysis

The Project will offer 110,120 square feet GLA of Convenience Goods space in two major retail categories: Food and Beverages stores; and Pharmacies/Drug Stores. The Food and Beverage component features 46,930 square feet GLA of food and beverage space within the Membership Discount Department Store in Phase 1, and a 35,000 square foot GLA gourmet market in Phase 2, for a total of 82,031 square feet GLA of this type of space. The remainder of the Convenience Goods will consist of 8,230 square feet GLA of Pharmacy/Drug Store space that will also be situated in the Membership Discount Department Store developed in Phase 1. Accordingly, this section reviews the potential impact from these two types of Convenience Goods space on the existing local and future retail supply of Convenience Goods.

In contrast to Shopper Goods purchases, most Convenience Goods are characteristically purchased within a short distance of home or place of work. As a result, a Convenience Goods Market Area (CGMA) has been established encompassing a 3.0-mile radius around the Project site as was delineated previously in Figure 5 (Section III). The key demographic characteristics of the CGMA with respect to population and income were summarized previously in Table 4 (Section III). Based on those parameters, Table 13 translates the CGMA's population and income growth projections into likely increases in retail sales between 2009 and 2016. During this seven-year period, the projected growth in retail sales for this market area is over $1.4 billion.

Analysis of Los Angeles County resident spending patterns based upon the State Board of Equalization and U.S. Census of Retail Trade publications indicates that 15.86 percent of all CGMA resident retail expenditures will be captured by Food and Beverage (liquor) stores, and 5.08 percent will be captured by Pharmacies/Drug Stores. Application of these factors to the projected CGMA resident population base and its change in aggregate income indicates that annual demand for Food and Beverage store sales should grow by $226.9 million by 2016 and the market demand for Pharmacy/Drug Store sales should increase by $72.7 million over the same period. The forecasts for each Convenience Good category are presented in Table 14.

Table 13
PROJECTED GROWTH IN DEMAND FOR RETAIL SALES
VILLAGE AT WESTFIELD TOPANGA CONVENIENCE GOODS MARKET AREA (CGMA)
2009-2016

Population and Income Growth	Net Change 2009-2016	2009	2010	2011	2012	2013	2014	2015	2016
Convenience Goods 3.0-Mile Market Area (CGMA) Population	14,270	198,582	200,560	202,558	204,576	206,615	208,673	210,752	212,852
Per Capita Personal Income	$ 17,699	$ 53,327	$ 54,340	$ 56,351	$ 59,788	$ 62,419	$ 65,165	$ 68,032	$ 71,026
Aggregate CGMA Income ('000s)	$ 4,528,208	$ 10,589,765	$ 10,898,476	$ 11,414,314	$ 12,231,239	$ 12,896,630	$ 13,598,218	$ 14,337,974	$ 15,117,973
Percent of Personal Income Allocable for Retail Sales:		31.6%	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%
Potential CGMA Demand for Retail Sales ('000s)	**$ 1,430,914**	**$ 3,346,366**	**$ 3,443,918**	**$ 3,606,923**	**$ 3,865,072**	**$ 4,075,335**	**$ 4,297,037**	**$ 4,530,800**	**$ 4,777,279**

Source: California State Board of Equalization; Claritas, Inc.; HR&A Advisors, Inc.; W & W, Inc.

Table 14
PROJECTED GROWTH IN DEMAND FOR CONVENIENCE GOODS RETAIL SALES
VILLAGE AT WESTFIELD TOPANGA CONVENIENCE GOODS MARKET AREA (CGMA)
2009-2016

	% of Total Retail Sales	Net Change 2009-2016	2009	2010	2011	2012	2013	2014	2015	2016
Potential CGMA Demand for Retail Sales ('000s)		$ 1,430,914	$ 3,346,366	$ 3,443,918	$ 3,606,923	$ 3,865,072	$ 4,075,335	$ 4,297,037	$ 4,530,800	$ 4,777,279
Calculation of Demand for Food and Beverage Goods Sales:										
Projected Demand for Food & Beverage Sales by Year ('000s)	15.86%	$ 226,943	$ 530,734	$ 546,205	$ 572,058	$ 613,000	$ 646,348	$ 681,510	$ 718,585	$ 757,677
Incremental Growth in Demand by Year ('000s)				$ 15,472	$ 25,853	$ 40,942	$ 33,348	$ 35,162	$ 37,075	$ 39,092
Cumulative Growth in Demand, Food & Beverage Sales ('000s)				**$ 15,472**	**$ 41,324**	**$ 82,267**	**$ 115,615**	**$ 150,776**	**$ 187,851**	**$ 226,943**
Average Annual Increase, 2009-2016 ('000s)							**$ 28,904**	**$ 30,155**	**$ 31,309**	**$ 32,420**
Calculation of Demand for Pharmacy/Drug Store Sales:										
Projected Demand for Food & Beverage Sales by Year ('000s)	5.08%	$ 72,690	$ 169,995	$ 174,951	$ 183,232	$ 196,346	$ 207,027	$ 218,289	$ 230,165	$ 242,686
Incremental Growth in Demand by Year ('000s)				$ 4,956	$ 8,281	$ 13,114	$ 10,681	$ 11,262	$ 11,875	$ 12,521
Cumulative Growth in Demand, Pharmacy/Drug Store Sales ('000s)				**$ 4,956**	**$ 13,236**	**$ 26,350**	**$ 37,032**	**$ 48,294**	**$ 60,169**	**$ 72,690**
Average Annual Increase, 2009-2016 ('000s)										**$ 10,384**

Source: California State Board of Equalization; Claritas, Inc.; HR&A Advisors, Inc.; W & W, Inc.

(a) Food and Beverage Goods

Table 15 offers a comparison of the projected growth in CGMA Food and Beverage sales with the anticipated sales capture of these types of goods in the Food/Beverage section of the proposed Membership Discount Department Store (Phase 1) and at the gourmet market (Phase 2). Based upon the recent performance of comparable facilities, it is believed that the Project's average sales performance for this commodity type should approach $1,100 per square foot GLA as measured in 2009. Expressed in inflated dollars, by 2016 the sales support standard utilized for this retail category should approach $1,300 per square foot GLA.[33] Food/Beverage sales in the Membership Discount Department Store would reach about $55.9 million in 2013, or 48.4 percent of demand in the Convenience Goods Market Area in that year. Sales in the gourmet market planned for Phase 2 would account for another 28.4 percent of demand in 2014. By 2016, when the entire Project is expected to achieve stabilized occupancy, and accounting for further growth in demand by that year, the Project's total sales projection for this retail category would then reach $106.6 million, and capture 47.0 percent of demand in that year. This would leave about $120.3 million in potential sales for capture by then-existing facilities and the proposed 55,340 square foot GLA supermarket to be situated in the Corbin Village Shopping Center.

(b) Pharmacy/Drug Store Goods

Table 16 provides a similar comparison between the projected increase in CGMA demand for Pharmacy/Drug Store sales with the expected sales generated by the Pharmacy component of the Project. Membership Discount Department Store's 8,230 square foot GLA drug store (Phase 1) should generate sales approaching $6.2 million annually in 2013, or the equivalent of $757 per square foot GLA. This level of sales would represent 16.8 percent of the anticipated growth in CGMA demand in that year. In 2016, when the entire Project achieves stabilized operation, and accounting for additional growth in demand by that year, the Project's share of demand for such space within the Convenience Goods Market Area would be 9.4 percent. This would leave ample potential sales (about $62.9 million) for capture by then-existing stores as well as by the proposed 15,789 square foot drug store planned for the Vanowen & Corbin Shopping Center.

[33] It should be noted that this sales expectation is appropriate more than double the typical expectation of supermarkets, where commonly a sales parameter of between $525 and $550 per square foot GLA is utilized.

Table 15
PROJECTED MARKET SHARE OF FOOD AND BEVERAGE STORE SALES CAPTURED BY
VILLAGE AT WESTFIELD TOPANGA FOOD AND BEVERAGE FACILITIES
2009-2016

		2009	2010	2011	2012	2013	2014	2015	2016
Cumulative Growth in Demand, Food & Beverage Sales ('000s)			$ 15,472	$ 41,324	$ 82,267	$ 115,615	$ 150,776	$ 187,851	$ 226,943
Projected Sales Capture per Square Foot:	Base	$ 1,100							
Inflation Rate			1.3%	1.6%	2.0%	3.0%	3.0%	3.0%	3.0%
Base			$ 1,114	$ 1,132	$ 1,155	$ 1,189	$ 1,225	$ 1,262	$ 1,300
Sales Required by Project at Westfield Topanga Food & Beverage Facilities-Phase 1		**47,031**	sq. ft. GLA			$ 55,939	$ 57,618	$ 59,346	$ 61,126
Village at Westfield Topanga Market Share of Increase in Demand-Phase 1						**48.4%**	**38.2%**	**31.6%**	**26.9%**
Sales Required by Project at Westfield Topanga Food & Beverage Facilities-Phase 2		**35,000**	sq. ft. GLA				$ 42,878	$ 44,165	$ 45,490
Village at Westfield Topanga Market Share of Increase in Demand-Phase 2							**28.4%**	**23.5%**	**20.0%**
Sales Required by Project at Westfield Topanga Food & Beverage Facilities-Total Project		**82,031**	sq. ft. GLA			$ 55,939	$ 100,496	$ 103,511	$ 106,616
Village at Westfield Topanga Market Share of Increase in Demand-Total Project						**48.4%**	**66.7%**	**55.1%**	**47.0%**

Source: HR&A Advisors, Inc.; W & W, Inc.

Table 16
PROJECTED MARKET SHARE OF PHARMACY/DRUG STORE STORE SALES CAPTURED BY
VILLAGE AT WESTFIELD TOPANGA PHARMACY/DRUG STORE FACILITIES
2009-2016

		2009	2010	2011	2012	2013	2014	2015	2016
Cumulative Growth in Demand, Pharmacy/Drug Store Sales ('000s)			$ 4,956	$ 13,236	$ 26,350	$ 37,032	$ 48,294	$ 60,169	$ 72,690
Projected Sales Capture per Square Foot:	Base	$ 700							
Inflation Rate			1.3%	1.6%	2.0%	3.0%	3.0%	3.0%	3.0%
Base			$ 709	$ 720	$ 735	$ 757	$ 780	$ 803	$ 827
Sales Required by Project at Westfield Topanga Pharmacy/Drug Store Facilities-Phase 1		**8,230**	sq. ft. GLA			$ 6,229	$ 6,416	$ 6,609	$ 6,807
Village at Westfield Topanga Market Share of Increase in Demand-Phase 1 & Total Project						**16.8%**	**13.3%**	**11.0%**	**9.4%**

Source: HR&A Advisors, Inc.; W & W, Inc.

3. Eating and Drinking Facilities Impact Analysis

While market support for the Project's Eating and Drinking Facilities would be expected to come from the entire RMA, the major sources of market support for the Project's dinner restaurants is expected to originate primarily from three sources: (a) residents living near the site; (b) employees at Warner Center and the Project; and (c) visitors staying at nearby hotels. Thus, while acknowledging the existence of this broader base of support, the analysis still utilizes a 5.0-Mile Market Area as the primary market radius for determining the magnitude of market potential that exists for the proposed Eating and Drinking Facilities at the Project.

Tables 17 (summary) and 18 (detailed presentation) provide a projection of the increase in Eating and Drinking Facilities demand for the period 2009 through 2016 by utilizing an analytic approach similar to the one that assessed the support for additional Shopper Goods and Convenience Goods retail space. The analysis considers two types of restaurant space for the Project: (a) Limited Service Restaurants, essentially coffee shops and other fast food units, which that represent 33,185 square feet GLA (18,685 square feet in Phase 1 and 14,500 in Phase 2); and (b) Full Service Eating and Drinking Places, which would constitute 23,100 square feet GLA[34] (12,600 square feet in Phase 1 and 10,500 in Phase 2, including 5,000 square feet in the proposed Hotel). As presented in Table 17 the anticipated growth in sales demand within the 5.0-Mile Market Area for eating and drinking facilities over the period 2009-2016 should approach $338.7 million. This projected growth in demand is detailed on an annual basis in Table 18.

Table 17
SUMMARY OF PROJECTED INCREASE IN DEMAND FOR EATING AND DRINKING FACILITIES SALES, VILLAGE AT WESTFIELD TOPANGA 5.0-MILE MARKET AREA
2009-2016

Restaurant Category		Projected Increase in Retail Sales Demand in Millions
Limited Service Restaurants		$ 168.5
Full Service Eating and Drinking Places		$ 170.2
	Total	$ 338.7

Source: California State Board of Equalization, 2008 Annual Report; HR&A Advisors, Inc.; W & W, Inc.

Allowing for Limited Service Restaurants to achieve sales volumes approaching $1,000 per square foot GLA and Full Service Eating and Drinking Establishments to achieve sales volumes of $575 per square foot GLA in 2009 as threshold support requirements which would logically increase with changes in the CPI, by 2016 the anticipated increase in 5.0-Mile Market Area demand should be able to sustain an additional 142,639 square feet GLA Limited Service Restaurants (basically, coffee shop/fast food units) and 270,275 square feet GLA of Full Service Eating and Drinking Places. These projections are shown in Table 19.

[34] Includes 5,000 square feet GLA of restaurant space located in the Hotel component.

Table 18
PROJECTED GROWTH IN DEMAND FOR EATING AND DRINKING FACILITIES SALES
VILLAGE AT WESTFIELD TOPANGA 5.0-MILE MARKET AREA
2009-2016

Population and Income Growth	Net Change 2009-2016	2009	2010	2011	2012	2013	2014	2015	2016
Eating & Drinking Facility 5.0-Mile Market Area	28,256	381,836	385,750	389,704	393,699	397,735	401,812	405,931	410,092
Per Capita Personal Income (per BEA Definition)	$ 17,830	$ 53,723	$ 54,744	$ 56,769	$ 60,232	$ 62,882	$ 65,649	$ 68,538	$ 71,553
Aggregate Regional Market Area Income ('000s)	$ 8,830,130	$ 20,513,358	$ 21,117,379	$ 22,123,187	$ 23,713,329	$ 25,010,508	$ 26,378,622	$ 27,821,589	$ 29,343,488
Percent of Income Allocable for Retail Sales:		31.6%	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%
Potential Demand for Retail Sales ('000s)	$ 2,790,321	$ 6,482,221	$ 6,673,092	$ 6,990,927	$ 7,493,412	$ 7,903,321	$ 8,335,645	$ 8,791,622	$ 9,272,542

Calculation of Demand for Eating and Drinking Facilities Sales by Major Category:

	% of Retail Sales Demand	Net Change 2009-2016	2009	2010	2011	2012	2013	2014	2015	2016
Demand, Limited Service Restaurant Sales ('000s)	6.04%	$ 168,535	$ 391,526	$ 403,055	$ 422,252	$ 452,602	$ 477,361	$ 503,473	$ 531,014	$ 560,062
Incremental Growth in Demand by Year ('000s)				$ 11,529	$ 19,197	$ 30,350	$ 24,758	$ 26,112	$ 27,541	$ 29,048
Cumulative Growth in Demand, Limited Service Restaurant Sales ('000s)				**$ 11,529**	**$ 30,726**	**$ 61,076**	**$ 85,834**	**$ 111,947**	**$ 139,488**	**$ 168,535**
Demand, Full Service Eating and Drinking Place Sales ('000s)	6.10%	$ 170,210	$ 395,415	$ 407,059	$ 426,447	$ 457,098	$ 482,103	$ 508,474	$ 536,289	$ 565,625
Incremental Growth in Demand by Year ('000s)				$ 11,643	$ 19,388	$ 30,652	$ 25,004	$ 26,372	$ 27,815	$ 29,336
Cumulative Growth in Demand, Full Service Eating & Drinking Place Sales ('000s)				**$ 11,643**	**$ 31,031**	**$ 61,683**	**$ 86,687**	**$ 113,059**	**$ 140,873**	**$ 170,210**

Source: California State Board of Equalization; Claritas, Inc.; HR&A Advisors, Inc.; W & W, Inc.

Table 19
PROJECTED INCREASE IN SUPPORTABLE SPACE FOR EATING AND DRINKING FACILITIES
VILLAGE AT WESTFIELD TOPANGA 5.0-MILE MARKET AREA
2009-2016

		2009	2010	2011	2012	2013	2014	2015	2016
(a) Limited Service Restaurants									
Cumulative Growth in Demand, Limited Service Restaurant Sales ('000s)			$ 11,529	$ 30,726	$ 61,076	$ 85,834	$ 111,947	$ 139,488	$ 168,535
Sales per Square Foot of GLA Requirement, Average:	Base	$ 1,000	$ 1,013	$ 1,029	$ 1,050	$ 1,081	$ 1,114	$ 1,147	$ 1,182
Annual Increase in Required Support, per Change in Consumer Price Index (CPI)[1]			1.3%	1.6%	2.0%	3.0%	3.0%	3.0%	3.0%
Projected Increase in Supportable Limited Service Restaurant Space					***In Square Feet GLA***				
Supportable Limited Service Restaurant Space in GLA, Annual Increase			11,381	18,652	28,911	22,897	23,446	24,009	24,584
Supportable Limited Service Restaurant Space in GLA, Cumulative Increase			**11,381**	**29,854**	**58,179**	**79,382**	**100,516**	**121,597**	**142,639**
(b) Full Service Eating & Drinking Establishments									
Cumulative Growth in Demand, Full Service Eating & Drinking Place Sales ('000s)			$ 11,643	$ 31,031	$ 61,683	$ 86,687	$ 113,059	$ 140,873	$ 170,210
Sales per Square Foot of GLA Requirement, Average:	Base	$ 575	$ 582	$ 592	$ 604	$ 622	$ 640	$ 660	$ 679
Annual Increase in Required Support, per Change in Consumer Price Index (CPI)[1]			1.3%	1.6%	2.0%	3.0%	3.0%	3.0%	3.0%
Projected Increase in Full Service Eating & Drinking Establishment Space					***In Square Feet GLA***				
Supportable Full Service Eating & Drinking Facility Space in GLA, Annual Increase			19,989	32,761	50,779	40,217	41,181	42,169	43,180
Supportable Full Service Eating & Drinking Facility Space in GLA, Cumulative Increase			**19,989**	**52,750**	**103,529**	**143,746**	**184,927**	**227,095**	**270,275**

[1] Per UCLA Anderson Forecast for California, Sept. 2010 (2009-2012); HR&A Advisors, Inc. and W & W, Inc. (2013-2015).

Source: HR&A Advisors, Inc.; W & W, Inc.

Table 20 provides a comparison of the projected increase in supportable restaurant space with the projected supply for each category of eating and drinking facility that would be provided at the Project. With regard to Limited Service Restaurants, the comparisons shows that the Project's Phase 1 floor area represents 23.5 percent of the total market support likely to be generated from 5-Mile Market Area residents in 2013. Phase 2 floor area represents about another 14.4 percent the following year. By 2016, when the entire Project achieves stabilized operation, and accounting for additional growth in demand by that year, the Project's total of 33,185 square feet GLA of Limited Service Restaurants represents 23.3 percent of demand.

For Full Service Eating and Drinking Places, the comparisons in Table 20 also show that the Project's Phase 1 floor area results in a lower level of required market penetration — about 8.8 percent of demand in 2013. The additional floor area of this type in Phase 2 accounts for another 3.0 percent of demand in 2014, and nearly five percent in 2015 (with the additional restaurant in the proposed hotel). By 2016, when the entire Project achieves stabilized operation, and accounting for additional growth in demand by that year, the Project's total of 23,100 square feet GLA of Full Service Eating and Drinking Places represents 8.5 percent of demand. It is also important to note that these facilities should receive a substantial amount of patronage from residents living in the RMA beyond the 5.0-Mile radius, office employees located at Warner Center and the Project, and hotel visitors at Warner Center facilities and at the Project. As a result, it is not likely that this component of the Project would have a major impact on the existing base of restaurants in the local market area, and is not likely to contribute to conditions that would cause significant store closures leading to urban decay as defined by CEQA.[35]

[35] Further in this regard, it is important to recognize that restaurants are not typically anchor tenants to major urban retail concentrations. While they are often key occupants of smaller specialty complexes, they turn over frequently and their demise is seldom likely to create an impact on major urban retail center that is similar in impact to that created by the loss of a major department store or supermarket which characteristically act as major draws to a wide range of other businesses and are not easily replaced with new tenants.

