The Economics of Land Use

Final Memoranda and Rendered Illustrations

Compass Blueprint Project: City of Culver City

Prepared for:

Southern California Association of Governments (SCAG)
City of Culver City

Prepared by:

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July 21, 2009

EPS #18541

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MEMORANDUM

To: City of Culver City

From: Jason Moody, Amy Lapin, and Winnie Fong; EPS

Subject: Market Analysis of Culver City; EPS #18541

Date: January 28, 2009

INTRODUCTION

This memorandum has been prepared for the City of Culver City (City) and the Southern California Association of Governments (SCAG) to evaluate the market potential of commercial development in the area surrounding the future Exposition Light Rail Transit Line (Expo Line) station. The purpose of this memorandum is to evaluate the current market conditions surrounding the Expo Line station (Project Area) and assess the potential influence of the station on the economic performance of commercial land use. The results from the market analysis will ultimately be incorporated into a development cash flow model to assess the financial feasibility of various non-residential real estate product types in the Project Area.

This is a project of the City of Culver City with funding provided by the Southern California Association of Governments' (SCAG) Compass Blueprint Demonstration Project Program. Compass Blueprint assists Southern California cities and other organizations in evaluating planning options and stimulating development consistent with the region's goals.

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The contents of this memorandum reflect the views of the author who is responsible for the facts and accuracy of the data presented herein. The contents do not necessarily reflect the official views or policies of SCAG, USDOT or the State of California. This memorandum does not constitute a standard, specification or regulation.

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PROJECT AREA BACKGROUND

The Project Area is located within the Washington/National Specific Plan (Specific Plan), approximately one-half-mile north of the City's downtown in the northern portion of the City and western portion of Los Angeles County (County). As shown in **Map 1**, the Project Area surrounds the future Expo Line station and includes the following specific sites and commercial areas:

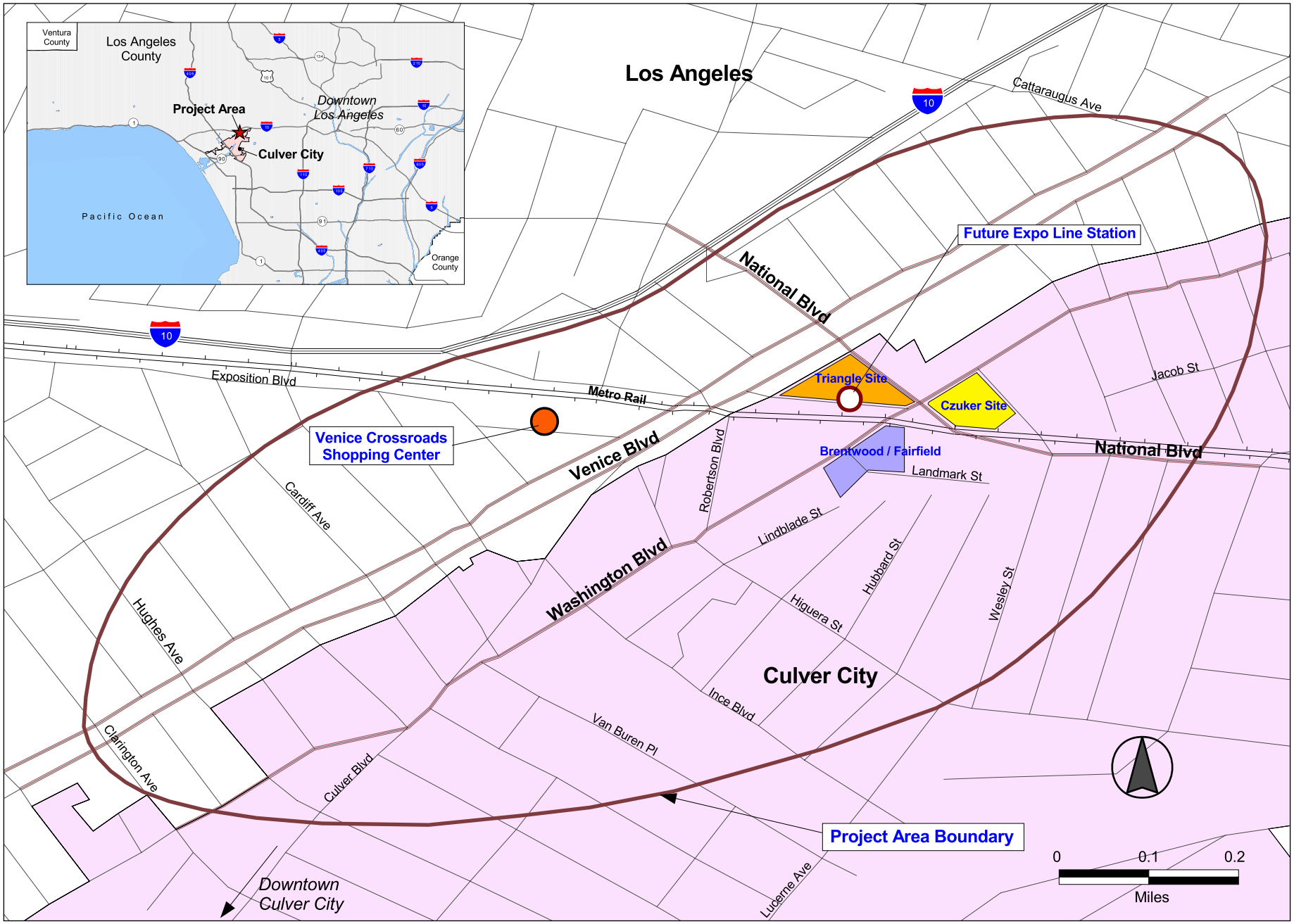
- Three catalytic project sites: the Triangle, Czucker, and Brentwood/Fairfield sites within the Washington/National Specific Plan (Specific Plan).
- The Venice Boulevard commercial corridor from Cattaraugus Avenue to Clarington Avenue (located in the City of Los Angeles), including neighboring commercial areas on Washington Boulevard and National Boulevard (located in the City).

In an effort to spur revitalization of the Specific Plan area, the three catalytic development sites within the Project area are currently being planned by the City's Redevelopment Agency and private developers. Connectivity between the catalytic development sites is envisioned through the use of bicycle and pedestrian pathways and other place-making attributes. Development of the catalytic development sites is anticipated to begin in mid-2009 with completion in 2012, although current market conditions may delay construction.

In addition to neighborhood and community-serving retail centers along Venice Boulevard (including Venice Crossroads), the commercial corridors in the Project area (Venice, Washington, and National Boulevards) are dominated by automobile-oriented uses (e.g. auto services, fast food, convenience retail) and large warehouse uses (e.g., furniture, storage), and vacant buildings. The City is landlocked (urban development completely encircles the City) and is primarily built-out. Therefore, new development opportunities exist mainly as redevelopment opportunities on currently developed but underutilized or vacant parcels.

The Project area is strategically located south of Interstate 10 (I-10) (the Santa Monica Freeway) and east of Interstate 405 (I-405) (the San Diego Freeway), which are major east-west and north-south transportation corridors for the western Los Angeles region. Both freeways, in addition to Venice Boulevard, another major arterial corridor, provide convenient vehicular access to the Project area, a desirable attribute for many national retail tenants as well as office employers. However, the width of the commercial corridors in the Project area - Venice Boulevard is six lanes wide, and Washington and National Boulevards are both four lane arterials - support fast-moving vehicular traffic and contribute to a suburban automobile-centric urban design aesthetic that is discordant with the increased density and transit-oriented vision of the Project area.

Map 1
Culver City Market Analysis
Project Area



Source: Census 2006 Tiger/Line data, 2nd Ed.; and EPS.

Prepared by EPS, January 7, 2009.

It is noteworthy to mention that the City includes an active contingent of local residents who have publicly opposed and, at times, successfully prevented the approval of proposed development projects in Culver City (e.g., Uptown Lofts, redevelopment of 13 acres on Sepulveda Boulevard from Sawtelle Boulevard to Slauson Avenue). The impetus for the public opposition largely stems from concerns regarding increased density, traffic, and competition for parking. Building heights that are perceived to be incongruent with the character of the existing neighborhood is also cited as a rationale for residents' opposition to projects.

SUMMARY OF KEY FINDINGS

Based upon a review of current regional and local economic conditions impacting the Project Area, the following points summarize the most salient findings.

- **The Culver City market is an emerging market that will successfully compete in attracting future residents and generating additional demand for commercial land uses**. Real estate brokers consulted for this analysis indicated that the "west side" (western Los Angeles County) and in particular, Culver City, is a coveted location for retailers and employers alike because of desirable income and other demographic characteristics, the area's population density, accessibility via major transportation corridors and future Expo Line station, and proximity to a substantial, well-educated labor pool. However, the Project Area contains limited opportunities to develop, which has contributed to astoundingly low vacancy rates and increases in lease rates. These market performance indicators reveal pent-up demand for additional commercial, especially retail, development in the Project Area.
- **The Project Area is positioned to become a robust regional, if not national-oriented office market.** Although current market conditions may currently favor retail development more so than office development, the Project Area is a much stronger location for office development over the long-term because of the following elements that are attractive to prospective office tenants: immediate accessibility via the future Expo Line station, I-10, and I-405:, proximity to the Los Angeles Airport (LAX) and the Los Angeles Port; proximity to several premiere, world-class, and large office tenants; and the diversified, dynamic LA economy will play a role in stimulating long-term office growth in the City, especially with the introduction of regionally-serving transit.
- **Future retail development in the Project Area will primarily accommodate the surrounding residential and employee population**. Despite current economic conditions, both the Los Angeles region and Culver City have a well-diversified economy that will continue to support healthy population growth locally and regionally. Although the City is not expected to grow substantially, the Trade

Area and surrounding region will continue to expand which will translate into increased demand for retail space that is largely anticipated to serve the surrounding residential and employee population. Because of limitations regarding parking requirements and existing parcel sizes and configurations, the retail space demanded, will be largely neighborhood-serving, with a focus on additional restaurant and food-related tenants, and specialty retail to serve the surrounding employment base.

- **Proximity of the Expo Line station to surrounding commercial and high density residential development will likely have a positive impact upon lease rates and lot values**. Numerous studies have documented increased rents related to commercial uses, with the largest improvements in value observed closest to the station, declining steadily and incrementally with distance. Specifically, rent for retail and office space close to transit stations has been shown to be almost three times higher than in other areas. The positive impacts on commercial property values have been found to be most pronounced in areas within a ½ to ¼-mile radius of high capacity transit stations, declining steadily and incrementally with distance. In addition, studies have documented the catalyzing impact of transit stations, which have spurred the rapid absorption of adjacent commercial development.
- **Development feasibility will be a key constraint for future infill development/redevelopment in the Project Area given the intensity of existing uses and an uncertain entitlement process.** Transformation of the Project Area into a walkable, transit-oriented development will be faced with some constraints. The current urban form of the Project Area comprises a substantial number of existing uses that are generating a secure income stream for their owners. Consequently, market values will need to reach a specific threshold in order for the landowner to consider reinvestment and re-tenanting options. In addition, the size and configuration of a majority of the parcels in the Project Area will present challenges regarding developing larger commercial projects and meeting associated parking requirements unless the City considers policies that promote flexibility in site requirements (e.g., reduced parking, increased height allowances). Finally, there is an active contingent of local residents who have publicly opposed and, at times, successfully prevented the approval of proposed development projects in Culver City which has resulted in uncertainties in the entitlement process and influenced project feasibility. These issues related to financial feasibility will be evaluated in a subsequent memorandum.

TRADE AREA OVERVIEW

TRADE AREA GEOGRAPHY

For the purposes of this analysis EPS has defined a Trade Area to assess the market dynamics for retail and office uses demographic characteristics of the surrounding population. The defined Trade Area surrounds the center of the Project area (delineated as the future Expo Line Station on the Triangle Site) and contains the elements of supply and demand that will determine the performance of a particular tenant or project.

In this analysis, the Trade Area was selected based on myriad factors including: population and land use patterns; transportation patterns; the location of competitive supply of retail; and the expertise of real estate brokers familiar with local trends. **Map 2** shows the defined Trade Area which follows the I-10 on the north and the I-405 on the west and continues to follow the southeastern edge of a 3-mile radius drawn from the future Expo Line station. The demographic characteristics related to the Trade Area are described in the subsequent sections of this memorandum.

SOCIO-ECONOMIC OVERVIEW OF TRADE AREA

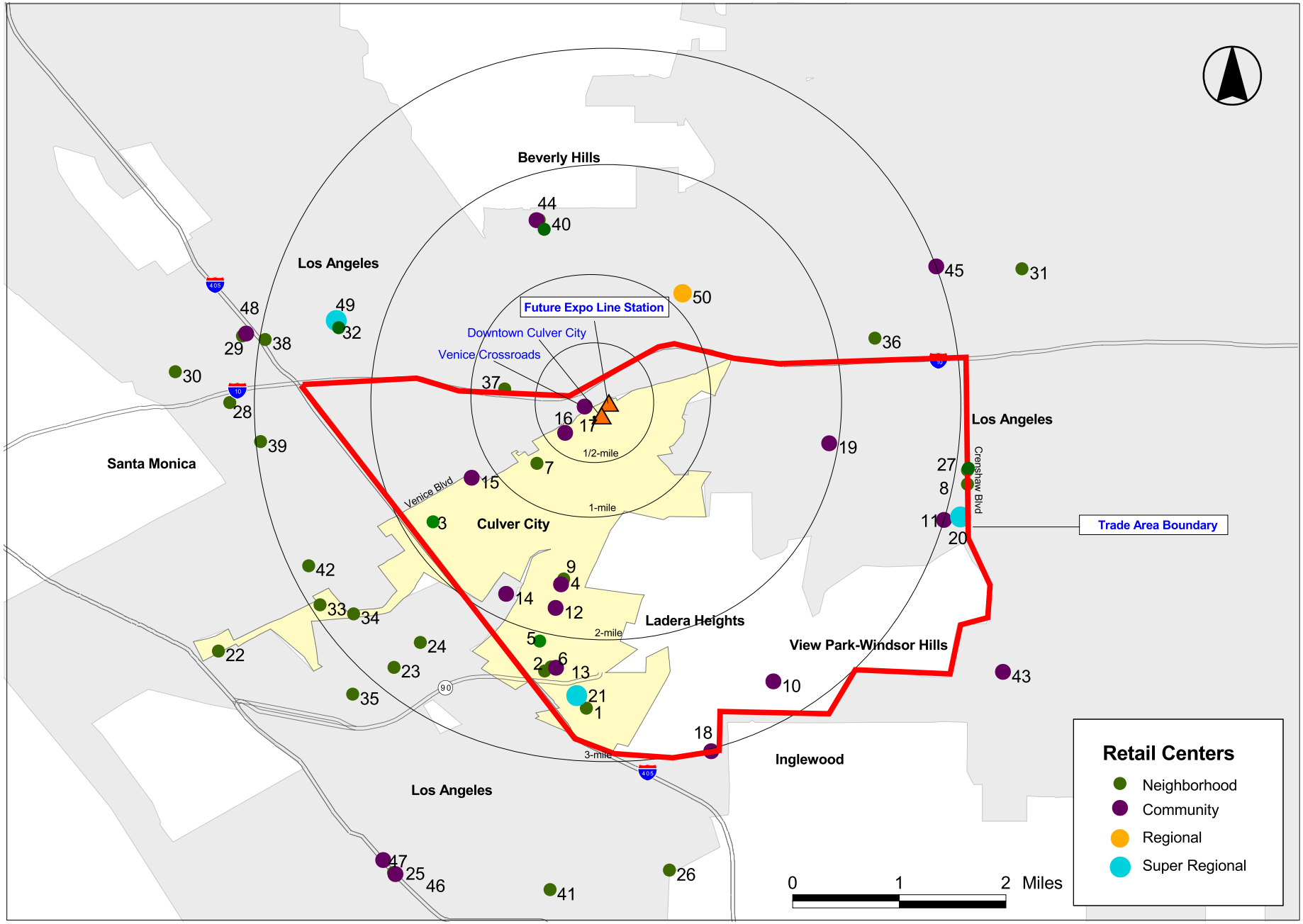
Regional Economic Context

The Project Area and City are located in western Los Angeles County, by far the largest County in the United States with approximately 10.4 million residents.[1] The County's traditional three-tiered economy of aerospace, entertainment, and tourism has evolved over many years into a well-diversified economic engine driven by access to global markets. While entertainment and tourism are still prominent industries, the County also boasts:

- The nation's largest port in terms of the value and quantity of goods exchanged.
- The nation's largest manufacturing center, with the principal components consisting of apparel, computer and electronic products, transportation products, fabricated metal products, food products, and furniture.
- One of the nation's largest banking and financial, with over 100 foreign and myriad domestic banks as well as financial law firms and investment banks, in operation.

[1] California Department of Finance, January 1, 2008 estimates.

Map 2
Culver City Market Study
Trade Area Boundary and Existing Retail Supply



Source: Census Tiger/Line data, 2nd Ed.; NRB Shopping Center Database, 2005; and EPS.

Prepared by EPS, January 09, 2009

Other key industries in Los Angeles County include: health services, education, high-technology, research and development, professional fields such as architecture and engineering, and residential and commercial construction.[2]

Although the regional economy is well-diversified, it has not been be immune from the current nationwide economic recession. The national forecast for retail indicates mixed performance for the coming year (2009). The forecast indicates that monopolistic malls and high-income area shopping centers are better positioned to weather the downturn than other retail segments. The unsettling job and housing market has unnerved many retail shoppers and inflation and energy costs are expected to diminish retail sales potentially jeopardizing weaker retailers. The previous year (2008) witnessed retailers scaling back (closing a portion of their retail outlets) and some entering into bankruptcy proceedings (e.g., Linens N' Things, Circuit City). Additional store closures and bankruptcies of national retailers (including Office Depot and Michaels) are anticipated in 2009.

In general, retail development in the LA region and beyond is at a standstill and retailers are not likely to buy or lease unless a prime location becomes available. However, existing well-located strip centers, anchored with supermarket chains, appear to be performing well. Failing mom-and-pop stores will continue to hurt neighborhood centers and power centers will also suffer from big-box closures.

Local Economic Context

Trade Area Population

The Trade Area has approximately 204,000 residents and 98,000 jobs as of 2008. Because a substantial portion of the Trade Area is in the City and the City is primarily built-out, the Trade Area's population and employment growth is projected to grow at a slower annual average growth rate than Los Angeles County over the next 20 years. As shown in **Table 1**, the Trade Area is estimated to gain approximately 27,000 new residents and over 7,300 jobs by 2030, a 13 percent and 8 percent increase in population and employment, respectively. In comparison, the County is expected to experience a 16 percent increase in population and an11 percent increase in employment, adding 1.6 million residents and 489,000 jobs by 2030. Although the City is not expected to grow substantially, the surrounding region in addition to the introduction of the Expo Line Station and therefore, transit riders, will increase the market draw for commercial land uses, especially those in close proximity to the new transit station.

Currently, the area immediately surrounding the future Expo Line Station (1/2-mile boundary) contains 7,500 residents and 2,800 households. Extending out 1-mile in all

[2] Los Angeles Economy: Major Industries and Commercial Activity. www.city-data.com.

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Table 1
Culver City Market Study Analysis
Demographic Trends and Projections

Item	Historical [1] [2] 2000	Historical [1] [2] 2008	Avg. Annual Growth (2000-2008) Total	Avg. Annual Growth (2000-2008) % Change	Projected 2013	Projected 2020	Projected 2030	Total Growth (2008-2030)	Avg. Annual Growth (2008-2030) Total	Avg. Annual Growth (2008-2030) % Change
Population										
Los Angeles County	9,782,810	10,375,066	74,032	0.74%	10,727,115	11,329,829	12,015,889	1,640,823	74,583	0.67%
Culver City	40,001	40,670	84	0.21%	40,953	41,494	41,929	1,259	57	0.14%
Trade Area	194,854	203,763	1,114	0.56%	209,537	217,896	230,420	26,657	1,212	0.56%
Transit Station										
1/2-Mile Radius [3]	7,305	7,464	20	0.27%	7,565	7,709	7,919	455	21	0.27%
1-Mile Radius [3]	32,626	34,366	218	0.65%	35,500	37,152	39,645	5,279	240	0.65%
2-Mile Radius [3]	133,535	139,694	770	0.57%	143,687	149,469	158,136	18,442	838	0.57%
Households										
Los Angeles County	3,125,660	3,301,395	21,967	0.69%	3,430,187	3,666,631	3,906,851	605,456	27,521	0.77%
Culver City	16,617	16,842	28	0.17%	17,063	17,424	17,835	993	45	0.26%
Trade Area	77,858	83,377	690	0.86%	87,023	92,398	100,656	17,279	785	0.86%
Transit Station										
1/2-Mile Radius [3]	2,770	2,843	9	0.33%	2,890	2,956	3,054	211	10	0.33%
1-Mile Radius [3]	13,684	14,303	77	0.55%	14,704	15,284	16,153	1,850	84	0.55%
2-Mile Radius [3]	55,648	57,327	210	0.37%	58,402	59,941	62,210	4,883	222	0.37%
Employment (Jobs)										
Los Angeles County	4,288,994	4,457,658	21,083	0.48%	4,564,318	4,754,731	4,946,420	488,762	22,216	0.47%
Culver City	42,613	44,591	247	0.57%	45,352	46,868	48,040	3,449	157	0.34%
Trade Area	N/A	98,273	N/A	N/A	99,951	102,349	105,875	7,602	346	0.34%
Transit Station										
1/2-Mile Radius [3] [4]	N/A	8,606	N/A	N/A	8,753	8,963	9,272	666	30	0.34%
1-Mile Radius [3] [4]	N/A	38,190	N/A	N/A	38,842	39,774	41,144	2,954	134	0.34%
2-Mile Radius [3] [4]	N/A	67,947	N/A	N/A	69,107	70,765	73,203	5,256	239	0.34%

"trends"

Source: U.S. Census Bureau, Southern California Association of Governments 2035 Projections and EPS.

