

California State University, Northridge

Request for Qualifications (RFQ) #1541 Hotel Development and Operation

Section 1

DEVELOPMENT OPPORTUNITY

The California State University, Northridge through the University's Auxiliary, The University Corporation, is seeking a Developer to develop and operate an on-campus branded full service or hybrid select service hotel. The University expects the selected Developer to have the primary responsibility for pre-development design, financing, construction, operation, and maintenance of the Hotel. Through this Request for Qualifications (RFQ), the University invites qualified Developers to submit Statements of Qualifications (SOQ) for consideration. Submittals will be reviewed by the Review Committee, and a selected group of short-listed finalists will be given the Request for Proposal (RFP) package for final submission and consideration of Proposals for the project.

BACKGROUND

Currently, the University and surrounding community are not served by any convenient hotels or lodging. As seen in Figure 1 (following page), the closest service oriented full service or select service establishments are 4 to 8 miles from the campus, and there are virtually no comparable lodging types in the northern and western sections of the San Fernando Valley. Typically, campus visitors, such as student recruits, family members, faculty and staff candidates, business partners, artists performing at the CSU Northridge Valley Performing Arts Center, and visiting athletic teams stay in hotels 7 to 8 miles from the campus in Woodland Hills. The travel time to the campus from Woodland Hills is 25-35 minutes and additional transportation is required. The lack of available convenient hotel lodging impacts the campus and surrounding community.

Based on a 2015 PKF Market Study (see Appendix A), the University believes there is adequate internal and external demand to support a 150-room full service or hybrid select service hotel, containing a 3-meal-a-day restaurant and approximately 5,000 square feet of conference space within the development.

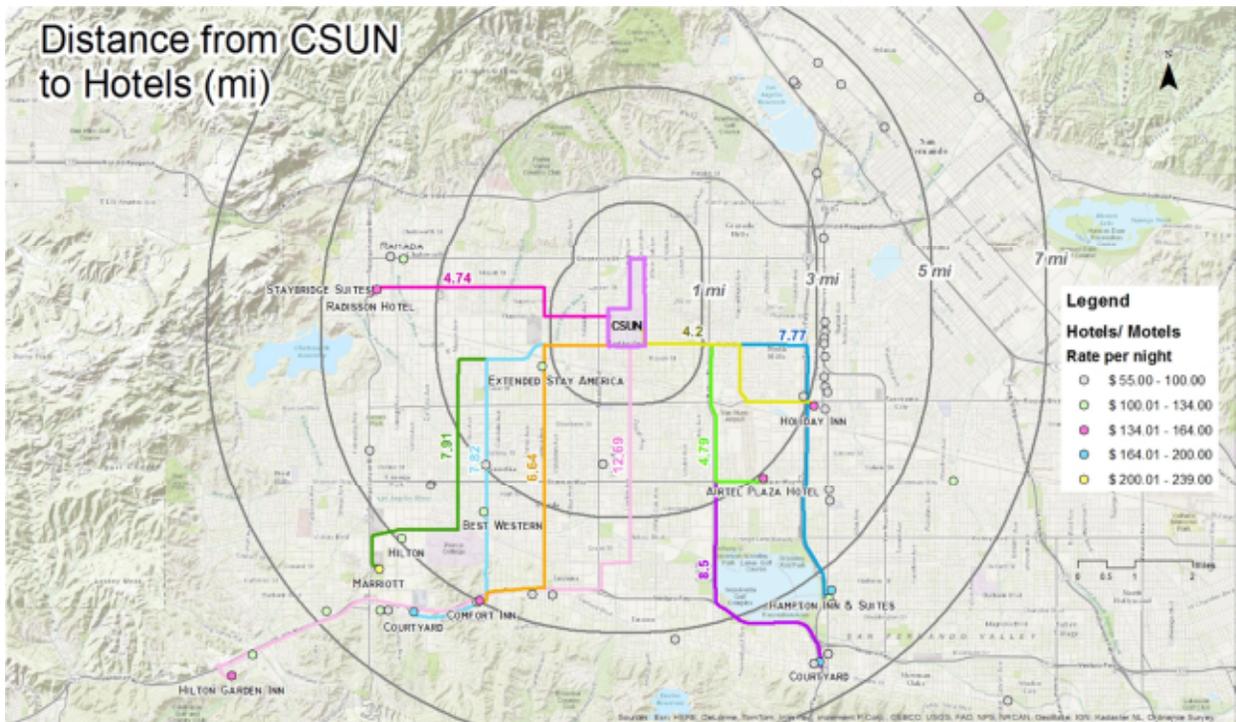


Figure 1. Competitive Set vs Locality - existing hotels within the San Fernando Valley and their proximity to California State University Northridge