Table 20
COMPARISON OF PROJECTED INCREASE IN SUPPORTABLE SPACE WITH PROPOSED PROJECT SUPPLY
EATING AND DRINKING FACILITIES
VILLAGE AT WESTFIELD TOPANGA 5.0-MILE MARKET AREA
2009-2016

	In Square Feet GLA						
	2010	2011	2012	2013	2014	2015	2016
(a) Limited Service Restaurants							
Cumulative Increase in Supportable Limited Service Restaurant Space in 5.0-Mile Market Area	11,381	29,854	58,179	79,382	100,516	121,597	142,639
Village at Westfield Topanga Limited Service Restaurant Space-Phase 1				18,685	18,685	18,685	18,685
Village at Westfield Topanga Space as a Percent of Total Supportable Space-Phase 1				**23.5%**	**18.6%**	**15.4%**	**13.1%**
Village at Westfield Topanga Limited Service Restaurant Space-Phase 2					14,500	14,500	14,500
Village at Westfield Topanga Space as a Percent of Total Supportable Space-Phase 2					**14.4%**	**11.9%**	**10.2%**
Village at Westfield Topanga Limited Service Restaurant Space-Total Project				18,685	33,185	33,185	33,185
Village at Westfield Topanga Space as a Percent of Total Supportable Space-Total Project				**23.5%**	**33.0%**	**27.3%**	**23.3%**
(b) Full Service Eating & Drinking Establishments							
Cumulative Increase in Supportable Full Service Eating & Drinking Facility Space in 5.0-Mile Market Area	19,989	52,750	103,529	143,746	184,927	227,095	270,275
Village at Westfield Topanga Full Service Eating and Drinking Facility Space-Phase 1				12,600	12,600	12,600	12,600
Village at Westfield Topanga Space as a Percent of Total Supportable Space-Phase 1				***8.8%***	***6.8%***	***5.5%***	***4.7%***
Village at Westfield Topanga Full Service Eating and Drinking Facility Space-Phase 2 (including Hotel restaurant)					5,500	10,500	10,500
Village at Westfield Topanga Space as a Percent of Total Supportable Space-Phase 2					***3.0%***	***4.6%***	***3.9%***
Village at Westfield Topanga Full Service Eating and Drinking Facility Space-Total Project				12,600	18,100	23,100	23,100
Village at Westfield Topanga Space as a Percent of Total Supportable Space-Total Project				***8.8%***	***9.8%***	***10.2%***	***8.5%***

Source: HR&A Advisors, Inc.; W & W, Inc.

4. Alternative Cinema Complex Impact Analysis

As noted in Chapter II (Introduction), up to 50,000 square feet GLA of the proposed Retail and Related space may be utilized instead for a cinema complex that would accommodate a 2200 seat venue. This section evaluates the potential for this alternative use of that floor area to cause urban decay, assuming it consists of 10 cinema screens, with an average viewing capacity of 220 seats per screen.

Baseline market data for the cinema industry are provided in Table 21 for the years 2000 and 2009. Over the recent nine-year period the national inventory of screens has increased from 36,379 to 39,233, a net gain of 2,854 screens. While the number of screens per capita has remained virtually constant at a support ratio of about 7,800 persons per screen, Admissions Revenues have increased from $6.76 billion to over $9.54 billion, reflecting an annual percentage growth rate of 3.9 percent. As a result, the increase in average Admissions Revenues (or, in industry parlance, Box Office Grosses) generated per screen has grown from $185,800 to $243,200, reflecting an annual growth rate during the period of 3.0 percent.

Table 21
BASELINE OPERATING DATA FOR CINEMA THEATRES, UNITED STATES
2000 AND 2009

	2000	2009
Total Theatre Screens	36,379	39,233
Total Population (mid-year)	282,130,000	307,006,550
Average Persons per Screen	7,755	7,825
Annual Admissions Revenues ('000s)	$ 6,721,000	$ 9,540,000
Admissions Revenues per Screen	$ 185,800	$ 243,200

Source: National Association of Theatre Owners (NATO); United States Census Bureau; HR&A Advisors, Inc.; W & W, Inc.

Despite the industry's growth in Admissions Revenues in recent years, its performance has not been one of consistent growth. As reflected in Table 22, though Total Box Office Grosses reached a significant new high of $9.54 billion in 2009, the number of Annual Admissions peaked in 2002 and Admissions Revenues remained virtually flat during the seven-year period 2002 through 2008. In recent years, the growth of the home entertainment industry, including such innovations as large flat-screen TVs with superior sound, DVDs, movie rental services, Blu-ray discs et al were considered by some analysts as likely to seriously erode the movie theatre business. However, despite the forecasts of "doom" by some sources, box office revenues in North American grew by 10 percent in 2009 and are up six percent in 2010.[36] Thus,

[36] Economist, May 8, 2010, p.63

Table 22
RECENT PERFORMANCE OF THE CINEMA INDUSTRY, UNITED STATES
2000-2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Annual Percent Growth 2000-2009
Total Screens, Indoor and Outdoor	36,379	35,506	35,688	35,650	35,435	37,688	38,415	38,794	38,834	39,233	0.84%
Total Admisssions (billions) 1/	1.245	1.294	1.413	1.369	1.336	1.238	1.261	1.260	1.207	1.273	0.24%
Total Box Office Grosses (billions) 1/	$ 6.759	$ 7.299	$ 8.181	$ 8.235	$ 8.361	$ 7.938	$ 8.253	$ 8.669	$ 8.671	$ 9.540	3.90%
Average U. S. Ticket Prices 2/	$ 5.39	$ 5.65	$ 5.80	$ 6.03	$ 6.21	$ 6.41	$ 6.55	$ 6.88	$ 7.18	$ 7.50	3.74%
Admissions Revenue per Capita	$ 24.04	$ 25.61	$ 28.43	$ 28.38	$ 28.55	$ 26.86	$ 27.66	$ 28.77	$ 28.52	$ 31.07	2.89%

1/ In recent years, data for the United States and Canada have been reported together; based upon population, Admissions and Grosses are estimaed for the U. S. at 90 percent of totals provided, an amount consistent with its share of the population and considered useful for illustrative purposes of industry performance.
2/ Average ticket prices in 2009 increased to $7.50, an increase of nearly 4.5%.
Source: National Association of Theatre Owners; HR&A Advisors, Inc.; W & W, Inc.

while the Economist and other publications may refer to the industry as a "humdrum business," showing movies continues to be important, both as a local revenue generator at urban shopping centers and as a means of drawing attention to an entertainment product, even though the most profitable incarnations may appear later.[37] On balance, after allowance for the uncertainties that may face this sector, projections of future cinema revenue growth in the 5.0-Mile Market Area have been projected to continue to grow at a rate that is consistent with their historic increase in per capita basis.

Table 23 provides a projection of the increase in market support for new cinema complex screens in the 5.0-Mile Market Area during the period 2009-2015 based upon the projected annual growth in population and per capita admissions revenues. Utilizing a baseline standard of $80.00 per capita[38] for both admissions revenues and concessions revenues that are increased at the historic rate of per capita spending for cinema admissions, residents in the 5-Mile Market Area should increase their annual level of cinema expenditures by nearly $8.0 million during the six-year projection period.

Characteristically, 70 percent of cinema revenues are traced to admissions, while the 30 percent balance is generated by concession sales. Application of these factors to the projected growth in total cinema revenues results in an Admissions Revenue projected growth of nearly $5.6 million, as also presented in Table 23.

Table 24 translates potential admissions revenue growth into supportable cinema screens. Utilizing a baseline support requirement of $300,000 per screen (23 percent above the national

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[37] *Id.*

[38] The $80.00 standard is based on the State of California per capita expenditure in 2007 for both admissions revenues and concessions of about $65.00 per capita that is derived from U.S. Census statistics for the motion picture industry, with an upward adjustment to account for higher market area incomes in the 5.0-Mile Market Area.

Table 23
PROJECTED GROWTH IN DEMAND FOR CINEMA EXPENDITURES[1]
VILLAGE AT WESTFIELD TOPANGA 5.0-MILE MARKET AREA
2009-2016

Population and Income Growth	**Factor**	Net Change 2009-2015	2009	2010	2011	2012	2013	2014	2015	2016
Market Area (PMA) Population		28,256	381,836	385,750	389,704	393,699	397,735	401,812	405,931	410,092
Per Capita Expenditures for Cinema (Admissions and Conceesions)	2.89%		$ 80.00	$ 82.31	$ 84.69	$ 87.14	$ 89.66	$ 92.25	$ 94.91	$ 97.66
Potential Demand for Cinema: All Expenditures ('000s)		$ 9,501,384	$ 30,546,880	$ 31,751,854	$ 33,004,350	$ 34,306,294	$ 35,659,600	$ 37,066,256	$ 38,528,421	$ 40,048,264
Incremental Growth in Demand by Year ('000s)				$ 1,204,974	$ 1,252,496	$ 1,301,944	$ 1,353,306	$ 1,406,657	$ 1,462,164	$ 1,519,843
Cumulative Growth in Demand For All Cinema Expenditures ('000s)				$ 1,204,974	$ 2,457,470	$ 3,759,414	$ 5,112,720	$ 6,519,376	$ 7,981,541	$ 9,501,384
Cumulative Growth in Demand, Admissions Expenditures ('000s)	70.0%			$ 843,482	$ 1,720,229	$ 2,631,590	$ 3,578,904	$ 4,563,563	$ 5,587,079	$ 6,650,969

[1] Includes both Admissions Revenues and Concessions Revenues

Source: California State Board of Equalization; Claritas, Inc.; HR&A Advisors, Inc.; W & W, Inc.

Table 24
PROJECTED INCREASE IN SUPPORTABLE CINEMA SCREENS
VILLAGE AT WESTFIELD TOPANGA 5.0-MILE MARKET AREA
2009-2016

		2009	2010	2011	2012	2013	2014	2015	2016
Projected Increase in Demand for Cinema Admissions Revenues			$ 843,482	$ 1,720,229	$ 2,631,590	$ 3,578,904	$ 4,563,563	$ 5,587,079	$ 6,650,969
Admissions Revenue Support Requirement per Screen		$ 300,000	$ 303,900	$ 308,762	$ 314,938	$ 324,386	$ 334,117	$ 344,141	$ 354,465
Base	$ 300,000								
Annual Increase in Required Support per Change in Consumer Price Index (CPI)[1]			1.3%	1.6%	2.0%	3.0%	3.0%	3.0%	3.0%
Supportable Screens			2.8	5.6	8.4	11.0	13.7	16.2	18.8

[1] Per UCLA Anderson Forecast for California, Sept. 2010 (2009-2012); HR&A Advisors, Inc. and W & W, Inc. (2013-2015).

Source: HR&A Advisors, Inc.; W & W, Inc.

average, but more typical of the performance levels of cinemas in the San Fernando Valley) in 2009, this support requirement is inflated annually at the projected growth in the Consumer Price Index (CPI) to 2016, reaching about $354,500. Finally, the projected growth in supportable screens within the 5.0-Mile Market Area is calculated by dividing the projected increase in admissions revenues by the required support per screen. As noted in Table 24, the annual growth in supportable screens ranges between 2.5 and 2.8 screens per year, reaching a total of 18.8 screens in 2016.

The final step in the analysis is to make a comparison between the net increase in supportable screens with the projected screens that would be supplied by the Project (in Phase 2) and other developments. As noted in Table 25, the proposed Project supply of 10 screens represents 53.3 percent of the anticipated increase in demand for additional screens between 2009 and 2016 from 5.0-Mile Market Area residents. Moreover, with a reasonable amount of additional support[39] from other market sources beyond the 5.0-Mile Market Area from such sources as the RMA resident population base — in this case, at least 20 percent of admissions revenue would be expected to come from this source — there should be ample support for the cinema complex. Given this anticipated balance between changes in supply at the Project with the anticipated growth in demand, it is unlikely that the Project's cinema complex would exert competitive pressures on existing facilities to such an extent that development of the Project would lead to theater closures and result in urban decay.

[39] The principle of allowing for additional market support from beyond the "primary market area" in the calculation of potential demand is consistent with the basic concept of a primary market area for a shopping center, wherein the primary market area characteristically is defined as representing the source for 70 to 80 percent of the market support base, with the balance of the support provided by one-time visitors and residents who live outside the primary market area and use the facility on an occasional basis. For further discussion of this topic, see the International Council of Shopping Centers, *Market Research for Shopping Centers, 2005, p. 27.*

Table 25
COMPARISON OF PROJECTED INCREASE IN MARKET SUPPORT WITH PROJECTED SUPPLY OF CINEMA SCREENS
VILLAGE AT WESTFIELD TOPANGA 5.0-MILE MARKET AREA
2009-2016

	Supportable Screens Factor	2009	2010	2011	2012	2013	2014	2015	2016
Total Supportable Cinema Screens by 5.0-Mile Market Area Residents	80%		2.8	5.6	8.4	11.0	13.7	16.2	18.8
Total Supportable Cinema Screens by Other Market Sources	20%		0.7	1.4	2.1	2.8	3.4	4.1	4.7
Total Supportable Screens	100%		3.5	7.0	10.4	13.8	17.1	20.3	23.5
Projected Supply of New Cinema Screens, Village at Westfield Topanga									10.0
Comparison 1: ***Westfield Project Screens as Percent of Total Supportable Screens by 5.0-Mile Market Area Residents***									53.3%
Comparison 2: ***Westfield Project Screens as Percent of Total Supportable Screens by All Market Sources***									42.6%

Source: HR&A Advisors, Inc.; W & W, Inc.

The proposed cinemas at the Project would increase the inventory of screens in the 5.0-Mile Market Area by over 15 percent. Recognizing the magnitude of the projected change in local supply, field investigations were also undertaken in order to further consider the existing movie theater complexes and their ability to remain competitive following development of a cinema complex at the Project. A total of five existing cinema complexes are located within the 5.0-Mile Market Area, and together they presently offer a total of 60 screens. These cinemas are listed below in Table 26.

Table 26
EXISTING CINEMA COMPLEXES
THE VILLAGE AT WESTFIELD TOPANGA 5.0-MILE MARKET AREA
2010

	Theatre Name	Shopping Center	Number of Screens
1	AMC Promenade	Westfield Promenade	16
2	Laemmle Theatres	Fallbrook Center	7
3	Winnetka Stadium 21	Stand-Alone, near Northridge Fashion Plaza	21
4	Pacific Theatres Stadium 10	Northridge Fashion Plaza	10
5	Edwards Stadium 6	The Commons	6
	Total Screens		60

Source: HR&A Advisors, Inc.; W & W, Inc.

At the present time this existing supply provides the equivalent of one screen for every 6,429 residents in the 5.0-Mile Market Area. This ratio of screens to resident population represent a slightly higher ratio of screens per capita than is found nationally, as noted previously in Table 21.

Field inspections indicated that four of the five existing complexes are located within community- or regional-scale shopping centers that have excellent regional access, visibility and numerous anchor tenants to provide synergistic benefits in the form of a shared customer base. The fifth complex, Winnetka Stadium 21, is on a "stand-alone" site that is positioned within a quarter mile of the Northridge Fashion Plaza and four miles from the Project site. Given its size, modern facilities and proximity to the Northridge center, this facility is also very capable of maintaining its market share in the future.

In summary, given the physical and locational attributes of the existing supply and the relatively affluent resident market, it is unlikely that the addition of an alternative cinema complex at the Project would contribute to a process leading to urban decay at any of the existing cinema complexes.

B. Hotel Facilities Impact Analysis

The Project presently allocates 203,000 square feet of building area for use as a hotel. Discussions with Westfield representatives indicate that the hotel would be developed as a three- to four-star facility and operated by a well-known national operator. As presently conceived the hotel would offer a total of 275 rooms and have 5,000 square feet GLA allocated for restaurant/bar uses and an additional 10,000 square feet utilized for banquet facilities.

The proposed hotel would be physically integrated into the Project in order to take full advantage of the ambiance of the center's restaurant and shopping facilities. Fifteen floors in height and situated above a parking podium, the facility would be visible from the Ventura Freeway and become the third major hotel serving the Warner Center business community and West San Fernando Valley.[40]

For purposes of analysis, PKF Consulting, Inc. (PKF), a nationally-recognized hospitality consulting firm, breaks the Los Angeles County hotel market into a number of subdivisions, splitting the West San Fernando Valley into two major market areas. The Project is located in PKF's West San Fernando Valley market area, and includes hotels situated generally west of Balboa Boulevard. This area can be further characterized as consisting of four submarkets based upon geographic location and product quality. These submarkets include the following: (1) existing Warner Center business hotels; (2) Ventura Freeway corridor facilities located in Calabasas and Woodland Hills; (3) facilities situated near the intersection of S. R. 118 and Topanga Canyon Boulevard; and (4) several other small properties found at dispersed locations within the communities of Northridge and Canoga Park. As a group, this inventory comprises 18 facilities and 2,225 total rooms, with the second largest cluster in terms of inventory (800 rooms) represented by the two Warner Center facilities, Warner Center Marriott Hotel and Woodland Hills Hilton & Towers. A listing of these facilities is provided in Table 27 with their names, room counts and indicative room prices.

[40] Existing hotels at Warner Center include the Warner Center Marriott Hotel (476 rooms) and the Woodland Hills Hilton & Towers (326 rooms)

Table 27
INVENTORY OF EXISTING HOTELS, WEST SAN FERNANDO VALLEY
2010

	Sub-Area/Facility Name	Number of Rooms		Listed Price Ranges
	Warner Center			
1	Hilton Woodland Hills	326		$109-289
2	Warner Center Marriott Hotel	474		$206-252
	Subtotal		800	
	Ventura Freeway (U.S. 101) Corridor			
3	Comfort Inn	99		$87-129
4	Country Inn & Suites by Carlson	122		$119-149
5	Extended Stay America-Woodland Hills	146		$87-110
6	Hilton Garden Inn Calabasas	142		$119-129
7	Holiday Inn-Woodland Hills	120		$99-199
8	St. George Inn & Suites	57		$80-110
9	Tarzana Inn	49		$89-119
10	Best Western Woodland Hills Inn	65		$89-179
11	Holiday Inn Express-Woodland Hills	86		109+
12	Warner Gardens Motel	43		$75-110
	Subtotal		929	
	S. R. 118 Freeway/Topanga Canyon Boulevard			
13	Comfort Inn & Suites	74		$65-175
14	Radisson Hotel	148		$111-162
15	Ramada Inn	73		$89-120
			295	
	Other			
16	Best Western Canoga Park Motor Inn	46		$99-129
17	Extended Stay America	117		$102-125
18	Ramada Limited	38		$79-159
			201	
	Grand Total		2,225	$65-289

Source: AAA, Southern California & Las Vegas TourBook, 2010 edition; HR&A Advisors, Inc.; W & W, Inc.

It can be seen that the market supply is dominated by facilities in the 40- to 150-room size category, with the typical room rate falling in the $80 to $140 per night price range. In contrast to these norms, the two Warner Center hotels are larger, full-service facilities, each with over 275 rooms. Their typical room rate is above $150 per night.

PKF tracks a total of 1,808 rooms[41] in its West San Fernando Valley sub-market, representing over 80 percent of the inventory identified in Table 27. PKF's 2010 report on

[41] While PKF does not provide precise information as to the facilities actually included in its inventory, it is reasonable to assume that it includes the two major facilities in Warner Center as well as the "national brand" hotels/motels such as Hilton Garden Inn, Radisson, Holiday Inn, Holiday Inn Express, Ramada Inn, Ramada Limited, Comfort Inn and Country Inn and Suites.

market conditions in Southern California indicates that West San Fernando Valley lodging facilities have declined in terms of annual occupancy performance when compared to the remainder of Los Angeles County over the last two calendar years. As presented below in Table 28, which compares hotel annual occupancy rates in the West San Fernando Valley and Los Angeles County since 2003, it can be seen that the West Valley was approaching parity with the County in 2006 when both market areas reached or exceeded annual occupancy rates of 77.0 percent.

Table 28
AVERAGE ANNUAL HOTEL OCCUPANCY RATES
LOS ANGELES COUNTY AND WEST SAN FERNANDO VALLEY HOTELS
2003-2010

Year	Los Angeles County Occupancy Rate	West San Fernando Valey Occupancy Rate
2003	68.7%	66.2%
2004	73.2%	71.0%
2005	76.0%	75.6%
2006	77.3%	77.0%
2007	77.1%	73.3%
2008	74.4%	68.4%
2009 Estimate	66.3%	59.7%
2010 Projection	66.2%	57.7%

Source: PKF Consulting, Inc.