[1] SCAG provided projections for 2003-2035 in five-year increments. EPS extrapolated the data for 2000 using the growth rate between 2003 and 2005 and extrapolated the data for 2008 and 2013 using the growth rate between 2003-2030 figures.
[2] Projected data for Trade Area and the radii surrounding the future transit station is expolated based on the growth rate between 2000 and 2008 provided by Claritas. Refer to Map 2 for the Trade Area Boundary.
[3] Geography of the radii drawn from the future Expo Line Transit Station located at the Triangle Site
[4] Claritas provides employment data for 2008 only for the Trade area and the radii surrounding the future transit station. Projected data is extrapolated using the Culver City's employment growth rate between 2008 and 2030.

directions from the future Expo Line Station, there are over quadruple the number of residents (34,000) and households (14,300). Assuming historical rates of growth, these two geographies would gain 8,000 to 40,000 residents (3,000 to 16,000 households) by 2030.

Jobs-Housing Balance

According to the U.S. Census, Culver City had approximately 41,000 jobs as of 2000, of which 92 percent were filled by residents outside of Culver City.[3] In other words, despite plentiful, high-paying jobs in Culver City, only 3,400 of the City's employed residents (approximately 17 percent) work in the City (refer to **Table 2**). This jobs-housing imbalance is further exacerbated by limited residential development over the last several years. From 2003 to 2007, permits were pulled for the construction of 79 homes, some of which were built subsequent to demolition. There have been 50 net new homes added to the City over the past five years, a net gain of 10 housing units per year or .13% annual growth.[4]

Currently, there are 8,600 jobs within ½-mile surrounding the future transit station and 38,000 jobs within a 1-mile distance. If employment grows at a rate similar to the City as a whole, these areas are projected to add 670 jobs and nearly 3,000 jobs by 2030, respectively.

Income and Educational Attainment

As shown in **Table 3**, the median income of Trade Area households ($47,000) is slightly lower than, but not markedly dissimilar to the median income of households in Los Angeles County as a whole ($52,000). Review of the area immediately surrounding the future Expo Line Station reveals increasingly higher median household incomes. The increase in median household income—from $60,000 to $72,000—is indicative of these geographies capturing households to the north of I-10, in close proximity to the City of Beverly Hills. In correlation with increasingly wealthy households, a greater percentage of residents within the areas immediately surrounding the future transit station have attained a bachelor's degree or higher. Although the I-10 presents a barrier, both from a circulation and psychological standpoint, the quantity of households in addition to the demographics of these households will be viewed favorably, in particular by upscale retailers.

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[3] The U.S. Census figure of 41,000 differs nominally from SCAG's employment estimate of 42,600 as shown in **Table 1**.

[4] Miller, Joseph. "Mixed Message Received." Los Angeles Business Journal, June 30, 2008.

Table 2
Culver City Market Study Analysis
Summary of Employed Residents' Place of Work and Residence

Place [1]	Year 2000 Total	Year 2000 % of Total
Residents of Culver City		
Place of Work [1]		
Los Angeles	9,275	47.1%
Culver City	3,415	17.3%
Santa Monica	1,615	8.2%
Beverly Hills	540	2.7%
El Segundo	390	2.0%
Torrance	385	2.0%
Inglewood	215	1.1%
West Hollywood	205	1.0%
Other Cities/Areas	2,880	14.6%
Remainder of County	421	2.1%
Subtotal Los Angeles County	**19,341**	**98.2%**
Other Counties	**352**	**1.8%**
Total Employed Residents	**19,693**	**100.0%**
Jobs in Culver City [1]		
Place of Residence of Employees [2]		
Los Angeles	20,160	49.5%
Culver City	3,415	8.4%
Inglewood	1,425	3.5%
Santa Monica	1,005	2.5%
Long Beach	810	2.0%
Redondo Beach	610	1.5%
Torrance	600	1.5%
Hawthorne	575	1.4%
Other Cities/Areas	9,273	22.8%
Remainder of County	475	1.2%
Subtotal Los Angeles County	**38,348**	**94.2%**
Other Counties	**2,343**	**5.8%**
Total Jobs in Culver City [3]	**40,691**	**100.0%**

"workplace"

Source: 2000 U.S. Census and EPS.

[1] Within Los Angeles County.
[2] Assumes that one employee equates to one job.
[3] Please note this figure differs slightly from the SCAG's estimate of approximately 42,000 jobs.

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Table 3
Culver City Market Study Analysis
Household Characteristics (2008)

Category	Los Angeles County [1]		Retail Trade Area		Geographic Area Surrounding Future Transit Station					
					1/2-Mile Radius		1-Mile Radius		2-Mile Radius	
	Total	% Total	Total	% Total	Total	% Total	Total	% Total	Total	% Total
Median Household Income	$52,180		$47,421		$59,599		$65,503		$72,205	
Households by Household Income										
Income less than $24,999	793,209	24.0%	21,363	25.6%	694	24.4%	3,220	22.5%	13,257	23.1%
$25,000-$49,999	806,604	24.4%	22,601	27.1%	849	29.9%	4,300	30.1%	15,587	27.2%
$50,000-$99,999	965,359	29.2%	24,153	29.0%	894	31.4%	4,411	30.8%	17,046	29.7%
$100,000-$149,000	416,868	12.6%	9,094	10.9%	279	9.8%	1,500	10.5%	6,398	11.2%
Greater than $150,000	319,355	9.7%	6,166	7.4%	127	4.5%	872	6.1%	5,039	8.8%
Total Households	**3,301,395**	**100.0%**	**83,377**	**100.0%**	**2,843**	**100.0%**	**14,303**	**100.0%**	**57,327**	**100.0%**
Educational Attainment [2]										
No High School Diploma	27,508	20.0%	1,988,202	30.8%	1,365	27.3%	4,817	20.0%	18,702	19.4%
High School Graduate	23,679	17.2%	1,215,634	18.9%	795	15.9%	4,026	16.7%	15,815	16.4%
Some College	32,887	23.9%	1,277,575	19.8%	1,211	24.3%	5,494	22.8%	20,817	21.6%
Associate Degree	9,703	7.1%	399,040	6.2%	269	5.4%	1,430	5.9%	6,156	6.4%
Bachelor's Degree and Higher	43,739	31.8%	1,568,312	24.3%	1,353	27.1%	8,304	34.5%	35,043	36.3%
Total Population	**137,516**	**100.0%**	**6,448,763**	**100.0%**	**4,993**	**100.0%**	**24,071**	**100.0%**	**96,533**	**100.0%**
Employed Residents by Occupation										
Mgmt., Business, & Finance	576,027	13.3%	13,821	14.6%	444	12.0%	2,444	13.7%	10,680	15.6%
Professional and Related Occ.	892,969	20.6%	24,051	25.4%	837	22.6%	4,563	25.6%	18,523	27.1%
Service	640,162	14.8%	14,040	14.8%	583	15.7%	2,738	15.3%	10,041	14.7%
Sales and Office	1,191,706	27.5%	29,232	30.9%	1,127	30.4%	5,587	31.3%	20,662	30.3%
Farming, Fishing, and Forestry	7,386	0.2%	91	0.1%	0	0.0%	4	0.0%	32	0.0%
Construction, Extraction, & Maint.	339,427	7.8%	5,042	5.3%	307	8.3%	1,022	5.7%	3,323	4.9%
Production, Transp. & Material Moving	681,194	15.7%	8,340	8.8%	405	10.9%	1,481	8.3%	5,029	7.4%
Total Employed Residents	**4,328,871**	**100.0%**	**94,617**	**100.0%**	**3,703**	**100.0%**	**17,839**	**100.0%**	**68,290**	**100.0%**

"income"

Source: Claritas (2008) and EPS.

[1] Household total is provided by SCAG. EPS calculated the total population for each income range by using the percentage breakdown provided by Claritas.
[2] Educational attainment is based on the population of 25 years and older.

RETAIL MARKET OVERVIEW

Downtown Culver City is enjoying a cultural and culinary renaissance as evidenced by the recent influx of art galleries, shops, wine bars, and upscale restaurants. There are over 30 restaurants as well as multiple entertainment venues including a movie theater and a performing arts theater, a live jazz music venue, and the Sony Pictures Studios tour located in one of the most famous studio lots in the City. Although a diverse array of retail tenants have yet to locate, the notoriety and success of the upscale restaurants in addition to the concentration of creative office users, is anticipated to spur these types of retail outlets in the next couple of years.[5]

Overall Culver City is perceived to be an up-and-coming location to reside and locate a business and market demand for the retail tenants located in downtown is clearly high. Retailers have proven successful in part because of the relatively low lease prices comparative to other neighborhoods in western Los Angeles County (e.g., Santa Monica, Beverly Hills). With the progressively thriving downtown, however, has come increased traffic and competition for parking. There are approximately 1,500 spaces contained within three City-owned parking garages in addition to 185 metered parking spaces on the street, but the supply has been inadequate on most evenings spilling out into nearby residential streets.[6]

As shown in **Table 4**, it is estimated that the defined Trade Area contains almost 3.4 million square feet of retail space in major shopping centers, the majority of which is located in southern Culver City in close proximity to I-405 or along the commercial corridors of Venice Boulevard and Crenshaw Boulevard in the City of Los Angeles (refer to **Map 2**).[7][8] The Trade Area comprises 275,000 square feet of neighborhood-serving retail, 1.4 million square feet of community-serving retail, and 1.7 million square feet of super regional-serving retail (Baldwin Hills and Fox Hills malls). The Project area appears to contains a healthy mix of independent and national retailers.

The Project Area is characterized by neighborhood and community serving uses such as food stores, eating and drinking establishments, and automotive-related tenants and

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[5] 2008 Real Estate Forecast, Westside Retail Market, Sachse Real Estate Company, Inc. November 2, 2007.

[6] Hennessy-Fiske, Molly. "The peaks and valets of parking in Culver City." Los Angeles Times, September 7, 2008.

[7] Total GLA within the defined trade area is underrepresented; insufficient data exists to determine the square footage for every known retail outlet.

[8] In addition to the listed shopping centers in the Trade Area, there are a number of smaller retail outlets contained within strip centers or as stand alone structures. Further, retail outlets in downtown Culver City have not been included in this total inventory figure.

Table 4
Culver City Market Study Analysis
Existing Major Retail Centers within the Trade Area

Existing Supply as of January 2009

Map #	Name/Type	City	Total GLA	Year Opened	Year Renovated	Major Anchors
	Centers within Trade Area Boundary					
	Neighborhood					
1	Fox Hills Plaza	Culver City	69,652	1973		Marshalls
2	Jefferson Plaza	Culver City	39,000	1987		
3	Prime Pacific Plaza	Culver City				
4	Raintree Plaza	Culver City	86,700			Ralph's Grocery
5	Sepulveda & Pigott Shopping Center	Culver City	3,179	1985		
6	Staples Shopping Center	Culver City				Staples; Comp USA
7	Mid-Culver Shopping Center	Culver City	8,590	1962		
8	Crenshaw Square	Los Angeles	68,000	1960	1993	
	Total Neighborhood [1]		**275,121**			
	Community					
9	Culver City Commercial Centre	Culver City	210,000	1963		Ross Dress for Less; Staples; Target
10	Home Depot Center	Los Angeles	134,416	1986		Home Depot
11	Marlton Square	Los Angeles	140,000			
12	Studio Village	Culver City	204,263	1963	1990	Pavilions Supermarket; Rite Aid; T.J. Maxx; Toys R' Us
13	Office Depot Shopping Center	Culver City				Circuit City; Office Depot
14	Windsor La Ballona	Culver City				
15	Culver Center	Culver City	210,487	1950	1984	Bank of America; Ralph's Grocery; Rite Aid; Sit N Sleep
16	Screenland Shopping Center	Culver City	200,000	2003		Pacific Theaters
17	Venice Crossroads	Los Angeles				
18	Ladera Center	Los Angeles	186,770	1965	1985	Ralph's Grocery; Ross Dress for Less; Sav-On Drug
19	Baldwin Hills Center Shopping Center	Los Angeles	112,240	1988		Ralph's Grocery; Sav-On Drug
	Total Community [1]		**1,398,176**			
	Super Regional					
20	Baldwin Hills Crenshaw Plaza	Los Angeles	819,604	1947	2002	Albertson's; Magic Johnson Theaters; Robinson's-May; Sears; Wal-Mart
21	Westfield Fox Hills	Culver City	876,279	1975	1988	JC Penney; Macy's; Robinson's-May
	Total Super Regional [1]		**1,695,883**			
	Total Retail w/in Trade Area		**3,369,180**			
	Proximate Retail Centers Beyond Trade Area Boundary					
	Neighborhood					
22	Toffy Center	Culver City				U.S. Market
23	Braddock Center	Culver City	6,000			Centinela Café
24	Braddock Square Shopping Center	Culver City	24,000			
25	Furama Hotel Shopping Mall	Los Angeles	78,000			Ralph's Grocery
26	Gateway Center	Los Angeles	16,000	1969		
27	Coliseum Center	Los Angeles	64,000	2005		
28	Barrington Gateway Shopping Center	Los Angeles	20,648	1985		
29	The Olympic Collection	Los Angeles				
30	Westside Plaza	Los Angeles		1984		
31	Victoria Plaza	Los Angeles				
32	The Westside Center	Los Angeles	28,954	1991		
33	Centinela Plaza	Los Angeles	62,500			Thriftmart Supermarket
34	Grand View Plaza	Los Angeles	8,050	1986		
35	Marina Plaza	Los Angeles	13,755			Marina Mini Market

Table 4
Culver City Market Study Analysis
Existing Major Retail Centers within the Trade Area

Existing Supply as of January 2009

Map #	Name/Type	City	Total GLA	Year Opened	Year Renovated	Major Anchors
	Neighborhood Continued					
36	Cherokee Plaza	Los Angeles	33,000	1986		
37	Cheviot Hills Shopping Center	Los Angeles	58,740			Rite Aid; Vons Supermarket
38	Cotner Shopping Center	Los Angeles	20,000			
39	Blockbuster Shopping Center	Los Angeles	15,184	1972		Blockbuster Video
40	Hillcrest Promenade	Los Angeles	71,000	1996		Ralph's Grocery
41	8921 Sepulveda Shops	Los Angeles	8,000	1995		
42	CVS Shopping Center	Mar Vista	4,659	1986		CVS/pharmacy
	Total Neighborhood [1]		**532,490**			
	Community					
43	Crenshaw Plaza	Los Angeles	135,206	1969	1994	Ralph's Grocery; Rite Aid
44	Picwil Plaza	Los Angeles	100,000	1996		Blockbuster Video; Ralph's Grocery
45	Midtown Shopping Center	Los Angeles	160,000	1994	1998	Orchard Supply Hardware; Ralph's Grocery; Sav-On Drug
46	Ralph's Grocery Shopping Center	Los Angeles	100,000	1965		Ralph's Grocery
47	Albertson's Shopping Center	Westchester				Albertson's; Emerson Pharmacy
48	One Westside Place	Los Angeles	100,000	1997		Marshalls
	Total Community [1]		**595,206**			
	Regional					
49	Plaza La Cienega	Los Angeles	315,000	1970	2003	Circuit City; Rite Aid; Smart & Final; Toys R' Us
	Total Regional [1]		**315,000**			
	Super Regional					
50	Westside Pavilion	Los Angeles	761,020	1985	2000	Macy's; Nordstroms; Robinson's-May
	Total Super Regional [1]		**761,020**			
	Total Proximate Retail Beyond Trade Area		**2,203,716**			
	Total Existing Supply		**5,572,896**			

"retail_supply"

Source: National Research Bureau Shopping Center Database, 2005; Google Maps; and EPS.

[1] Total GLA is based on the total available data.

regional-serving retail primarily represented by large-scale furniture warehouse facilities along Venice Boulevard. Indeed, **Table 5** illustrates that restaurants and food stores dominate the commercial activity in the area surrounding the future transit station. Combined, there are 83 food-related retailers including fast-food restaurants (e.g., Togo's, Wendy's), ethnic restaurants (e.g., Chinese, Japanese), bars, cafes, coffee shops (e.g., Starbucks, Tokyo 7-7 Coffee Shop), bakeries, and major grocers (e.g., Albertsons, Trader Joe's). In addition to representing about 44 percent of retailers in the Project Area, food-related retailers also account for 43 percent of retail employment.

Other prominent retailers in the Project Area include home furniture and furnishing outlets including Jaxon Home Furnishings, Scandinavian Designs, and Alan Desk Business Interiors. Automotive uses, including new and used car dealers (e.g., Culver City Nissan & Mazda, Miller Toyota) and tire retailers comprise 5 percent of total retailers but comprise nearly 30 percent of retail employment in the Project Area.

The majority of the retail demand is generated by daytime patrons as well as some evening and weekend patrons. For the local residents in close proximity to the Project, the area serves as a destination for regular daily purchases. The current retail mix – specifically the grocery and restaurant tenants - also caters to pass-by vehicular traffic along Venice Boulevard who may or may not reside locally.

RETAIL PERFORMANCE INDICATORS

There is about 1.4 million square feet of neighborhood serving retail space and approximately 1.9 million square feet of community serving retail space for a total of 3.2 million square feet of retail in the Culver City submarket in 2008 (excluding regional-serving retail).[9] As shown in **Table 6**, there has been minimal new retail development in the Culver City submarket primarily because of a lack of developable land. Although the Culver City submarket added approximately 64,000 square feet to the market inventory in 2005, no new retail development has occurred since then. The submarket contains approximately 5 percent of the total neighborhood and community-serving retail in the Los Angeles metropolitan region and is ranked in the bottom one-third out of all submarkets in the region for inventory growth over the last five years (2003-2007).[10]

Net absorption, which is the net change of occupied space, in the Culver City submarket has historically remained positive on an annual basis since 2005 for both neighborhood

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9 According to REIS, the Culver City submarket includes Culver City, Inglewood, and El Segundo.
10 REIS SubTrend Report, Retail, 3rd Quarter 2008.

Table 5
Culver City Market Study Analysis
Retail-Related Businesses in Trade Area

Industry	# of Businesses		Employees	
	Total	% Total	Total	% Total
Eating & Drinking Places				
Restaurants & Cafes	57	29.8%	682	27.5%
Coffee Shops	3	1.6%	44	1.8%
Night Club/Bar	3	1.6%	12	0.5%
Caterers	4	2.1%	31	1.3%
Subtotal Eating & Drinking Places	**67**	**35.1%**	**769**	**31.0%**
Food Stores				
Grocery	10	5.2%	225	9.1%
Bakery/Bagel/Donut	6	3.1%	70	2.8%
Subtotal Food Stores	**16**	**8.4%**	**295**	**11.9%**
Total Eating & Drinking, Food Stores	**83**	**43.5%**	**1,064**	**42.9%**
Home Furniture & Furnishings				
Furniture Dealers	14	7.3%	110	4.4%
Other [1]	13	6.8%	62	2.5%
Subtotal Home Furnishings	**27**	**14.1%**	**172**	**6.9%**
Misc. Retail				
Art Galleries	10	5.2%	29	1.2%
Antique Dealers	5	2.6%	15	0.6%
Gifts/Florists	8	4.2%	44	1.8%
Pharmacies	4	2.1%	27	1.1%
Other Misc. Retail [2]	25	13.1%	233	9.4%
Subtotal Misc. Retail	**52**	**27.2%**	**348**	**14.0%**
Remaining Retail Industries				
Automotive	9	4.7%	723	29.2%
Apparel	7	3.7%	33	1.3%
Building Materials/Hardware	4	2.1%	40	1.6%
General Merchandise	2	1.0%	57	2.3%
Manufacturing	4	2.1%	34	1.4%
Wholesale	3	1.6%	9	0.4%
Subtotal Remaining Retail Industries	**29**	**15.2%**	**896**	**36.1%**
Total Retail	**191**	**100.0%**	**2,480**	**100.0%**

"retail_bus"

Source: InfoUSA (2008) and EPS.

[1] "Other Home Furniture & Furnishings" includes such businesses as carpet and rug dealers, fireplace equipment, computer parts, draperies and curtains, and household appliances.