California State University Northridge is located north of Los Angeles in the San Fernando Valley. The University is the largest campus in the twenty-three campus California State University System with over 41,000 students. The San Fernando Valley is home to nearly two million residents with strong tourism, entertainment, technology, and healthcare industries. Adjacent to the University, large employers include the Northridge Medical Center and Medtronic Inc., as well as large business parks located immediately west of the campus in Chatsworth, which include notable firms such as the 3M Corporation, Lamps Plus, and Girl Scouts of America. Other large employers of the greater San Fernando Valley include Blue Shield, NBC Universal, Kaiser Permanente, Walt Disney Corporation, and Lockheed Martin, to name a few.

Section 2

CALIFORNIA STATE UNIVERSITY, NORTHRIDGE

Founded in 1958, California State University, Northridge (CSUN) is a vibrant and global community located on 356 acres in the heart of Los Angeles' San Fernando Valley. CSUN, a liberal arts institution, is one of the largest universities in the nation, enrolling approximately 41,000 full- and part-time students in Fall 2015.

California State University Northridge has substantial programs in technological and professional fields, with nine colleges and more than 2,000 faculty members, courses leading to bachelor's degrees in 68 disciplines, master's degrees in 58 fields, doctorates in educational leadership and physical therapy, and 14 teaching credential programs. Additionally, the campus' athletics program has 19 Division I teams, with several nationally ranked teams including Men's and Women's Soccer, Men's Volleyball, and Women's Basketball. The CSUN Women's basketball program is a two-time defending Big West Tournament Champion and advanced to their second-straight NCAA Tournament in 2015.

During the 2013-14 academic year, nearly 6,900 students graduated with bachelor's degrees and just over 2,000 with master's and doctoral degrees. CSUN encourages students to combine academic pursuits with hands-on experience. It also serves as the intellectual, economic and cultural heart of the San Fernando Valley and beyond. Alumni include California Teachers of the Year as well as 2012's national Teacher of the Year, Grammy Award winners, public officials, nationally-recognized newscasters and a space shuttle astronaut. Their success reflects the hard work of CSUN students and the ongoing dedication of the faculty and staff.

California State University Northridge has over 300,000 alumni and is a significant contributor to the local, regional, and statewide economy. For example, earnings attributable to CSUN graduates are estimated to be \$3.2 billion annually. Annual spending by CSU Northridge (\$446 million) generates a total fiscal impact of \$1.8 billion on the local, regional, and state economies combined. This total impact sustains more than 11,770 jobs in the region and statewide, and generates more than \$122 million in local, county, and statewide tax revenue annually.

With over 4,000 faculty and staff, the University is the largest employer in Northridge and one of the largest in the San Fernando Valley. Northridge is home to over 80,000 residents in 9.47 square miles. It is located in the San Fernando Valley, an urban-suburban region with nearly two million residents, geologically defined by mountain ranges on all sides, and bordered on the south by Mulholland Drive, a scenic highway that traverses the ridges of the Santa Monica Mountains. Although the City of Los Angeles contains 65 percent of the Valley's land and 80 percent of the population, the San Fernando Valley Statistical District also includes the cities of Glendale, Burbank, San Fernando, Hidden Hills and Calabasas. By many it is simply referred to as "The Valley," and in this role has developed an iconic status for its entertainment industry and pop culture roots.

Northridge has a rich tapestry of life with a diverse population. Within Northridge and the surrounding neighborhoods, median household income ranges from \$65,000 - \$85,000 per year.

In February 2015, PKF Consulting completed a market analysis and study for an on-campus hotel. The PKF analysis included market condition analysis, market research, internal demand (interviews and analysis), external demand analysis, occupancy estimates/drivers, average daily rate projections, and estimated operating expenses and revenues. A copy of the report by PKF Consulting is attached in Appendix A of this RFQ.