However, over the last three years commensurate with the decline in the residential real estate industry in that part of the County and more recent problems in both the national and regional economies, hotel occupancies in West San Fernando Valley fell significantly, particularly when compared to the remainder of Los Angeles County. As also noted in Table 28, West San Fernando Valley hotel occupancy rates dropped from 77.0 percent in 2006 to an estimated 59.7 percent in 2009, a decline approaching 20 percent. In contrast, over the same period the County's occupancy decline was from 77.4 percent to 66.3 percent, a reduction that in percentage terms was substantially less but still reflecting what PKF indicates was about the worst year for the lodging industry since the Great Depression. For 2010, both the County and this sub-market are expected to continue to experience declines, but not nearly as severe as those in the two prior years. There is even some hope that business and vacation travel will even pick up toward the second half of the year in the Southern California region.[42]

While the decline in occupancy rates and lodging revenues in recent years reflects these difficulties in the lodging industry, there are other performance indicators that reveal the overall strengths of the West San Fernando Valley as a hotel location. As presented in Table 29, until

[42] PKF Consulting, 2010 Southern California Lodging Forecast.

the steep downturn in 2008, the number of occupied room nights had been growing at a rate of 3.6 percent (2001 through 2007). Similarly, despite increases in vacant rooms, the Average Daily Rate achieved per occupied room has increased on an annual basis since 2002, rising from a low of $106.88 to an estimated $140.21 in 2008, an annual gain of 4.7 percent.

As noted above, the lodging market is projected to remain soft through the middle of 2010 due to the likely low performance in the general economy. Nevertheless, longer-term growth in business activity in the West San Fernando Valley market area coupled with the addition of office space at the Project and the rebounding of tourist travel should lead to an expansion of visitor demand in the future. Perhaps reflecting the general positive attitude toward this sub-market that is held by the hotel industry, a Holiday Inn Express with 86 rooms was opened in late 2009.

In forecasting the 2009-2015 anticipated growth in demand for Occupied Room Nights in the West San Fernando Valley, three rates of annual market growth were given consideration based upon its market performance prior to the full impact of the Recession. As presented in Table 29, they include the following: (1) a "high" growth rate of 3.35 percent based upon the market's performance between 2001 and 2007, thus discounting recent trends; (2) a "mid-range" growth rate of 2.59 percent that is based on the period 2002 through 2007 and reflects both the negative impacts on the lodging market for 2001 from the events of "9/11" and the beginning of the most recent economic downturn; and (3) a "low" growth rate of 1.52 percent, based upon market performance over the period 2001 and 2008. Based on available economic data, the "mid-range" projection represents the most likely projection of the future market conditions that will exist by the time the hotel component of the Project opens in 2015.

Table 29
ILLUSTRATIVE MEASURES OF MARKET PERFORMANCE, 2001-2009 WITH PROJECTIONS
OF SUPPORTABLE ROOMS TO 2016
WEST SAN FERNANDO VALLEY HOTEL MARKET AREA

	Supply Measures		*Demand Measures*		*Performance Measures*	
Year	Annual Supply in Available Room Nights	Equivalent Rooms	Occupied Room Nights	Occupancy Rate	Average Daily Rate (ADR) 1/	Rev PAR 2/
2001	560,275	1,535	377,851	67.4%	$ 108.98	$ 73.49
2002	599,330	1,642	405,223	67.6%	$ 106.88	$ 72.27
2003	616,120	1,688	408,128	66.2%	$ 108.55	$ 71.91
2004	628,530	1,722	446,079	71.0%	$ 111.07	$ 78.83
2005	628,530	1,722	475,022	75.6%	$ 120.21	$ 90.85
2006	628,530	1,722	483,893	77.0%	$ 131.14	$ 100.96
2007	628,530	1,722	460,456	73.3%	$ 138.81	$ 101.69
2008	628,530	1,722	419,834	66.8%	$ 140.90	$ 91.76
2009 Estimate	631,085	1,808 3/	376,875	59.7%	$ 127.16	$ 75.94
Net Change, 2001-2009	70,810	187	41,983		$ 31.92	$ 28.20
Annual Percent Growth Rates: Three Alternatives						
2001-2007: "High"			*3.35%*			
2002-2007: "Mid-Range"			*2.59%*			
2001-2008: "Low"			*1.52%*			
2016 Projected Room Nights (2007 Baseline, Mid-Range Growth Rate)			*579,607*			
Net Increase in Supportable Room Nights, 2016			*119,151*			
Supportable Rooms @ 70% Occupancy Rate			*466*			

1/ The Average Daily Rate or ADR indicates the average revenue received per day for an occupied room over the calendar year.
2/ RevPAR is an acronym that indicates the average revenue that has been achieved per day per available room over the calendar year.
3/ The total rooms at the end of the year was 1,808; however, for calculating occupancy rates, the average annual figure was 1,729 rooms.

Sources: PKF Consulting; HR&A Advisors, Inc.; W & W, Inc.

Utilizing the mid-range percentage growth factor, the bottom rows in Table 29 provide a projection of the likely growth in occupied room nights and supportable rooms for the period 2009 through 2016, assuming an overall occupancy rate of 70.0 percent. Based upon the occupied room night projection, total room demand is projected to grow by 466 rooms over the period in the West San Fernando Valley market area. The Project's 275 rooms together with the Holiday Inn Express' 86 rooms would be accommodated by this anticipated growth in supportable rooms.

Summarizing the analysis of existing and future market conditions in the hotel market, as the recession ends and business travel and tourism rebound there should be sufficient growth in lodging demand in the West San Fernando Valley to support the new hotel planned for the Project. As a result, it is unlikely that development of the Project hotel would cause or contribute to conditions of urban decay in the local or regional hotel market in the vicinity of The Village at Westfield Topanga.

C. Office Space Impact Analysis

Office space development is also a major component of the Project, constituting a total gross building area of 300,000 square feet and net rentable area estimated at 85 percent of that amount, or approximately 255,000 square feet. The office space would be constructed during 2015 and available for lease in 2016.

The West San Fernando Valley sub-area is one of five sub-areas that are included in the L.A. North Region as defined by Grubb & Ellis Company, [43] and encompasses the communities of Chatsworth, West Hills, Woodland Hills, Tarzana, Canoga Park and Winnetka. In this regard, Grubb & Ellis splits the San Fernando Valley into four submarkets, three that cover the City of Los Angeles' major communities and a fourth that covers the City of Burbank.[44] The fifth sub-market covers the Santa Clarita Valley.

Table 30 provides a summary of recent trends in office space development for the West San Fernando Valley market area covering the six-year period dating from the Second Quarter 2004 through the First Quarter of 2010.[45] Per the Grubb & Ellis data, over the period net rentable office space has grown by 1,925,871 square feet to a current total of 9,741,187 square feet. Correspondingly, the net change in occupied office space has recently fallen to 630,838 square feet, a decline of over 730,000 square feet from the high for the decade recorded in 2008.

[43] Other sub-areas within LA North Office Region as defined by Grubb & Ellis Company are Conejo Valley, Santa Clarita Valley, Central Valley and East Valley. The West San Fernando Valley Office Space Market comprises roughly 31 percent of the 31.2 million square feet of office space with the LA North Region.

[44] The City of Calabasas, originally part of the West Valley submarket, was realigned within the Conejo Valley submarket covering eastern Ventura County in 2004.

[45] The year 2004 is the first year that comparable data were aggregated for the current market area configuration used by Grubb & Ellis.

Table 30
RECENT TRENDS IN OFFICE SPACE DEVELOPMENT AND OCCUPANCY
WEST SAN FERNANDO VALLEY OFFICE SPACE MARKET 1/
2004-2010

Date 2/	Net Rentable Space	Occupied Space	Annual Absorption 3/	Vacant Space	Vacancy Rate	Asking Rate 4/
2004	7,815,316	6,724,919		1,090,397	14.0%	$ 2.11
			402,511			
2005	7,977,050	7,127,430		849,620	10.7%	$ 2.10
			114,250			
2006	7,973,107	7,241,680		731,427	9.2%	$ 2.32
			657,492			
2007	8,551,781	7,899,172		652,609	7.6%	$ 2.48
			189,219			
2008	9,291,770	8,088,391		1,203,379	13.0%	$ 2.65
			(230,567)			
2009	9,694,943	7,857,824		1,837,119	18.9%	$ 2.52
			(502,067)			
2010	9,741,187	7,355,757		2,385,430	24.5%	$ 2.31
Net Change,						
2004-2008	*1,476,454*	*1,363,472*	*340,868*	*112,982*	*-1.0%*	*$ 0.54*
2004-2010	*1,925,871*	*630,838*	*105,140*	*1,295,033*	*10.5%*	*$ 0.20*

1/ Includes communities of Canoga Park, Chatsworth, Tarzana, Warner Center, West Hills and Woodland Hills.
2/ As of the end of the First Quarter (March 31st) of each year.
3/ Annual Absorption is the net change in the amount of occupied space over a specific12-month period.
4/ Average asking lease rate per square foot per month, Class A space, full service gross basis.
Source: Grubb & Ellis Company; HR&A Advisors, Inc.; W&W, Inc.

In addition to office annual development and occupancy data, Table 30 provides two summary perspectives on the West San Fernando Valley's market performance. The first perspective is embodied in the net change in market conditions recorded during the four-year period 2004 to 2008. During this time frame the market witnessed annual growth in office space development of 369,000 square feet and experienced annual absorption of nearly 341,000 square feet, reflecting market conditions where there was both strong growth and an effective economic balance between the forces of demand and supply. However, by mid-year 2008, tenants were vacating space faster than the rate at which they were occupying new space, and this negative net absorption has continued through the First Quarter of 2010. As shown in the Table, negative absorption took place during late 2008 and throughout 2009, as about 730,000 square feet were either vacated (or in the case of new space, never occupied). By March 1, 2010, the vacancy rate stood at 24.5 percent in the West San Fernando Valley Office Market. Effectively, after allowance for a more typical market vacancy rate of 10 percent, there was the equivalent of five years' demand of office space currently available in the market area.

Recent events related to the residential real estate lending industry such as the bankruptcy of Countrywide Financial have had a significant impact on the local office space market. As Grubb & Ellis Research notes:[46]

> "Of the seven major submarkets in the Los Angeles Metro Region, LA North (including the San Fernando Valley, Santa Clarita, Lancaster/Palmdale) has been the most affected by the subprime meltdown and the slowdown in the residential real estate industry. As the slowdown began to spread and worsen, tenants in related industries began to go out of business and vacate their office space."

The most obvious impact noted in the West San Fernando Valley market area was the near doubling of vacant office space from 1,203,379 square feet to its current level of 2,385,430 square feet between 2008 and 2010.

Grubb & Ellis also provided a building-by-building inventory of space in the West San Fernando Valley market area (see Table 31) that allows for more detailed review of the scale of office development activities. This inventory includes buildings (or smaller components of building complexes exceeding 20,000 square feet) that offer 20,000 square feet or more of speculative space built for occupancy by a tenant rather than the building owner for their personal use, such as a corporate headquarters building. As presented in Table 31, this inventory identifies 94 buildings or building complexes, and totals 9,741,187 square feet of space, reflecting the same total as was reported for the West San Fernando Valley Market Area shown in Table 31. The data indicate that the inventory is of a high quality in terms of building standard, with over 73 percent (7,140,439 square feet) categorized as Class A space and only 2.7 percent of the existing inventory (259,328 square feet) considered to fall in the lowest category, Class C. Over the last 10 years, 1,732,756 square feet in nine buildings have been added to the market, all of it categorized as Class A in terms of quality. Of these additions, seven buildings have been over 175,000 square feet in size, four of which were located in Warner Center near the Project.

With regard to potential future supply, at present there is only one building identified in the Grubb & Ellis report as representing potential future competition — a planned six-story 180,000 square foot development located in Chatsworth approximately one half mile west of Northridge Fashion Center and four miles northeast of the Project's location. A second project has been identified as a possible future development — Warner Ridge, with 690,000 square feet—but there has been no schedule identified that discloses the date for this project's construction and operation.

[46] Grubb & Ellis Research, Office Market Trends Los Angeles North, First Quarter 2008.

Table 31
INVENTORY OF OFFICE BUILDINGS, WEST SAN FERNANDO VALLEY OFFICE SPACE MARKET
2010

	Property Name/Development Period	Renov.	Floors	Net Rentable Area by Property Class: Class A	Class B	Class C	Total
	1973 and Prior						
1	Moss I Building	1990	5	35,000			
2	Warner Financial & Medical Plaza B		5		92,254		
3	American Int'l Bank Bldg.	1989	10	80,930			
4	Woodland Hills Financial Center II	1987	12		171,892		
5	Woodland Hills Financial Plaza	1987	4		48,000		
6	Woodland Plaza	1991	2		81,748		
	Subtotal			115,930	393,894	-	509,824
	1974-1978						
1	Youbet.com		1		30,353		
2	Warner Center Business Park		2		53,266		
3	WellPoint		14	427,100			
4	Moss II Building	1990	2			32,000	
5	Warner Center Business Park		1		27,795		
6	Warner Center Business Park		2		51,000		
7	Woodland Court	1991	4		35,396		
	Subtotal			427,100	197,810	32,000	656,910
	1979-1983						
1	Owensmouth Office Association	1994	2		40,000		
2	Warner Center Business Park		6		90,000		
3	Warner Center Business Park		6	90,697			
4	Warner Center Business Park		4		46,244		
5	Warner Executive Office		2			36,000	
6	Topanga Financial Center		5	50,000			
7	Woodland Park	1990	3			54,000	
8	Tarzana Court		2			40,700	
9	Pacific Rim Bldg		4	105,000			
10	The Executive Center	1987	3		40,824		
11	21st Century Plaza	1999	11	235,000			
12	Warner Center Business Park		1		21,500		
13	West Hills Atrium		2		22,056		
14	Corbin Office Center		3		47,358		
15	9401 Corbin Avenue				123,000		
16	9301 Corbin Avenue				114,000		
17	9451 Corbin Avenue				114,800		
18	Warner View		3		62,000		
19	Arbor Plaza		3		28,760		
20	Warner Atrium	1995	3		125,770		
21	Woodland Hills Plaza		3	47,276			
22	21051 Warner Center Lane, Woodland Hills		2		62,738		
23	Moss 5 Building	1990	7	96,821			
24	Del Moreno Bldg		3		30,000		
25	Woodcourt Bldg 4		2		10,000		
26	Warner Center Plaza I		20	346,527			
27	21041 Burbank Blvd, Woodland Hills		3	61,600			
28	21031 Warner Center Lane, Woodland Hills		1		34,929		
29	21011 Warner Center Lane, Woodland Hills		1		22,385		
30	Woodcourt Bldg 2		2		5,075		
31	Westcom Building		3			21,696	
32	Woodcourt Bldg 1		3		33,000		
33	Warner Center North		2	52,484			
34	19900 Plummer Street, Chatsworth				43,472		
	Subtotal			1,085,405	1,117,911	152,396	2,355,712

Table 31 Continued
INVENTORY OF OFFICE BUILDINGS, WEST SAN FERNANDO VALLEY OFFICE SPACE MARKET
2010

Property Name/Development Period	Renov.	Floors	Net Rentable Area by Property Class Class A	Class B	Class C	Total
1984-1988						
1 Clarewood Bldg 2		3			29,280	
2 Century Building		3			21,000	
3 20971 Warner Center Lane, Woodland Hills		2		19,130		
4 Warner Center Corporate Park Bldg G4		1			24,652	
5 Warner Center Businesss Park		2		24,470		
6 20920 Warner Center Lane, Woodland Hills		1		16,323		
7 20931 Warner Center Lane, Woodland Hills		1		21,740		
8 Tarzana Financial Center		3		54,000		
9 The Chateau		3		80,000		
10 Warner Center Plaza V		11	206,000			
11 Woodland-Burbank Bldg		3	89,203			
12 Warner Park Center		3	60,000			
13 19850-19860 Plummer Street, Chatsworth		3	169,496			
14 9401 Oakdale Venue, Chatsworth				97,336		
15 Carlton Plaza		4	153,909			
16 LDM Office Bldg		4	79,815			
17 The Trillium (East Tower)		17	286,500			
18 Snycor Building		2		78,783		
19 Warner Corporate Center		12	249,420			
20 Oakdale Corporate Center		3	71,673			
21 Warner Center Plaza II		11	211,791			
22 Trillium (West Tower)		17	292,000			
23 9207 Oakdale Avenue, Chatsworth				61,536		
Subtotal			1,869,807	453,318	74,932	2,398,057
1989-1993						
1 West Hills Plaza		3	83,198			
2 Warner Gateway		3	119,582			
3 9121 Oakdale Avenue, Chatsworth		2		60,000		
4 Warner Center Plaza VI		20	469,317			
5 Warner Gateway		3	120,500			
6 Warner Health Center		3	26,616			
7 Oakdale Business Park		2	43,117			
8 9201 Oakdale Avenue, Chatsworth		2	53,292			
9 Warner Premier		3	60,000			
10 Brickcourt		2		21,000		
11 Dye Plaza		3		25,918		
12 Tarzana Office Plaza		3		71,569		
13 Warner Center Plaza III		25	585,848			
14 West Valley Corporate Center		10	258,000			
15 19809 Prairie Street, Chatsworth			89,971			
			1,909,441	178,487	-	2,087,928

Table 31 Continued
INVENTORY OF OFFICE BUILDINGS, WEST SAN FERNANDO VALLEY OFFICE SPACE MARKET
2010

	Property Name/Development Period	Renov.	Floors	Net Rentable Area by Property Class: Class A	Class B	Class C	Total
	1994-1998				No Buildings Completed		
	1999-2003						
1	21st Century Plaza		11	273,000			
2	West Hills Corporate Village		4	141,386			
3	LNR Warner Center		5	178,215			
4	LNR Warner Center		5	178,215			
5	LNR Warner Center Phase II		3	92,878			
6	LNR Warner Center Phase III, Bldg. H			179,342			
	Subtotal			1,043,036	-	-	1,043,036
	2004-2008						
1	LNR Warner Center Phase III, Bldg G			179,336			
2	21255 Burbank Blvd, Woodland Hills		6	255,192			
3	21215 Burbank Blvd, Woodland Hills			255,192			
	Subtotal			689,720	-	-	689,720
94	GRAND TOTAL			7,140,439	2,341,420	259,328	9,741,187
	Percent Distribution			*73.3%*	*24.0%*	*2.7%*	*100.0%*
	Planned /Under Construction						
	9150 Oakdale Avenue, Chatsworth		6	180,000			

Source: Grubb & Ellis Company

Demand for office space is driven primarily by employment growth in office-using industries. Unfortunately, due to disclosure rules related to maintaining the privacy of individual firms, employment data for smaller geographic sub-areas, such as the West San Fernando Valley, are somewhat limited in terms of their coverage and specificity. However, the U.S. Census does provide information by ZIP Code on total private employment and the number of private businesses by major industry which can be utilized on an illustrative basis to measure growth and change in office-using employment sectors. In this regard, the basic ZIP Codes that comprise the West San Fernando Valley Office Space Market include the following: 91303, Warner Center; 91304, Canoga Park; 91306, Winnetka; 91307, West Hills; 91311, Chatsworth; 91356, Tarzana; and 91364/91367, Woodland Hills.

Data on employment that is reported by ZIP Code needs careful examination, as the statistics are sometimes misleading insofar as they tend to reflect employment at a “head office” rather than at a specific geographic location. A review of employment data for the eight ZIP Codes which comprise the West San Fernando Valley Office Market suggests that employment totals for one ZIP Code covering a portion of Woodland Hills (91364) suffered a loss of 11,278 jobs between 1998 and 2007, a decline that effectively represents 40 percent of the area’s employment base. These data appear somewhat unrealistic given other market indicators, particularly since the same data base indicates a net increase in the number of private businesses from 1,655 to 1,994, or a net gain of 329 firms and no discernible “spike” in office space vacancy rates during this period. If this ZIP Code is disregarded, private sector employment growth in the remaining seven ZIP Codes follows a more realistic growth pattern that is consistent with changes in space occupancy, indicating that approximately 19,600 jobs were added to the market over the period 1998–2007, for a net gain in private employment of 16.3 percent. Given the potential problems noted above with the use of total employment data, consideration was given to analyzing changes in the number of businesses as a better indicator of potential office space demand for the West San Fernando Valley.

Table 32 shows the growth in Total Private Businesses and Total Private Office-Using Businesses[47] for the most recent years that such data are available, 1998 through 2007. The data indicate that over the nine-year analysis period, total private businesses in the West San Fernando Valley Office Space Market increased from 9,294 to 10,824, a net growth of 1,530 businesses and a growth rate of 15.6 percent for the period. In contrast, the number of office-using businesses grew at an even faster rate, increasing from 3,444 to 4,278 or 24.2 percent. The 834 new office-using businesses constituted over 54 percent of the increase in firms that were recorded in the West San Fernando Valley Office Market.