[2] "Other Misc. Retail" includes such businesses as book dealers, cell phones, craft supply, jewelers, office supplies, sporting goods, thrift shops, and e-commerce.

Table 6
Culver City Market Study Analysis
Historical Retail Market Trends by Retail Type in Culver City Submarket (2003-2008) [1]

Item	Inventory (Sq. Ft.)	Completions [2]	Net Absorption	Vacancy Rate	Monthly Asking Rent [3]
Neighborhood Centers					
2003	1,290,000	0	(20,000)	5.7%	$2.24
2004	1,290,000	0	43,000	2.4%	$2.32
2005	1,354,000	64,000	34,000	4.5%	$2.41
2006	1,354,000	0	31,000	2.2%	$2.48
2007	1,354,000	0	6,000	1.8%	$2.64
2008 [4]	1,354,000	0	(11,000)	2.2%	$2.64
Avg. Absorption Rate [5]			**18,800**		
Annual Avg. Lease Rate [5]					**$2.42**
Community Centers					
2003	1,850,000	0	45,000	1.7%	$2.48
2004	1,850,000	0	(12,000)	2.3%	$2.65
2005	1,850,000	0	12,000	1.7%	$2.87
2006	1,850,000	0	16,000	0.8%	$3.08
2007	1,850,000	0	9,000	0.5%	$3.36
2008 [4]	1,850,000	0	(13,000)	1.2%	$3.32
Avg. Absorption Rate [5]			**14,000**		
Annual Avg. Lease Rate [5]					**$2.89**
Total Neighborhood and Community Centers					
Inventory [4]	3,204,000				
Avg. Absorption Rate (Rounded) [5]			**23,300**		
Annual Avg. Lease Rate [5]					**$2.63**

"retail_market"

Source: REIS SubTrend Report 2008, 3rd Quarter, and EPS.

[1] Submarket includes Culver City, Inglewood, and El Segundo.
[2] Completions is the amount of new space added to market inventory.
[3] Asking rate based on 2008 dollars.
[4] As of 3rd quarter of 2008.

and community serving retail, but experienced nominal negative absorption in the third quarter of 2008. On an annualized basis over the last 5 years (2003-2007), the Culver City submarket absorbed 150 percent (19,000 square feet) more retail space than was constructed indicating new retail activity primarily occurred in existing retail spaces. In any given year over the last 5 years, net absorption never exceeded 50,000 square feet (equivalent to one neighborhood-serving centers) and average net absorption over the last 5 years (2003-2007) was 23,000 square feet indicating relatively low development activity.

Neighborhood and community-serving retail vacancy rates in the Culver City submarket have been among the lowest of all submarkets in the Los Angeles metropolitan region at about 2.2 percent and 1.2 percent, respectively, as of 3rd Quarter 2008. Annualized over the last 5 years (2003-2007), the submarket has a vacancy rate of 3.5 percent for neighborhood-serving centers and 1.8 percent for community-serving centers. Comparatively, over the same 5-year period, the vacancy rate for the Los Angeles metropolitan region has been 3 percent, while the vacancy rate for the nation has been 7 percent. These tremendously low vacancy rates in the Culver City submarket indicate a constricted retail market that is largely a factor of limited development opportunities.

Between 2003 and 3rd Quarter 2008, average monthly asking rents in the Culver City submarket grew approximately 18 percent to $2.64 per square foot for neighborhood centers and increased 34 percent to $3.32 per square foot for community centers. Information obtained from interviews with real estate professionals indicated neighborhood-serving retail within the Project Area could currently achieve rents of between $2.00 to $2.50 per square foot.

On an annualized basis over the last 5 years (2003-2007), average asking rents for non-anchor tenants in neighborhood-serving centers grew nearly 5 percent, which approximates the growth rate witnessed in the greater Los Angeles metropolitan region and exceeds the growth rate witnessed in the nation over the same period (3 percent). The Culver City submarket, however, ranks among the lowest of all submarkets in the region for average monthly asking rents of non-anchor neighborhood-serving tenants. In contrast, average monthly asking rents for non-anchor community-serving tenants increased nearly 8 percent on an annualized basis over the last 5 years (2003-2007). This growth in average monthly asking rents for non-anchor community-serving tenants was the highest of all submarkets regionally and nationally.[11]

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[11] Based on submarket data collected by REIS and presented in SubTrend Retail report, 3rd Quarter 2008.

Planned and Proposed Retail Projects

There are a number of new retail developments in various planning stages, some of which represent additions to or redevelopment of existing retail locations. In total, these projects represent nearly 620,000 square feet of new retail space within the Trade Area, with half of this new development attributed to the Fox Hills Mall expansion currently under construction (refer to **Table 7**). Remaining projects that have received their building permit or are under construction represent 28,000 square feet of retail space in the Trade Area. With the exception of the Fox Hills Mall expansion, nearly all planned and proposed retail projects in the Trade Area are mixed-use, combining retail with residential or office, and are envisioned to comprise less than 50,000 square feet of space.

At the time of this analysis, most tenants are unknown given current market conditions and the planning phase of each project. One approved project, the 112,500 square foot project, The Plaza at Culver Studios, is located approximately 1 mile from the future Expo Line Station. To date, the retail center has attracted Room & Board, an upscale furniture retailer who will lease approximately 40,000 square feet of ground and second floor retail space. The Plaza at Culver Studios is slated to open in early 2010.

RETAIL MARKET PROSPECTS

Current economic conditions suggest the national retail market is likely to undergo significant transformation in upcoming years, including substantial consolidation and store closings. A major shake-up in the retail market presents a high degree of uncertainty with regard to tenanting and forecasting absorption. In the long term, however, these conditions offer new opportunities as more competitive retail tenants, concepts, and formats emerge and seek new locations.

Characteristics of the Project Area that dictate the type of retail tenants that might locate in the Project area include: relatively small and poorly configured parcels, in particular along Venice Boulevard; parking and auto circulation-related issues; and the location and type of existing proximate retail. These factors will generally limit the development of larger retail projects such as a neighborhood or community shopping center, "Big Box", or Power Center. Rather future retail development is likely to occur as the creative reuse of existing buildings (e.g., warehouse) or as part of a new vertical mixed-use project. It is also likely to be characterized by numerous tenants occupying relatively small floor plates (e.g., 500 to 5,000 square feet) rather than the large anchor/in-line tenant format of most shopping centers.

Although generally incremental in nature, the Project Area has the potential to support a substantial and highly successful amount of retail in the long-run, especially if successfully linked the growing office market and the existing retail cluster in

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Table 7
Culver City Market Study Analysis
Planned and Proposed Commercial Retail Projects

Project Name by Phase [1]	Location	Miles [2]	Description/ Proposed Uses	Total Retail Sq. Ft.
Pre-Application				
Czuker Site	8770 Washington Blvd.	0.1	Mixed use; Retail, office, and residential	41,600
Brentwood Site	8810 Washington Blvd.	0.1	Mixed use; Retail and residential	17,084
Triangle Site	Washington/National Blvd.	N/A	Mixed use; Retail, office, and residential	71,500
Subtotal Pre-Application				**130,184**
Pending				
Luxe Development	9901 Washington Blvd. (LA)	0.8	Mixed use; 131 residential units over commercial space	12,148
W. Clover Ave. Project	11201 W. Clover Ave. (LA)	2.9	Mixed use; 159 residential units over commercial space	30,000
Subtotal Pending				**42,148**
Entitlement				
Warner Parking Structure	8511 Warner Dr.	0.7	Retail, restaurant, and parking	51,520
Washington Place Mixed Use	11281 Washington Place	2.2	Mixed use; Retail and Residential	17,500
FAYNSOD Family Trust	11501 Washington Blvd.	2.6	Mixed use; Retail, office, and residential	2,359
Baldwin Site	12803 W. Washington Blvd.	3.6	Mixed use; Retail, office, and residential	12,436
Subtotal Entitlement				**83,815**
Approved				
Plaza at Culver Studios	9300 Culver Blvd.	1.1	Mixed use; Office/Retail; Room & Board Furniture Store	40,000
Subtotal Approved				**40,000**
Building Permit/Construction				
Glencoe/Washington Mixed Use	13365 Washington Blvd.	2.1	Mixed use; Retail and Residential	4,183
West Angeles Plaza	3501 West Jefferson Blvd. (LA)	3.1	Commercial/Office and Retail	15,000
Washington Place Office Condos	12402 Washington Place	3.2	Mixed use; Retail, office, and residential	9,300
Westfield Fox Hills Mall Expansion	200 Fox Hills Mall	3.8	Retail and additional parking spaces	293,786
Subtotal Bldg. Permit/Construction				**322,269**
Total Sq. Ft.				**618,416**

"retail_projects"

Source: City of Culver City, City of Los Angeles, The Front Page Online, and EPS.

[1] All projects are located in Culver City, unless noted otherwise. Projects located in the City of Los Angeles are specific to the Palms-Mar Vista-Del Rey Community Plan Area.
[2] Total number of driving miles from the future Expo Line Transit Station located at the Triangle Site.

downtown. The foot traffic associated with the transit station, as well as the upscale plaza setting envisioned at key catalytic sites, can support the evolution of this type of retail development. However, this type of retail development is by definition not formulaic and the actual tenant mix will depend on themes and circumstances that evolve over time. In addition, issues related to parking and walkability are likely to continue to pose an impediment, especially for attracting up-scale boutique or specialty retail and national brand tenants. In addition, most new tenants are likely serve the surrounding residential and employment base given the highly-competitive destination retail that exists throughout the region.

OFFICE MARKET OVERVIEW

Since the 1920s, the City has established itself as a production hub for motion pictures and television with the opening of the region's first film studios, including Metro-Goldwyn-Mayer (MGM) Studios. Following a decline in the movie studios, Culver City has undergone a renaissance in recent years and is perceived as an emerging market in western Los Angeles for upscale restaurants, high-technology, media, and other creative employers, and housing for young families and singles. The City is a microcosm of the greater region, and has successfully attracted many leading entertainment, multimedia, and other creative firms, including Sony Pictures, Ogilvy & Mather, Smashbox, National Public Radio (NPR), and Eric Owen Moss Architects. Top employers in the City represent a diversified range of industries including: retail, medical, high-technology, local government, and apparel manufacturing.[12] However, the entertainment industry has emerged as the City's key growth generator for the office sector.

Culver City is included in the West Los Angeles office submarket, the largest and highest-performing submarket in the region, with over 52 million square feet of rentable office space.[13] Well-known corporations in the high-technology, entertainment, defense, hospitality, and residential builder industries are located in this submarket including: Yahoo!; Sony Pictures; Hilton Hotels; Kaufman and Broad; and Electronic Arts. The West Los Angeles office submarket possesses numerous elements that contribute to its success including: retail, entertainment, and cultural amenities; executive housing; proximity to two major freeways; and proximity to the Los Angeles Airport and Los

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[12] Sony Pictures Entertainment, which acquired MGM Studios in 2005 is headquartered in the City and is one of the City's largest employers.

[13] The West Los Angeles submarket includes: Beverly Hills, Brentwood, Century City, Marina Del Rey/Venice, Miracle Mile, Olympic Corridor, Santa Monica, West Hollywood, West Los Angeles, and Westwood.

Angeles Port. These elements have resulted in historic highs in both occupancy and asking rental rates as of 2007.[14]

Culver City's office market is essentially divided into two distinct office markets: surrounding downtown, office space is primarily characterized by smaller, creative office users (e.g., design houses, architecture firms); and in southern Culver City in close proximity to I-405, office space is characterized primarily by larger, office towers housing such businesses as Symantec (research and development campus) and Paychex Incorporated. Additional office development is anticipated in the southern portion of the City with the recent approval (March 2008) of a 12-story office tower (Corporate Pointe Tower).[15]

The Project area is situated directly adjacent to the west of the Hayden Tract, the City's largest and oldest industrial area, which has been, in recent years, transformed into a diverse mix of office and light-industrial uses including traditional manufacturing, design, and entertainment-related industries. Prominent businesses located in the Hayden Tract include Eric Owen Moss and Don Dimster architects, Ogilvy & Mather (advertising), Animax Entertainment, Debbie Allen Dance Studio, and Smashbox Cosmetics.[16] The architectural style and functionality of large, high-ceiling warehouse space appeals to creative office tenants.

The office buildings along Venice Boulevard are not as visually appealing as the office space located near Washington Blvd. A majority of the office development along Venice Boulevard were built in the 1940's and are classified as Class C office space. The depths of the lots are approximately 25 feet and the size of the each office space is about 400 square feet. The size and configuration of these office space are generally not of the format sought by potential tenants. Typically, small businesses seek office space of approximately 5,000 square feet, while larger corporations are seeking larger parcels of land in closer proximity to downtown Los Angeles.

A review of office-related tenants in the Project Area indicates a substantial portion of the 200 office-related businesses are creative office users (e.g., graphic designers, photographers, architects). As shown in **Table 8**, 34 percent of businesses located in the Project Area comprise office users in creative industries, although these businesses comprise only about 13 percent of office-related employment, with the largest concentration in architecture studios (e.g., SPF Architects, Summit Architects, Inc.). With 15 percent of total businesses in the Project Area, the second largest concentration

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[14] 2008 Real Estate Forecast, West Los Angeles Office Market. Grubb & Ellis, November 2, 2007.
[15] IDS Real Estate Group. "Culver City's Economic Appeal Cited: IDS Real Estate Group Unveils Plans for 12-Story [Office Tower]." http://www.reuters.com/.
[16] http://wikimapia.org/42604/Hayden-Tract-Culver-City.

Table 8
Culver City Market Study Analysis
Office-Related Businesses in Trade Area

Industry	# of Businesses		Employees	
	Total	% Total	Total	% Total
Business Services				
Creative Office Users				
Graphic Designers	14	6.9%	53	1.7%
Interior Designers	11	5.4%	107	3.4%
Photography	9	4.4%	15	0.5%
Advertising	6	2.9%	61	2.0%
Architecture	23	11.3%	154	4.9%
Other Creative Office Users [1]	6	2.9%	29	0.9%
Subtotal Creative Office Users	**69**	**33.8%**	**419**	**13.4%**
Other Business Services [2]	36	17.6%	1,834	58.6%
Subtotal Business Services	**105**	**51.5%**	**2,253**	**72.0%**
Finance, Insurance, Real Estate (FIRE)				
Finance	11	5.4%	115	3.7%
Insurance	7	3.4%	33	1.1%
Real Estate	30	14.7%	141	4.5%
Subtotal FIRE	**48**	**23.5%**	**289**	**9.2%**
Remaining Office Industries				
Engineering, Accounting, & Management	24	11.8%	129	4.1%
Social Services	16	7.8%	378	12.1%
Legal Services	11	5.4%	79	2.5%
Subtotal Remaining Office Industries	**51**	**25.0%**	**586**	**18.7%**
Total Office	**204**	**100.0%**	**3,128**	**100.0%**

"office_bus"

Source: InfoUSA (2008) and EPS

[1] "Other Creative Office Users" includes businesses such as artists, computer graphics, website hosting, website design, music production, and recording studios.
[2] "Other Business Services" includes such businesses as information technology, truck rental pest control, housekeeping services, video rental, auto repair, electronics, packaging service, property management.

of office-related businesses are in the real estate field – including real estate agencies, appraisers, developers, property management, and apartment rental assistance agencies - comprising 5 percent of office-related jobs.

A majority of the employment found in the Project Area is classified under the broad category of "Business Services," which includes the Brotman Medical Center and associated Behavioral Health Services (approximately 950 employees) and Sony Pictures Television (approximately 700 employees). Other industries classified under "Business Services" include: employment agencies, janitorial services, and mail and shipping services.

OFFICE PERFORMANCE INDICATORS

As of 3rd quarter 2008, the City contained nearly 4.0 million square feet of leasable office space, representing approximately 7.5 percent of the total West Los Angeles submarket. **Table 9** provides an overview by submarket of office development that is currently leasable, constructed/renovated square footage, and planned development. As shown, the City has had 865,200 square feet constructed or renovated over the last three years, which represents over 20 percent of all office constructed in the West Los Angeles region over the same time period. Further, there is 665,000 square feet of office planned in the City, or approximately 20 percent of planned office space in the West Los Angeles region as of 3rd quarter 2008. Planned square footage, however, is based on all announced space, including projects without entitlements or funding.

As of third quarter of 2008, the City suffered with negative net absorption and high vacancy rates because of the downturn of the market overall. Historically, the City's office market has performed well compared to other cities in the West Los Angeles submarket with lower vacancy rates and positive absorption (refer to **Table 10**).

As shown in **Table 11**, the City has historically had one of the lowest lease rates for office space in the West Los Angeles submarket**.** Currently, the City had the lowest average lease rate of $3.00 in the entire submarket, compared to Santa Monica with the highest lease rate of $4.79. **Table 11** shows that the City's average lease rates have increased 6 percent annually from 2003 to 2008. The City's average lease rate is increasing on an annual basis, while the lease rates in the West Los Angeles submarket as a whole are decreasing.

Planned and Proposed Inventory

As shown in **Table 12**, there is nearly 1.1 million square feet of office space in the development pipeline within and in close proximity to the Project Area. Of this amount, three projects, comprising approximately 151,000 square feet, have been granted

Table 9
Culver City Market Study Analysis
Historical Office Market by Submarket, Third Quarter (2006-2008)

Year/Submarket	Total Leasable Sq. Ft.	% of Total Leasable Sq. Ft.	Total Completions [1]	Constructed/ Renovated (Sq. Ft.)	Planned Sq. Ft. [2]
2008					
Beverly Hills	6,863,800	13.0%	0	80,500	0
Brentwood	3,018,600	5.7%	0	0	0
Century City	10,695,100	20.3%	0	0	0
Culver City	**3,961,600**	**7.5%**	**0**	**16,200**	**665,000**
Marina Del Rey/Venice	3,680,700	7.0%	0	762,000	2,150,000
Miracle Mile	4,752,200	9.0%	0	0	0
Olympic Corridor	2,952,800	5.6%	0	0	0
Santa Monica	94,825,000	179.9%	198,100	0	0
West Hollywood	2,011,200	3.8%	0	400,000	300,000
West Los Angeles	795,900	1.5%	0	0	0
Westwood	4,501,900	8.5%	0	0	0
Total Market	**52,716,300**	**100.0%**	**198,100**	**1,402,900**	**3,115,000**
2007					
Beverly Hills	6,948,600	13.4%	0	0	197,000
Brentwood	2,993,200	5.8%	0	0	0
Century City	10,629,100	20.5%	0	0	0
Culver City	**3,744,400**	**7.2%**	**0**	**632,000**	**220,000**
Marina Del Rey/Venice	3,526,700	6.8%	0	0	250,000
Miracle Mile	4,793,400	9.2%	0	0	40,000
Olympic Corridor	2,927,500	5.6%	0	0	0
Santa Monica	9,108,800	17.6%	0	198,100	0
West Hollywood	1,962,700	3.8%	0	400,000	0
West Los Angeles	791,000	1.5%	0	0	0
Westwood	4,466,300	8.6%	0	0	0
Total Market	**51,891,700**	**100.0%**	**0**	**1,230,100**	**707,000**
2006					
Beverly Hills	6,926,600	13.6%	0	0	0
Brentwood	2,988,100	5.9%	0	0	0
Century City	9,853,500	19.3%	0	790,000	0
Culver City	**3,735,800**	**7.3%**	**0**	**217,000**	**199,700**
Marina Del Rey/Venice	3,595,500	7.0%	0	65,700	0
Miracle Mile	4,761,400	9.3%	0	0	0
Olympic Corridor	2,918,900	5.7%	0	0	30,000
Santa Monica	9,056,000	17.7%	0	66,900	176,200
West Hollywood	1,962,300	3.8%	0	0	400,000
West Los Angeles	790,700	1.5%	0	0	0
Westwood	4,459,700	8.7%	0	0	0
Total Market	**51,048,500**	**100.0%**	**0**	**1,139,600**	**805,900**

"office_market"

Source: Colliers West Los Angeles Office Market Reports (3rd Qtr.) and EPS

[1] Completed square feet for 3rd quarter includes return to market of renovated space, less space taken off market or demolished.
[2] Planned square feet is based on all announced space, including projects without entitlements or funding.
[3] Total completions, under construction or renovation square feet, and planned square feet for 2003-2005 is not available.