Section 3

DEVELOPMENT SITE INFORMATION

The development site is approximately 2.75 acres in size and is located on the northwest corner of Nordhoff Street and Matador Drive. The site is bounded on the north by Dearborn Street and on the west by the campus' Orange Grove. The proposed location of the development is considered ideal, as the site is located at the south-east corner of the campus, accessible off of the 405 Freeway via Nordhoff Street, and directly visible upon reaching the eastern boundary of the campus. While the proposed location is on campus, the site is in a tranquil location adjacent to the University's Orange Grove and a pond, yet just a short walk from the campus' academic core and the Valley Performing Arts Center.

The land is controlled by the California State University (CSU) Board of Trustees, and the selected developer will be granted a land lease. The project site is currently occupied by the Orange Grove Bistro Restaurant, which will be closed prior to the start of construction. The selected Developer will be required to demolish the existing restaurant building and any other improvements within the hotel site boundaries. It is planned that project development will recreate and/or develop a new restaurant within the hotel itself, or attached to the hotel, or on a separate pad on the project site.

The project site is an approximately four-minute walk from the 1,700 seat Valley Performing Arts Center (VPAC), which has a busy, world class performance schedule. A walkway through the Orange Grove connects the project site to the campus and VPAC. The University's Student Union, Student Recreation Center, and athletic venues, including the Campus' Matadome (a 2400-seat arena), are located north of the project site on Matador Drive. Although there is campus parking located adjacent to the proposed site, all required hotel and/or restaurant parking must be provided by the Developer within the project development boundaries.

There is a stand of mature London Plane trees along Nordhoff Street, outside of the proposed site, that must be maintained and cannot be adversely affected by the development. Refer to Figures 2 through 7 on the next two pages for more information on the proposed site.

Figure 3. Development Site Limits



Figure 4. Development Site from Southeast



Figure 5. Development Site from Northeast

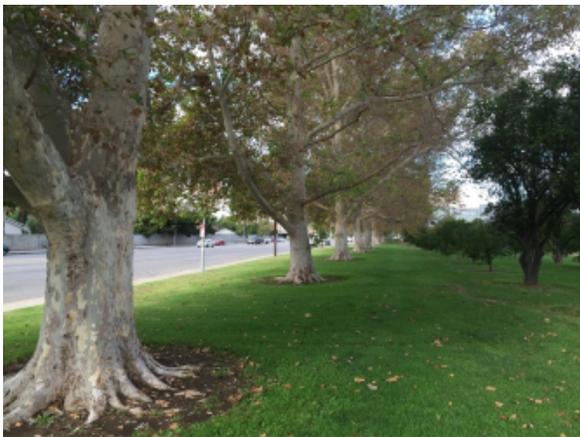


Figure 6. Development Site along Nordhoff Street



Figure 7. Adjacent Orange Grove Pond

Section 4

UNIVERSITY ENTITLEMENT PROCESS

The entitlement process will be overseen by the Trustees for the California State University. The Campus will work with the selected Developer on the required entitlements after the RFP Phase and when the final Developer is selected. The entitlement process includes necessary CEQA actions, Schematic Design review by the California State University (CSU) Board of Trustees, and construction document plan check.

The Developer will be required to comply with the California Environmental Quality Act (CEQA). The CSU shall act as lead agency and guide the Developer through CSU and CEQA entitlement process. The successful Developer will work with the University, CSU Land-Use Staff, and approved CSU Environmental Consultants, to determine the specific environmental documents or course of action based on the proposed development by the Developer. The Developer will be responsible for all costs associated with CEQA and environmental documentation necessary to fulfill CEQA requirements as it relates to the hotel development, which may also include off-site mitigation cost/scope associated with the project.

CSU is the Building Official for all CSU facilities. This includes all buildings on a campus and in some cases for CSU operations off-campus as well. CSU has the authority to act as the Building Official. To manage this authority, CSU issues permits for its construction activities. General building plan check will be completed by a consulting firm appointed by the University. The Division of State Architect (DSA) will review the project for compliance with the accessibility provisions of the California Building Code; the development also must comply with the provisions of the State/Federal ADA. The State Fire Marshal (SFM) reviews projects for fire and life safety compliance. SFM and DSA approvals confirm and append the underlying CSU code compliance determination.