[47] The following Industry Codes utilized by the Census Bureau are considered to be "Office-Using": 51-Information; 52-Finance & Insurance; 53-Real Estate & Related; 54-Professional, Scientific & Technical Services; 55-Management of Companies & Enterprises; 56-Administrative, Support et al; and 61-Educational Services (private).

Table 32
GROWTH IN THE NUMBER OF PRIVATE OFFICE-USING BUSINESSES, 1998-2007
ZIP CODES THAT COMPRISE THE WEST SAN FERNANDO VALLEY OFFICE SPACE MARKET

Zip Code	Total Private Businesses 1998	Total Private Businesses 2007	Net Change, 1998-2007 Number	Net Change, 1998-2007 Percent
91303 Canoga Park (Warner Center)	897	1,024		
91304 Canoga Park	762	940		
91306 Winnetka	406	463		
91307 West Hills	549	641		
91311 Chatsworth	1,931	2,132		
91356 Tarzana	1,390	1,709		
91364 Woodland Hills	1,655	1,994		
91367 Woodland Hills	1,704	1,921		
Total	9,294	10,824	1,530	16.5%
	Total Office Using-Businesses 1/ 1998	Total Office Using-Businesses 1/ 2006		
Zip Code				
91303 Canoga Park (Warner Center)	250	264		
91304 Canoga Park	177	273		
91306 Winnetka	95	138		
91307 West Hills	153	203		
91311 Chatsworth	484	656		
91356 Tarzana	531	697		
91364 Woodland Hills	806	932		
91367 Woodland Hills	948	1,115		
Total	3,444	4,278	834	24.2%
Office-Using Businesses as Percent of Total	37.1%	39.5%	54.5%	

1/ The following Industry Codes are considered as "Office-Using": 51--Information; 52--Finance & Insurance; 53--Real Estate & Related; 54--Professional, Scientific & Technical Services; 55--Management of Companies & Enterprises; 56--Adminsitrative, Support et al; and 61--Educational Services (private).

Source: U. S. Census, Zip Code Business Patterns.

The potential future demand for office space in the West San Fernando Valley can be assessed from two different perspectives: (1) recent growth trends in office-using employment; and (2) recent absorption trends in office space. Each approach is summarized below.

Projected Office Space Demand Based upon Employment Growth

Under this approach, which is presented in Table 33, the demand for office space is projected for the period 2007 to 2016 at a rate of growth comparable to what was experienced between 1998-2007, a period that includes a significant downturn in the economy in the early years of the 21st Century as well as the beginning of the current recession which was starting to impact the real estate market and other Valley businesses in 2007. Under this approach, private sector office-using businesses are projected to increase their level of employment by 19,340 jobs, resulting in a net increase in demand for space that results in a projected demand for 3,263,591 square feet of space in multi-tenant buildings with 20,000 square feet or greater capacity. After consideration of (1) additions to the inventory of office space completed between 2007 and 2009, (2) allowance for existing buildings to reach occupancy rate averaging 90% in the future, and (3) allowing for the recovery of existing businesses to their 2008 employment levels following the recession, the net demand for Additional Speculative Office Space for the period 2007-2016 is projected at about 1.2 million square feet. If further allowance is made for that space to support a 10% vacancy rate, the effective gross demand approaches 1.3 million square feet.

Table 33
PROJECTED GROWTH IN DEMAND FOR OFFICE SPACE BASED UPON EMPLOYMENT GROWTH
WEST SAN FERNANDO VALLEY OFFICE SPACE MARKET
1998-2016

						Net Change, 2007-2016	
	Space/Employee	1998	2007	2009	2016	Number	Percent
Total Private Businesses		9,294	10,824		12,848	2,024	18.7%
Percent Office-Using		*37.1%*	*39.5%*		*41.9%*	54.5%	
Total Office-Using Businesses		3,444	4,278		5,381	1,103	25.8%
Employees per Office-Using Business		15.8	15.9		16.0	0.10	0.6%
Total Office-Using Employment		54,415	68,020		86,097	18,077	26.6%
Total Office Space Demand, All Types of Office Space	*225*	12,243,420	15,304,545		19,371,888	4,067,343	26.6%
Percent of Employment in Speculative Buildings 20,000 Sq Ft or Greater			*47.3%*		*53.1%*		
Net Increase in Demand, Office Space in Speculative Buildings 20,000 Sq Ft or Greater			7,241,680	7,857,824	10,292,187	3,050,507	42.1%
Less: Additions to Supply, 2007-2009						(1,189,406)	
Less: Allowance for Existing Supply of OfficeSpace to be Occupied to 90%						(1,411,311)	
Add: Adjustment for Recession Period Losses of Occupied Space, 2008-2009						732,634	
Net Demand for Additional Speculative Office Space, 2007-2016						1,182,424	
Total Demand for Additional Speculative Office Space,2007-2016, with 10% Vacancy Allowance						1,313,805	

Source: U. S. Census, Zip Code Business Patterns; Grubb & Ellis Company; HR&A Advisors, Inc.; W & W, Inc.

Projected Office Space Demand Based upon Market Absorption History

Alternatively, the market potential for additional office space can be based upon the absorption (growth in net occupancy) history in the West San Fernando Valley. As shown in Table 34, occupied office space growth in the market area has totaled 1,132,905 square feet over the period 2004-2009, representing an annual absorption rate of 226,581 square feet.[48] Assuming comparable growth in the market over the next seven years which would allow sufficient time for recovery from the current recession, total demand, including a vacancy allowance of 10 percent, should approach 1,744,674 square feet or 290,779 square feet on an annual basis. After adjustments for (1) a reduction in the current market vacancy rate from 18.9 percent to 10 percent and (2) allowance for development of other planned projects with 180,000 square feet of space, the residual supportable space amounts to 701,824 square feet of space, an amount equivalent to more than twice (2.3 times) the Project's proposed supply of office space.

[48] This period is considered more representative of future market growth potentials than one involving 2010, as recent activity is dominated by the current recession and is not indicative of the longer-term economic performance of the region and its commercial real estate markets.

Table 34
PROJECTED GROWTH IN DEMAND FOR OFFICE SPACE BASED UPON MARKET ABSORPTION HISTORY
WEST SAN FERNANDO VALLEY OFFICE SPACE MARKET
2004-2016

				Net Change, 2004-2009	
		2004	2009	Total	Annual
Net Rentable Space in Buildings 20,000 Sq Ft or Greater		7,815,316	9,694,943	1,879,627	375,925
Net Occupied Space in Buildings 20,000 Sq Ft or Greater		6,724,919	7,857,824	1,132,905	226,581
				Net Change, 2009-2016	
		2009	2016	Total	Annual
Projected Absorption 2009-2016 at Rate of 2004-2009:	226,581	7,857,824	9,443,891	1,586,067	264,345
Vacancy Allowance @	*10.0%*			158,607	26,434
Total Increase in Supportable Space				1,744,674	290,779
Total Increase in Supportable Space, 2009-2016			1,744,674		
Less: Reduction of 2009 Market Vacancy from 18.9% to 10%	8.9%		(862,850)		
Less: Allowance for Other Planned Projects			(180,000)		
Net Potential Supportable Speculative Space at the Project and Other New Developments			701,824		

Source: Gubb & Ellis Company; HR&A Advisors, Inc.; W & W, Inc.

Based upon the market review, the proposed office development program for the Project appears to be consistent in terms of scale with other major projects that have been developed in the West San Fernando Valley submarket and is located within Warner Center, one of the most successful suburban office complexes in Los Angeles County. Other favorable attributes include its excellent access from the region's road system and its proximity to a broad range of commercial services such as restaurants, health centers and hotels. While there is currently a relatively high vacancy rate in the market along with additional floor area available on a sublease basis due to the current recession, resumption of the long term pattern of absorption in the near future should bring the market back into balance by the time the Project's office space is available for occupancy by 2016. Further, given that the two high rise towers will be integrated into a superior mixed-use environment, the proposed office space at the Project should find excellent market acceptance from a variety of firms.

Assuming the new Project office space is available to lease beginning in 2016, Table 35 compares the estimated supply of space available by that date with the more conservative total increase in demand based on annual absorption that was developed in Table 34.[49]

[49] That is, using projected 2009-2016 absorption of 1,586,067 s.f. from Table 34 versus demand for 1,182,424 s.f. based on projected 2007-2016 growth in office-using businesses and their employees from Table 33. Using the lower projection of demand from Table 33 implies a vacancy rate with the Project of 11.2% in 2016, which is also a relatively balanced supply-demand relationship.

Table 35
COMPARISON OF FUTURE SUPPLY AND DEMAND,
ASSUMING PROJECT OFFICE SPACE IS COMPLETED PRIOR TO 2016

Sources of Demand		Square Feet
Existing Occupied Space, 2009		7,857,824
Projected Increase in Demand, 2009-2016		1,586,067
	Total Demand	9,443,891
Sources of Supply		
Existing Inventory, 2009		9,694,943
Projected Increase in Supply, 2009-2016, Known Projects		180,000
	Subtotal	9,874,943
Project Office Space, 2016		300,000
	Total Supply	10,174,943
Net Difference Between Demand and Supply or Effective Vacant Space		731,052
Effective Market Vacancy Rate With Project		7.2%

Source: HR&A Advisors, Inc.; W&W, Inc.

The results of the comparison between the projected office space demand with the projected office space supply in 2016, with the corresponding assumption that the Project's office space is fully completed and available for lease, suggests that the effective market vacancy rate would be 7.2 percent. This vacancy rate would reflect a market in relative balance with respect to demand and supply, and one that would not suffer conditions that could lead to urban decay.

In summary, the Project's proposed office space represents a potential three percent increase in the supply of rentable office space in the West San Fernando Valley Market Area as of 2016. While the market is currently experiencing high vacancy rates as a consequence of the recession and the particularly soft housing market, economic conditions by the date of the opening of the Project's office space can be expected to be sufficiently strong that the market could accommodate this new development. As a result, there is little likelihood that this component of the Project will create adverse market conditions that could lead to urban decay as defined by CEQA.

V. CONCLUSION

Based on the foregoing analysis, it can be concluded that even though the Project will be a major new source of competitive supply for retail and other commercial land uses, its development will not result in significant adverse economic competition leading to a threat of "urban decay."

More specifically, the analysis of potential impacts has revealed the following:

- ***Anticipated growth in demand within the RMA is sufficient to support development of the proposed General Merchandise Shopper Goods space.*** Over the seven-year projection period 2009-2016, the potential growth in retail sales demand for General Merchandise Shopper Goods in the RMA should approach $463.3 million annually as expressed in current (inflated) dollars. In comparison, the proposed General Merchandise space proposed for the Project — 78,385 square feet GLA within the Membership Club Discount Department Store — would likely capture $72.0 million in sales on an annual basis, a capture rate that is equivalent to 14.1 percent of the total increase in demand for that retail category in 2016. The balance of the RMA projected sales demand would be available for capture by other existing and new general merchandise stores in the market area. As a result, this component of the Project will not create severe market competition that would lead to store closures and urban decay as defined in the CEQA statutes.

- ***Anticipated growth in demand within the RMA is sufficient to support development of the proposed Selected Shopper Goods space.*** Over the seven-year projection period 2009-2016, the growth in RMA demand for Selected Shopper Goods (Apparel; Furniture/Home Furnishings/Appliances; and Other or Specialty Goods) sales in the RMA is projected at $1.165 billion, an amount that can sustain an additional 2.3 million square feet GLA of Selected Shopper Goods space. Phase 1 of the Project will provide 154,600 square feet GLA of Selected Shopper Goods in 2013, an amount representing 12.0 percent of the potential additional supportable Selected Shopper Goods space in that year. Phase 2 will add 104,200 additional square feet GLA of Selected Shopper Goods in 2014, for a cumulative total of 15.8 percent of the potential additional supportable Selected Shopper Goods space in that year. By 2016, when the entire Project achieves stabilized operation, the Project's total share of demand for Shopper Goods space will be 11.2 percent. If 50,000 square foot GLA of Selected Shopper Goods Space is instead developed as a cinema complex in Phase 2, Project's Selected Shopper Goods Space would then capture 9.0 percent of projected demand in 2016. Given the Project's relatively small market share requirement, its Selected Shopper Goods space will not likely have a significant effect on the performance of existing retail stores in the RMA, thus is not likely to trigger conditions that would lead to urban decay as defined by CEQA.

- ***Anticipated growth in demand within the CGMA is sufficient to support development of the proposed Gourmet Market along with other food and beverage store space.*** CGMA retail sales support for Food and Beverage stores is projected to grow by $226.9 million (expressed in inflated dollars) over the period 2009-2016. Phase 1 of the Project will add 47,031 square feet GLA of Food and Beverage space, which would capture 48.4 percent of the additional demand in 2013. Phase 2 will add 42,878 additional square feet GLA of in 2014, accounting for a cumulative total of 66.7 percent of demand in that year. By 2016, when the entire Project achieves stabilized operation, the Project's total share of demand for food and beverage store space will be 47.0 percent, leaving a balance of $120.3 million of demand that would be available for then-existing facilities and a proposed 55,340 square foot GLA supermarket proposed for development at the Corbin Village Shopping Center. Given the magnitude of anticipated market support in the CGMA, it is unlikely that this component of the Project will contribute to competitive conditions that could lead to urban decay in the West San Fernando Valley.

- ***Anticipated growth in demand within the CGMA is sufficient to support development of the proposed Pharmacy/Drug Store space.*** The projected growth in market support for Pharmacy/Drug store space in the 3.0-mile radius identified as the CGMA for the Project is projected to reach $72.7 million between 2009 and 2016. This increase in demand should be more than sufficient to support the 8,230 square feet GLA of Pharmacy/Drug Store space that is planned for the Membership Club Discount Department Store, whose anticipated sales would approach $6.6 million. The Project's share of demand would be 16.8 percent in 2013, and declines to 9.4 percent by 2016. Thus, there is little likelihood that this component of the Project would have a competitive impact on other existing drug stores in the CGMA, and would allow for the proposed 15,789 square foot GLA drug store planned for the Vanowen & Corbin Shopping Center to receive ample support from the growing market demand.

- ***Anticipated growth in demand within the 5.0-Mile Market Area is sufficient to support development of the proposed Eating and Drinking Facilities.*** Analysis of the potential growth in demand within the 5.0-Mile Market Area indicates that there will be sufficient growth in demand by 2016 to support the proposed development of 33,185 square feet GLA of Limited Service Restaurants, such as coffee shops and fast food facility space, and 23,100 square feet GLA of Full Service Eating and Drinking Places at the Project. For Phase 1 (2013), the Project's share of demand for Limited Service Restaurants will be 23.3 percent, and its share of demand for Full Service Eating and Drinking Places will be 8.8 percent. By 2016, when Phase 2 is added and the entire Project has achieved stabilized operation, the

Project's share of demand for Limited Service Restaurants will be 23.3 percent, and its share of demand for Full Service Eating and Drinking Places will be 8.5 percent. These shares of demand are not likely to place competitive stress on the then-existing and projected future base of dining facilities located near the Project.

- ***Anticipated growth in demand within the 5.0-Mile Market Area is sufficient to support development of a Cinema Complex in Lieu of Selected Shopper Goods Space.*** The market analysis indicates that the 5.0-Mile Market Area is currently expanding at a rate of growth that can support the equivalent of at least 2.5 new movie theatre screens per year. Over the seven-year projection period 2009-2016, the 5.0-Mile Market Area can accommodate the equivalent of nearly 19 additional screens, thus providing the full support necessary to sustain a 10-screen complex if about 50,000 square feet GLA is developed for this purpose in lieu of an equivalent amount of Selected Shopper Goods Space. Assessment of existing cinema complexes in the 5.0-Mile Market Area also indicates that they are well-positioned to compete effectively with a new cinema complex located at the Project by virtue of their modern facilities, dispersed locations and surrounding complementary uses.

- ***Anticipated growth in demand within the West San Fernando Valley market area is sufficient to support the operation of the proposed 275-room hotel.*** Visitor growth in the West San Fernando Valley is being driven by both business travelers to the Warner Center and Woodland Hills business centers as well as by visitors entering or leaving Los Angeles via the U. S. 101 Freeway, one of two major routes leading to and from central and northern California. Market analysis by PKF Consulting indicates that the West San Fernando Valley's 2,255 hotel rooms have achieved strong market recognition and support that is reflected in occupancy rates that reached 77 percent in 2006 and growth in room revenues that, until the recession hit were running in excess of five percent per year. Accordingly, projection of the continued growth in market demand, following a period of market softening in terms of performance covering the period 2008 through mid-2010, results in an anticipated increase in supportable hotel rooms between 2009 and 2016 of 466 rooms. This magnitude of demand growth should be sufficient to sustain the proposed 275-room hotel at the Project. Further indication of the market potential for the site is provided by the fact that the two existing major hotels in the Warner Center market area with 275 or more rooms (i.e., the Hilton and Marriott facilities) have enjoyed excellent market success.

- ***Anticipated growth in office space demand within the West Valley Office Space Market is sufficient to support the operation of the proposed 300,000 square feet of office space***. The West San Fernando Valley Office Space Market is an important suburban office location that is dominated by the Warner Center. As of 2010, the 94 buildings that comprise the market supply offer an inventory of 9.7 million square feet of space, 73 percent of which is classified as Class A space. While the recent national recession has resulted in a sudden spurt in vacancies that have been reflected by negative absorption of space in 2009 and the first part of 2010, the market should recover in the near future and continue to absorb new space at a rate ranging between 200,000 and 300,000 square feet on an annual basis. The proposed commercial office space at the Project (300,000 square feet of gross building area or GBA) would represent a three percent increase to the 2016 West Valley office space inventory. Given the favorable location in proximity with Warner Center and the array of available commercial services that would be offered, the office space should receive favorable market acceptance. While the market is currently experiencing high vacancy rates as a consequence of the recession and the particularly soft housing market, economic conditions by the date of the opening of the Project's office space can be expected to be sufficiently strong that the market could accommodate this new development (i.e., 7.2%-11.2% vacancy rate, depending on which of two different estimates of future demand discussed below is assumed). As a result, there is little likelihood that this component of the Project will create adverse market conditions that could lead to urban decay as defined by CEQA.

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In summary, while the Project will add new retail, restaurant, cinema, hotel and office space to the West San Fernando Valley real estate market, there is no reasonable likelihood that the operation of the Project would result in adverse economic competition within the market areas applicable to each land use to the degree that this competition would lead to urban decay. This conclusion is supported by the findings that the proposed Project's retail and related space, restaurants, cinema complex, hotel facility and office space can all be supported by anticipated future growth in market demand and due to the relative quality and physical positioning of existing facilities which are likely able to compete successfully in the future.

APPENDIX A

Summary of Qualifications of HR&A Advisors, Inc. and Whitney & Whitney, Inc.

QUALIFICATIONS TO PREPARE CEQA/NEPA DOCUMENTATION ON SOCIOECONOMIC ISSUES

HR&A Advisors, Inc. (HR&A) is a full service policy, financial and management consulting firm. Founded in 1976, the firm has a distinguished track record of providing realistic answers to complex economic, economic development, public finance, real estate, housing and strategic planning problems. HR&A clients include Fortune 500 corporations, all levels of government, the nation's leading foundations, and not-for-profit agencies. The firm has extensive experience working for the legal community in such roles as court-appointed special master, consent decree monitor, technical advisor and expert witness.

HR&A's practice lines include local and regional economic analysis, economic development program formulation and analysis, fiscal impact analysis, real estate analysis and advisory services, housing policy research and analysis, population forecasting and demographic analysis, and transportation and other capital facilities analysis and financing.

Among the qualities for which HR&A is widely known and respected are the impeccable quality of its analysis, ability to invent new analytic methods and approaches to suit the needs of a particular client, independent professional judgment honed through extensive exposure to the rigors of the public review process and the scrutiny of the judicial system, the ability to translate complex technical analysis for a variety of non-technical audiences, and the extensive involvement of its Partners in every project it accepts.

The firm's domestic and international consulting is provided by a staff of 30 people located in offices in Los Angeles and New York. Staff members include public finance professionals, planners, economists, architects, lawyers, and experienced project managers. Virtually every member of the firm has substantial public or private sector experience in economic, financial and policy analysis, real estate development and planning.

HR&A has frequently been called on by its public and private sector clients to provide analysis of population, housing, employment, economic, public school facilities and induced growth impacts for projects subject to the California Environmental Policy Act and the National Environmental Policy Act. The following are examples of projects that illustrate this experience.