Table 10
Culver City Market Study Analysis
Office Net Absorption (YTD) and Direct Vacancy Rate, Third Quarter (2003-2008)

	Year					
Submarket	2003	2004	2005	2006	2007	2008
Net Absorption (Sq. Ft)						
Beverly Hills	(700)	(75,300)	27,100	194,000	46,700	(85,900)
Brentwood	13,500	47,700	2,600	86,500	(13,300)	(31,800)
Century City	(32,900)	60,700	89,200	172,500	496,700	162,100
Culver City	**(19,900)**	**(33,400)**	**18,400**	**75,600**	**(296,100)**	**(99,300)**
Marina Del Rey/Venice	70,200	7,600	103,900	57,900	(110,500)	(17,100)
Miracle Mile [1]	-	-	-	(33,100)	(12,300)	4,500
Olympic Corridor	59,100	79,900	31,800	9,800	69,300	(123,700)
Santa Monica	66,300	203,100	77,100	135,500	(41,600)	(5,900)
West Hollywood	9,900	(24,300)	(2,600)	4,300	26,600	(34,000)
West Los Angeles	19,700	62,200	(700)	9,400	(23,900)	8,200
Westwood	(16,300)	51,000	226,500	112,400	38,600	(75,100)
Total Market	**168,900**	**379,200**	**573,300**	**824,800**	**180,200**	**(351,100)**
Direct Vacancy Rates						
Beverly Hills	11.1%	12.2%	10.2%	4.6%	3.7%	6.2%
Brentwood	12.8%	13.5%	9.6%	4.2%	2.3%	6.2%
Century City	20.5%	14.4%	12.3%	9.8%	9.7%	7.8%
Culver City	**9.5%**	**12.7%**	**5.4%**	**3.1%**	**6.8%**	**14.6%**
Marina Del Rey/Venice	23.3%	11.2%	7.6%	5.4%	8.1%	7.6%
Miracle Mile [1]	-	-	-	11.2%	10.7%	9.5%
Olympic Corridor	14.0%	13.1%	7.7%	6.1%	3.4%	7.4%
Santa Monica	16.5%	13.9%	8.5%	5.3%	5.8%	6.1%
West Hollywood	9.2%	7.6%	4.3%	2.2%	1.7%	3.1%
West Los Angeles	6.8%	4.2%	8.4%	3.6%	4.8%	9.0%
Westwood	13.3%	17.0%	10.4%	7.2%	6.7%	9.1%
Total Market	**15.4%**	**13.2%**	**9.3%**	**6.5%**	**6.6%**	**7.8%**

"absorption"

Source: Colliers West Los Angeles Office Market Reports (3rd Qtr.) and EPS

[1] Absorption rates for Miracle Mile for 2003-2005 is not available.

Table 11
Culver City Market Study Analysis
Office Lease Rates by Submarket, Third Quarter (2003-2008)

Submarket	Year 2003	2004	2005	2006	2007	2008	% Change (2003-2008)
Beverly Hills	$3.41	$3.40	$3.23	$3.31	$3.90	$4.23	23.9%
Brentwood	$3.18	$2.98	$3.02	$3.22	$4.50	$4.52	41.9%
Century City	$3.59	$3.46	$3.36	$3.32	$4.24	$4.35	21.1%
Culver City	**$2.42**	**$2.21**	**$2.37**	**$2.52**	**$2.69**	**$3.00**	**24.2%**
Marina Del Rey/Venice	$2.72	$2.57	$2.65	$3.06	$3.77	$3.24	19.3%
Miracle Mile [1]	-	-	-	$2.91	$3.27	$3.10	6.7%
Olympic Corridor	$2.81	$2.62	$2.58	$2.64	$3.54	$3.42	21.6%
Santa Monica	$3.45	$3.36	$3.54	$3.58	$4.91	$4.79	38.9%
West Hollywood	$2.43	$2.43	$2.94	$3.42	$4.63	$4.54	87.0%
West Los Angeles	$2.96	$3.63	$2.41	$2.47	$2.94	$3.33	12.6%
Westwood	$3.22	$3.05	$3.06	$3.54	$4.72	$5.02	55.9%
Total Market	**$3.27**	**$3.13**	**$3.17**	**$3.22**	**$4.04**	**$3.93**	**20.2%**

"lease"

Source: Colliers West Los Angeles Office Market Reports (3rd Qtr.) and EPS

[1] Lease rates for Miracle Mile for 2003-2005 is not available. Percentage change is based on 2006-2008.

Table 12
Culver City Market Study Analysis
Planned and Proposed Commercial Office Projects

Project Name by Phase [1]	Location	Miles [2]	Description/ Proposed Uses	Total Office Sq. Ft.
Pre-Application				
Czuker Site	8770 Washington Blvd.	0.1	Mixed use; Retail, office, and residential	53,500
Triangle Site	Washington/National Blvd.	N/A	Mixed use; Retail, office, and residential	70,000
Subtotal Pre-Application				**123,500**
Entitlement				
Distribution & Warehouse	3434 Wesley St.	0.2	Office, warehouse, and distribution	10,500
Hayden Place Office Building	8665 Hayden Place	0.5	Office building	63,679
Irving Residential/Office	4043 Irving Place	1.2	Mixed use; Office, and residential	3,370
Office Building	9919 Jefferson Blvd.	1.3	Office building	113,467
FAYNSOD Family Trust	11501 Washington Blvd.	2.6	Mixed use; Retail, office, and residential	937
Baldwin Site	12803 W. Washington Blvd.	3.6	Mixed use; Retail, office, and residential	24,872
Radisson Office Tower	6161 Centinela Way	4.1	Office tower	342,400
Dr. Brenord Dutt	5800 Uplander Way	4.7	Office building	83,464
Washington Blvd. Project	1157 Washington Blvd.	5.3	Office building	73,569
Subtotal Entitlement				**716,258**
Approved				
Plaza at Culver Studios	9300 Culver Blvd.	0.1	Mixed use; Office/Retail	72,500
S. Glencoe Ave. Project	4215 S. Glencoe Ave. (LA)	4.5	Mixed use; 119 residential units over Office	24,450
Subtotal Approved				**96,950**
Building Permit/Construction				
Sony	10202 Washington Blvd.	0.9	Office and post-production; Sony Pictures	100,000
West Angeles Plaza	3501 West Jefferson Blvd. (LA)	3.1	Commercial/Office and Retail; Union Bank of California	21,000
Washington Place Office Condos	12402 Washington Place	3.2	Mixed use; Retail, creative office, and residential	30,400
Subtotal Building Permit/Construction				**151,400**
Total Sq. Ft.				**1,088,108**

"office_projects"

Source: City of Culver City, City of Los Angeles, The Front Page Online, Google Maps, and EPS.

[1] All projects are located in Culver City, unless noted otherwise. Projects located in the City of Los Angeles are specific to the Palms-Mar Vista-Del Rey Community Plan Area.
[2] Total number of driving miles from the future Expo Line Transit Station located at the Triangle Site.

building permits or are currently under construction. The Sony Lot Project consists of 100,000 net new building square feet to be utilized for office and post-movie production uses. New office space being planned or proposed are either smaller scale mixed-use concepts or larger-scale office buildings located in the south and western portion of the City, in close proximity I-405.

OFFICE MARKET PROSPECTS

Although current market conditions may currently favor retail development more so than office development, the Project Area is a much stronger location for office development over the long-term. The key factors that will influence the type and level of growth in the office sector include:

- **Strategic Location is Attractive to Office Tenants.** The diversified, dynamic Los Angeles economy will stimulate long-term office growth, especially in amenity rich and transit friendly locations. The Project Area's accessibility to the future Expo Line Station, I-10 and I-405, and the major arterial corridor, Venice Boulevard, will serve both local and regional commuters in all directions and will likely be attractive to prospective office tenants. The presence of the regional-serving transit station will be a much more important amenity for office than retail. In general, residents utilize mass transit for employment purposes rather than to fulfill their shopping needs, and this is especially relevant in a heavily-congested area like Los Angeles.
- **Existing Office Tenants Create Opportunities for Synergy**. The presence of several premiere, world-class, and large office tenants (e.g., Sony Pictures, Ogilvy & Mather) will attract related office users. In particular, future office tenants will place an emphasis on locating in close proximity to existing, similar office tenants for numerous reasons including potential shared resources and customers (e.g., technologies, business services), "spin-off" opportunities,, and intra-industry collaboration and networking. Potential office tenants in the Project Area are likely to include: smaller scale creative office users (e.g., architects, graphic designers); movie-production related firms; and locally-serving business services (e.g., accountants, attorneys).
- **Type and Level of Office Growth Will be Influenced by Supply.** Venice Boulevard is not as attractive of a corridor for potential office space because existing streetscape aesthetic, the size requirements of the parcels, and existing office buildings were built in the 1940s (class C). Potential office tenants in the Project Area are likely to be start-ups and smaller "creatives" seeking 500 – 2,000 square feet of space and lower cost options. Existing building configurations and small parcels is likely to be an impediment for corporate tenants looking for larger floor-plates and an upscale environment.

IMPACT OF EXPO LINE STATION

When the Expo Line station opens in the summer of 2010, the area immediately surrounding the station will be transformed into a regionally-serving transit node.[17] Culver City is already perceived as an emerging market for retail and office tenants because of its demographic characteristics, accessibility via major transportation corridors, proximity to a well-educated labor pool, and relatively affordable lease rates for both retail and office. In recent years, downtown Culver City has undergone a metamorphosis as evidenced by the influx of art galleries and upscale restaurants. Although the Project Area surrounding the transit station is and will continue to be distinct from downtown, the metamorphosis that has occurred in downtown is likely to spill into the nearby Project Area, influencing the type and quality of tenants currently found in downtown.

In addition to the influence downtown will have on the bordering Project Area, the presence of the new Expo Line station will also have a significant impact. Numerous studies have demonstrated the impact transit stations have on adjacent development. In general, transit stations have a discernable benefit on the amount, timing of absorption, and lease rates of commercial development located within a distance of ½ of a mile. National studies indicate rent for retail space close to transit stations has been shown to be almost three times higher than in other areas. The positive impacts on commercial property values have been found to be most pronounced in areas within a ½ to ¼-mile radius of high capacity transit stations, declining steadily and incrementally with distance.[18] Examples of specific economic impacts on commercial development in close proximity to transit stations are described in **Table 13**.

In addition to the catalytic sites that are currently being planned for redevelopment, there are a number of additional opportunity sites that could be redeveloped. In particular, redevelopment of automobile uses primarily along Washington Boulevard and small-format retail establishments located throughout the Project Area could be the basis of an evolution of a walkable transit district.

Given the built-out and highly-occupied nature of the Project Area surrounding the Expo Line station site, its impact is likely to be incremental but significant over the long-term. In the near term (3 – 5 years after opening) the biggest impact will be on the catalytic sites directly adjacent to the Expo Line station as well as on other currently vacant or underutilized properties. Over time, market pressures will likely catalyze a gradual change in uses among properties with existing, viable uses, both through redevelopment and re-tenanting.

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[17] Expo Line website, www.buildexpo.org.
[18] Economics Research Associates, 1995.

Table 13
Culver City Market Study Analysis
Summary of Economic Impacts of Transit Stations

Jurisdiction	Transit System	Economic Impacts [1]	Source
Santa Clara, CA	Santa Clara Valley Transit Authority (SCVRT)	Approximate capitalization benefits of 23%.	Note [2]
San Diego, CA	San Diego Metro. Transport. District (SDMTA)	72-91% property value premiums. **Retail:** Monthly rents for retail within a half-block of station increased an average of 167%.	Note [3]
San Francisco, CA	Bay Area Rapid Transit (BART)	Premium of 20-25% over comparable non-transit sites. **Office:** land price per sq. ft. increased as distance from transit station decreased: $30 per sq. ft. (more than a half-mile from station) to $74 per sq. ft. (within one-quarter mile of a station).	Note [4] [5]
Portland, OR	Tri-County Metro. Transport. District (Tri-Met)	$6 billion in development occurred within walking distance of MAX LRT stations since 1980. Within 5 years following construction over 7 million sq. ft. of new construction over 7 million sq. ft. of new development development ($900 million) occurred adjacent to light rail.	Note [6] [7]
Dallas, TX	Dallas Area Rapid Transit (DART)	Growth of 24.7% between 1997-2001 for properties located near stations vs. 11.7% for properties not served by transit. **Retail:** DART Mockingbird Station in Dallas catalyzed the development of 7 acres next to the platform into 180,000 sq. ft. of restaurant, entertainment, and retail uses. **Retail:** Retail space near Mockingbird Station leased for $40 a sq. ft vs. the City's less than $25 per sq. ft. average retail rate.	Note [8] [9]
Washington, DC	Washington Area Metropolitan Transport. Authority (WAMTA)	An analysis indicated the shorter the distance to a metro station, the higher the value including a 2% overall increase (or $70) per linear foot reduction in distance from the station.	Note [10]

"transit_cases"

Source: Various studies (see notes) and EPS.

[1] Economic impacts apply to both office and retail development unless otherwise notes.
[2] "Rail Transit's Value Added: Effects of Proximity to Light and Commuter Rail Transit on Commercial Land Values in Santa Clara County", California Institute of Urban and Regional Development at the University of California, Berkeley, 2001.
[3] Mesa Transit Extension Draft White Paper, Economic & Planning Systems, 2007.
[4] The Sedway Group, 1999.
[5] Mastaglio, Linda, "All Aboard. Commuter Rail: A Growing Alternative for Metro Areas," On Common Ground: REALTORS & Smart Growth, National Association of Realtors, Winter 2002, p. 32.
[6] "Facts About Tri-Met." Portland: Tri-Met, October 2006.
[7] Friends of Light Rail and the Real Estate and Land Institute of California State University-Sacramento, Light Rail for Profit: Joint Development of Real Estate at Transit Stations in the Sacramento Area, Sacramento, CA, 1991.
[8] Weinstein, Bernard L. and Terry L. Clower. The Estimated Value of New Investment Adjacent to DART LRT Stations: 1999-2005. Denton, TX: University of North Texas, Center for Economic Development and Research/Dallas Area Rapid Transit, Sept. 27, 2005.
[9] Mesa Transit Extension Draft White Paper, Economic & Planning Systems, 2007.
[10] Commercial Property Benefits of Transit Final Report, Hickling Lewis Brod, Inc., prepared for the Federal Transit Administration, 2002.

MEMORANDUM

To: City of Culver City

From: Jason Moody and Amy Lapin

Subject: Revised Venice Crossroads "Fatal Flaw" Assessment; EPS #18541

Date: April 30, 2009

The Economics of Land Use

Introduction

This memorandum evaluates critical issues related to the feasibility of redeveloping Venice Crossroads, the Albertsons-anchored shopping center located adjacent to a future Exposition Light Rail Transit Line (Expo Line) station in the City of Culver City but within the jurisdictional boundaries of the City of Los Angeles. It has been prepared for the City of Culver City (City) and the Southern California Association of Governments (SCAG) to assist with the planning efforts for a study area surrounding the future Expo Line station located north of the City's downtown at Washington and National Boulevards.

This memorandum examines existing site characteristics and market performance indicators for Venice Crossroads (the Center) to determine whether conditions exist that would preclude future planning efforts related to redeveloping the site with a vertical mixed-use project. This memorandum also evaluates opportunities and challenges associated with multiple redevelopment scenarios, including the potential for utilizing the Los Angeles County Metropolitan Transportation Authority (Metro) right-of-way (ROW) adjacent to the Center for an integrated, mixed-use development.

As a "fatal flaw" assessment, the information and analysis provided herein is preliminary and has yet to be informed by input from individuals and entities whose participation will ultimately be critical to determining the feasibility of redeveloping the Center, including the property owner, the City of Los Angeles, and Metro. In addition, subsequent site planning would need to be informed by the expertise of an architect and structural engineer to determine the viability of reconfiguring the Center and integrating it with the adjacent Metro ROW.

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This is a project of the City of Culver City with funding provided by the Southern California Association of Governments' (SCAG) Compass Blueprint Demonstration Project Program. Compass Blueprint assists Southern California cities and other organizations in evaluating planning options and stimulating development consistent with the region's goals.

The preparation of this memorandum was funded in part through grants from the United States Department of Transportation—Federal Highway Administration and Federal Transit Administration. Additional assistance was provided by the State of California Business, Transportation and Housing Agency through a California Regional Blueprint Planning Grant.

The contents of this memorandum reflect the views of the author who is responsible for the facts and accuracy of the data presented herein. The contents do not necessarily reflect the official views or policies of SCAG, USDOT or the State of California. This memorandum does not constitute a standard, specification or regulation.

Site and Development Configuration

The Center is located at the intersection of Venice Boulevard and Exposition Boulevard in the City of Los Angeles, directly adjacent to the boundary between Los Angeles and Culver City and the future Expo Line station (Triangle Site), scheduled for completion in 2010.[1] Refer to **Map 1** for the location of the Center in proximity to the future Expo Line station.

Constructed in 1976 and later redeveloped by the current owner, Shooshani Developers, LLC in 1997, the Center comprises approximately 160,000 square feet of gross leasable area (GLA) and is characterized as a Community Retail Center.[2] Major anchor tenants in the Center include Albertson's, Ross Dress for Less, and Office Max. The Center is zoned M2-1, which translates into a Light Industrial zoning within Height District 1. Light Industrial zoning allows for commercial uses; Height District 1 does not impose building height limits but does impose a maximum Floor Area Ratio (FAR) of 1.5.[3] **Table 1** provides an overview of the key Center characteristics. **Table 2** provides a summary of all retail tenants in the Center.

The Center is situated on a triangular block that consists of three parcels on approximately 6.6 acres (287,369 land square feet). The Center has approximately 585 feet of frontage on the easterly side of Venice Boulevard, which provides primary vehicular access to the businesses contained therein. Along the northern boundary of the Center is the Robertson Boulevard/Culver City off-ramp of Interstate 10 (I-10) (the Santa Monica Freeway), Exposition Boulevard, and

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[1] Venice Crossroads is located at 8985 Venice Boulevard in Los Angeles, California.

[2] According to the International Council of Shopping Centers (ICSC), Community Retail Centers typically are anchored by a discount department store, large supermarket or drugstore, home improvement store, or large specialty/discount apparel store and serve approximately 50,000 residents within a 3- to 6-mile trade area.

[3] The Center and Metro ROW are located within the Palms-Mar Vista-Del Rey Community Plan, updated as of September 16, 1997. The Community Plan does not specify building heights, parking requirements, or parking structure limitations, deferring to current zoning for these guidelines.

Culver CITY

DRAFT SPECIFIC PLAN BOUNDARIES

WASHINGTON / NATIONAL CATALYTIC PROJECTS

Scale 1:2,000

CULVER CITY GIS
JANUARY 24, 2008

MAP 1

Project Area

Table 1
Venice Crossroads Fatal Flaw Assessment
Overview of Key Project Characteristics

Item	Description	Source
Jurisdiction	Los Angeles	
Year Built	1976	See Note [1]
Year Redeveloped	1997	See Note [1]
Total Bldg. Sq. Ft. (GLA)	163,159	See Note [2]
Total Land Sq. Ft.	287,369	See Note [2]
Acreage	6.60	See Note [2]
Floor Area Ratio	0.57	
Ownership	Shooshani Developers, LLC	See Note [1]
Property Management	TEC Property Management [3]	See Note [1]
Existing Zoning	Light Industrial (M2-1)	See Note [2]
Tenants		See Note [1]
Anchor Tenants	4	
Inline/Retail Pad Tenants	13	
Total Tenants	**17**	
Building Structure		See Note [1]
In-line Building	2	
Retail Pad Building	3	
Total Bldg. Structures	**5**	
Parking Spaces		See Note [1]
Ground Level	330	
Second Level [4]	275	
Total Parking Spaces	**605**	
Parking Ratio		
per 1,000 Sq. Ft. GLA	3.7	

"description"

Source: U.S. Securities and Exchange Commission and Los Angeles County.

[1] Data provided by U.S. Securities and Exchange Commission.
[2] Data provided by the Los Angeles County Office of Assessor. The designation of "1" indicates the parcel's height district. Under Height District 1, this parcel does not have a height limit, but has a maximum Floor Area Ratio (FAR) of 1.5.
[3] Subsidiary to Shooshani Developers, LLC.
[4] Reflects rooftop parking.

Table 2
Culver City
Venice Crossroads Fatal Flaw Assessment
Shopping Center Existing Tenants

Tenant	Category [1]	Total Sq. Ft. (Rounded) [2]	% of Total Sq. Ft.	Annual Rent per Sq. Ft. (2008$) [3]	Lease Expiration
Anchor Tenants					
Albertsons	Supermarket	52,400	32.1%	$29.53	5/13/2018
OfficeMax	Office Supplies	36,200	22.2%	$30.83	5/31/2012
Ross Dress for Less	Discount Mixed Apparel	30,400	18.6%	$28.48	1/1/2009
CVS/Pharmacy	Drugstore/Pharmacy	18,000	11.0%	$33.67	1/1/2018
Subtotal Anchor Tenants [4]		**137,100**	**84.0%**		
Other Tenants					
Architectural Collective	Other Office	1,000	0.6%		
Armstrong's Home & Garden	Specialty Hardware	2,400	1.5%		
Hollywood Video	Video Rental	2,600	1.6%		
JTD Architects	Other Office	1,000	0.6%		
Noah's Bagels	Bagels	1,200	0.7%		
Richard Abramson (Architect)	Other Office	1,000	0.6%		
Shoe Pavilion	Family Shoes	1,800	1.1%		
Smaaj Inc.	Restaurant w/o Liquor	1,700	1.0%		
Starbucks	Coffee/Tea	800	0.5%		
Togo's	Sandwich Shop	800	0.5%		
WC Auto Sales & Leasing	Automotive	3,600	2.2%		
Wells Fargo Bank	Bank	1,700	1.1%		
Yoglyo	Drinks/Juice	700	0.4%		
Subtotal Other Tenants		**26,100**	**16.0%**		
Total [5]		**163,200**	**100.0%**		

"tenants"

Source: ULI Dollar & Cents of Shopping Centers; U.S. Securities and Exchange Commission; Google Maps; and EPS.