The CSU plan check process is completed in advance of any outside agency review submittal. CSU staff representation is required, and essential, at SFM/DSA “pre-approval” review meetings. Allowing the A/E and contractor teams to act independently to secure approvals complicates the campus/agency project relationship. In compliance with CSU policy, the Developer will be required to obtain plan approval by a CSU Seismic Peer Reviewer appointed by the University. The CSU Chancellor’s Office Capital Planning, Design, and Construction (CPDC) unit provides code interpretation and building official support. The Developer team is required to comply with the CSU Procedure Manual for Capital Projects which describes the design submittals and procedures in more detail (http://www.calstate.edu/cpdc/ae/pro-serv-agree/documents/Procedure_Manual.pdf).

The Developer will be required to obtain Los Angeles County Health Department approval of any food service and pool facilities. The City of Los Angeles Fire Department is the responding fire-fighting agency for CSUN and the Developer will be required to obtain City of Los Angeles Fire Department “site access approval.”

Section 5

PREFERRED QUALIFICATIONS

The University is interested in working with a Developer who is experienced in the development and operation of a branded full service or hybrid select hotel, with meeting facilities and a 3-meal-a-day restaurant. To that end, the University is soliciting Statements of Qualifications (SOQ) from interested parties.

Following review and ranking of respondents, 3 to 4 firms will be short-listed and selected to submit detailed proposals based on the University's Request for Proposal (RFP). Only those firms who are short-listed will be allowed to submit proposals based on the Request for Proposal. The RFP will require concept design drawings, financial projections/model, proposed financial terms for the lease of the land, structure of the operating agreement, the brand identification, amenities of the development, etc. It is expected that the RFP will be released in late spring 2016. All costs incurred in responding to the RFQ/SOQ and RFP shall be borne by the Developer and will not be reimbursed by the University.

Section 6

STATEMENT OF QUALIFICATIONS

The University requests a Statement of Qualifications that expresses your entity's interest, vision and capability to develop and operate a full service or hybrid select service hotel with meeting facilities and a 3-meal-a-day restaurant at the California State University Northridge campus. Respondents interested in being short-listed shall provide the following:

1. **Cover Letter.** Provide a cover letter introducing the development team and identifying the basic submittal contents and the primary contacts or representatives. The cover letter must be signed by an officer or other authorized representative of the development team.
2. **Overview of the Development Team.** Provide an overview of the development team/firms' association with "branded hotels," history of developing and operating hotels, successful hotel projects, successful partnerships, and/or other relevant information that highlights the qualifications of the Developer Team.
 - a. Include a summary of legal status, organizational structure, and roles and responsibilities of key team members and individuals, and associated firms if applicable.
 - b. Provide a narrative that details the Developer's history developing or developing/operating hotels with meeting facilities and restaurants. Please identify the areas of specialization.

5. **Operator Experience.** The proposer should provide the relevant experience of the operator team with respect to similar hotel projects.
 - a. Describe total number and type of hotel properties currently under contract with the proposed operator team as the primary operator.
 - i. Provide location, hotel brand, size of the hotel, number of rooms, years of operating service, total number of employees, food and beverage service, conference services, and any other additional relevant data.
 - b. Demonstrate the operator capability to operate and manage a 4-star/4 diamond, state-of-the-art, on-campus hotel.
 - c. Describe overview of the operator's operations model, business plan, operating structure, etc. to thoroughly describe the qualifications of the Operator.
 - d. Describe tailored approaches to general operations, repairs, maintenance, sustainability, customer service sales, marketing, and any other key management service elements.
 - e. Describe any/all pre-approved brands the operator currently has with branded hotel franchises.
 - f. Describe pre-opening service plan, performance support, information technology, recruitment, training, etc. to best describe the operator's breadth and depth of service commitment.
 - g. Describe the operator's conference service experience.
 - h. Describe restaurant experience for 3-meal-a-day restaurants in any of the hotel properties and/or stand-alone ventures.
 - i. Owner References: At least five references for current hotels under operating agreements. Include the reference's name, title, address, email, and telephone number.