For Public Sector Clients

- For the City of Lancaster, HR&A prepared economic, fiscal and "urban decay" analysis for EIRs on the Lane Ranch Towne Center and The Commons at Quartz Hill, two regional shopping centers planned for opposite corners at 60th and Avenue L.

- For Los Angeles World Airports, HR&A prepared all of the economic impact analyses needed to evaluate alternative Master Plan concepts for future development of Los Angeles International Airport. The project included extensive econometric modeling of future baseline (pre-project) economic conditions and forecasts of conditions under alternative development scenarios in the City of Los Angeles, the County of Los Angeles, incorporated and unincorporated areas adjacent to the airport, and the surrounding five-county region.

- For the City of Chicago Department of Aviation, HR&A prepared regional and local economic and fiscal impact analyses of the O'Hare Modernization Program (OMP), which was be used by the Federal Aviation Administration to prepare an Environmental Impact Statement on the project. The analysis includes econometric modeling of the six-county Chicago regional area to forecast the employment, total economic output, population and households, among other factors, that would be associated with the $16-billion OMP project, as compared with a No Project scenario.

- For the City of Los Angeles Environmental Affairs Department, HR&A prepared draft Initial Study screening criteria, thresholds of significance and recommendations for analysis approach on the topics of housing, population and employment impacts.

- For Central City West Association and the City of Los Angeles, HR&A prepared a demographic portrait and forecast, and baseline "jobs/housing balance" analysis as part of the Central City West Specific Plan, a transitional neighborhood located directly north of Pico-Union, and across the Harbor Freeway, from the Los Angeles central business district. HR&A's analysis was used as the technical basis for the population, housing and employment sections of the EIR on the Plan. The firm also assisted counsel for interested parties regarding these issues during subsequent litigation over the adequacy of the Final EIR, which was ultimately decided in favor of the City.

- For the Santa Monica-Malibu Unified School District, HR&A managed a detailed review of the options available to the District to consolidate use of its four properties in the Ocean Park neighborhood of Santa Monica, an area which had been experiencing significant enrollment declines. The project included managing the preparation and certification of an EIR on the multi-site strategy adopted by the Board of Education, which included construction of the first new elementary school since the 1950s.

- For the University of California, Los Angeles, the firm prepared an analysis of the degree to which employment and housing associated with UCLA's 1991 Long Range Development Plan was consistent with the emerging regional planning concept of "jobs-housing balance." The firm's analysis was included as a technical appendix to the Final EIR on the Plan, which received approval by the Regents of the University.

- Also for the University of California, Los Angeles, HR&A prepared the population and housing section, and contributed to the induced growth section of the EIR on the 2000-2010 Long-Range Development Plan Update for the campus. The Final EIR was certified by the Regents.

- For the University of California, Santa Barbara, HR&A analyzed the public school impacts of the 1992 Long-Range Development Plan for the Santa Barbara campus, and prepared a Supplemental Environmental Impact Report on this issue, pursuant to a judgment against the University in an action brought by the Goleta Union School District. The Supplemental EIR was certified by the Regents of the University. Upon return to the writ, the court found that the analysis adequately supported the Regent's action. This determination was upheld by the Second District Court of Appeal in *Goleta Union School District v. Regents of the University of California* , 36 Cal. App. 4th 1121 (1995) (opinion on rehearing), holding that the University was not required to pay school mitigation fees.

- For the Southern California Association of Governments (SCAG), HR&A prepared the economic and fiscal impact sections of the EIR on SCAG's 1996 Regional Comprehensive Plan and Guide.

For Private Sector Clients

- For Westfield Corporation, HR&A prepared "urban decay," economic and fiscal impact analyses for a number expansions and new construction of Westfield super-regional shopping centers in Southern California, including Westfield Century City, Westfield Santa Anita, Westfield Fashion Square (Sherman Oaks), The Village at Westfield Topanga, Westfield Palm Desert, Westfield University Towne Center (San Diego), and Westfield North County (Escondido).

- For the University of Southern California, HR&A prepared employment, housing, population, retail "urban decay," economic and fiscal impact analysis for a 5.2 million square foot mixed-use (academic facilities, student and faculty housing, retail, hotel) Specific Plan to implement USC's long-range development plan for its academic campus in Los Angeles.

- For Wilson Meany Sullivan, HR&A prepared employment estimates, "urban decay" analysis for retail uses, economic and fiscal impact analysis for a major mixed-use development (3,500 mixed-income housing, retail and office) to be developed on the site of the Hollywood Park race track in the City of Inglewood.

- For three different developers including Bisno Development Company, Ponte Vista Partners, LLC and SFI Bridgeview LLC, HR&A prepared technical reports on the population and housing impacts of a large-scale residential project proposed for the 62-acre former U.S. Navy housing site in the San Pedro-Wilmington area of Los Angeles.

- For General Growth Properties, HR&A prepared detailed comments on various socio-economic issues in the Draft and Final EIR for the Americana at Brand, a "lifestyle" mall proposed for a site immediately adjacent to the Glendale Galleria in Glendale.

- For Universal Studios, Inc., HR&A analyzed the employment, housing, population and economic and fiscal impacts in Los Angeles County of a proposed $3 billion Specific Plan that will nearly double the intensity of development at Universal City, the home of Universal Studios, Inc.'s film studio, studio tour, various entertainment retail uses, commercial office buildings and hotels. HR&A is now preparing similar analyses for the EIR on the new Universal City Vision Plan being proposed by NBC Universal.

- For the Ratkovitch-Villaneuva Partnership, HR&A prepared the employment, housing, population and public schools impact analyses for the EIR on a proposal to construct 10 million square feet of new commercial and residential development around the City of Los Angeles' Union Station. The Draft EIR was certified by the Los Angeles City Council.

- For St. John's Hospital and Health Center, HR&A prepared analyses of the economic and fiscal impact of current health center impact on the economy of the City of Santa Monica, and the impact that will result from each of two phases of a major reconstruction of the health center following the 1994 Northridge earthquake. The analysis was relied on by the City's consultants in preparing the project's EIR, which was certified by the Santa Monica City Council. HR&A also prepared analysis for the Health Center on the degree to which draft police services mitigation measures being considered by the City met the requirements of CEQA.

- For The Walt Disney Company, HR&A prepared a comprehensive analysis of the employment, population, housing, "jobs-housing balance" and vehicle miles traveled impacts of Downtown Disney and Disney's California Adventure, in Anaheim. The firm's analysis is contained in a series of technical appendices to the EIR, which was certified by the Anaheim City Council.

- Also for The Walt Disney Company, HR&A analyzed the "jobs-housing balance" implications of a proposal to consolidate all of Disney's studio and studio-related administrative facilities on a single site in the City of

Burbank. HR&A's analysis was included as a technical appendix to the project's EIR, which was certified by the Burbank City Council.

- For Wilshire-Barrington Associates, HR&A analyzed the population, housing, employment and jobs-housing balance impacts of a preliminary concept for converting the Barrington Apartments in West Los Angeles into a mixed-use project consisting of 700 apartments, a 262-room hotel, 210,000 s.f. of office space plus miscellaneous retail.

- For the Santa Monica Beach Hotel Development Partnership, HR&A coordinated an extensive review and prepared the Draft EIR comment letter for the developer of a proposed 160-room luxury hotel and community center proposed for a parcel of State-owned land along Santa Monica Beach.

- For Reliance Development Group, HR&A coordinated an extensive review and prepared the Draft EIR comment letter for the developer of a 1.8 million square foot office park and studio complex proposed for surplus land at Santa Monica Airport.

- For Maguire Thomas Partners, HR&A coordinated an extensive review and prepared the Draft EIR comment letter for the developer of a proposed office building and hotel project to be developed on Ocean Avenue in the City of Santa Monica.

REPRESENTATIVE LIST OF CLIENTS

Financial Institutions & Investment Companies

- American Council on Life Insurance
- Citibank Private Banking Group
- Citicorp Real Estate, Inc.
- Community Preservation Corporation
- First Union National Bank
- Fleet Financial Group
- Goldman Sachs
- Hartland Asset Management
- Lehman Bros.
- Shorebank Corporation

Real Estate Development Organizations and Private Companies

- ARC Development
- ARCORP Properties
- Bermant Development Company
- Boeing Realty Corporation
- Casden Properties, Inc.
- Castle & Cook Development Company
- Centex Homes
- Continental Development Corporation
- Daniel Island Development Company
- Disney Development Corporation
- Edward J. Minskoff Equities
- Gaylord Entertainment
- General Growth Properties
- Gibson Speno LLC
- Home Depot Company
- JMB Urban Realty Corporation
- K. Hovnanian Companies of California
- Landmark Land Company
- Madison Square Garden
- Maefield Development Corporation
- Maserich Company
- Maguire Thomas Partners
- Millennium Partners
- Newhall Land & Farming Company
- New York Times Company
- Olympia & York (USA)
- The Related Companies
- Reliance Development Group
- Santa Monica Beach Development Corporation
- SFI Bridgeview, LLC
- Starrett Housing Corporation
- Sunset Development Corporation
- Tishman Speyer Properties
- Trammell Crow Company
- Trammell Crow Residential
- TransAction Companies, Ltd.
- Twentieth Century Fox
- Universal Studios, Inc.
- The Walt Disney Company
- Westfield Corporation, Inc.
- William Lyon Homes
- World Financial Properties

Public Development Agencies

- Alliance for Downtown New York
- Battery Park City Authority
- Brooklyn Bridge Park Development
- Brooklyn Navy Yard Development Corporation
- Catskill Watershed Corporation
- Catholic Charities of Brooklyn
- Cincinnati Business Committee
- Columbus Downtown Redevelopment Corporation
- Downtown Brooklyn Local Development Corporation
- Economic Development Growth Enterprises, Oneida Co., NY
- Empire State Development Corporation
- Inland Valley Development Agency
- Memphis Riverfront Development Corp.
- National Capital Revitalization Corp.
- New York City Economic Development Corporation
- New York State Urban Development Corporation
- Penmar Development Corporation
- Port Authority of New York and New Jersey
- Queens West Development Corporation

Cultural, Recreational & Special Events Clients

- American Museum of Natural History
- Brooklyn Academy of Music Corporation
- Brooklyn Museum of Art
- City of New Haven Arts & Entertainment Facilities Committee
- Lincoln Center for the Performing Arts
- Madison Square Garden
- New Jersey Performing Arts Center
- NYC2008
- Public Space for Public Life
- Randall's Island Sports Foundation
- The Trust for Public Land

Other Quasi-Public and Non-Profit Organizations and Foundations

- Apartment Association of Greater Los Angeles
- The Bowery Mission
- Common Ground Community
- Cornell University
- Corporation for Supportive Housing

Community Services Society of
New York

Other Quasi-Public, Non-Profits and Foundations

The Enterprise Foundation
Ford Foundation
Gay Men's Health Crisis
Griffiss Local Development Corporation
Harry Frank Guggenheim Foundation
Kaiser Permanente
Local Initiatives Support Corporation
Los Angeles Collaborative for Community Development
Metropolitan Boston Housing Partnership
Metropolitan Jewish Geriatric Center
National Equity Fund
Neighborhood Progress, Inc.
New York Blood Center
Newark Alliance
Saint John's Hospital and Health Center
Saint Vincent's Hospital
San Gabriel Valley Council of Governments
Spanish-American Merchant's Assoc.
University of California, Los Angeles
University of California, Santa Barbara
Upper Manhattan Empowerment Zone Development Corp.
Williamsburg Affordable Housing
Westside Urban Forum

Governmental Agencies

Boulder Urban Renewal Authority
City of Berkeley Rent Stabilization Board
City of Beverly Hills
City of Chester (PA)
City of Columbus
City of Culver City (CA)
City of Detroit
City of Houston
City of Huntington Beach (CA)
City of Indianapolis
City of Lancaster
City of Los Angeles
City of New York
City of Olathe (KS)
City of Phoenix
City of San Luis Obispo (CA)
City of Santa Monica
City of West Hollywood (CA)
City of Yonkers
Community Redevelopment Agency of the City of Los Angeles
Compton Unified School District (CA)
County of Santa Barbara
District of Columbia
New Jersey Department of Commerce and Economic Development
Redevelopment Authority of the City of Philadelphia
San Diego Association of Governments
Santa Ana Unified School District (CA)
Santa Monica-Malibu Unified School District
Southern California Association of Governments
Yonkers Office of Downtown & Waterfront Development

Transportation Agencies

City of Chicago Department of Airports
Connecticut Dept. of Transportation
Delaware Dept. of Transportation

Los Angeles County Metropolitan Transportation Authority
Los Angeles World Airports
Massachusetts Bay Transportation Authority
New Jersey Transportation Corp.
New York Metropolitan Transportation Authority
San Diego County Regional Airport Authority
U.S. Dept. of Transportation

Housing Agencies

Chicago Housing Authority
Community Redevelopment Agency of the City of Los Angeles
Cuyahoga Metropolitan Housing Authority (IN)
Detroit Housing Commission
Housing Authority of Baltimore City
Housing Authority of the City of Houston
Housing Authority of the County of Los Angeles
Housing Authority of the City of Santa Monica
Housing Bureau, City of Long Beach
Indianapolis Housing Authority
Los Angeles Housing Department
New York City Housing Authority
New York City Housing Development Corporation
New York State Housing Finance Agency
Omaha Housing Authority (NE)
Philadelphia Housing Authority
Redevelopment Authority of the City of Philadelphia
St. Louis Housing Authority (MO)
United States Department of Housing and Urban Development

WHITNEY & WHITNEY, INC.

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Whitney & Whitney, Inc. (W&W) is a real estate development advisory services firm located in Los Angeles, California. The company was founded by William H. Whitney, Ph.D. in 1984. After six years of serving the southern California and Hawaii markets, W&W reduced the scope of its activities when Mr. Whitney was recruited by Arthur Andersen to assist their Real Estate and Hospitality/Leisure consulting practices in establishing both a national and international presence.

Mr. Whitney served with Arthur Andersen for over nine years, participating on major real estate and hospitality consulting engagements in over 40 different countries throughout the world. Activities during this period also included starting Arthur Andersen's Asia/Pacific Region real estate consulting practice in Manila, and spending three years in Andersen's London offices serving as a resource for the European and Middle East real estate consulting practices.

Following his return to the United States in March 2000 Mr. Whitney has re-activated Whitney & Whitney, Inc. The firm's major focus is on the provision of real estate consulting services to both public and private clients in the following areas:

- Due diligence services for companies involved with the acquisition and operation of real estate assets;
- Participation on multi-disciplinary teams with architects, planners and other design professionals in the planning of resorts, new communities and urban mixed-use projects
- Advisory services related to the maximization of returns from corporate real estate assets;
- Advisory services related to the maximization of public benefits from proper utilization of public lands;
- Market feasibility studies for large scale land development programs, including waterfront projects, shopping centers, resorts, and new communities;
- Master planning for large-scale urban parks and open space programs;
- Financial feasibility studies for proposed real estate investments;
- Negotiation assistance related to the formation and implementation of public/private partnerships;
- Fiscal impact, economic impact, cost-revenue and cost-benefit evaluations of proposed real estate development activities for public agencies and private developers;
- Valuation/expert witness services related to complex real estate transactions and/or arbitration and litigation proceedings; and
- Implementation services related to attaining necessary development entitlements and funding for real estate programs.

W & W's recent projects include the following: since the early 1990s has served as a real estate economic and financial advisor to the State of Hawaii Aloha Tower Development Corporation related to the redevelopment of the downtown Honolulu waterfront; performed a market and financial analysis of a proposed "high technology" park/mixed-use commercial development program in Dubai, United Arab Emirates known as Dubai Internet City; conducted an analysis of the economic feasibility of converting the 4,700-acre El Toro Marine Corps Air Station to an urban park; conducted an analysis of the redevelopment potentials for tourist-serving projects in the Old City of Shanghai; provided a market analysis of the retail redevelopment potential for the International Market Place in Waikiki for the Queen Emma Foundation; performed an evaluation of redevelopment potentials and the resultant fiscal impacts from conversion of certain industrial lands to retail and other uses for the City of San Jose; provided an evaluation of the market feasibility for residential and commercial retail uses on surplus lands owned by Ohlone Community College, Fremont, California; evaluated the market and financial opportunity for development of a major shopping center near Mililani Town on the Island of Oahu, Hawaii for Forest City; and reviewed the market for office and retail commercial uses near the East Eisenhower Transit Station for the City of Alexandria, Virginia; and a market study for a C. J. Segerstrom & Sons development project located near South Coast Plaza in Orange County. Currently, the firm is serving as an advisor to Castle & Cooke on the preparation of a master plan and development strategy for 28,000+/- acres of land located on the North Shore of the Island of Oahu; providing a review of the master plan for the Sa'adiyat Island resort located in Abu Dhabi, United Arab Emirates; and preparing market/financial analyses and a business plan for a proposed destination spa to be located in the Santa Monica Mountains.

Mr. Whitney's background in the analysis of major shopping center developments and the planning of their adjacent lands supersedes the formation of W & W. He has been conducting investigations of retail development opportunities for nearly 40 years, starting with the re-use of the Chevron properties located in El Segundo and Manhattan Beach that ultimately led to the development of Manhattan Beach Village. One such project, the planning of the Puente Hills Mall and its immediate surrounding lands for the Western Harness Racing Association in 1970, was the inspiration for his doctoral dissertation, "An Investigation of Selected Impacts on Surrounding Lands Which are Generated by Development of Regional Shopping Centers" (UCLA, 1975).

A partial listing of Mr. Whitney's shopping center experience includes the following:

WESTFIELD CORPORATION: "Urban Decay" Analysis for Super-Regional Shopping Centers, California.
In collaboration with HR&A Advisors, Inc., prepared "urban decay" analyses for a number expansions and new construction of Westfield super-regional shopping centers in Southern California, including Westfield Santa Anita, Westfield Fashion Square (Sherman Oaks), The Village at Westfield Topanga, Westfield Palm Desert, Westfield University Towne Center (San Diego), and Westfield North County (Escondido).

ERNEST W. HAHN, INC. (NOW TRIZECHAHN): Regional Shopping Center Market Analysis and Economic/Fiscal Impact Studies, California and Washington
Conducted numerous market feasibility and economic/fiscal impact studies of proposed regional shopping centers for the Ernest W. Hahn Company, forerunner to TrizecHahn, including analyses for the following existing regional shopping centers: Puente Hills Mall, City of Industry; Mariner's Island, San Mateo; North County Fair, Escondido; Kelso Mall, Kelso, Washington; and Sierra Vista, Clovis, California.

PSB REALTY CORPORATION: Costa Mesa Courtyards, Costa Mesa, California
Performed market and financial feasibility studies for the Costa Mesa Courtyards, a 173,000 square foot shopping center once honored as the "Best Retail Development" in the Western States at the Pacific Coast Builders Conference. The 11-acre project has been an important stimulus to the revitalization of the City of Costa Mesa's old central business district.

JAMES YOUNGBLOOD, DEVELOPER: The Lumberyard, Encinitas, California
Conducted market and financial feasibility studies for the project, a specialty retail center with 80,000 square feet of retail space located in the City of Encinitas. The center has been successfully developed, and has performed at or above initial market expectations.

THE IRVINE COMPANY: Fashion Island and Spectrum Center Impact Studies, Newport Beach and Irvine, California
Conducted economic and fiscal impact evaluations of these two major centers as part of their submissions for general plan amendments to the Cities of Newport Beach and Irvine, respectively. The Fashion Island expansion program focused on the interactive benefits that could be generated between the existing and proposed retail uses and the surrounding hotel and office developments; in contrast, the central concern regarding the proposed Spectrum project was its potential sales and property tax generation for the municipality.

LIVERPOOL DEPARTMENT STORE AND THE FRANSEN COMPANY: Regional Shopping Center Market Evaluations, Various Metropolitan Areas, Mexico
Conducted detailed investigations of the market opportunities for Liverpool Department Store to serve as an anchor tenant and developer of regional shopping centers throughout Mexico. A number of sites in major metropolitan locations were evaluated, and projections were made of potential store sales and supportable retail space. As of 2001, the study had resulted in one new shopping center currently operating in the Mexico City metro area and a second project under construction.

MITSUI TRUST & BANKING CO., LTD.: Aloha Tower Marketplace, Honolulu, Oahu, Hawaii
Provided a market validation study for a festival marketplace that was under construction in downtown Honolulu. The development program, which ultimately became the Aloha Tower marketplace, called for approximately 200,000 square feet of retail and restaurant space at Honolulu Harbors Piers 7, 8 and 9 adjacent to the historic Aloha

Tower. The analysis included a thorough examination of each segment of the potential customer base and an assessment of the potential expenditure patterns at the center from those identified market segments. The results of the market studies were then utilized to generate sales projections for the center.