[1] Based on categories from the ULI Dollar & Cents of Shopping Centers, 2008.
[2] EPS estimated the square feet of GLA for all Other Tenants based on the typical median square footage by category type from the ULI Dollar & Cents of Shopping Centers, 2008.
[3] Lease rates were provided in 2003 dollars from the U.S. Securities and Exchange Commission. EPS escalated the lease rates to 2008 dollars based on the Consumer Price Index for Los Angeles.
[4] Total square footage of anchor tenants provided by the U.S. Securities and Exchange Commission.
[5] Total square footage provided by the Los Angeles County Office of Assessor.

Metro ROW. At nearly 3 acres in size, the Metro ROW adjacent to the Center is currently being used as a temporary location for aggregate and abandoned vehicles. Refer to **Figure 1** for an aerial map of the Center; the Metro ROW is highlighted.

The Center comprises five buildings. The primary structure, which contains all anchor tenants and a majority of the in-line tenants, is configured towards the northeastern edge of the site towards Exposition Boulevard in order to accommodate a substantial amount of surface parking in front. The remaining three structures are retail pad buildings, which front Venice Boulevard: one structure contains Hollywood Video and abuts Venice Boulevard at Durango Avenue; the remaining pad structures contain Starbucks and Noah's Bagels, which abut the primary vehicular entrance along Venice Boulevard. According to real estate brokers interviewed, this is not the most desirable configuration because the retail pad buildings partially obstruct visibility of the anchor tenants. Despite the atypical building configuration, brokers concurred that Albertsons is a strong tenant.

Existing Conditions

EPS conducted a site visit and interviewed multiple real estate professionals to evaluate the existing conditions and performance status of the Center. Listed below are a summary of site conditions and Center characteristics.

- **Vehicular Access.** The Center is located on a major transportation corridor (Venice Boulevard) south of an I-10 off-ramp, providing convenient right-turn access for freeway commuters. Northeast-bound vehicular traffic along Venice Boulevard has a dedicated left-turn lane to access the Center.

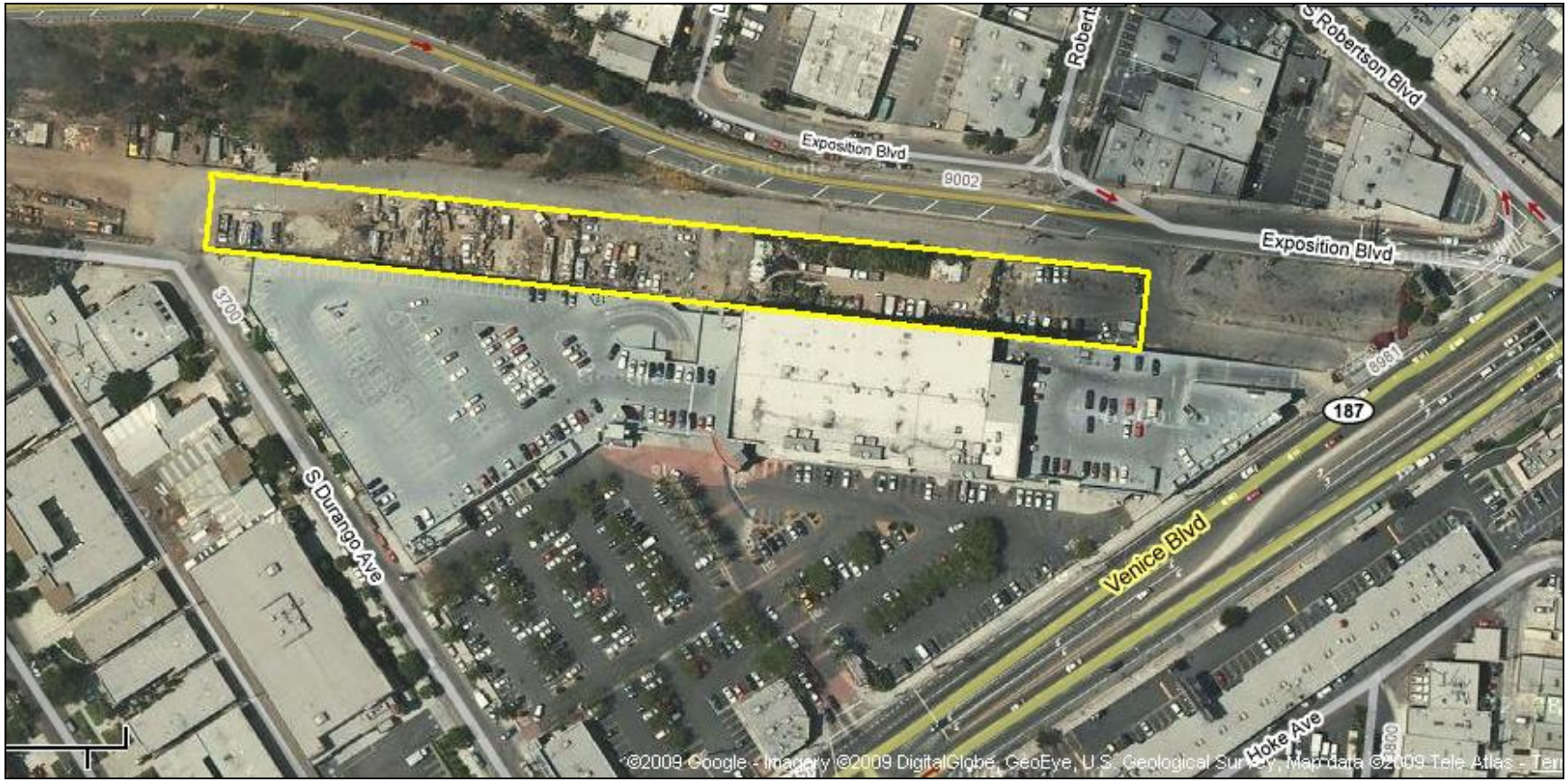
- **Pedestrian/Bicycle Access.** Venice Boulevard accommodates pedestrian and bicycle usage with wide sidewalks, pedestrian crosswalks, and a dedicated bike lane. However, the corridor lacks pedestrian-friendly streetscape features, such as trees and landscaping, which could discourage pedestrian use. In addition, Venice Boulevard is six lanes wide and supports fast-moving vehicular traffic, which also discourages pedestrian access.

- **Tenant Mix.** The tenants are well-diversified and typical of a community-serving retail center. In addition to such community-serving uses such as grocery, apparel, and office supplies, the Center contains neighborhood-serving tenants (e.g., coffee shop, video rental store) and accommodates small professional office users (e.g., architecture firms). The diverse tenant mix and specific tenants are attractive to the surrounding community, as evidenced by the high level of customer activity throughout the day.

- **Vacancy.** According to the United States Securities and Exchange Commission (SEC), the Center was 100-percent occupied by a total of 13 tenants in 2003. Based on current tenant information and interviews with real estate professionals, the Center now comprises 17 tenants and has maintained little to no vacancy since 2003. However, during first quarter 2009, Shoe Pavilion, which occupies approximately 1,800 square feet, vacated and was

DRAFT

Figure 1
Venice Crossroads Fatal Flaw Assessment
Aerial Map of Venice Crossroads Metro Right-of-Way Parcel



Source: Google Map and EPS.

replaced by a discount bookseller. In addition, OfficeMax may file for bankruptcy in 2009 which could potentially leave a vacant commercial space of 36,000 square feet, or 20 percent of the Center's total GLA.

- **Lease Rates.** As shown in **Table 2**, EPS estimates current annual lease rates for the major anchor tenants to range from $30 to $34 per square foot triple-net (NNN).[4] These lease rates are based on potential rent figures identified by the U.S. SEC in 2003 and escalated to 2008 dollars based on the Consumer Price Index for Los Angeles. The lease rates for the Center are commensurate with annual lease rates in the surrounding area, estimated to be approximately $30 per square foot by real estate brokers consulted for this analysis. Based on an average capitalization rate of 7.5 percent in the retail sector, the Center would be worth about $62 million, based on operating expenses of about 5 percent of gross revenues.[5]

- **Competitive Centers.** The Center was initially constructed in 1976 and renovated in 1997, which identifies it as one of the most recently updated center compared to competitive, proximate, grocery-anchored shopping centers. (See **Table 3**). The Center is located diagonally across Venice Boulevard from the future Expo Line Station. Competitive centers are located 0.2 miles (Trader Joe's), 0.6 miles (Smart n' Final), 1.0 miles (Cheviot Hills); 1.6 miles (Culver Center), 2.4 miles (Raintree Plaza), and 2.7 miles (Studio Village) from the future Expo Line Station. Refer to **Map 2** for a regional map showing competitive centers in close proximity to the Center.

- **Parking.** The Center provides slightly less than 4 parking spaces per 1,000 square feet of GLA, including approximately 275 rooftop parking spaces. The standard parking requirement for commercial uses in the City of Los Angeles is 4 parking spaces per 1,000 square feet of GLA.

- **Compatibility with Adjacent Uses.** As a grocery-anchored, community-serving retail center, the Center is compatible with surrounding land uses, which comprise residential and commercial uses on the west and light manufacturing uses on the east.

- **Current Additional Investment.** According to information obtained through interviews of real estate professionals, the property owner is currently investing approximately $50-$60 per square foot in interior tenant improvements within Albertsons.

Metro Right-of-Way

As indicated previously, the Metro ROW parcel adjacent to the north of the Center is nearly 3 acres in size and is currently being used as a temporary location for aggregate and abandoned vehicles (refer to **Figure 1**). In the ROW adjacent to the Triangle Site in Culver City, the City is currently in negotiations with Metro to construct a parking structure. The City's negotiations

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[4] A triple-net lease is a lease in which the lessee pays rent to the lessor, as well as all taxes, insurance, and maintenance expenses that arise from the use of the property.

[5] Average capitalization rate pertains to the national strip shopping center market, as published by the Korpacz Real Estate Investor Survey, Fourth Quarter 2008.

Table 3
Venice Crossroads Fatal Flaw Assessment
Proximate Grocery Store-Anchored Shopping Centers

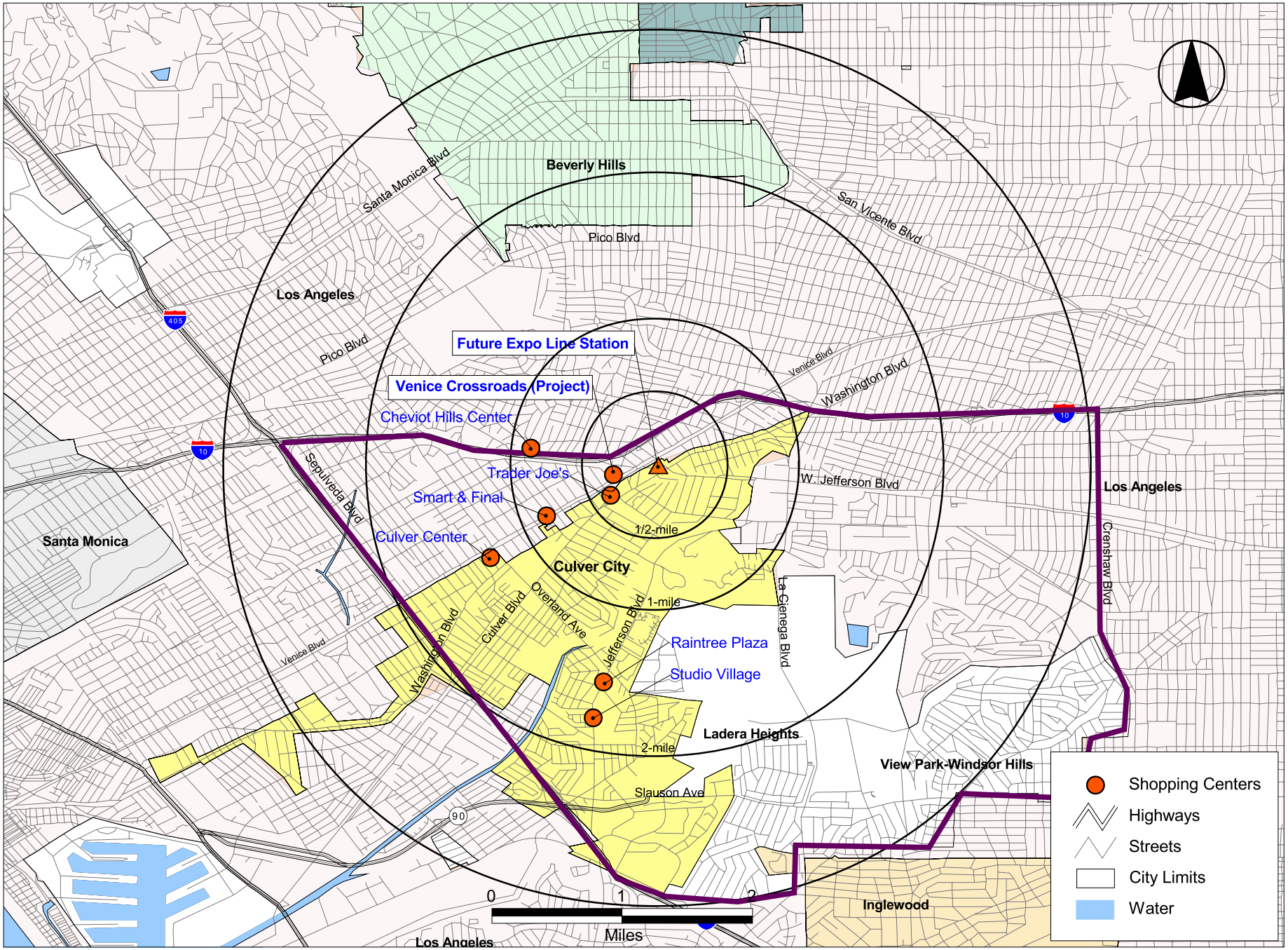
Shopping Center [1]	Address	Gross Leasable Area	Year Opened	Year Renovated	Driving Miles [2]	Anchor Tenants
Neighborhood Centers						
Trader Joe's [3]	9290 Culver Blvd.	12,000	2003	N/A	0.2	Trader Joe's
Cheviot Hills Shopping Center	9824 National Blvd	58,740	N/A	N/A	1.0	Rite Aid; Vons Supermarket
Raintree Plaza	10772 Jefferson Blvd.	86,700	N/A	N/A	2.4	Ralph's Grocery
Community Centers						
Smart & Final [4]	10113 Venice Blvd.	17,000	N/A	N/A	0.6	Smart & Final
Culver Center	3827 Culver Center St.	210,487	1950	1984	1.6	Ralph's Grocery; Bank of America; Rite Aid; Sit N Sleep
Studio Village	11030 Jefferson Blvd.	204,263	1963	1990	2.7	Pavilions Supermarket; Rite Aid; T.j. Maxx; Toys 'R' Us

"centers"

Source: National Research Bureau Shopping Center Database, 2005; Google Maps; and EPS.

[1] Grocery-anchored shopping centers within a 5 mile radius of the Project and Future Expo Line Station.
[2] Based on the number of driving miles from the future Expo Line Station. Expo Line Station is approximately 0.4 miles from the Project.
[3] Gross leasable area (GLA) is unknown. As a proxy, EPS assumes GLA for an average Trader Joe's shopping center is 12,000 square feet.
[4] Gross leasable area (GLA) is unknown. As a proxy, EPS assumes GLA for an average Smart & Final shopping center is 17,000 square feet.

Map 2
Venice Crossroads Fatal Flaw Assessment
Proximate Grocery Store-Anchored Shopping Centers



Source: Census Tiger/Line data, 2nd Ed.; NRB Shopping Center Database, 2005; and EPS.

Prepared by EPS, February 25, 2009.

with Metro reflect an arrangement by which Metro provides the land to the City at no cost under a sub-service encroachment agreement. This arrangement, however, is predicated on an agreement that the City will construct a parking facility that fulfills Metro's on-site parking requirement of 600 spaces.

Similar to the utilization of the Metro ROW adjacent to the Triangle Site for construction of a parking structure, the ROW adjacent to the Center could be used to construct a parking facility that would likely be no more than two levels given parcel size limitations (described further below). The Metro ROW is likely to be less feasible or desirable for other residential, retail, or office uses since proximity to the rail line may present issues related to noise, views, and public safety access.

As shown at the bottom of **Figure 2**, the width of the ROW adjacent to the Center is 100 feet, less about 60 feet estimated for the future Expo Line tracks and setbacks, leaving 40 feet in width to construct a parking facility (approximately .65 of an acre). Typical parking structure spaces are 19 feet deep by 8 feet wide and require a 24- to 25-foot depth for maneuvering in and out of the space and structure.[6] With one row of parking and one-way traffic in and out of the structure, it is possible that the depth necessary to maneuver in and out of the space and structure could be reduced and a facility could potentially be accommodated. **Figure 3** provides a parcel and aerial map that illustrates the dimensions of a similar structure in nearby Beverly Hills that could be used as a model for a constructing a parking facility in the Metro ROW.[7]

Additional vertical development on top of a parking structure in the Metro ROW (e.g., residential) is likely to be infeasible given the structural column support required and the limitations that would place on vehicular circulation in the structure. In addition, marketing additional vertical development may be challenging because of the visual and audible impacts of the elevated rail line as it traverses the length of the ROW parcel.[8] Finally, vertical development on top of the parking structure could be constrained by the City of Los Angeles' building height requirements unless Los Angeles approves a higher building height maximum.[9]

As part of this analysis, EPS estimated the total parking spaces that might be accommodated in a two-level parking structure in the Metro ROW using the existing Beverly Hills structure as a model. As shown in **Table 4**, this model suggests that the Metro ROW could provide

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[6] Based on information obtained from MIG.

[7] Examples of two-level parking structures on 35-foot-wide parcels are located in the City of Beverly Hills, between Bedford and Camden and Rodeo along Santa Monica Boulevard.

[8] On April 2, 2009, the Expo Construction Authority Board of Directors approved the preferred alignment for Phase 2 of the Expo Line project. The preferred alignment will consist of an elevated rail structure over Venice Boulevard, and at least a partially-elevated structure as it passes through the Metro ROW parcels.

[9] The Metro ROW parcels are currently zoned PF-1XL, which translates into a Public Facilities land use within height district 1-XL. In this height district, re-zoning the parcels to a parking facility (zoning designation Parking Building [PB]) would impose a building height maximum of 2 stories, while re-zoning the parcels to a mixed-use commercial use (zoning designation Commercial with Multiple Dwellings [C4]) would impose a not-to-exceed maximum of 2 stories or 1.5 Floor Area Ratio (FAR).