6. **Financial Capacity:** Provide financial information to demonstrate that the development team will have the necessary financial standing, capacity, experience, and resources to undertake, finance, and deliver the project. Identify the firm's or team's capacity to secure the equity and financing required to implement the proposed development program. Disclose if your firm has ever defaulted on its financial obligations, has had developments that were foreclosed upon, or if a bankruptcy has ever been filed by your firm or any associated firms proposed for this project.
 - a. The Developer must submit:
 - i. Copies of audited financial statements, annual reports and auditor's opinion letters, or other similar information, for each of the last two years for which such information is available, with a narrative describing any material events that may affect the entities' financial standing since the last audited or interim financial statements.
 - ii. Credit rating, if available.
 - iii. Current Real Estate Portfolio: composition of current real estate portfolio including product types in development or owned, amount of square footage, ownership structure of the assets, etc.
 - iv. Total assets available to secure or pledge towards financing.
 - v. Project Pipeline: provide a description of all future planned projects (including the estimated cost) that any equity member has committed,

- or is contractually obligated, to deliver within the next five years, including status, development schedule, and financial commitment required (e.g. financing methods, sources, and amounts).
- vi. Litigations or Adverse Actions: Indicate whether any funding sources or financial institutions have taken any adverse action against the developer or joint venture partner, such as terminating or restricting the use of funds at any time during the past five years. Also indicate any litigation in which the members of the development team are involved or settled litigation over the last five years, if applicable.
 - vii. A copy of the annual report; Form 10-K must be provided if the team, or any other entity for which financial information is submitted, files reports with the Securities and Exchange Commission.
7. Entitlement Experience: Provide an overview of the development team and how the team typically handles the CEQA entitlement process, and other relevant information that highlights the Developer team's CEQA entitlement experience.
8. Construction Experience: Provide an overview of how the Developer team designed and built each of the projects listed in Section 4. Indicate Architect, Sub-consultants, Contractor, method of delivery, cost, construction duration, and any other pertinent information.

Section 7

SELECTION CRITERIA

The selection process for the RFQ/SOQ submissions will be a 2-step process. In Step 1, the Review Committee will meet and collectively rank all Respondent submittals to determine the top 5 or 6 highest ranking submissions by Respondents. In Step 2, upon publishing of the rankings, the 5 or 6 highest ranking firms will be invited for interviews. The criteria, as indicated on the following page, will be used to evaluate the Statement of Qualification submittals. Only the 5 or 6 highest ranking firms will be invited for interviews.

After the interviews, the individual review committee members will then score the firms based on the established criteria. Review Committee member scores will be added and averaged for each Respondent, for each category, and then totaled for each Respondent. The individual scoring by each Review Committee member will not be available for review. Score postings will be issued by the University Corporation and final upon issuance.

Following review and scoring of 5 to 6 interviewed Respondents only the top 3 to 4 firms will be short-listed (the number of short-listed firms is at the discretion of the University) and selected to submit detailed proposals based on the University's Request for Proposal (RFP), which is anticipated to be released in late spring of 2016. Only those firms short-listed will be given the RFP and allowed to submit proposals.

The following criteria will be used to evaluate the Statement of Qualifications submittals:

2nd Step Evaluation Criteria (inclusive of interview points):	Maximum Points
Development Team Experience (Developer and Operator): the development team/firm’s association with “branded hotels,” history of developing and operating hotels, successful hotel projects, successful partnerships, breadth and depth of experience.	300
Development Experience: relevant experience of the development team with respect to similar hotel projects where the developer developed the project, held a financial interest, and successfully completed the project.	250
Financial Capacity: Development team financial standing, capacity, experience, and resources to undertake, finance, and deliver the project. Identify the firm's or team's capacity to secure the equity and financing required to implement the proposed development program.	250
Entitlement Experience: Development team’s experience and capability to successfully entitle projects from the concept stage and through construction and post-construction mitigations.	100
Construction Experience: Demonstration of the successful construction of completed hotels, and/or contractor experience constructing hotels.	100
Total Possible Points	1000

Following review and scoring of the respondents after the interviews, the 3 to 4 firms with the highest overall total scores will be short-listed and selected to submit a more detailed proposal based on the University’s Request for Proposal (RFP).

Only those 3 to 4 firms short-listed will be allowed to submit proposals based on the Request for Proposal.

The RFP will require concept design drawings, financial projections/model, proposed financial terms for the lease of the land, structure of the operating agreement, the brand identification, amenities of the development, etc. All costs related to preparing the RFQ/SOQ and RFP shall be borne by the Developer and will not be reimbursed by the University.