THE ROBERTS GROUP: Wood Ranch Development Program, Simi Valley, California
Performed an analysis of retail commercial potentials for a major community shopping center located in the Wood Ranch planned community. The study involved a detailed assessment of competitive retail projects found within the immediate market area surrounding Wood Ranch and a determination of market support generated by Wood Ranch residents. The center is open and operating successfully.

A&B HAWAII, INC./VANGUARD PROPERTIES: Triangle Square Factory Stores, Kahului, Maui, Hawaii
Provided a market analysis of a proposed factory outlet center in Kahului, Maui near the Kahului Airport. The development program called for 110,000 square feet of retail space to be built at one of Maui's most important highway junctions. The analysis included an examination of the potential customer base, consideration of the potential expenditure patterns by the major market segments, and a projection of potential sales at the project. The project has been developed and is operating successfully.

CITY OF VISALIA: Regional Shopping Center Location Studies; Visalia, California
Served the City of Visalia as market and planning consultants in the evaluation of potential locations for new regional shopping center facilities in the City of Visalia. The analysis included an assessment of the market, fiscal, transportation and other economic and social impacts related to the alternative sites under consideration for the new center.

AMFAC/JMB HAWAII, INC.: Kaanapali North Beach Entertainment / Retail Center Feasibility Studies, Kaanapali, West Maui, Hawaii
Provided a detailed assessment of a proposed themed entertainment/retail attraction at North Beach. A number of different retail and entertainment concepts were evaluated for the property, including specialty retail alternatives similar to Whaler's Village and more elaborate commercial recreation complexes featuring entertainment venues similar to Church Street Station in Orlando, Florida. The major finding of the study was that the most profitable use in terms of land utilization and environmental constraints was a major health spa, as this use generated the highest visitor expenditures per unit of land area and required relatively low market penetration of the existing visitor base.

CASTLE & COOKE PROPERTIES, INC.: Iwilei District Market Feasibility Study, Honolulu, Hawaii
Conducted market feasibility studies to provide development guidelines for the redevelopment of the 50-acre Iwilei property. The site is located near downtown Honolulu in an area transitioning from industrial to commercial uses, and was previously occupied by the Dole Cannery. The market analysis concentrated primarily on the market potential for outlet-type retail shopping activities and "bull-pen"-type office space. Major issues raised by the study pertained to the site's relative accessibility for both local residents and visitors.

CASTLE & COOKE PROPERTIES, INC.: Mililani Town Center Market Assessment, Mililani Town, Oahu, Hawaii
Conducted a market analysis of the existing Mililani Town Center, a 166,500 square foot community shopping center located in central Oahu. The primary purposes of the investigation were to first, assess the current market performance of the center given its location, configuration and competitors; second, determine a strategy for expansion of the center to 400,000 square feet of space after giving full consideration to future market positioning, product mix and anchor tenants. Attention also focused on expanding the range of activities at the center to include a variety of service functions in addition to the retail tenants.

CITY OF LAWNDALE: South Bay Galleria Buyout, Redondo Beach, California
Provided a financial evaluation of the ownership interest held by the City of Lawndale in the South Bay Galleria, a regional shopping center that was undergoing renovation by Forest City Development Company. The work performed by the consultant formed the basis for the city's successful sale of its interest in the project to the developer.

CITY OF PASADENA: Lake/Washington Neighborhood Shopping Center, Pasadena, California
Analyzed the development potential for a major new neighborhood shopping center intended to revitalize an older shopping district in Pasadena. The study involved an extensive review of existing businesses in order to assess both

the positive and negative impacts of the new facility. The center has been constructed with a supermarket and drug store as the anchor tenants, and has successfully fostered revitalization of the entire district with new commercial development.

MAGUIRE THOMAS PARTNERS: Peter's Landing Specialty Center, Huntington Harbour, California
Provided market and financial consulting services to Peter's Landing, a specialty retail center and marina complex located in the affluent waterfront residential community of Huntington Harbour. Initially, the focus was on evaluating the market potentials for boat slips and retail and office uses. Later, attention was focused on evaluating the financial trade-offs between retention of the marina as a rental program and sale of the berths under a "dockominium" concept.

THE IRVINE COMPANY: Mervyn's Retail Location Study, Various Locations, Orange County
Assisted The Irvine Company (TIC) in evaluating potential alternative locations for Mervyn's department stores on various properties owned by TIC. The study considered both the provision of "blanket" coverage by the chain store throughout Orange County with multiple locations as well as an evaluation of specific sites on TIC lands. Presented results of the study to Mervyn's leadership in Minneapolis.

SAN DIEGO UNIFIED PORT DISTRICT: Embarcadero Master Planning Program Feasibility Studies San Diego, California
Performed market studies leading to the establishment of Seaport Village, a leading specialty retail center of about 200,000 square feet located on the San Diego waterfront. Other market and related investigations have led to development of hotel, marina, convention center and cruise ship terminal facilities along the Embarcadero.

CITY OF IRVINE: Retail Commercial Needs Assessment Study, Irvine, California
Prepared a retail commercial needs assessment for the City of Irvine that considered the long term demand for and supply of retail commercial space in the community. One of the sites investigated ultimately became the Spectrum specialty/entertainment center. The results of the study were somewhat controversial, as the analysis was critical of a number of the existing and proposed retail locations in the residential villages of Irvine with respect to their long term economic viability.

DAVID HOCKER & ASSOCIATES: Shelter Cove Shopping Centers, Palmetto Dunes, Hilton Head, South Carolina
Performed market investigations of the potential for (1) a 200,000 square foot specialty retail shopping center anchored by "downsized" department stores, and a (2) 120,000 square foot convenience retail center. While the convenience center was accepted and completed as originally conceived, there was significant resistance from department stores to the concept of the specialty center in a resort setting because of the low visitation at Hilton Head during the prime Christmas season.

ARROWHEAD REGIONAL DEVELOPMENT COMMISSION: Downtown Duluth Regional Center Evaluation, Duluth, Minnesota
Performed a comprehensive economic and fiscal analysis of alternative locations for a regional shopping center in the Duluth region. While the study clearly showed the advantages to the community of utilizing the downtown as a location for the facility, these potential benefits did not convince potential chain retailers that there was sufficient market support for the facility or that the center city location could be successfully "retrofitted" with large quantities of retail space.

NANSAY CORPORATION: Market Assessment of Retail Potentials, Westwood Mixed Use Project Westwood, California
Analyzed the market potential for development of a major new retail center in Westwood. The study documented the need for quality retail stores and restaurants in the Westwood area, though the stigma associated with Westwood following several crimes of violence plus the recession of the early 1990s effectively doomed the project. Notwithstanding, in recent years Westwood has been rejuvenated on a piecemeal basis with many of the retail activities proposed in the study.

PRUDENTIAL REALTY/MELVIN SIMON COMPANY: Marina Place Economic/Fiscal Impact Study, Culver City, California
Provided market assessments and economic and fiscal impact analyses of the proposed Marina Place regional shopping center as part of the consultant team that was successful in obtaining approvals for the proposed development on a 30+/- acre site near Marina del Rey. Unfortunately, regional economic conditions coupled with the decline in performance of traditional department stores led to the project's demise; the site was developed instead with a Costco department store.

HAWAII OMORI CORPORATION: Lahaina Cannery Shopping Center Evaluation, Lahaina, Maui
Performed a series of market evaluations for three properties owned by Hawaii Omori Corporation that were located in the Town of Lahaina, Maui. One of the properties serves as the site for the Lahaina Cannery Shopping Center, an existing 180,000 square foot facility. The study examined the possibility of developing a multi-centered retail complex with both specialty and convenience retail nodes designed to serve the full range of resident and tourist retail needs.

MAUNA LANI RESORT, INC.: Specialty Retail Center Market Studies, Mauna Lani, South Kohala, Big Island of Hawaii
Analyzed the market potentials for the development of a specialty retail center at Mauna Lani Resort. The analysis focused on upper-income visitors and their propensities to support specialty retail shops in hotels and at "boutique" centers similar to The Shops at Kapalua. The study identified candidate tenants for the development, provided recommendations regarding store mix, and offered suggestions with respect to the optimum location for the facility within the resort.

ALOHA TOWER DEVELOPMENT CORPORATION: Aloha Tower Development Program, Phases I and II, Honolulu, Hawaii
Prepared developer selection criteria and evaluated business terms of proposals for redevelopment of the Aloha Tower complex, a $1 billion redevelopment program for the downtown Honolulu waterfront featuring a "festival market" specialty retail center, the precursor to current "entertainment/retail" projects. The first phase of the project, Aloha Tower Marketplace, was completed in 1994. Following the selection of the preferred developer, Enterprise Development Company, provided leasing advisory services and negotiated the business terms of the lease agreement between parties.

STATE OF HAWAII EMPLOYEES RETIREMENT SYSTEM (ERS): Kaahumanu Regional Center Expansion, Kahului, Maui, Hawaii
Provided a market and financial evaluation of the proposed expansion of Kaahumanu Center from 316,600 square feet of gross leasable area (GLA) to 542,600 square feet. The only regional center located on Maui, the property was owned by Maui Land & Pineapple Company, developers of Kapalua Resort. The analysis measured investment returns to the State of Hawaii ERS under a range of future outcomes. Of particular significance were the assessments of potential competitive impacts on the center from Mainland retailers entering the Maui market. The expansion program was successfully completed.

STATE OF HAWAII EMPLOYEES RETIREMENT SYSTEM (ERS): Waikele Shopping Center, Central Oahu, Hawaii
Completed a due diligence review of a proposed power center and an outlet mall which were developed on 40+ / - acres of freeway frontage in the Waikele master-planned community. The services provided to the ERS included a review of major sources of demand for retail goods and services, a survey of existing and proposed competitive facilities on Oahu, and a detailed examination of the developer's proposed tenant mix and pro forma financial projections. Also compared actual leases with the pro-forma rent schedules to ensure that the project would achieve its target levels of return.

QUEEN LILIUOKALANI TRUST/FIRST HAWAIIAN BANK: Mauka Lands Evaluation, Kailua-Kona, Big Island of Hawaii
Served the Queen Liliuokalani Trust as market and financial advisors for 1,200 acres of land located in Kailua-Kona on the Big Island of Hawaii. Following its re-classification to urban use by the State Land Use Commission, provided assistance to the Trust by performing market studies for the site and reviewing proposals for the first phase of development from shopping center developer candidates. The project has gone forward successfully, and several increments of retail commercial development have been completed.

T & S DEVELOPMENT, INC.: Regional Shopping Center Assessment, Riverside, California
Provided a critique of the market study that supported the expansion of the existing Tyler Mall regional shopping center. Also presented a comparative analysis of the economic benefits resulting from the proposed expansion of Tyler Mall with an alternative program to develop a new regional center at Canyon Springs Road.

DONAHUE/SHRIBER AND THE IRVINE COMPANY: Comparative Analysis of Alternative Sites, City of Irvine, California
Assisted the shopping center developer and the Irvine Company in evaluating alternative locations for the development of Target department stores. Primary focus was on two sited in the City of Irvine – Interstate-5/Myford and Culver/Barranca. The principal basis for comparison was the demographic characteristics of the primary market areas served by the two locations.

HOMART DEVELOPMENT CORP. (SEARS): Proposed Regional Shopping Center, Eugene, Oregon
Evaluated the market potential for a regional shopping center to be located in the Eugene, Oregon metropolitan area. The results of the study suggested that the market was likely too small to absorb the retail space proposed in the Homart project.

THE IRVINE COMPANY: Proposed Regional Shopping Center, Orange County, California
Provided a market analysis of the future potentials for a regional shopping center located on Santiago Canyon Road easterly of the City of Orange. The primary purpose of the study was to guide the master planning for the area and make necessary allocations for lands sufficient to accommodate future commercial space requirements.

AHMANSON COMMERCIAL DEVELOPMENT CORPORTATION: Palm Desert Community Shopping Center, Palm Desert, California
Performed market and financial feasibility studies for this recently completed community shopping center located on Highway 111 adjacent to the Palm Desert Town Center regional mall. One purpose of the study was to consider a tenant mix that would be able to effectively compete with the regional mall.

LOS ANGELES COUNTY CHIEF ADMINISTRATIVE OFFICE: Civic Center Mall Retail Analysis Civic Center Mall, Los Angeles
Evaluated the market potential for specialty retail and service commercial uses at a potential retail location on the Civic Center Mall near the Music Center. The purpose of the facility was to provide for the needs of governmental workers and visitors to County Hall of Administration. Consulting services also included lease negotiations with candidate tenants for the project.

APPENDIX B

Explanation of Population, Income and Retail Sales Allocation Factors Used in the Analysis

This Appendix provides additional explanatory detail for the population, income and retail sales projections that are presented in the preceding urban decay analysis, and how potential conflicts among some of the data sources were reconciled.

Population

The baseline population forecasts underlying this analysis were prepared by Claritas, Inc., a nationally-recognized provider of demographic information for market analyses and other purposes. As presented in Table B-1, Claritas provided baseline population and personal income data for the following market areas: (1) The Village at Westfield Topanga's Regional Market Area (RMA) that will serve as the primary source of support for the Shopper Goods component of the center, a geographic area which is comprised of 21 zip codes; (2) a 5.0-Mile Market Area radius that will serve as the major source of support for Eating and Drinking Facilities and the Cinema Complex at the center; (3) a 3.0-Mile Market Radius known as the Convenience Goods Market Area (CGMA) that serves as the major source of support for Convenience Goods at the center; and (4) Los Angeles County. Data were prepared for several time periods: the baseline year 2000 per information collected from the U.S. Census; a current estimate for the year 2009 which serves as the baseline date for this analysis; and a five-year projection for the year 2014, a date which coincides with the first full year of operation of the renovated and expanded center. These estimates and projections were then evaluated for internal consistency and for comparability with other data sources, including estimates and projections made by the California State Department of Finance and the U. S. Bureau of Economic Analysis. The Consultant Team also utilized the Claritas data to prepare population projections for each of the market areas for the year 2015.

Table B-1
BASELINE DEMOGRAPHIC ESTIMATES AND PROJECTIONS.
LOS ANGELES COUNTY AND VILLAGE AT WESTFIELD TOPANGA MARKET AREAS

Data Category	Regional Market Area (RMA)	Eating & Drinking Facilities/Cinema 5.0-Mile Market Area	Convenience Goods 3.0-Mile Market Area (CGMA)	Los Angeles County
Population				
2000	692,582	355,682	185,631	9,519,338
2009	751,101	381,836	198,582	10,331,011
2013	785,100	397735	206615	10,535,717
2014	793,837	401,812	208,673	10,744,479
2015	802,672	405,931	210,752	10,971,559
2016	811,605	410,092	212,852	11,188,957
Number of Households				
2000	236,806	126,739	66,246	3,133,774
2009	253,118	133,551	69,791	3,347,880
Average Per Capita Income				
2000 [1]	$27,269	$26,892	$26,470	$20,683
2009	$33,832	$33,901	$32,735	$25,147
Average Household Income				
2000 [1]	$79,477	$74,487	$73,211	$61,811
2009	$99,486	$93,134	$92,270	$76,708

[1] 2000 data actually are for calendar year 1999.
Source: Claritas, Inc., HR&A Advisors, Inc.; W & W, Inc.

Personal Income

Table B-1 also provides Claritas' estimates of current household and per capita income for the RMA, the 5.0-Mile Market Area, the CGMA and Los Angeles County. While these statistics may be indicative to the degree that they likely reflect basic proportional differences between the RMA, 5.0-Mile Market Area, CGMA and the entire Los Angeles County with respect to personal income levels, the current estimates made by Claritas appear to be quite conservative. For example, Claritas' per capita income growth estimates for County residents between 1999 and 2008 is measured at about 2.2 percent, while other forecasts for the area made by the United States Bureau of Economic Analysis (BEA) and Bureau of Labor Statistics (BLS) suggest that per capita personal incomes for the State and the County were growing at a rate above 3.6 percent[43]. Given what the Consultant Team believes are unrealistically low estimates by Claritas, further analysis was conducted to arrive at more realistic estimates and projections of current and future income levels for the County, the RMA, the 5.0-Mile Market Area and the CGMA. These estimates and projections are noted in Table B-3. It should be noted that they reflect the higher growth rates estimated by the Bureau of Economic Analysis for the period

[43] Further in this regard, the UCLA Forecast estimates the annual rate of per capita income growth in the State at about 5.5 percent for the period 1999-2007.

2000-2008, then follow recent projections made by the UCLA Economic Forecast for the State of California that indicate rates of personal income growth for the years 2009 through 2012 as noted below in Table B-2:

Table B-2
PROJECTED ANNUAL GROWTH IN
PER CAPITA PERSONAL INCOME

Year	Annual Percent Change
2009	-2.5%
2010	1.9%
2011	3.7%
2012	6.1%

Source: UCLA Anderson Forecast for CA, Sept. 2010.

For subsequent forecast years 2013 through 2016, personal incomes are projected to average 4.4 percent annually, a level that is consistent with the rate of per capita personal income growth that was experienced in California between 2001 and 2008

It also should be noted that there are two basic measures of per capita personal income that are commonly used in retail market analysis: Per Capita Personal Income as measured by the BEA, BLS and UCLA Anderson Forecast; and Per Capita Personal Income as reported in the United States Census and utilized by Claritas. The BEA concept of income is a broad definition of per capita personal income that includes both money receipts and changes in assets; it usually is a substantially higher figure for a given population than the per capita amount provided by the U.S. Census, which reports a more limited concept of "money" income that is estimated by census respondents. As measured in Table B-3, the U.S. Census figure for Los Angeles County per capita income was equivalent to only 72.3 percent of the BEA County per capita income measure estimate in 1999, and comparative data for other time periods suggest that the ratio between these two per capita income measures has stayed fairly consistent over time. Accordingly, for this analysis, the ratio is projected to hold constant at 73.0 percent.

In the preparation of per capita personal income estimates and projections for the RMA, 5.0-Mile Market Area and the CGMA, the baseline estimates made by Claritas were adjusted upward to reflect the following considerations: (1) the recent BEA estimates of per capita income for State of California residents; (2) the recent BEA estimates of per capita income for County of Los Angeles residents; and (3) the relatively higher per capita incomes historically found in the RMA, 5.0-Mile Market Area and the CGMA *vis a vis* Los Angeles County in its entirety as measured by Claritas. The results of these adjustments are presented in Table B-3 in the form of per capita income estimates and projections in the years 2009 through 2016 for the RMA, 5.0-Mile Market Area and CGMA residents.

Table B-3
COMPARISON OF PER CAPITA INCOMES FOR STATE OF CALIFORNIA, LOS ANGELES COUNTY AND WESTFIELD TOPANGA MARKET AREAS
1999-2016

	1999	2000	2007	2008	2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
State of California												
Per Capita Personal Income, BEA Definition	$30,679	$33,398	$ 43,402	$ 43,852	$ 42,756	$ 43,568	$ 45,180	$ 47,936	$ 50,045	$ 52,247	$ 54,546	$ 56,946
County of Los Angeles												
Per Capita Personal Income, BEA Definition	$28,607	$29,865	$41,307	$ 42,265	$ 41,208	$41,991	$43,545	$46,201	$48,234	$50,356	$52,572	$54,885
County as Percent of State	93.2%	89.4%	95.2%	96.4%	96.4%	96.4%	96.4%	96.4%	96.4%	96.4%	96.4%	96.4%
Money Income as Percent of Personal Income	72.3%			73.0%	73.0%	73.0%	73.0%	73.0%	73.0%	73.0%	73.0%	73.0%
County of Los Angeles Per Capita Personal Income, Census Definition (Claritas):	$ 20,683			$ 24,660	$ 25,147							
Adjusted County of Los Angeles Per Capita Personal Income, Census Definition	$ 20,683			$ 30,853	$ 30,082	$ 30,654	$ 31,788	$ 33,727	$ 35,211	$ 36,760	$ 38,378	$ 40,066
Village at Westfield Topanga Market Areas												
1. Regional Market Area (RMA)												
Per Capita Personal Income, Census Definition (Claritas)	$ 27,269			$ 33,144	$ 33,832							
Adjusted Per Capita Personal Income, Census Definition	$ 27,269			$ 41,468	$ 40,472							
Per Capita Personal Income: BEA Definition	$ 37,716			$ 56,806	$ 55,386	$ 56,438	$ 58,526	$ 62,096	$ 64,829	$ 67,681	$ 70,659	$ 73,768
2. Eating and DrinkingFacilities/Cinema 5.0-Mile Market Area												
Per Capita Personal Income, Census Definition (Claritas)	$ 26,892			$ 32,149	$ 33,901							
Adjusted Per Capita Personal Income, Census Definition	$ 26,892			$ 40,223	$ 40,554							
Per Capita Personal Income: BEA Definition	$ 37,195			$ 55,100	$ 53,723	$ 54,744	$ 56,769	$ 60,232	$ 62,882	$ 65,649	$ 68,538	$ 71,553
3. Convenience Goods 3.0-Mile Market Area (CGMA)												
Per Capita Personal Income, Census Definition (Claritas)	$ 26,470			$ 31,912	$ 32,735							
Adjusted Per Capita Personal Income, Census Definition	$ 26,470			$ 39,927	$ 39,159							
Per Capita Personal Income: BEA Definition	$ 36,611			$ 54,694	$ 53,327	$ 54,340	$ 56,351	$ 59,788	$ 62,419	$ 65,165	$ 68,032	$ 71,026

Source: U. S. Bureau of Economic Analysis and U. S. Bureau of Labor Statistics (Table CA 1-3, Per Capita Personal Income); U S Census; State of California Department of Finance; UCLA Anderson Forecast, Sept. 2010; HR&A Advisors, Inc.; W & W, Inc.