Figure 2
Venice Crossroads Parcel in Metro Right-of-Way

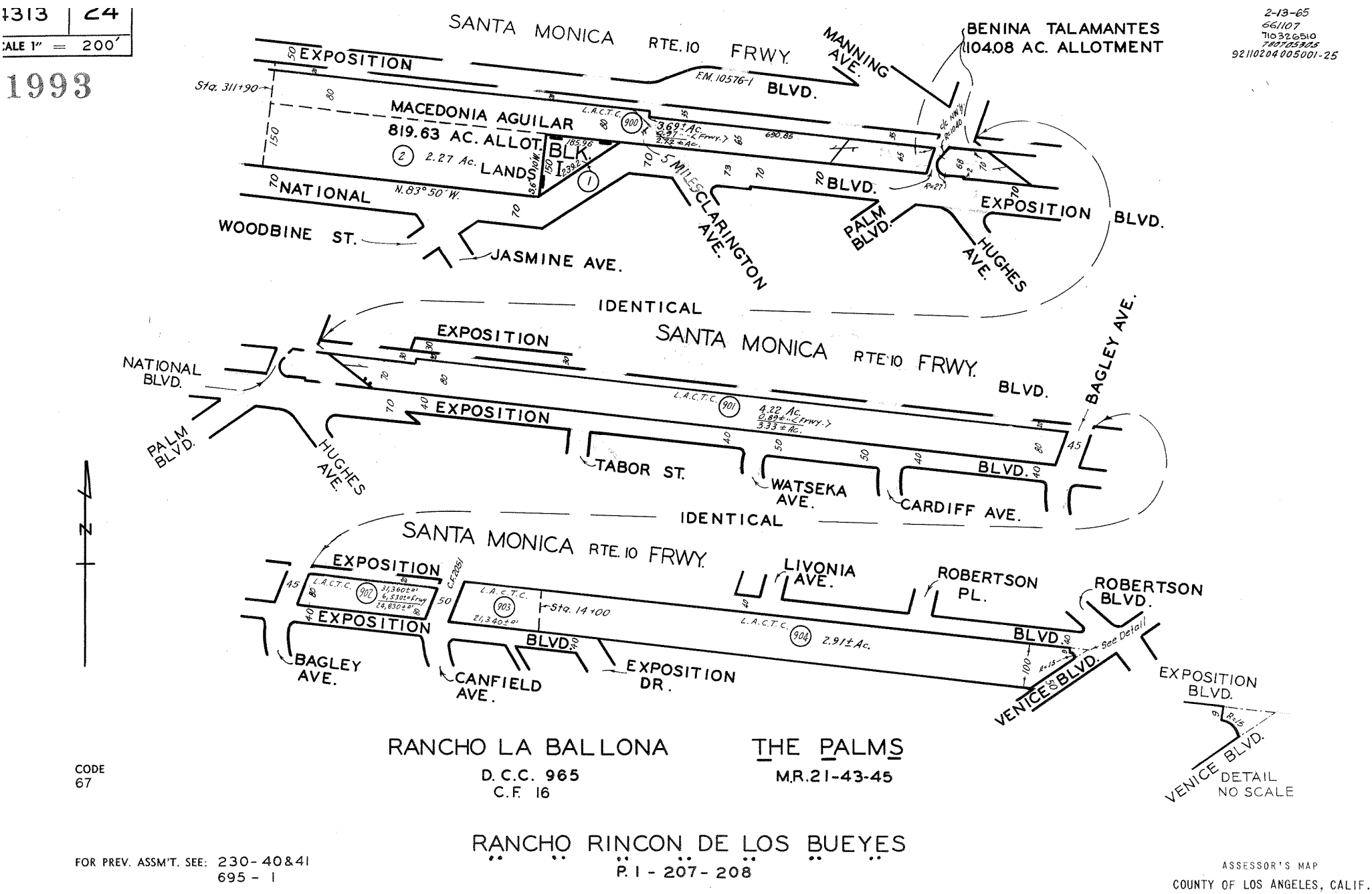

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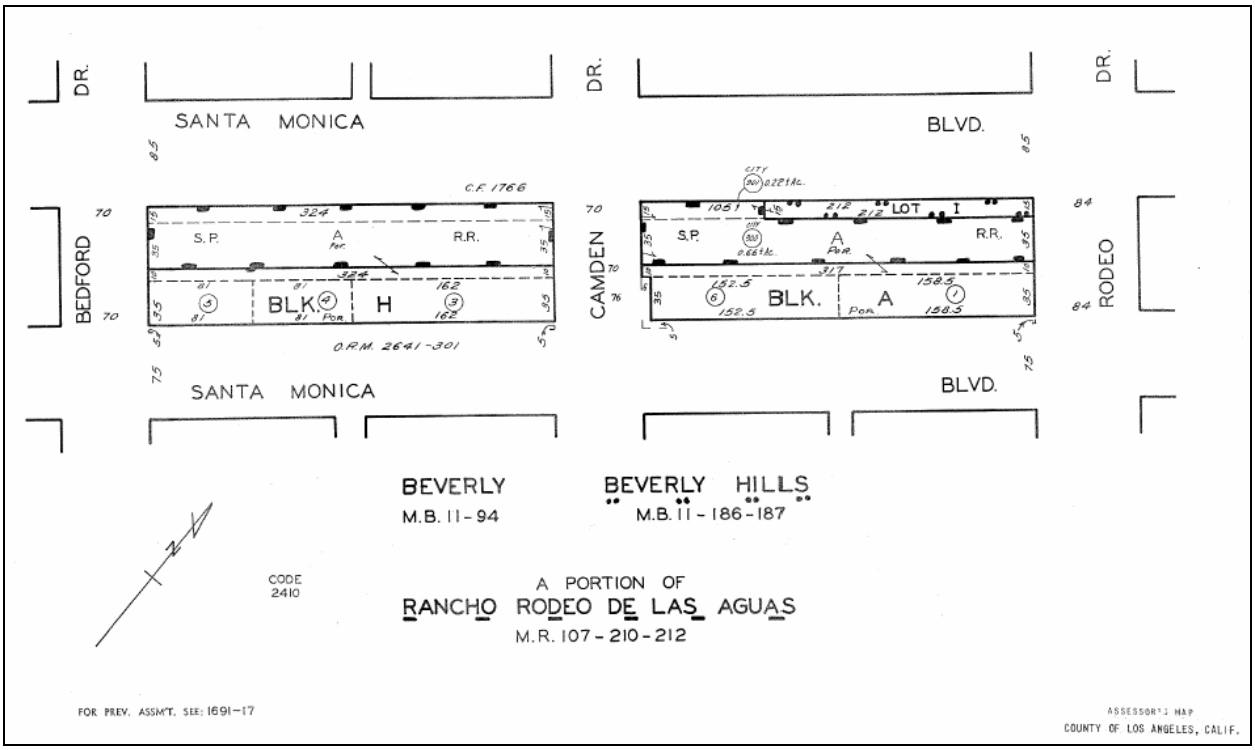
Figure 3
Venice Crossroads Fatal Flaw Assessment
Parcel and Aerial Map of Example Parking Structure in Beverly Hills

Parcel Map



Aerial Map

Source: City of Los Angeles Assessor's Office, Google Map, and EPS.

Table 4
Venice Crossroads Fatal Flaw Assessment
Estimated Net New Parking Spaces from Proposed Parking Structure

Item	Formula	Amount
Existing Two-Story Level Parking Structure in Beverly Hills [1]		
Parcel Length of Parking Structure (Linear Feet) [2]	*A*	400
Less Ramp (Linear Feet) [3]	*B*	60
Estimated Parking Structure Linear Feet	***C = A - B***	**340**
Parking Spaces in Parking Structure		
Estimated Linear Feet per Parking Space [4]	*D*	8.0
Estimated Total Parking Spaces (Rounded)	***E = C/D***	**40**
Potential Two-Story Level Parking Structure in Metro R.O.W.		
Parcel Length of Parking Structure (Linear Feet) [2]	*F*	1,400
Less Ramp (Linear Feet) [3]	*B*	60
Estimated Parking Structure Linear Feet	***G = F - B***	**1,340**
Parking Spaces in Proposed Parking Structure		
Estimated Linear Feet per Parking Space	*D*	8.0
Estimated Total Parking Spaces (Rounded)	***H = G/D***	**170**

"parking"

Source: Google Maps, City of Los Angeles Assessor's Office, and EPS.

[1] Refer to Figure 4 for parcel map of the parking structure between Bedford and Camden and Rodeo along Santa Monica Boulevard in Beverly Hills.
[2] Length of parcel doubled to reflect two-level structure.
[3] Estimated total linear feet of two ramps on either side and both levels of the parking structure.
[4] Linear feet per parking space estimated by MIG.

approximately 170 spaces. Alternatively, the Metro ROW could accommodate about 80 to 85 surface spaces. However, further examination by an architect and parking engineer is required to determine the precise size of the parking structure and number of parking spaces. In addition, a number of design and structural issues may need to be addressed, including the separation of parking between uses (e.g. retail and residential) and integration/access to the Center. For example, it may be necessary to dedicate all second-floor spaces to the non-retail uses and implement restricted access measures.

Redevelopment Scenarios and Conclusions

EPS identified and reviewed potential redevelopment scenarios for the Center based on existing uses, parcel size and configuration, and other factors. For each redevelopment scenario, EPS contemplated the inclusion of redevelopment in the Metro ROW. Scenarios include these:

- Scenario #1: Site Demolition and Intensification.
- Scenario #2: Partial Demolition and Intensification.
- Scenario #3: Site Intensification.

A description of each redevelopment scenario as well as a summary of the opportunities and challenges associated with each is presented below. The discussion focuses on a number of hypothetical land use concepts to elucidate key issues and constraints. However, it is recognized that a wide range of potential development configurations, land-use mixes, and intensities would be possible under each scenario.

Scenario #1: Site Demolition and Intensification

One redevelopment option would be to demolish all existing structures and construct a new, preferred project. The precise details of a new, preferred project have not been identified prior to or as part of this analysis but could potentially include a mix of uses (e.g., residential, retail, office) similar in scale and density to the projects proposed on the catalytic sites surrounding the future Expo Line station in Culver City (e.g., the Triangle Site). The new, preferred project would likely represent a denser development than that of the current Center to recoup investment and capitalize on proximity to the Expo Line station and transit village vision. This redevelopment scenario could also include the construction of a structured parking facility in the Metro ROW, which would provide additional parking and thus, development capacity.

Scenario #1 Conclusions

Real estate professionals contacted in conjunction with this analysis indicated that the Center is performing well. Although precise retail sales figures and lease rates are unavailable, other key market performance indicators including high occupancy and current investment in tenant improvements are strong evidence the Center is thriving. In addition, tenants including Hollywood Video and Starbucks renewed their leases in 2007 indicating the Center is successful in tenant retention.

Given the market performance of the Center and substantial cost to demolish and construct new development, this scenario is unlikely to be financially feasible in the short-term relative to the value of existing uses, especially since the site is already relatively intensively developed for retail uses. Vertical mixed-use development with office or residential above ground-floor retail

would likely require both structured parking and a reduction of existing retail space. This scenario may be more financially attractive if the value of retail uses decline significantly relative to higher density office and/or residential products.

Inclusion of a structured parking facility in the Metro ROW in this scenario could allow for further vertical intensification of the site. For example, the 170-space structure could allow for approximately 140 to 170 residential units (assuming 1.2 to 1 space per unit, respectively) or 85,000 square feet of office (assuming 1 space per 500 square feet), either as a stand-alone structure or as part of a mixed use building.[10] [11] Of course, a wide range of uses could be accommodated consistent with current zoning standards. The net revenue from such an effort would need to be compared with the value of existing uses (i.e., the existing net operating revenue from existing leases).[12] This redevelopment scenario may be more likely in the longer-term as the lifecycle of the current retail center declines and market forces improve development feasibility.

Scenario #2: Partial Demolition and Intensification

This scenario considers the demolition of one or several less marketable buildings in the Center to accommodate increased intensification elsewhere. Most notably, the potential closure of OfficeMax presents a redevelopment opportunity if this tenant does indeed relinquish its space and a viable replacement is not presented. Of course, it should be noted that building occupied by OfficeMax also houses Ross Dress for Less (Ross) on the second floor. Consequently, this scenario may also require renegotiating the Ross lease or accommodating this tenant in another manner as part of a broader redevelopment effort. Assuming both OfficeMax and Ross vacate their existing space, this scenario envisions the demolition of approximately 64,400 square feet.

Current economic conditions have resulted in a declining retail market that is prompting many retailers and property managers to reevaluate the format and tenant mix of their centers. Thus,

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[10] Redevelopment of the Center as a mixed-use project with residential or office would result in parking standards that are generally lower per square foot than the current Center's commercial standard of 4 parking spaces per 1,000 square feet of GLA. City of Los Angeles parking requirements for multifamily units range from 1 parking space for units with less than 3 habitable rooms to 2 parking spaces for units with greater than 3 habitable rooms. (A habitable room is a room in a structure for living, sleeping, eating, or cooking. Bathrooms, closets, halls, storage or utility space, and similar areas are not considered a habitable room.) Comparatively, the parking requirement for office development is 1 parking space per 500 square feet of floor area.

[11] The City of Los Angeles could establish a Mixed Use District zoning overlay, "in order to reduce vehicle trips and vehicle miles traveled by locating residents, jobs, and services near each other…[and] to support the transit system. Areas proximate to mass transit stations and major bus routes are appropriate locations for Mixed Use Districts." Within a Mixed Use District, the City Council can consider a parking reduction for lots located within 1,500 feet of a Mass Transit Station, provided a minimum of two spaces per 1,000 square feet of non-residential development. (Los Angeles Planning and Zoning Code § 13.09).

[12] A detailed pro forma analysis is required to determine whether the value of redeveloping the Center outweighs the construction costs and potential "buy-out" costs of existing tenants.

in the event the vacancy left by an OfficeMax closure is not re-leased by another retail tenant, opportunities to redevelop the space could include demolishing the existing structure to accommodate additional parking to support intensification elsewhere on the site (e.g., residential, office uses).

Because a portion of the existing buildings in the Center support rooftop parking, it is plausible that they would also likely support additional stories of residential or office development. Of course, construction on top of the existing structures would result in lost rooftop parking. Thus, parking capacity to replace the lost rooftop parking and serve new development would be required elsewhere on-site (e.g., a parking facility in the Metro ROW).

Scenario #2 Conclusions

Assuming development occurs on top of the existing commercial structure(s), existing rooftop parking would be lost. However, demolition of the OfficeMax/Ross structure would reduce overall Center parking requirements *and* provide space for additional parking. Specifically, as calculated in **Table 5**, this scenario would create between 345 and 515 additional parking spaces depending on whether or not a two-level parking structure is developed in the Metro ROW.

Table 5
Venice Crossroads Fatal Flaw Assessment
Estimated Net New Parking Spaces for Scenario #2

Item	Excluding Metro ROW Parking Structure	Including Metro ROW Parking Structure
Reduced Parking Requirements from OfficeMax/Ross Demolition [1]	250	250
Additional Parking on OfficeMax Parcel [2]	95	95
Parking in Potential Metro ROW Structure [3]	N/A	170
Total New Parking Spaces	**345**	**515**

"scenario2"

Source: EPS

[1] Reduced parking based on the loss of 66,400 sq. ft. of retail space at an average of 4 parking spaces per 1,000 sq. ft. Numbers are rounded.
[2] EPS estimated approximately 95 parking spaces based on the lot dimensions of the demolished OfficeMax/Ross building structure.
[3] Refer to Table 4 for the calculation of estimated total parking spaces in the potential Metro ROW Structure.

Table 6 calculates the maximum amount of residential development that could be achieved under Scenario #2 with and without the two-level Metro ROW parking structure. Assuming a maximum FAR of 1.5 and one parking space per residential unit, the site could support approximately 180 residential units on 5 floors (4 floors above ground-floor retail) or 300 residential units on 8 floors (7 floors above ground-floor retail) in replacement of the existing rooftop parking, depending on utilization of the Metro ROW for a parking structure. However,

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Table 6
Venice Crossroads Fatal Flaw Assessment
Est. Supportable Development and Lost Rooftop Parking Spaces for Scenario #2

Item	Excluding Metro ROW Parking Structure [1]	Including Metro ROW Parking Structure	
		With 5-Floor Max. [1]	With 1.5 FAR
Residential Development (Rounded) [2]			
Residential Units [3]	180	180	300
Gross Res. Sq. Ft.	200,000	200,000	334,000
Floor Area Ratio	1.00	1.00	1.50
Floors Above Ground Floor Retail	4	4	7
Lost Rooftop Parking Spaces [4]	135	135	135
Office Development (Rounded) [2]			
Office Gross Sq. Ft. [5]	105,000	190,000	N/A
Floor Area Ratio	0.70	1.00	N/A
Floors Above Ground Floor Retail	3	4	N/A
Lost Rooftop Parking Spaces [4]	135	135	N/A

"scenario2_dev"

Source: EPS

[1] This analysis estimates maximum development potential based on a building height limit of 5 floors (4 floors above ground-floor retail). Development above 5 floors may be more challenging because of a variety of considerations, such as financial feasibility, CEQA, traffic, and potential stakeholder/neighborhood opposition. Maximum office development potential is achieved without applying this cap.

[2] The amount of development is supported by the estimated number of new parking spaces and lost rooftop parking spaces, and the available rooftop square footage to support additional floors of development (approx. 50,000 sq. ft. above Albertsons).

[3] The number of residential units are based on a ratio of one parking space per unit. Assumes 1,000 sq. ft. per unit with a 90 percent net-to-gross building square foot ratio. The precise number of units will depend on various factors including unit size and fewer/more parking spaces per unit.

[4] Based on estimated floorplate sq. ft. of 50,000 and average parking space size of 370 sq. ft. per parking space.

[5] Office development requires one parking space per 500 square feet of office space. Under the "Metro ROW Parking Structure" scenario, the parking requirements constrain total office gross square feet, resulting in an FAR less than 1.5 under maximum development conditions. Additional development could be accommodated if parking requirements are relaxed.

development above five floors is likely to be more challenging because of a variety of considerations, such as financial feasibility, CEQA, traffic, and potential stakeholder/ neighborhood opposition. Given the potential challenges of constructing residential development above 5 floors, the usage of the Metro ROW for additional parking may not be necessary. Of course, the precise number of units under these scenarios will vary depending on factors such as unit size and parking spaces per unit. Further, usage of the Metro ROW for additional parking may be warranted if additional spaces per unit are required than estimated in this analysis.

Table 6 also calculates the maximum amount of office development that could be achieved under Scenario #2. Assuming one parking space per 500 square feet of office development, the site could support between 105,000 and 190,000 square feet of office development. Maximum office development potential is not constrained by building height or a maximum FAR, but rather the parking standard of one parking space per 500 square feet of office development. This redevelopment scenario could potentially accommodate additional development if the City of Los Angeles relaxed the parking standards for this use, which could, in turn, potentially improve financial feasibility.

Adding additional stories could decrease the parking cost per residential unit or office square foot by displacing fewer rooftop spaces, even under current parking standards. In other words, each residential unit or 500 square feet of office would be responsible for incurring the cost of fewer total parking spaces for every additional story. **Figure 4** provides a visual and quantitative representation of this concept. As shown, based on an average cost of $20,000 per structured parking space, the total parking cost for four stories above ground-floor retail would be $35,000 per unit compared to $80,000 per unit for one story above retail.

Scenario #3: Site Intensification

This potential redevelopment scenario envisions increasing density by constructing additional development (e.g., residential, office) on top of the existing commercial development. This scenario does not assume demolition of any current Center structures, such as the OfficeMax/Ross building.

Scenario #3 Conclusions

Assuming residential or office uses are developed on top of the existing commercial structure, existing rooftop parking would be lost. A parking structure would therefore be required to provide capacity for lost parking spaces and new development, unless the City and/or property owner accepted reduced parking ratios. From an urban design perspective, a parking structure that replaces the existing surface parking would obstruct the visibility of the retail tenants and thus, likely be opposed by tenants residing in the primary structure. Existing tenants are also likely to oppose reduced overall parking. Thus, use of the Metro ROW is likely to be required to provide additional parking under this scenario.

Table 7 calculates the maximum amount of office and/or residential development that could be achieved under this scenario, based on existing building height requirements and parking standards, and including the construction of a two-level parking structure in the Metro ROW. Specifically, assuming a FAR of 1.5 and one parking space per residential unit, the site could support 100 residential units in replacement of the existing roof-top parking if the Metro ROW is used. Alternatively, assuming one parking space per 500 square feet of office space, the site could support 50,000 square feet of office development.

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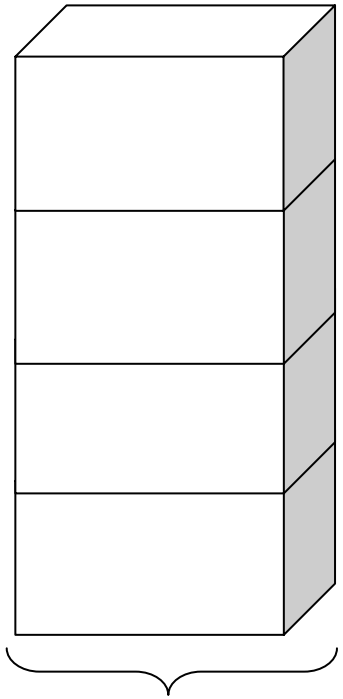
Figure 4
Venice Crossroads Fatal Flaw Assessment
Relationship Between Structured Parking Cost Burden per Unit and Additional Stories of Development



# of Stories Above Ground Floor Retail	Cumulative Parking Spaces Required per Unit: Residential	Retail [1]	Total	Spaces/Unit	Estimated Structured Parking Cost Burden per Unit [2]
	a	*b*	*c = a + b*	*d = c / a*	
4	4	3	7	**1.75**	**$35,000**
3	3	3	6	**2**	**$40,000**
2	2	3	5	**2.5**	**$50,000**
1	1	3	4	**4**	**$80,000**

1 unit = 1,111 sq. ft. or 3 parking spaces [3]

"parking_figure"

Source: EPS.

[1] Retail parking spaces required represent lost rooftop parking spaces that must be provided elsewhere (e.g., Metro ROW parking structure).
[2] Assumes structured parking space cost of $20,000 per space.
[3] Assumes approximately 370 square feet per parking space. Assumes 1,000 sq. ft. per unit with a 90 percent net-to-gross ratio.