Section 8

EVALUATION PROCESS

The University reserves the right to reject any or all submittals at its sole and absolute discretion.

The University will designate a preliminary Review Committee (“Committee”) to evaluate all submittals received in response to this RFQ. Within 21 days of the submittal deadline, the Committee will assess Respondent qualifications based on the evaluation criteria described in Section 7, above. Committee members will score each proposal in their own preferred order. The scores assigned by each Committee member will be based on the individual member’s reasonable judgment as to the degree to which the proposal complies with the criteria and intent of the RFQ process.

Members of the Committee and other University staff may contact references and industry sources, investigate previous projects, current commitments, etc. as part of the evaluation process.

Within 30 days of the submittal deadline interviews will be scheduled for firms or teams which have been found to be the most responsive to the RFQ. Following review after the interviews, 3 to 4 firms may be selected to submit a more detailed proposal based on the University’s Request for Proposal (RFP) package.

Upon Committee review, ranking, and selection based on the RFPs, the Committee may then recommend to the University that one firm be considered for an Option/Due Diligence Agreement for the site.

The Hotel development will be completed utilizing a two-part developer agreement. The first part will be an Access and Option Agreement during which the entitlements and schematic design are completed. The second part will be the Land Lease Agreement which must be approved by the California State University Trustees prior to the completion of the design, plan check, and construction of the project.

Section 9

SCHEDULE

The following is the proposed schedule for the RFQ/SOQ submission, review, and evaluation process.

Post RFQ by the University Corporation	2/1/2016
Electronic Advertisement 2/1	2/1/2016
Print Advertisement	2/7/2016 & 2/21/2016
SOQ Submissions	Friday 3/18/2016 @ 3:00
Evaluate submissions	3/21/2016 – 4/7/2016
Post Interview List	4/8/2016
Schedule Interviews	4/11/2016 – 4/15/2016
Interviews	4/18/2016 – 4/22/2016
Post RFP Short List	4/29/2016
Release RFP	5/2/2016

Section 10

SUBMITTAL REQUIREMENTS

SOQ Submittals shall be submitted to the attention of:

The University Corporation
Hotel Development RFQ/SOQ
Attn: Linda Turner, Associate Director of Real Estate
California State University, Northridge
18111 Nordhoff Street
Northridge, CA 91330-8310

Submissions must be in the actual possession of the offices of The University Corporation on or prior to March 18, 2016 by 3:00 pm Pacific Time.

Late submissions will not be considered. Submissions must be provided in a sealed package labeled "Hotel Development RFQ" and with the prime contact name and address clearly noted on the front of the package. Please submit five (5) complete, bound hard copies and one complete digital copies on CD-ROM or flash drive of the proposal. PDF digital file formats are preferred.

Section 11

INQUIRIES

**Questions related to the RFQ will only be accepted by email to
Linda Turner, Associate Director of Real Estate linda.turner@csun.edu**

The University Corporation
Attn: Linda Turner, Associate Director of Real Estate
linda.turner@csun.edu
18111 Nordhoff Street
Sierra Center, 3rd Floor
Northridge, CA 91330-8310
Telephone: (818) 677-3974
Fax: (818) 677-3361

Section 12

APPENDIX A

PKF MARKET STUDY



**Market
Analysis**

Proposed Hotel at California State University, Northridge

Prepared For:

Mr. Brian Berry
Purchasing & Contract Administration
California State University, Northridge
18111 Nordhoff Street
Northridge, California 91330

Prepared By:

PKF Consulting USA
a Subsidiary of CBRE, Inc.
Los Angeles, California

Date of the Report:

February 24, 2015

File No. 52556

PKF
CONSULTING
USA
A CBRE COMPANY
www.pkfc.com

February 24, 2015



Mr. Brian Berry
Purchasing & Contraction Administration
California State University, Northridge
18111 Nordhoff Street
Northridge, California 91330

Dear Mr. Berry:

Pursuant to your request, we have completed our analysis of the potential market demand, facilities recommendations and statements of estimated annual operating results for the proposed hotel to be located at the California State University, Northridge in the community of Northridge, California. This report represents the culmination of our research and analysis.