Retail Sales Demand

Future retail demand has been projected by determining the percent of personal income that has historically been expended for retail sales in the State of California and applying this factor to existing and future population and income levels found in the market areas for The Village at Westfield Topanga site. This percentage has been determined by comparing total retail sales as measured by the U.S. Census of Retail Trade in census years 1997, 2002 and 2007 with the BEA's measures of California Personal Income for those three corresponding periods as summarized in Table B-4.

It should be noted that the table actually provides two sets of comparisons between aggregate or Total Personal Income and Total Retail Sales recorded in the State of California. Each comparison is reviewed below:

- The first comparison of Personal Income to Retail Sales follows exactly the Census definition of Retail Sales which ***includes*** both store-based sales and non-store-based sales such as E-Sales (Electronic shopping and mail order houses) and Vending Machine Operators. It then ADDS sales generated by Eating and Drinking Establishments — not counted as retail sales in the Census — as these sales are important components in the operation of shopping centers.

- The second comparison of Total Personal Income to Retail Sales once again ADDS Eating and Drinking Establishment sales but EXCLUDES E-Sales and Vending Machine operations, as these sales are not material to assessing the sales capture and resultant viability of shopping center space.

The first comparison of Retail Sales as a percent of Total Personal Income — where the definition of Retail Sales includes both non-store (particularly E-Sales) retail sales and Eating and Drinking Establishment sales — indicates that there has been a minor decline in retail sales as a proportion of Total Personal Income in recent years, a finding that is consistent with the effect of the recent Recession on consumer behavior at both a regional and national scale. Moreover, according to the UCLA Forecast, California's Total Taxable Sales (including sales taxes that are collected by both retail stores and non-retail establishments) have continued to decline in each of the last two calendar years 2008 and 2009. Notwithstanding, this downward trend is expected to be reversed in 2010, and retail sales growth should keep pace with personal income growth in subsequent years that cover the projection period studied in this analysis.

Table B-4
RETAIL SALES AS PERCENT OF TOTAL PERSONAL INCOME, US BEA AND US CENSUS
STATE OF CALIFORNIA
1997, 2002 and 2007

1. Includes all Census Retail Categories and adds Eating and Drinking Establishment Sales

Year	Total Personal Income ('000s)	Total Retail Sales 1/ ('000s)	Retail Sales as % of Personal Income (BEA)
1997	$ 879,160,000	$ 292,275,061	33.2%
2002	$ 1,187,360,000	$ 397,704,450	33.5%
2007	$ 1,572,271,000	$ 508,180,361	32.3%
		Average	33.0%

2. Includes Eating and Drinking Sales; Excludes E-Sales, Vending Machines, Other Non-Store Retailers

Year	Total Personal Income ('000s)	Total Retail Sales 1/ ('000s)	Retail Sales as % of Personal Income (BEA)
1997	$ 879,160,000	$ 284,819,325	32.4%
2002	$ 1,187,360,000	$ 381,325,771	32.1%
2007	$ 1,572,271,000	$ 476,133,190	30.3%
		Average	31.6%

Source: U S Bureau of Economic Analysis (BEA); U S Census; W & W, Inc.

The second comparison between Total Personal Income and Total Retail Sales (where retail sales are adjusted to include Eating and Drinking Establishments but exclude sales by non-store retailers such as E-Sales and Vending operations) also indicates that, in the aggregate, retail sales as a percentage of total personal income declined between 2002 and 2007, though once again the decline in percentage terms is only 0.8 percent and likely impacted by the recession. Based upon a review of these data as well as other forecasts of regional growth, for purposes of this analysis Total Retail Sales as a percent of Total Personal Income as defined in the second comparison, i.e. the one that includes Eating and Drinking Establishments but excludes non-store (Vending Machine, E-Sales) are projected to grow at a rate that is equivalent to 31.6 percent of Total Personal Income for the projection period 2009-2015 for Los Angeles County and each of the market areas under investigation.

Table 5 provides data on the growth of individual retail sectors within the State of California over the period 1997-2007. Generally, total sales by major store category grew in the range of 40 percent to 115 percent during this 10-year period with one major exception—Non-store Retailers (principally Electronic Shopping and Mail Order Vendors utilizing the Internet) more than tripled the size of their total retail sales during the period while increasing their market share of all retail sales from 2.6 percent in 1997 to 6.3 percent in 2007.

Table B-5
GROWTH IN RETAIL SALES BY MAJOR RETAIL CATEGORY, UNITED STATES CENSUS OF RETAIL TRADE
STATE OF CALIFORNIA
1997-2007
(in Thousands of Current Dollars)

	1997	2002	2007	Net Change, 1997-2010	
Retail Store Category	Census	Census	Census	Number	Percent
Apparel, Accessories, Jewelry, Luggage	16,784,874	22,661,146	30,598,137	13,813,263	82.3%
General Merchandise Stores					
Department Stores & Other General Merchandise	34,519,458	46,696,215	61,204,201	26,684,743	77.3%
Drug Stores	11,256,138	17,635,808	22,216,619	10,960,481	97.4%
Total, General Merchandise	45,775,596	64,332,023	83,420,820		
Food Store Group					
Food Stores	46,883,628	57,964,493	70,679,605	23,795,977	50.8%
Liquor Stores	1,883,645	2,278,760	2,958,212	1,074,567	57.0%
Total, Food & Beverage	48,767,273	60,243,253	73,637,817		
Furniture & Home Furnishings	7,602,840	11,605,138	13,507,101	5,904,261	77.7%
Electronics & Appliances	10,978,703	13,186,464	15,663,014	4,684,311	42.7%
Building Materials and Farm Supplies					
Building Materials and Supplies	18,808,082	24,515,132	29,860,598	11,052,516	58.8%
Lawn/Garden Supplies, including Farm Eqpt	2,661,381	2,265,209	2,148,949	(512,432)	-19.3%
Total, Building Materials and Garden Supplies	21,469,463	26,780,341	32,009,547		
Automotive Group					
Auto Dealers/Parts	61,179,477	90,664,859	98,967,565	37,788,088	61.8%
Mobile Home, RV, Motorcycle, Boat, Plane Dealers	4,403,279	5,256,663	6,867,436	2,464,157	56.0%
Total, Automotive Group	65,582,756	95,921,522	105,835,001		
Service Stations	18,818,119	23,421,136	40,325,391	21,507,272	114.3%
Fuel and Ice Dealers	736,882	906,907	1,358,171	621,289	84.3%
Health & Personal Care (less Drug Stores/Pharmacies)	2,263,442	3,108,465	4,122,957	1,859,515	82.2%
Sporting Goods, Hobby, Books, Music, et al	8,347,661	9,789,031	10,008,020	1,660,359	19.9%
Miscellaneous Retail: Florists, Office Supplies					
Used Merchandise, Pet Stores, Art Supplies, et al	8,535,001	10,786,260	12,499,123	3,964,122	46.4%
Non-Store Sales\/Direct Sales/Vending/E-Sales	7,455,736	16,378,679	32,047,171	24,591,435	329.8%
Total Retail Sales per Census Definition	263,118,346	359,120,365	455,032,270	191,913,924	72.9%
ADD: Eating & Drinking Group					
Limited Service Restaurants	13,651,850	19,951,541	27,356,622	13,704,772	100.4%
Full Service Eating and Drinking Places	15,504,865	18,632,544	25,791,469	10,286,604	66.3%
Total, Eating & Drinking	29,156,715	38,584,085	53,148,091		
Total Retail Sales, Census Definition includingEating and Drinking Establishment Sales	292,275,061	397,704,450	508,180,361	215,905,300	73.9%
Adjustments:					
Deduct Non-Store Sales/Direct Sales/Vending/E-Sales	(7,455,736)	(16,378,679)	(32,047,171)	24,591,435	329.8%
Total Adjusted Retail Sales, Retail Stores	284,819,325	381,325,771	476,133,190	191,313,865	67.2%

Source: United States Censuses of Retail Trade and Accommodation and Food Services, 1997, 2002 and 2007; HR&A Advisors, Inc; W & W, Inc.

Over the analysis period, the five retail sectors recording the highest percentage growth in sales were the following:

Retail Store Category	Percent Growth in Sales, 1997-2007
Non-Store Sales\/Direct Sales/Vending/Electronic-Sales	329.8%
Service Stations	114.3%
Limited Service Restaurants	100.4%
Drug Stores	97.4%
Apparel, Accessories, Jewelry, Luggage	82.3%

In contrast, the slower growing sectors included the five listed below:

Retail Store Category	Percent Growth in Sales, 1997-2007
Sporting Goods, Hobby, Books, Music, et al	19.9%
Electronics & Appliances	42.7%
Misc. Retail: Florists, Office Suppl., Pet Stores, Art Supplies	46.4%
Food Stores	50.8%
Liquor Stores	57.0%

Allocations of retail sales to individual retail categories and store types for purposes of making projections for this analysis have been developed following the retail store classification system utilized by the California State Board of Equalization. The allocation of sales between retail store categories — the fundamental basis for examining the economic suitability of the relative amounts of retail space that are proposed by a shopping center development—has been based upon analyses of the historic distribution of retail sales between store categories at both the State of California level and the local Los Angeles County level for three calendar years: 2002, 2007; and 2008. The years 2002 and 2007 were selected primarily because they represented calendar years when United States Census data could be compared with State Board of Equalization data, thus allowing the conversion of the State's taxable sales into total retail sales by the store categories[44] considered most appropriate for the conduct of urban decay analysis. The year 2008 was chosen since it represents the most recent year for which complete annual data were available from the State Board of Equalization.

The basic organizational approach to the analysis was first to develop the distribution of retail sales by major retail category at the State level for years 2002, 2007 and 2008 through comparative review of State Board of Equalization and Census of Retail Trade data. Year 2002 retail sales percentage distributions for the State are presented in Tables B-6 and B-7. Year 2007

[44] As reflected in Tables B-6, B-8, B-11 and B-13, annual retail sales measured by the State Board of Equalization and the Census for the most part correspond reasonably well after adjustments are made in the State's taxable sales statistics that convert them to total retail sales.

retail sales percentage distributions for the State are presented in Tables B-8 and B-9. Finally, an estimate of total retail sales for the State in calendar year 2008 is presented in Table B-10.

Following the presentation and analysis of the State sales data, a similar chronological analysis was conducted of Los Angeles County's retail sales for the same years following the same basic structure. These evaluations are presented in Tables B-11 through B-15.

Table B-16 presents a summary of retail sales distributions by major retail (store) category for the State and Los Angeles County for each period investigated — six individual calendar years, total. After consideration of changing retail sales patterns[45] over time, the relative income levels of the geographic areas and the likely regional differences in consumer preferences, a final distribution between major store categories was derived for use in the analysis. This distribution is also found in Table B-16 in the final column.

[45] One further consideration to recognize for purposes of disclosure is that the California State Board of Equalization in 2007 began a process of converting the business codes of over one million sales and use tax permit holders to North American Industry Classification System (NAICS) codes. As a result of the coding change process, the Board noted that industry data for 2007 are not strictly comparable with data from 2006. The Board also indicates that the change in classification impacted the format of several tables of its annual report, as "some industries were previously listed within categories that no longer exist, and others have been combined into new ones." Notwithstanding, these changes are not considered to have had a material impact on this analysis.

Table B-6
COMPARATIVE ANALYSIS, STATE BOARD OF EQUALIZATION AND U S CENSUS OF RETAIL TRADE
RETAIL SALES BY MAJOR RETAIL CATEGORY, STATE OF CALIFORNIA
2002
(in Thousands of Current Dollars)

Retail Store Category	2002 State	Adjust. Factor 1/	State Adjusted	2002 Census
1. Shopper Goods				
Apparel & Accessories	14,029,200		14,029,200	
Clothing, Accessories, Jewelry, Luggage				19,482,759
General Merchandise Stores				
Department Stores & Other General Merchandise	42,741,257		42,741,257	46,696,215
Household Furnishings Group	13,983,287		13,983,287	
Furniture & Home Furnishings				11,605,138
Electronics & Appliances				13,186,464
Specialty/Other Shopper Goods				
Specialty Stores, State Definition	43,539,120		43,539,120	
Jewelry, Leather & Luggage				3,178,387
Used Merchandise	520,999		520,999	
Health & Personal Care (less Drug Stores/Pharmacies)				3,108,465
Sporting Goods, Hobby, Books, Music, et al				9,789,031
Misc. Retail: Florists, Office Supplies, Used Merch., Pets, Art, et al				10,786,260
Fuel and Ice Dealers	277,357		277,357	906,907
Subtotal, Shopper Goods	115,091,220		115,091,220	118,739,626
2. Convenience Goods				
Food Store Group				
Food Stores	18,951,412	3.059	57,964,583	57,964,493
Liquor Stores	2,137,065		2,278,670	2,278,760
Subtotal, Food Stores	21,088,477		60,243,253	60,243,253
Pharmacies/Drug Stores	5,745,634	3.069	17,635,808	17,635,808
Subtotal, Convenience Goods	26,834,111		77,879,061	77,879,061
3. Eating & Drinking Group				
Limited Service Restaurants	17,202,160		17,202,160	18,632,544
Full Service Eating and Drinking Places	20,877,670		20,877,670	19,951,541
Subtotal, Eating & Drinking	38,079,830		38,079,830	38,584,085
4. Building Materials and Farm Supplies				
Building Materials and Supplies	25,816,009		25,816,009	24,515,132
Farm and Garden Supply	2,135,472		2,135,472	
Farm Implement Dealers	2,258,243		2,258,243	
Lawn/Garden Supplies, including Farm Eqpt				2,265,209
Subtotal, Building Materials and Farm Supplies	30,209,724		30,209,724	26,780,341
5. Automotive Group				
Auto Dealers/Parts	63,821,146	1.421	90,664,859	90,664,859
Mobile Home, RV, Motorcycle, Boat, Plane Dealers	3,647,924	1.441	5,256,663	5,256,663
Subtotal, Automobile-Related	67,469,070		95,921,522	95,921,522
Service Stations	23,928,351		23,928,351	23,421,136
Total, Automotive Group	91,397,421		119,849,873	119,342,658
Total Retail Store Sales	301,612,306		381,109,708	381,325,771
State as Percent of Census			99.94%	

1/ Factor that converts Taxable Retail Sales to Total Retail Sales; factor is derived by comparing State Board of Equalization and Census data for specific retail expenditure categories. Adjustment factor calculations are only possible in years when Census data are collected.

Source: California State Board of Equalization; U S Censuses of Retail Trade and Accommodation an Food Services; HR&A Advisors, Inc.; W & W, Inc.

Table B-7
PERCENTAGE DISTRIBUTION OF RETAIL SALES BY MAJOR RETAIL CATEGORY
STATE OF CALIFORNIA
2002

Retail Store Category	2002 State	Adjust. Factor	State Adjusted	Percent of Total Retail Sales
1. Shopper Goods				
Apparel & Accessories	14,029,200		14,029,200	3.68%
General Merchandise Stores	42,741,257		42,741,257	11.21%
Household Furnishings Group	13,983,287		13,983,287	3.67%
Specialty/Other Shopper Goods	44,337,476		44,337,476	11.63%
Subtotal, Shopper Goods	115,091,220		115,091,220	30.20%
2. Convenience Goods				
Food Store Group	21,088,477	2.857	60,243,253	15.81%
Drug Stores	5,745,634	3.069	17,635,808	4.63%
Subtotal, Convenience Goods	26,834,111		77,879,061	20.43%
3. Eating & Drinking Group				
Limited Service Restaurants	17,202,160		17,202,160	4.51%
Full Service Eating and Drinking Places	20,877,670		20,877,670	5.48%
Subtotal, Eating & Drinking	38,079,830		38,079,830	9.99%
4. Building Materials and Farm Supplies	30,209,724		30,209,724	7.93%
5. Automotive Group				
Automobile and Other Vehicle Dealers and Parts	67,469,070	1.422	95,921,522	25.17%
Service Stations	23,928,351		23,928,351	6.28%
Total, Automotive Group	91,397,421		119,849,873	31.45%
Total Retail Store Sales	301,612,306		381,109,708	100.00%

1/ Factor that adjusts Taxable Retail Sales for a particular retail store category to an estimate of Total Retail Sales. The taxable retail sales for a particular retail category is multiplied by the "Adjustment Factor" in order to obtain an estimate of total retail sales.

Source: California State Board of Equalization; U S Censuses of Retail Trade and Accommodation an Food Services; HR&A Advisors, Inc.; W & W, Inc.

Table B-8
COMPARATIVE ANALYSIS, STATE BOARD OF EQUALIZATION AND U S CENSUS OF RETAIL TRADE
RETAIL SALES BY MAJOR RETAIL CATEGORY, STATE OF CALIFORNIA
2007
(in Thousands of Current Dollars)

Retail Store Category	2007 State	Adjust. Factor 1/	State Adjusted	2007 Census
1. Shopper Goods				
Apparel & Accessories	20,855,890		20,855,890	
Clothing, Accessories, Jewelry, Luggage				26,401,008
General Merchandise Stores				
Department Stores & Other General Merchandise	53,428,213		53,428,213	61,204,201
Household Furnishings Group	16,720,852		16,720,852	
Furniture & Home Furnishings				13,507,101
Electronics & Appliances				15,663,014
Specialty/Other Shopper Goods				
Specialty Stores, State Definition	57,969,163		57,969,163	
Jewelry, Leather & Luggage				4,197,929
Used Merchandise	690,458		690,458	
Health & Personal Care (less Drug Stores/Pharmacies)				4,122,957
Sporting Goods, Hobby, Books, Music, et al				10,008,020
Misc. Retail: Florists, Office Supplies, Used Merch., Pets, Art, et al				12,499,123
Fuel and Ice Dealers	507,545		507,545	1,358,171
Subtotal, Shopper Goods	150,172,121		150,172,121	148,961,524
2. Convenience Goods				
Food Store Group				
Food Stores	22,461,059	3.147	70,679,605	70,679,605
Liquor Stores	2,777,271		2,958,212	2,958,212
Subtotal, Food Stores	25,238,330		73,637,817	73,637,817
Pharmacies/Drug Stores	6,469,137	3.434	22,216,619	22,216,619
Subtotal, Convenience Goods	31,707,467		95,854,436	95,854,436
3. Eating & Drinking Group				
Limited Service Restaurants	23,471,875		23,471,875	27,356,622
Full Service Eating and Drinking Places	28,186,700		28,186,700	25,791,469
Subtotal, Eating & Drinking	51,658,575		51,658,575	53,148,091
4. Building Materials and Farm Supplies				
Building Materials and Supplies	32,656,324		32,656,324	29,860,598
Farm and Garden Supply	2,965,967		2,965,967	
Lawn/Garden Supplies, including Farm Eqpt				2,148,949
Subtotal, Building Materials and Farm Supplies	35,622,291		35,622,291	32,009,547
5. Automotive Group				
Auto Dealers/Parts	65,735,209	1.403	92,208,016	98,967,565
Mobile Home, RV, Motorcycle, Boat, Plane Dealers	5,044,769	1.361	6,867,436	6,867,436
Subtotal, Automobile-Related	70,779,978		99,075,452	105,835,001
Service Stations	47,084,940		47,084,940	40,325,391
Total, Automotive Group	117,864,918		146,160,392	146,160,392
Total Retail Store Sales	387,025,372		479,467,815	476,133,990
State as Percent of Census			100.70%	

1/ Factor that converts Taxable Retail Sales to Total Retail Sales; factor is derived by comparing State Board of Equalization and Census data for specific retail expenditure categories. Adjustment factor calculations are only possible in years when Census data are collected.