Table 7
Venice Crossroads Fatal Flaw Assessment
Est. Supportable Development and Lost Rooftop Parking Spaces for Scenario #3

Item	Including Metro ROW Parking Structure
Residential Development (Rounded) [1]	
Residential Units [2]	100
Gross Res. Sq. Ft.	111,000
Floor Area Ratio	0.7
Floors Above Ground Floor Retail	4
Lost Rooftop Parking Spaces [3]	70
Office Development (Rounded) [2]	
Office Gross Sq. Ft. [4]	50,000
Floor Area Ratio	0.5
Floors Above Ground Floor Retail	2
Lost Rooftop Parking Spaces [3]	70

"scenario3_dev"

Source: EPS

[1] The amount of development is supported by the estimated number of new parking spaces and lost rooftop parking spaces, and available rooftop square footage above Albertsons to support additional floors of development.
[2] The number of residential units are based on a ratio of one parking space per unit. Assumes 1,000 sq. ft. per unit with a 90 percent net-to-gross building square foot ratio. The precise number of units will depend on various factors including unit size and fewer/more parking spaces per unit.
[3] Based on gross building sq. ft., number of floors, and average parking space size of 370 sq. ft. per parking space.
[4] Office development requires one parking space per 500 square feet of office space.

From a development feasibility perspective, this scenario is similar to Scenario #2. The key benefit is that this scenario does not necessitate the demolition of the OfficeMax/Ross building. However, it does require the construction of a parking structure which may or may not be financially preferable to the demolition of OfficeMax/Ross, depending on market conditions in the retail sector relative to office or residential. Specifically, if the OfficeMax/Ross building can continue to command an acceptable lease rate that generates value to the property owner exceeding the net value from office or residential development (including the cost of parking), than this scenario is preferable to Scenario #2.

By way of example, if it costs, on average, $300,000 to build a residential unit and $20,000 per structured parking space, then 70 units and 170 structured parking spaces (to accommodate both residential units and displaced rooftop spaces) would cost about $24.4 million. Assuming required developer profit of 15 percent, this 70-unit project would need to achieve an average selling price (or retail value) of nearly $410,000 per unit to attract investment. Alternatively, if the Metro ROW was used as an 85-space surface lot and only 30 residential units were developed, the total cost would be about $9.4 million (assuming $5,000 per surface space).

With a developer profit of 15 percent, such a project would need to achieve an average selling price (or retail value) of about $360,000 per residential unit. Both scenarios assume the Metro ROW is provided at no cost. Again, a more detailed financial analysis would inform these estimates.

General Conclusions and Next Steps

The relatively strong performance of the existing Center indicates that there is not likely an immediate redevelopment opportunity in the short term (i.e., 1-2 years). In the longer term, redeveloping the Center as a mixed-use project with a connection to the future Expo Line Station may be a viable option depending on evolving market and policy factors. Specifically, increasing market values for high density residential or office uses as well as potential relaxation of the maximum FAR and parking standards will improve the financial feasibility of development.

Redeveloping the Center as a residential mixed-use project would require significant pedestrian improvements to facilitate a safe and efficient connection to the transit station. In addition, it may be challenging to market residential units, and to some extent, office space as vertical development because of its location above a retail strip center and the visual and audible impacts of the partially-elevated rail structure that will traverse along the Metro ROW in back of the Center. Although prevalent and viable in numerous urbanized areas throughout the nation, a mixed-use residential-over-retail product type adjacent to an elevated rail structure is not common in the Los Angeles metropolitan area. Under current economic conditions, developers may be hesitant to embrace this product type. Over time, however, the Expo Line Station has the potential to gradually transform the surrounding neighborhood into a high-density, mixed-use environment which will increase local property values and provide further incentives for intensification of nearby parcels. The site is well positioned to take advantage of these trends.

In the near term, market support for commercial and residential land uses are relatively equal (and equally low) because of the current economic recession. When the national and local economy rebounds in 1-2 years, demand for residential and office space in close proximity to the future Expo Line station may be higher than demand for retail. However, market support for residential product in the Center may be lower than a traditional urban mixed-use development with a similar tenant mix primarily because of the current configuration of the Center as a typical community retail center along a well-utilized and wide arterial corridor.

The redevelopment of the Center area could be facilitated with policy intervention, including planning and financial assistance. However, the Center is not currently located in a redevelopment area. Thus, it is uncertain the precise financing mechanism that would be used to fund necessary capital improvements. Further, the role of redevelopment is to promote economic vitality and eradicate blighted property. As mentioned previously, market performance characteristics indicate a strong-performing center that is meeting market area demand and the Center does not exhibit blighted qualities which typically necessitate redevelopment.

Key stakeholders, including the City of Los Angeles and the property owner, have yet to be approached. Because the Center is thriving economically, generating sales tax and other General Fund revenues for Los Angeles, the City may not be motivated to pursue redevelopment. However, negotiations may be considered if a proposed development program can be shown to generate increased revenues, or otherwise benefit the City of Los Angeles (e.g., fulfill affordable housing requirements).

A key, unknown variable in this analysis is the property owner's short and long-term strategy and goals related to the Center. As a next step, however, EPS recommends that SCAG engage in conversations with both the City of Los Angeles and Metro regarding the merits of pursuing a long-term strategy towards redeveloping the site. Conversations between Culver City and Los Angeles may also prove to be beneficial, providing an opportunity to collaborate on planning and zoning issues surrounding the future transit station and at key nodes along Venice Boulevard. For example, the cities might discuss establishing consistent zoning and parking standards for parcels within a certain distance from the transit station. These conversations will assist in structuring discussions with the property owner regarding proposed, future planning efforts of the site. Assuming the key stakeholders are interested in pursuing development opportunities, this process would be informed by additional financial analysis conducted in conjunction with architectural and civil engineering studies.

MEMORANDUM

To: City of Culver City
Southern California Association of Governments

From: Jason Moody and Amy Lapin

Subject: Overview of California Sales Tax-Sharing Agreements; EPS #18541

Date: July 10, 2009

The Economics of Land Use

This memorandum outlines the legal framework for sharing local sales taxes and uses a case-study approach to examine how other municipalities in California (State) have shared this revenue source. It has been prepared for the City of Culver City (City) and Southern California Association of Governments (SCAG) in conjunction with redevelopment efforts surrounding the future Exposition Light Rail Transit Line (Expo Line) station at the intersection of Washington and National Boulevards in the City.

As part of these redevelopment efforts and one of three catalytic development sites, the Triangle Site will house the future Expo Line station and is envisioned for development of residential, office, retail, and parking uses. The Triangle Site is unique, however, in that it is partially located in the City of Los Angeles, which provokes questions regarding how to handle revenues (specifically sales tax revenues) generated at the site. Thus, this memorandum focuses on the opportunities for these municipalities to enter into agreements to share *local* sales taxes.

This is a project of the City of Culver City with funding provided by the Southern California Association of Governments' (SCAG) Compass Blueprint Demonstration Project Program. Compass Blueprint assists Southern California cities and other organizations in evaluating planning options and stimulating development consistent with the region's goals.

The preparation of this memorandum was funded in part through grants from the United States Department of Transportation—Federal Highway Administration and Federal Transit Administration. Additional assistance

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was provided by the State of California Business, Transportation and Housing Agency through a California Regional Blueprint Planning Grant.

The contents of this memorandum reflect the views of the author who is responsible for the facts and accuracy of the data presented herein. The contents do not necessarily reflect the official views or policies of SCAG, USDOT or the State of California. This memorandum does not constitute a standard, specification or regulation.

Sales Tax Revenue Background

Under California Sales and Use Tax Law, state and local sales taxes are imposed on retailers—and typically passed along to the consumer—for the privilege of selling tangible personal property in the State. The authority to levy local sales taxes was established through the Bradley-Burns Uniform Sales and Use Tax Law (Bradley-Burns) passed by the State legislature in 1955 (taking effect January 1, 1956).[1] The Bradley-Burns law created a uniform local sales tax rate of 1.25 percent among cities and counties choosing to levy the tax and required that sales taxes be collected by the State and distributed on a situs basis. Thus, in the absence of an agreement stating otherwise, sales tax revenue is distributed back to the jurisdiction in which the sales transaction occurs (based on the address of the place of business where the principal sales negotiations occur as filed with the State Board of Equalization [SBE]).[2]

As shown in **Table 1**, the State currently imposes a combined State and local sales tax rate of 8.25 percent and allows municipalities and districts to assess an additional local tax rate of up to 2.0 percent (for a total tax rate of 10.25 percent).[3] [4] Of the total 8.25-percent tax rate, Bradley-Burns (the local sales tax component) consists of 0.75 percent distributed to municipalities for discretionary purposes and 0.25 percent distributed to counties for transportation purposes.

When Bradley-Burns was first established, 1.00 percent was distributed to municipalities for discretionary purposes and 0.25 percent was distributed to counties for transportation purposes (for a total local sales tax rate of 1.25 percent). However, in 2004, voters approved Proposition 57 (also known as the "triple flip"), and the 1.00 percent local sales tax rate was temporarily reduced by 0.25 percent and replaced with a 0.25 percent State Fiscal Recovery Fund tax for repayment of deficit-financing bonds. This reduction in local sales taxes are replaced, dollar for dollar, by property taxes shifted from school districts, which are then replaced by State General Fund appropriations.

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[1] For statutory provisions regarding the *Bradley-Burns Uniform Local Sales and Use Tax Law*, refer to Revenue and Taxation Code §7200 et seq.; for the provisions regarding State sales and use taxes, refer to Revenue and Taxation Code §6001 et seq.

[2] Places of business must apply for a seller's permit with the SBE, which then assigns the retailer with a tax area code to identify the business' location.

[3] Effective April 1, 2009, the State General Fund rate temporarily increased from 5 percent to 6 percent and will be in effect until July 1, 2011, unless otherwise amended by voters in the interim.

[4] SBE, Addendum Publication 71, California City and Sales and Use Tax Rates, April 1, 2009, Edition. www.boe.ca.gov/pdf/pub71.pdf.

As of July 1, 2009, the Cities of Culver City and Los Angeles both impose a combined State and local sales tax rate of 9.75 percent. The combined tax rate increased on this date as a result of Measure R—a ballot measure approved by Los Angeles County (County) voters in 2008, which increased the local tax rate from 1.0 percent to 1.5 percent.[5]

Table 1
Culver City Sales Tax Sharing Analysis
Components of California's Overall Sales Tax Rate (as of July 1, 2009)

Rate	Purpose
6.00%	State General Fund [1]
0.25%	State Fiscal Recovery Fund (to repay Economic Recovery Bonds from 2004)
0.50%	Local Revenue Fund (distributed to counties for health and welfare services)
0.50%	Public Safety Fund (distributed to counties and some cities)
7.25%	**Total State Sales Tax**
0.75%	Local Sales Tax (directed to general fund of jurisdiction where sale occurred)
0.25%	Local Transportation Tax (directed to county where sale occurred)
1.00%	**Bradley-Burns Sales Tax (eligible for sharing with other jurisdictions)**
8.25%	**Total Statewide Base Sales and Use Tax Rate**
2.00%	Maximum additional local special taxes (requires voter approval) [2]
10.25%	**Maximum Total Statewide Sales & Use Tax Rate**

"tax_rate"

Source: California State Board of Equalization; EPS.

[1] Effective April 1, 2009, the State General Fund rate temporarily increased from 5% to 6% and will be in effect until July 1, 2011, unless otherwise amended by voters in the interim.
[2] The cities of Culver City and Los Angeles tax rate of 9.75% is comprised of the 8.25% base sales tax rate and the following additional local special taxes:
- 0.50%, Los Angles County Transportation Commission (effective 7/1/82)
- 0.50%, Los Angles County Transportation Commission (effective 4/1/91)
- 0.50%, Los Angles County Metro Transporation Authority (effective 7/1/09)

Revenue-Sharing Authorization

Through voter approval of Proposition 11 (the *Local Sales and Use Tax Measure)* in November 1998, the State constitution now authorizes municipalities to share revenues from Bradley-Burns *if* the agreement is approved by a two-thirds vote of each affected jurisdiction's governing body. Proposition 11 amended the State's constitution, replacing existing

[5] Proposed by the County Metropolitan Transportation Authority (Metro), Measure R is projected to raise $40 billion in sales tax revenues over the next 30 years to fund roadway, bikeway, and pedestrian improvements and ongoing maintenance.

authorization that allowed municipalities to enter into contracts to share their local sales tax revenues if these contracts were approved by a majority of *voters* in each affected jurisdiction.

State law does not mandate any specific method for sharing revenues, but the method of allocation must be equitable to secure approval by each affected jurisdiction's governing body.

Tax Agreements among Local Jurisdictions

A true revenue-sharing agreement is one in which local tax revenues are shared after State distribution. If separate subpermits are issued for the same establishments in each jurisdiction and the local tax is allocated accordingly, it is not considered "revenue sharing," but rather, a clarification of "place of sale."[6] However, if only one permit is issued, the address is assigned to one locality, and a sales tax-sharing agreement would be required to allocate revenues to the other jurisdiction.

Sales tax-sharing agreements are often generated by the incentives local governments face in using their land use and economic development powers to promote revenue-generating development in their community.[7] For example, a business that is located in one jurisdiction may draw a majority of its consumer base from a neighboring jurisdiction. These jurisdictions may wish to share revenues generated at this location to support the funding of municipal services provided to the consumer base for the purpose of maintaining the consumer base.[8] In another example, a retail establishment may straddle the border between two jurisdictions (as in the case of future retail establishments on the Triangle Site) and thus, generate taxable sales in more than one jurisdiction. In this example, these jurisdictions may agree to divide local sales tax revenues based on the percentage of sales occurring in each jurisdiction.

Sales tax-sharing agreements can be used to address these or similar issues, as described below:

- **Reduce Unproductive Competition**. Local governments use a variety of economic development efforts (e.g., condemnation, subsidies, fee and tax exemptions) to compete against other jurisdictions to retain or attract revenue-generating uses. These efforts can drain local government resources that otherwise would be available for public purposes.
- **Remove Incentives that Lead to the Fiscalization of Land Use**. After the passage of Proposition 13 in 1978, which significantly constrained discretionary local revenues, local sales tax revenue has been one of the few major revenue sources under at least partial local control. Jurisdictions typically receive the highest net revenues from retail development.

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[6] Ibid.

[7] Hill, Elizabeth G. Issues and Options: Allocating Local Sales Taxes. Legislative Analyst's Office, January 2007.

[8] Publication 28: Tax Information for City and County Officials, Local Sales and Use Tax Transactions (Sales) and Use Tax. California SBE, May 2006.

Thus, local governments have prioritized these revenue-generating land uses to the detriment of sound land use planning.[9]

- **Diminish Sales Tax Revenue Disparities**. An examination of California cities' 2007 sales tax revenues per capita yields an enormous variation ranging from $5,300 per capita in Vernon to $0.11 per capita in Tehama. Municipalities that have been successful in attracting sales tax revenue-generating businesses often continue to attract a concentration of these land uses, increasing disparities further. These types of concentrations result in disparities among the level of urban services that local governments can provide. Revenue-sharing agreements can assist in improving equity in the distribution of fiscal resources and promoting regional planning objectives.

In addition to entering into sales tax-sharing agreements for the purpose of equitably distributing revenues for the reasons described above, jurisdictions may be inclined to enter into an agreement to share local sales tax revenue to resolve various planning and policy issues, including these:

- Preventing battles over annexations or incorporations.[10]
- Preserving environmentally sensitive land by compensating those municipalities who do not develop this land with shared revenues from other municipalities.
- Promoting regional cooperation in planning.

Sales Tax Revenue-Sharing Case Studies

To address such planning and policy issues identified previously, the following case studies describe the circumstances surrounding sales tax-sharing agreements entered into by jurisdictions in the State.

The first two case studies – East Baybridge Center in Emeryville and Oakland and The Home Depot in Richmond and El Cerrito - examine circumstances in which two jurisdictions entered into revenue-sharing agreements based on a project that was located in both jurisdictions, similar to future development on the Triangle Site. The third case study illustrates how two jurisdictions – the City and County of Sacramento - collaborated to promote a mutually beneficial economic development strategy. The final case study presents an example of how jurisdictions – the City of Modesto and Stanislaus County - address both fiscalization of land use and potential annexation issues. These case studies do not represent the comprehensive set revenue-sharing agreements in the State, but rather, were selected from a multitude of example agreements because they were considered to be the most relevant.

Revenue-sharing agreements for the East Baybridge Center and City and County of Sacramento are included in **Appendix A**.

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[9] Lewis, Paul G. and Elisa Barbour. California Cities and the Local Sales Tax. Public Policy Institute of California, 1999.

[10] Many revenue-sharing agreements are enacted based on annexations or incorporations to mitigate for estimated revenue losses.

East Baybridge Center: Cities of Emeryville and Oakland

In July 1992, the Cities of Emeryville and Oakland entered into a Memorandum of Understanding (MOU) with Catellus Development Corporation for development of the East Baybridge Center (Center). Located on approximately 50 acres, the Center straddled both jurisdictions; approximately 70 percent (35 acres) was located in Emeryville, while approximately 30 percent (15 acres) was located in Oakland. As planning of the Center progressed, the cities entered into a Joint Revenue-Sharing Agreement to equitably share aggregate revenues generated by the Center, including local sales taxes, business license taxes, real estate transfer taxes, utility taxes, and other taxes imposed by either city. Specifically, the aggregate revenues would be distributed as follows: two-thirds allocated to Emeryville and one-third allocated to Oakland, approximating the percentage of total acreage located in both cities.[11]

For the purpose of State accounting and distribution of revenues, businesses located in the Center fell into one of three categories: (1) businesses located wholly in Emeryville; (2) businesses located partially in Emeryville and partially in Oakland (two businesses were identified that both possessed an Emeryville address); and (3) one business located wholly in Oakland. As such, Emeryville received 100 percent of revenues generated by businesses in the first two categories while Oakland received 100 percent of revenues generated by businesses in the last category.

In sharing local sales tax revenues, the agreement dictated that each city had to transmit an "accounting and sales tax revenues due" report within 15 days of receiving the quarterly sales tax reports generated by the SBE. In other words, Emeryville would be required to send one-third of the sales tax revenues received from operation of the Center to Oakland, and Oakland would send two-thirds of the sales tax revenues received from operation of the Center to Emeryville.

Home Depot: Cities of Richmond and El Cerrito

The Cities of Richmond and El Cerrito approved a revenue-sharing agreement to share aggregate revenues generated by the operation of The Home Depot, which straddles the boundary between the two jurisdictions. The agreement, dated November 18, 1991, mandated sharing of revenues, including sales taxes, property taxes, utility users' taxes, and business license taxes commensurate with the percentage of the project located in each jurisdiction.[12]

The Home Depot project is located on 21 parcels, 13 of which are located in Richmond (approximately 60 percent) with the remaining 8 parcels (40 percent) located in El Cerrito. According to the agreement, the City of El Cerrito receives 30 percent of the aggregate revenue, while Richmond receives 70 percent. Although it is not explicit in the agreement, it appears that this percentage allocation of revenues is based on the commensurate acreage in each jurisdiction rather than the respective percentage of parcels in each jurisdiction.

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[11] "Behind the Boomtown, Growth and Urban Redevelopment in Emeryville." East Bay Alliance for a Sustainable Economy, May 2003. www.workingeastbay.org.

[12] Agreement Between the Cities of El Cerrito and Richmond for the Allocation of the Proceeds from Sales Taxes, Property Taxes, Utility Users' Taxes, and Business License Taxes to be Derived from the Proposed Home Depot Store, November 18, 1991.

For the purpose of local sales tax accounting with the State, the cities agreed that Richmond would be considered the point of sale. Thus, all sales taxes collected by SBE are transmitted to the City of Richmond. As stipulated by the agreement, twice each year—on January 15th and July 15th—following the opening of The Home Depot store, representatives from both cities meet to determine the aggregate sum of monies derived from the taxes generated by the store. The agreement is in effect only with the successful operation of The Home Depot at this site.

Richmond and El Cerrito entered into a revenue-sharing agreement because it was recognized that the construction and continued operation of The Home Depot store would require the expenditure of El Cerrito General Fund monies for activities, including public safety, roadway maintenance, and other public improvements associated with the construction of the store and the provision of general support services.

Automobile Dealerships: City and County of Sacramento

Based on increasing competition from automobile dealerships in the suburbs of the Sacramento metropolitan area, as well as transitions in the automobile industry that were resulting in the aggregation of existing dealerships, the governing bodies of the City and County of Sacramento unanimously approved a joint agreement to equally share future sales tax revenues from automobile sales, regardless of the physical location of the dealership.

In August 2008, the City and County of Sacramento approved a sales tax-sharing agreement as stipulated below:[13]

- **Base Tax Revenue**. Each jurisdiction will maintain its respective Base Tax Revenue amounts from new vehicle dealers (defined as sales tax revenue generated during calendar year 2008) without regard to the future location of the vehicle dealer, provided that such future location is located within the boundaries of the City of Sacramento or the incorporated County of Sacramento.
- **Growth above Base Tax Revenue from Existing Dealerships**. Sales tax revenues in excess of the City and County of Sacramento's Base Tax Revenue will be shared equally. If there is not growth, the parties will maintain revenue up to their respective bases until one or both parties exceeds their established base.
- **New Dealerships in City and Unincorporated County of Sacramento**. The jurisdictions will share equally from a new vehicle dealer that locates in the City or unincorporated County of Sacramento after the date of the agreement for which there is no historical Base Tax Revenue or other pre-existing agreement.

In addition to the revenue-sharing agreement, the two jurisdictions also agreed to pursue joint marketing efforts related to retaining, expanding, and attracting new vehicle dealers. These marketing efforts include providing permit assistance, identifying siting opportunities, working

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[13] Agreement Between the County of Sacramento and the City of Sacramento Regarding the Joint Support of Vehicle Dealers and for an Agreement Regarding Mel Rapton Honda. Sacramento County Board of Supervisors, August 27, 2008.

with the community college system and private sector to ensure a quality workforce, and comprehensively address the needs of the industry now and in the future.

North McHenry Tax-Sharing Agreement: City of Modesto and Stanislaus County

In December 1998, the City of Modesto and Stanislaus County entered into an agreement that enabled them to share previously existing sales, property, business, and utility taxes in the McHenry Avenue business corridor. The McHenry Avenue business corridor in Modesto was a busy commercial strip with a variety of tax-generating businesses. Some businesses, namely automobile dealerships, developed on McHenry Avenue in unincorporated Stanislaus County to avoid paying Modesto taxes. However, these businesses desired a municipal level of services (e.g., sewer, water) as provided by Modesto, a level of service higher than that provided by Stanislaus County.

Stanislaus County was opposed to annexation of this portion of the corridor because of the resulting decrease in sales tax revenues. Thus, a joint annexation and revenue-sharing agreement was reached to avoid conflict over annexation between the City of Modesto and Stanislaus County.[14] In addition, the intent of the tax-sharing agreement was to reduce the "fiscalization of land use" to allow land use decisions to be based on larger public interest and community planning concerns rather than the high-tax revenue-generating businesses, such as big box retail.

The formula for sharing revenues was based on each jurisdiction's share of the total tax revenues generated from the area in Fiscal Year 1998–99. In this base year, 49.96 percent of tax revenues in the area were generated within Modesto city limits, while the remaining 50.04 percent were generated in the unincorporated portion of Stanislaus County. As the City of Modesto annexes land in the unincorporated portion of the business corridor, Stanislaus County's share will be reduced slightly to reflect the City of Modesto's cost (and Stanislaus County's decreased cost) in providing city services to the annexed area. However, the tax-sharing agreement allows Stanislaus County to retain sales taxes that would otherwise flow to the City of Modesto once the land is annexed.[15]

As a result of the tax-sharing agreement, there was a recent land use decision that favored the development of a business park over a big box retail project, reflecting the new philosophy that such decisions are based on the best interests of the city and county, not the value of capitalized sales tax revenues. An annual audit assists in the management of sales tax revenues and documentation to ensure that accuracy and equality is maintained. However, the City of Modesto has reported some difficulties in administering the revenue-sharing arrangement following the departure of key individuals who implemented the program. One of the key lessons learned is to keep the revenue-sharing agreement relatively simple, particularly with respect to administration, and try to involve administrative personnel in program planning.[16]

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[14] BBC Research & Consulting. Local Revenue-Sharing Methodologies, October 30, 2001.

[15] Ibid.

[16] Ibid.

Implications for Culver City

While there are a limited number of examples of revenue-sharing agreements among jurisdictions where projects straddle multiple jurisdictions, the agreements discussed in this memorandum establish a precedent in allocating revenues based on the percentage of the project located in each jurisdiction. Should the City pursue a revenue-sharing agreement with the City of Los Angeles, this method of allocating revenues may be appropriate as a starting point. Depending on the full range of objectives identified for redevelopment surrounding the Expo Line station (e.g., increasing regional cooperation with Los Angeles in consistently planning the area surrounding the station in both jurisdictions), the City may wish to pursue other methods of allocation. In addition, similar to the arrangement between the City and County of Sacramento, the Cities of Culver City and Los Angeles may wish to pursue, as part of the agreement, joint planning and policy efforts that will assist in achieving a higher density mix of land uses to complement the future transit station.

APPENDIX A

1. East Baybridge Center Revenue Sharing Agreement
2. City and County of Sacramento Tax Sharing Agreement

JOINT REVENUE SHARING AGREEMENT BETWEEN THE CITIES OF EMERYVILLE AND OAKLAND

JOINT REVENUE SHARING AGREEMENT BETWEEN THE CITIES OF EMERYVILLE AND OAKLAND

This Revenue Sharing Agreement ("Agreement") is entered into as of the 1st day of July 1994, by and between the City of Emeryville, a municipal corporation ("Emeryville"), and the City of Oakland, a municipal corporation ("Oakland").

WHEREAS, on July 6, 1992, Emeryville and Oakland (collectively "Cities") entered into a Memorandum of Understanding ("MOU") with Catellus Development Corporation for the development of the East Baybridge Center ("Center"), which is located on approximately 16 acres of land in Oakland and approximately 34 acres of land in Emeryville; and

WHEREAS, the Cities have established a Joint Planning Authority to exercise all planning powers of the Cities in relation to the development of the Center; and

WHEREAS, both Cities have and will expend general fund monies for services and administrative expenses related to the Center and such services and administrative expenses by both Cities are necessary to the proper operation of the Center; and

WHEREAS, Emeryville and Oakland desire to allocate between themselves the revenues generated by the Center from sales taxes, business license taxes, real estate transfer taxes, and utility taxes with two-thirds (2/3) of the gross revenues allocated to Emeryville and one-third (1/3) to Oakland;

NOW, THEREFORE, the Cities agree as follows:

1. <u>Definitions</u>

For the purposes of this Agreement, the businesses located in the Center shall be identified by the following categories:

a. Category 1: Businesses located wholly in Emeryville.

b. Category 2: Two businesses located partially in Emeryville and partially in Oakland. (Both such businesses have Emeryville addresses).

c. Category 3: One business located wholly in Oakland.

2. Allocation of Taxes and Fees

Emeryville shall be entitled to receive two-thirds (2/3) and Oakland shall be entitled to receive one-third (1/3) of the aggregate revenues from sales taxes, business license taxes, real estate transfer taxes, utility users taxes, and any other taxes which may be assessed by either City in the future. As indicated by the MOU, property taxes shall be apportioned by the County.

3. Sales Taxes

a. The Cities will receive from the State Board of Equalization 100% of the sales tax revenues generated by the Center's points of sale based on business addresses. Emeryville will receive 100% of the sales taxes generated by Categories 1 and 2 businesses. Oakland will receive 100% of the sales taxes generated by Category 3 businesses.

b. Within fifteen (15) days of receipt of quarterly sales tax reports generated from the State Board of Equalization source data, each City shall transmit an accounting and sales tax revenues due to the other City - i.e., Emeryville will send 1/3 of the sales tax revenues received from operation of the Center to Oakland, and Oakland will send 2/3 of the sales tax revenues received from operation of the Center to Emeryville.

4. Business License Taxes

a. For the purposes of this Agreement, business license taxes include business license taxes from all businesses in the Center and business license taxes from retail and commercial rentals within the Center. Emeryville shall assess and collect business license taxes from Category 1 businesses at Emeryville's business license rate. Emeryville shall assess and collect business license taxes from Category 2 businesses at the higher of Emeryville's or Oakland's business license fees. Oakland shall assess and collect business license taxes from Category 3 businesses at Oakland's business license rate.

b. Within thirty (30) days of collecting all of the business license taxes from Category 1 businesses and Category 2 businesses in the Center, Emeryville shall provide an accounting and payment of Oakland's share of the business

license taxes to Oakland, and within thirty (30) days of collecting all of the business license taxes from Category 3 businesses in the Center, Oakland shall provide an accounting and payment of Emeryville's share of the business license taxes to Emeryville.

5. Real Estate Transfer Taxes

Oakland, being a Charter City, will be responsible for assessing and collecting real estate transfer taxes for Categories 2 and 3 businesses at the Oakland rate and remitting an accounting and 2/3 of the revenues to Emeryville within 30 days of receipt of funds. Emeryville, being a General Law city, charges real estate transfer tax as authorized by the State Revenue and Taxation Code. These real estate transfer taxes are collected by Alameda County and remitted to the City of Emeryville in a lump sum on a monthly basis. Emeryville will be responsible for obtaining specific information from Alameda County on real estate transfer taxes collected and remitted to the City for Category 1 businesses and remitting an accounting and 1/3 of the revenues to Oakland within thirty (30) days of receipt of funds and specific information.

6. Utility Users Taxes

a. Utility Users Tax revenues will flow to the Cities in the normal manner from each utility; i.e., each month a check will be received for revenues generated within each City without any break-out given by businesses. This is in accordance with confidentiality laws prohibiting the utilities from divulging specific revenue information by business. Category 2 businesses will be coded by the utility providers to reflect the higher of Emeryville's or Oakland's rate, and the revenues will then be received by the City to which the business is coded.

b. At the time application is made for a business license, each business in the Center shall be given a "release form" to sign, allowing Emeryville and Oakland to have access to information necessary to distribute the Utility Users Tax revenues pursuant to this Agreement. Within thirty (30) days of the receipt of the information identifying the Utility Users Tax generated by each business in the Center, each City will remit to the other an accounting and such City's share of the Utility Users Tax revenue received.

7. Previously Collected Fees and Taxes

The Cities acknowledge that fees and taxes required to be allocated pursuant to this Agreement may have been collected by the Cities prior to the execution of this Agreement. If either City has collected fees and taxes required to be allocated pursuant to this Agreement, within 30 days of the execution of this Agreement such City shall deliver to the other City an accounting and the portion of such fees and taxes required to be delivered to the other City pursuant to this Agreement. If the information necessary to make such allocations is not yet available (for example, Utility Users Tax account information), both cities shall proceed to obtain the necessary information and shall remit revenues and supporting documentation to each other within thirty (30) days of receipt of such information.

8. Term and Termination

This Agreement shall be binding on the Cities as long as any part of the Center is operational. This Agreement may be terminated only by the express written agreement of both Cities.

9. Entire Agreement

This Agreement represents the entire understanding of the Cities as to the matters contained herein. No prior oral or written understanding, with the exception of the MOU, shall be of any force or effect with respect to the matters covered herein. This Agreement may not be modified or altered except in a written agreement signed by the Cities.

10. Applicable Law

This Agreement shall be administered and interpreted under the laws of the State of California. Jurisdiction and venue of litigation arising from this Agreement shall be in the County of Alameda, State of California.

11. Indemnification

The Cities shall share equally in the defense of any challenge to this Agreement.

12. Attorneys' Fees

In the event a party to this Agreement brings any action or proceeding arising from this Agreement against the other party, the prevailing party in such action or proceeding shall be entitled to recover all costs and expenses, including its reasonable attorneys' fees, in the action or proceeding.

13. Severability

If any section, subsection, clause or phrase of this Agreement is held to be invalid, such decision shall not affect the validity of the remaining portions of this Agreement.

14. Addresses

All payments, accountings and notices shall be delivered by United States mail, postage prepaid, or by hand delivery to:

City of Emeryville
Attn: Finance Division/Revenue
2200 Powell Street, 12th Floor
Emeryville, CA 94608

City of Oakland
Attn: Treasurer
475—14th Street, 10th Floor
Oakland, CA 94612

IN WITNESS WHEREOF, the Cities of Emeryville and Oakland have executed this Agreement, effective as of the date first above written.

CITY OF EMERYVILLE,
a municipal corporation

By: _____

Its: City Manager

Approved as to form:

_____
City Attorney

CITY OF OAKLAND,
a municipal corporation

By: _____

Its: City Manager

Approved as to form and legality:

_____
City Attorney

TAX SHARING AGREEMENT BETWEEN
THE COUNTY OF SACRAMENTO AND THE CITY OF SACRAMENTO

SALES TAX SHARING AGREEMENT BETWEEN THE COUNTY OF SACRAMENTO AND THE CITY OF SACRAMENTO, RELATING TO MEL RAPTON HONDA AT 3701 FULTON AVENUE

This SALES TAX SHARING AGREEMENT (hereinafter "Agreement") is made and executed in duplicate this ____ day of ____, 2008, by and between the COUNTY OF SACRAMENTO, a political subdivision of the State of California (hereinafter referred to as "COUNTY"), and the CITY OF SACRAMENTO, a municipal corporation (hereinafter referred to as "CITY").

RECITALS

A. CITY owns real property within the CITY that is generally located at 3701 Fulton Avenue and which comprises approximately 17.5 net acres or 20.3 gross acres (the "Property", as defined herein).

B. CITY has entered into a lease of the Property with Rapton Investment Group LLC ("Rapton") for purposes of enabling Rapton to sublease the Property to one or more parties for purposes of operating one or more new and used vehicle dealerships ("Lease"). The Lease contemplates that Rapton will sublease the property to Rapton Inc., which does business as Mel Rapton Honda, and to Asbury Sacramento Imports, LLC, dba Mercedes Benz of Sacramento. Mel Rapton Honda currently operates a new and used car dealership within the unincorporated area of the COUNTY and intends to relocate that dealership from its current location to the Property.

C. Government Code Section 53084 prohibits any local agency from providing any form of financial assistance to a vehicle dealer that is relocating from the territorial jurisdiction of one local agency to the territorial jurisdiction of another local agency within the same market area. There is currently an actual controversy between the CITY and the COUNTY with respect to the applicability of Government Code Section 53084 to the Lease. COUNTY contends that the financial terms and conditions of the Lease constitute a form of financial assistance prohibited by Government Code Section 53084 in that it provides for below market lease rates. The CITY denies that the Lease violates the provisions of Government Code Section 53084.

COUNTY and CITY hereby agree as follows:

1. **Recitals**. The facts set forth in the foregoing recitals are true and are hereby incorporated into this Agreement.

2. **Definitions**. For purposes of this Agreement, the following terms shall have the meanings set forth below:

(a) "Property" shall mean the real property that is more particularly described and depicted in Exhibit "A" which is attached hereto and incorporated herein.

(b) "Sales Tax Revenue" shall mean the revenue from the sales and use tax levied and received by the CITY pursuant to the "Bradley-Burns Uniform

Local Sales and Use Tax Law", or any successor statutory provision, that is collected from sales occurring on the Property.

(c) "Vehicle dealer"" shall mean Mel Rapton Honda or Asbury Sacramento Imports, LLC, dba Mercedes Benz of Sacramento.

3. **General Purpose of Agreement.** The general purpose of this Agreement is to devise a fair and equitable sharing of the Sales Tax Revenue generated from vehicle dealers.

4. **Sharing of Sales Tax Revenues.** On and after the effective date of this Agreement, the COUNTY and CITY shall share equally in all of the Sales Tax Revenue until the Property is no longer used by the vehicle dealers defined herein. .

5. **Procedure For Allocation of Sales Tax Revenue.**

(a) The Sales Tax Revenue is collected by the State Board of Equalization and remitted to the CITY on a quarterly basis. On and after the effective date of this Agreement, CITY shall remit to COUNTY on a quarterly basis 50% of the Sales Tax Revenue received by the CITY during the preceding quarter. These quarterly payments shall be due at the end of the month which is four months after the calendar quarter during which the Sales Tax Revenue was actually generated. This quarterly payment schedule shall be consistent with the following chart:

Quarter	Collection Period	Payment Due
1st Qtr	Jan - March	July 31st
2nd Qtr	April - June	Oct 31st
3rd Qtr	July - Sept	Jan 31st
4th Qtr	Oct - Dec	April 30th

(b) In addition to the remittance of 50% of the Sales Tax Revenue as provided for in subsection (a) above, the CITY shall also remit such interest earned by the CITY on the COUNTY's share of the Sales Tax Revenue during the period of time that the CITY held the COUNTY's share of such revenue. This interest shall be calculated on the basis of the earnings of the City's Pool A and average daily cash balances, and shall be due and owing for the subject period from the time the CITY receives the Sales Tax Revenue from the state for said period until the CITY remits the COUNTY's share of the Sales Tax Revenue to the COUNTY.

(c) CITY shall provide COUNTY with a report with every quarterly remittance of Sales Tax Revenue that documents the total amount of such revenue received by the CITY during that quarterly period. COUNTY shall be entitled at any time to conduct an audit at its expense of the Sales Tax Revenue received by CITY. In the event that this audit demonstrates that the COUNTY has been underpaid during any quarter by more than five percent (5%), the CITY shall pay the COUNTY the amount of the underpayment, and in addition, shall pay interest on such amount at a rate equal to the rate of interest the City has earned on its Investment Pool during the period of underpayment.

Section 6. Dispute Resolution.

(a) Inadmissability. Should any disputes arise as to the performance of this Agreement, COUNTY and CITY agree to use the dispute resolution process set forth below. All conduct, testimony, statements or other evidence made or presented during the meeting described in subsection 6(b) shall be confidential and inadmissible in any subsequent arbitration proceedings brought to prove liability for any claimed breach or damages which are the subject of the dispute resolution process.

(b) Initiation of Process. COUNTY or CITY may initiate the dispute resolution process by submitting written notification to the other of a potential dispute concerning the performance of this Agreement. This written notification shall state what is in dispute, shall include all supporting documentation, and shall request a meeting between the County Executive and the City Manager, or their respective designees, to determine whether a resolution of the disagreement is possible without third party intervention. This meeting shall be scheduled to take place within thirty (30) working days of receipt of the written notification of the dispute. At the meeting, the respective representatives of the COUNTY and the CITY shall attempt to reach an equitable settlement of the disputed issue(s).

(c) Binding Arbitration. If the meeting provided for in subsection 6(b) fails to fully resolve the dispute, the matter shall then be submitted by either party to the American Arbitration Association ("Arbitrator") to appoint a single, neutral arbitrator for a decision. The arbitration shall be conducted pursuant to the procedures set forth in Chapter 3 (commencing with Section 1282) of Title 9 of the California Code of Civil Procedure. The decision of the Arbitrator shall be controlling between the CITY and the COUNTY and shall be final. Except as provided in Code of Civil Procedure Sections 1286.2 and 1286.4, neither party shall be entitled to judicial review of the Arbitrator's decision. The party against whom the award is rendered shall pay any monetary award and/or comply with any other order of the Arbitrator within sixty (60) days of the entry of judgment on the award.

(d) Costs. The parties shall share equally in the costs and fees associated with the Arbitrator's fees and expenses. At the conclusion of the arbitration, the prevailing party, as determined by the Arbitrator, shall be entitled to reimbursement by the other party for the prevailing party's share of the Arbitrator's fees and expenses incurred in connection with the arbitration. The awarded arbitrator's fees and expenses shall be remitted to the prevailing party within thirty (30) days of the Arbitrator's decision. Each party shall bear its own costs, expenses and attorney's fees and no party shall be awarded its costs, expenses, or attorney's fees incurred in the dispute resolution process.

Section 7. Mutual Defense of Agreement. If the validity of this Agreement is challenged in any legal action by a party other than COUNTY or CITY, then COUNTY and CITY agree to defend jointly against the legal challenge and to share equally any award of costs, including attorneys fees, against COUNTY, CITY, or both.

Section 8. Waiver of Retroactive Recovery. If the validity of this Agreement is challenged in any legal action brought by either CITY or any third party, CITY hereby

waives any right to the retroactive recovery of any Sales Tax Revenue transferred to the COUNTY pursuant to this Agreement prior to the date on which such legal action is filed in a court of competent jurisdiction. The remedy available in any such legal action shall be limited to a prospective invalidation of the Agreement.

Section 9. Term. This Agreement shall become effective upon its approval by the governing bodies of each party and shall remain in effect until terminated by mutual consent of both the CITY and the COUNTY.

Section 10. Modification. The provision of this Agreement and all of the covenants and conditions set forth herein may be modified or amended only by a writing duly authorized and executed by both the COUNTY and CITY.

Section 11. Entire Agreement. With respect to the subject matter hereof only, this Agreement supersedes any and all previous negotiations, proposals, commitments, writings, and understandings of any nature whatsoever between COUNTY and CITY except as otherwise provided herein.

Section 12. Notices. All notices, requests, certifications or other correspondence required to be provided by the parties to this Agreement shall be in writing and shall be personally delivered or delivered by first class mail to the respective parties at the following addresses:

COUNTY	CITY
County Executive County of Sacramento 700 H Street, Room 7650 Sacramento, CA 95814	City Manager City of Sacramento 915 "I" Street, 5th Floor Sacramento,CA 95814

Notice by personal delivery shall be effective immediately upon delivery. Notice by mail shall be effective upon receipt or three days after mailing, whichever is earlier.

Section 14. Approval, Consent, and Agreement. Wherever this Agreement requires a party's approval, consent, or agreement, the party shall make its decision to give or withhold such approval, consent or agreement in good faith, and shall not withhold such approval, consent or agreement unreasonably or without good cause.

Section 15. Construction of Captions. Captions of the sections of this Agreement are for convenience and reference only. The words in the captions in no way explain, modify, amplify, or interpret this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in the county of Sacramento, State of California, on the dates set forth above.

COUNTY OF SACRAMENTO, a political subdivision of the State of California

By _____
County Executive

CITY OFSACRAMENTO, a municipal corporation

By: _____
Mayor

(SEAL)

ATTEST: _____
City Clerk

Approved As to Form:

_____
City Attorney