Source: California State Board of Equalization; U S Censuses of Retail Trade and Accommodation an Food Services; HR&A Advisors, Inc.; W & W, Inc.

Table B-9
PERCENTAGE DISTRIBUTION OF RETAIL SALES BY MAJOR RETAIL CATEGORY
STATE OF CALIFORNIA
2007

Retail Store Category	2007 State	Adjust. Factor	State Adjusted	Percent of Total Retail Sales
1. Shopper Goods				
Apparel & Accessories	20,855,890		20,855,890	4.35%
General Merchandise Stores	53,428,213		53,428,213	11.14%
Household Furnishings Group	16,720,852		16,720,852	3.49%
Specialty/Other Shopper Goods	59,167,166		59,167,166	12.34%
Subtotal, Shopper Goods	150,172,121		150,172,121	31.32%
2. Convenience Goods				
Food Store Group	25,238,330	2.918	73,637,817	15.36%
Drug Stores	6,469,137	3.434	22,216,619	4.63%
Subtotal, Convenience Goods	31,707,467		95,854,436	19.99%
3. Eating & Drinking Group				
Limited Service Restaurants	23,471,875		23,471,875	4.90%
Full Service Eating and Drinking Places	28,186,700		28,186,700	5.88%
Subtotal, Eating & Drinking	51,658,575		51,658,575	10.77%
4. Building Materials and Farm Supplies	35,622,291		35,622,291	7.43%
5. Automotive Group				
Automobile and Other Vehicle Dealers and Parts	70,779,978	1.400	99,075,452	20.66%
Service Stations	47,084,940		47,084,940	9.82%
Total, Automotive Group	117,864,918		146,160,392	30.48%
Total Retail Store Sales	387,025,372		479,467,815	100.00%

1/ Factor that adjusts Taxable Retail Sales for a particular retail store category to an estimate of Total Retail Sales. The taxable retail sales for a particular retail category is multiplied by the "Adjustment Factor" in order to obtain an estimate of total retail sales.

Source: California State Board of Equalization; U S Censuses of Retail Trade and Accommodation an Food Services; HR&A Advisors, Inc.; W & W, Inc.

Table B-10
PERCENTAGE DISTRIBUTION OF RETAIL SALES BY MAJOR RETAIL CATEGORY
STATE OF CALIFORNIA
2008

Retail Store Category	2008 State	Adjust. Factor	State Adjusted	Percent of Total Retail Sales
1. Shopper Goods				
Apparel & Accessories	22,120,094		22,120,094	5.02%
General Merchandise Stores	49,907,172		49,907,172	11.33%
Household Furnishings Group	17,199,187		17,199,187	3.90%
Specialty/Other Shopper Goods	49,127,506		49,127,506	11.15%
Subtotal, Shopper Goods	138,353,959		138,353,959	31.40%
2. Convenience Goods				
Food Store Group	24,441,104	2.918	71,311,753	16.18%
Drug Stores	6,518,300	3.434	22,385,457	5.08%
Subtotal, Convenience Goods	30,959,404		93,697,209	21.26%
3. Eating & Drinking Group				
Limited Service Restaurants	24,159,748		24,159,748	5.48%
Full Service Eating and Drinking Places	27,891,656		27,891,656	6.33%
Subtotal, Eating & Drinking	52,051,404		52,051,404	11.81%
4. Building Materials and Farm Supplies	29,398,240		28,186,700	6.40%
5. Automotive Group				
Automobile and Other Vehicle Dealers and Parts	54,540,171	1.400	76,343,512	17.33%
Service Stations	52,015,249		52,015,249	11.80%
Total, Automotive Group	106,555,420		128,358,761	29.13%
Total Retail Store Sales	357,318,427		440,648,033	100.00%

1/ Factor that adjusts Taxable Retail Sales for a particular retail store category to an estimate of Total Retail Sales. The taxable retail sales for a particular retail category is multiplied by the "Adjustment Factor" in order to obtain an estimate of total retail sales.

Source: California State Board of Equalization; U S Censuses of Retail Trade and Accommodation an Food Services; HR&A Advisors, Inc.; W & W, Inc.

Table B-11
COMPARATIVE ANALYSIS, STATE BOARD OF EQUALIZATION AND U S CENSUS OF RETAIL TRADE
RETAIL SALES BY MAJOR RETAIL CATEGORY, LOS ANGELES COUNTY
2002
(in Thousands of Current Dollars)

Retail Store Category	2002 County	Adjust. Factor 1/	County Adjusted	2002 Census
1. Shopper Goods				
Apparel & Accessories	4,036,630		4,036,630	
Clothing, Accessories, Jewelry, Luggage				5,884,999
General Merchandise Stores				
Department Stores & Other General Merchandise	9,704,153		9,704,153	10,659,149
Household Furnishings Group	3,378,316		3,378,316	
Furniture & Home Furnishings				3,003,224
Electronics & Appliances				3,542,748
Specialty/Other Shopper Goods				
Specialty Stores, State Definition	11,638,907		11,638,907	
Jewelry, Leather & Luggage				1,002,626
Used Merchandise	100,733		100,733	
Health & Personal Care (less Drug Stores/Pharmacies)				917,972
Sporting Goods, Hobby, Books, Music, et al				2,581,307
Misc. Retail: Florists, Office Supplies, Used Merch., Pets, Art, et al				2,731,895
Fuel and Ice Dealers	48,785		48,785	40,529
Subtotal, Shopper Goods	28,907,524		28,907,524	30,364,449
2. Convenience Goods				
Food Store Group				
Food Stores	4,235,299	3.4995	14,850,438	14,821,554
Liquor Stores	544,140		544,140	573,024
Subtotal, Food Stores	4,779,439		15,394,578	15,394,578
Pharmacies/Drug Stores	1,492,554	3.2573	4,861,770	4,861,770
Subtotal, Convenience Goods	6,271,993		20,256,348	20,256,348
3. Eating & Drinking Group				
Limited Service Restaurants	5,364,930		5,364,930	5,150,298
Full Service Eating and Drinking Places	5,176,950		5,176,950	5,294,634
Subtotal, Eating & Drinking	10,541,880		10,541,880	10,444,932
4. Building Materials and Farm Supplies				
Building Materials and Supplies	5,528,888		5,528,888	4,991,218
Farm and Garden Supply	213,137		213,137	
Farm Implement Dealers	250,116		250,116	
Lawn/Garden Supplies, including Farm Eqpt				240,146
Subtotal, Building Materials and Farm Supplies	5,992,141		5,992,141	5,231,364
5. Automotive Group				
Auto Dealers/Parts	15,869,231	1.599	25,373,957	25,373,957
Mobile Home, RV, Motorcycle, Boat, Plane Dealers	561,088	1.286	721,339	721,339
Subtotal, Automobile-Related	16,430,319		26,095,296	26,095,296
Service Stations	6,404,120		6,404,120	5,396,775
Total, Automotive Group	22,834,439		32,499,416	31,492,071
Total Retail Store Sales	74,547,977		98,197,309	97,789,164
County as Percent of Census			100.42%	

1/ Factor that converts Taxable Retail Sales to Total Retail Sales; factor is derived by comparing State Board of Equalization and Census data for specific retail expenditure categories. Adjustment factor calculations are only possible in years when Census data are collected.

Source: California State Board of Equalization; U S Censuses of Retail Trade and Accommodation an Food Services; HR&A Advisors, Inc.; W & W, Inc.

Table B-12
PERCENTAGE DISTRIBUTION OF RETAIL SALES BY MAJOR RETAIL CATEGORY
LOS ANGELES COUNTY
2002

Retail Store Category	2002 County	Adjust. Factor	County Adjusted	Percent of Total Retail Sales
1. Shopper Goods				
Apparel & Accessories	4,036,630		4,036,630	4.11%
General Merchandise Stores	9,704,153		9,704,153	9.88%
Household Furnishings Group	3,378,316		3,378,316	3.44%
Specialty/Other Shopper Goods	11,788,425		11,788,425	12.00%
Subtotal, Shopper Goods	28,907,524		28,907,524	29.44%
2. Convenience Goods				
Food Store Group	4,779,439	3.221	15,394,578	15.68%
Drug Stores	1,492,554	3.257	4,861,770	4.95%
Subtotal, Convenience Goods	6,271,993		20,256,348	20.63%
3. Eating & Drinking Group				
Limited Service Restaurants	5,364,930		5,364,930	5.46%
Full Service Eating and Drinking Places	5,176,950		5,176,950	5.27%
Subtotal, Eating & Drinking	10,541,880		10,541,880	10.74%
4. Building Materials and Farm Supplies	5,992,141		5,992,141	6.10%
5. Automotive Group				
Automobile and Other Vehicle Dealers and Parts	16,430,319	1.588	26,095,296	26.57%
Service Stations	6,404,120		6,404,120	6.52%
Total, Automotive Group	22,834,439		32,499,416	33.10%
Total Retail Store Sales	74,547,977		98,197,309	100.00%

1/ Factor that adjusts Taxable Retail Sales for a particular retail store category to an estimate of Total Retail Sales. The taxable retail sales for a particular retail category is multiplied by the "Adjustment Factor" in order to obtain an estimate of total retail sales.

Source: California State Board of Equalization; U S Censuses of Retail Trade and Accommodation an Food Services; HR&A Advisors, Inc.; W & W, Inc.

Table B-13
COMPARATIVE ANALYSIS, STATE BOARD OF EQUALIZATION AND U S CENSUS OF RETAIL TRADE
RETAIL SALES BY MAJOR RETAIL CATEGORY, LOS ANGELES COUNTY
2007
(in Thousands of Current Dollars)

Retail Store Category	2007 County	Adjust. Factor 1/	County Adjusted	2007 Census
1. Shopper Goods				
Apparel & Accessories	5,829,390		5,829,390	
Clothing, Accessories, Jewelry, Luggage				7,980,499
General Merchandise Stores				
Department Stores & Other General Merchandise	12,122,397		12,122,397	13,706,184
Household Furnishings Group	4,287,090		4,287,090	
Furniture & Home Furnishings				3,574,784
Electronics & Appliances				4,468,269
Specialty/Other Shopper Goods				
Specialty Stores, State Definition	14,703,154		14,703,154	
Jewelry, Leather & Luggage				1,450,630
Used Merchandise	142,781		142,781	
Health & Personal Care (less Drug Stores/Pharmacies)				1,332,207
Sporting Goods, Hobby, Books, Music, et al				2,625,557
Misc. Retail: Florists, Office Supplies, Used Merch., Pets, Art, et al				3,545,934
Fuel and Ice Dealers	93,397		93,397	55,982
Subtotal, Shopper Goods	37,178,209		37,178,209	38,740,046
2. Convenience Goods				
Food Store Group				
Food Stores	4,911,939	3.699	18,170,563	18,170,563
Liquor Stores	681,667	1.086	740,295	740,295
Subtotal, Food Stores	5,593,606	3.381	18,910,858	18,910,858
Pharmacies/Drug Stores	1,703,141	3.563	6,067,850	6,067,850
Subtotal, Convenience Goods	7,296,747		24,978,708	24,978,708
3. Eating & Drinking Group				
Limited Service Restaurants	7,274,685		7,274,685	7,102,114
Full Service Eating and Drinking Places	7,198,514		7,198,514	7,469,581
Subtotal, Eating & Drinking	14,473,199		14,473,199	14,571,695
4. Building Materials and Farm Supplies				
Building Materials and Supplies	7,494,731		7,494,731	6,496,071
Farm and Garden Supply	265,807		265,807	
Lawn/Garden Supplies, including Farm Eqpt				284,805
Subtotal, Building Materials and Farm Supplies	7,760,538		7,760,538	6,780,876
5. Automotive Group				
Auto Dealers/Parts	16,463,589	1.600	26,341,742	27,788,790
Mobile Home, RV, Motorcycle, Boat, Plane Dealers	692,629	1.361	942,698	942,698
Subtotal, Automobile-Related	17,156,218		27,284,440	28,731,488
Service Stations	12,230,800		12,230,800	9,415,045
Total, Automotive Group	29,387,018		39,515,240	38,146,533
Total Retail Store Sales	96,095,711		123,905,894	123,217,858
County as Percent of Census			100.56%	

1/ Factor that converts Taxable Retail Sales to Total Retail Sales; factor is derived by comparing State Board of Equalization and Census data for specific retail expenditure categories. Adjustment factor calculations are only possible in years when Census data are collected.

Source: California State Board of Equalization; U S Censuses of Retail Trade and Accommodation an Food Services; HR&A Advisors, Inc.; W & W, Inc.

Table B-14
PERCENTAGE DISTRIBUTION OF RETAIL SALES BY MAJOR RETAIL CATEGORY
LOS ANGELES COUNTY
2007

Retail Store Category	2007 County	Adjust. Factor	County Adjusted	Percent of Total Retail Sales
1. Shopper Goods				
Apparel & Accessories	5,829,390		5,829,390	4.70%
General Merchandise Stores	12,122,397		12,122,397	9.78%
Household Furnishings Group	4,287,090		4,287,090	3.46%
Specialty/Other Shopper Goods	14,939,332		14,939,332	12.06%
Subtotal, Shopper Goods	37,178,209		37,178,209	30.01%
2. Convenience Goods				
Food Store Group	5,593,606	3.381	18,910,858	15.26%
Drug Stores	1,703,141	3.563	6,067,850	4.90%
Subtotal, Convenience Goods	7,296,747		24,978,708	20.16%
3. Eating & Drinking Group				
Limited Service Restaurants	7,274,685		7,274,685	5.87%
Full Service Eating and Drinking Places	7,198,514		7,198,514	5.81%
Subtotal, Eating & Drinking	14,473,199		14,473,199	11.68%
4. Building Materials and Farm Supplies	7,760,538		7,760,538	6.26%
5. Automotive Group				
Automobile and Other Vehicle Dealers and Parts	17,156,218	1.590	27,284,440	22.02%
Service Stations	12,230,800		12,230,800	9.87%
Total, Automotive Group	29,387,018		39,515,240	31.89%
Total Retail Store Sales	96,095,711		123,905,894	100.00%

1/ Factor that adjusts Taxable Retail Sales for a particular retail store category to an estimate of Total Retail Sales. The taxable retail sales for a particular retail category is multiplied by the "Adjustment Factor" in order to obtain an estimate of total retail sales.

Source: California State Board of Equalization; U S Censuses of Retail Trade and Accommodation an Food Services; HR&A Advisors, Inc.; W & W, Inc.

Table B-15
PERCENTAGE DISTRIBUTION OF RETAIL SALES BY MAJOR RETAIL CATEGORY
LOS ANGELES COUNTY
2008

Retail Store Category	2008 County	Adjust. Factor	County Adjusted	Percent of Total Retail Sales
1. Shopper Goods				
Apparel & Accessories	6,290,994		6,290,994	5.42%
General Merchandise Stores	11,151,599		11,151,599	9.61%
Household Furnishings Group	4,482,776		4,482,776	3.86%
Specialty/Other Shopper Goods	12,549,805		12,549,805	10.82%
Subtotal, Shopper Goods	34,475,174		34,475,174	29.71%
2. Convenience Goods				
Food Store Group	5,647,108	3.3808	19,091,738	16.45%
Drug Stores	1,710,078	3.5627	6,092,565	5.25%
Subtotal, Convenience Goods	7,357,186		25,184,302	21.71%
3. Eating & Drinking Group				
Limited Service Restaurants	7,207,530		7,207,530	6.21%
Full Service Eating and Drinking Places	7,399,537		7,399,537	6.38%
Subtotal, Eating & Drinking	14,607,067		14,607,067	12.59%
4. Building Materials and Farm Supplies	6,650,963		7,198,514	6.20%
5. Automotive Group				
Automobile and Other Vehicle Dealers and Parts	13,282,539	1.5904	21,123,924	18.21%
Service Stations	13,437,380		13,437,380	11.58%
Total, Automotive Group	26,719,919		34,561,304	29.79%
Total Retail Store Sales	89,810,309		116,026,361	100.00%

1/ Factor that adjusts Taxable Retail Sales for a particular retail store category to an estimate of Total Retail Sales. The taxable retail sales for a particular retail category is multiplied by the "Adjustment Factor" in order to obtain an estimate of total retail sales.

Source: California State Board of Equalization; U S Censuses of Retail Trade and Accommodation an Food Services; HR&A Advisors, Inc.; W & W, Inc.

Table B-16
PERCENTAGE DISTRIBUTION OF RETAIL SALES BY MAJOR RETAIL CATEGORY
STATE OF CALIFORNIA AND LOS ANGELES COUNTY
SELECTED YEARS 2002, 2007 AND 2008

	State of California Distribution			Los Angeles County Distribution			Adjusted
Retail Store Category	2002	2007	2008	2002	2007	2008	Distribution 1/
1. Shopper Goods							
Apparel & Accessories	3.68%	4.35%	5.02%	4.11%	4.70%	5.42%	5.06%
General Merchandise Stores	11.21%	11.14%	11.33%	9.88%	9.78%	9.61%	9.70%
Household Furnishings Group	3.67%	3.49%	3.90%	3.44%	3.46%	3.86%	3.66%
Specialty/Other Shopper Goods	11.63%	12.34%	11.15%	12.01%	12.07%	10.82%	11.45%
Subtotal, Shopper Goods	30.19%	31.32%	31.40%	29.44%	30.01%	29.71%	29.86%
2. Convenience Goods							
Food Store Group	15.81%	15.36%	16.18%	15.68%	15.26%	16.46%	15.86%
Drug Stores	4.63%	4.63%	5.08%	4.95%	4.90%	5.25%	5.08%
Subtotal, Convenience Goods	20.44%	19.99%	21.26%	20.63%	20.16%	21.71%	20.94%
3. Eating & Drinking Group							
Limited Service Restaurants	4.51%	4.90%	5.48%	5.47%	5.87%	6.21%	6.04%
Full Service Eating and Drinking Places	5.48%	5.88%	6.33%	5.27%	5.81%	6.38%	6.10%
Subtotal, Eating & Drinking	9.99%	10.78%	11.81%	10.74%	11.68%	12.59%	12.14%
4. Building Materials and Farm Supplies	7.93%	7.43%	6.40%	6.10%	6.26%	6.20%	6.23%
5. Automotive Group							
Automobile and Other Vehicle Dealers and Parts	25.17%	20.66%	17.33%	26.57%	22.02%	18.21%	20.12%
Service Stations	6.28%	9.82%	11.80%	6.52%	9.87%	11.58%	10.73%
Total, Automotive Group	31.45%	30.48%	29.13%	33.09%	31.89%	29.79%	30.84%
Total Retail Store Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

1 / The Adjusted Distribution is a 'blended rate" that gives equal weight to the years 2007 and 2008. In this respect, it considers both recent trends in retail sales such as increases in gasoline prices influencing Service Station sales and dampens the recent proportional impact of the recession on Shopper Goods, Building Matrials and Automotive Group sales (negative) in favor of Convenience Goods sales (positive).

Source: California State Board of Equalization; U S Censuses of Retail Trade and Accommodation an Food Services; HR&A Advisors, Inc.; W & W, Inc.

APPENDIX C

Private Sector Employment Growth Data for ZIP Codes that Comprise the West San Fernando Valley Office Space Market

Table C-1
GROWTH IN PRIVATE SECTOR EMPLOYMENT, 1998-2007
ZIP CODES THAT COMPRISE THE WEST SAN FERNANDO VALLEY OFFICE SPACE MARKET

		Total Private Employment	Total Private Employment		Net Change, 1998-2007	
Zip Code		1998	2006	2007	Number	Percent
91303	Canoga Park (Warner Center)	10,221	14,648	14,107	3,886	
91304	Canoga Park	9,322	15,621	15,656	6,334	
91306	Winnetka	2,671	3,457	3,080	409	
91307	West Hills	6,091	6,516	6,858	767	
91311	Chatsworth	43,544	41,032	42,439	(1,105)	
91356	Tarzana	11,400	16,382	15,207	3,807	
91364	Woodland Hills	*28,326*	*19,828*	*17,048*	(11,278)	
91367	Woodland Hills	37,220	38,392	42,740	5,520	
	Total	148,795	155,876	157,135	8,340	5.6%
	Total Less Zip Code 91364	120,469	136,048	140,087	19,618	16.3%
	Total Private Businesses 1/	7,639	8,720	8,830	1,191	15.6%
	Average Employees per Business	15.8	15.6	15.9	0.1	0.6%

1/ Excludes Zip Code 91364.

Source: U. S. Census, Zip Code Business Patterns.