As in all studies of this type, the estimated results assume, and are based upon, competent and efficient management and presume no significant changes in the competitive position of the lodging industry in the market area from those set forth in this report. The conclusions reached are based upon our present knowledge of the area lodging market as of the completion of our fieldwork concluded in February 2015.

The terms of our engagement are such that we have no obligation to revise this report or the estimated operating results to reflect events or conditions that occur subsequent to the date of the completion of our fieldwork. However, we are available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project. Since the estimated operating results are based on estimates and assumptions that are subject to uncertainty and variation, we do not represent them as results that will actually be achieved. This report is subject to the attached Statement of Assumptions and Limiting Conditions in the Addenda.

This report has been prepared for your internal use in decision-making with regard to the type and size of the proposed facility. The report and its contents, however, may not be quoted in any appraisal, prospectus or other document without our prior written consent.

We would be pleased to hear from you if we can be of further assistance in the interpretation of our findings. We express our appreciation to you and your associates for the cooperation extended to us during the course of this engagement and look forward to working with you further.

Sincerely,

PKF Consulting

A handwritten signature in blue ink, appearing to read "Bruce Baltin".

Bruce Baltin
Senior Vice President

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Section I
INTRODUCTION

INTRODUCTION

PKF Consulting USA was retained by the California State University, Northridge (CSUN) to conduct an analysis of the potential market demand for the development of a hotel in the southeast corner of the campus. This report represents the culmination of our market research, analysis, and assessments relative to the proposed hotel project. As a component of this analysis, after we have identified the potential market demand in the Northridge lodging market, we have then provided our projections of the occupancy and average daily room rate the proposed subject could reasonably be expected to achieve for its first five years of operation. Given these projections, we have also estimated the subject's annual operating results including total operating revenues and expenses, net income from operations, and ratio to total revenues for ten years of operation. This report represents the culmination of our market research, analysis, and assessments relative to the proposed hotel project.

As will be presented in this report, we recommend a high-quality, full-service hotel consisting of 150 rooms with ancillary facilities and amenities. CSUN, with its various sources of demand, is estimated to support a full-service hotel that will serve a variety of market segments relating to CSUN and the surrounding neighborhood. Our recommendations and projected operating income assume these room counts.

ASSUMPTIONS USED FOR PROJECTIONS

Our analysis was based on the following set of assumptions:

- The proposed hotel is to be located at the northwest quadrant of the Nordhoff Street and Matador Way intersection in Northridge, California;
- The proposed hotel will be positioned as a high-quality, full-service hotel;
- The subject will contain a total of 150 guestrooms in various configurations;
- The subject will offer meeting and event space;
- The subject will offer multiple food and beverage outlets;
- The subject will offer facilities and services consistent with its respective quality level;
- The subject will be affiliated with a nationally recognized brand; and,
- The hotel project will open on January 1, 2017.

SCOPE AND METHODOLOGY

We arrived at our conclusions as a result of our fieldwork, knowledge of the local lodging market, and our projections of market supply and demand. Our findings are based in part on:

- Physically inspected the proposed subject site as well as existing and planned surrounding developments;
- Assessed the impact of the proposed subject’s accessibility, visibility, and location relative to demand generators and overall marketability;
- Analyzed the proposed subject site and prepared recommendations as to the optimal type of hotel to be developed on the site;
- Inspections and interviews with management personnel at CSUN preferred hotels in Northridge;
- Toured the CSUN campus with a focus on existing and planned facilities that may impact the demand for hotel rooms;
- Interviews with personnel at CSUN departments and colleges;
- Incorporation of information provided by CSUN in relation to the subject hotel development;
- Interviews with representatives of proximate demand generators;

Following the foregoing, our process for developing conclusions included:

- Identification of the competitive supply of lodging facilities in and around Northridge;
- Review of the historical performance levels for the competitive lodging supply on a composite basis;
- Estimating the anticipated growth in demand for, and supply of lodging accommodations in the competitive market area;
- Preparing a forecast of the potential annual occupancy and average daily rate for the first five years of operations of the proposed subject; and,
- Preparing statements of estimated annual operating results for the ten year period from January 1, 2017 to December 31, 2026 for the full-service hotel.

This evaluation was performed with regard to the overall market’s suitability for the operation of additional hotel rooms given the current and anticipated market conditions.

AREA OVERVIEW

We gathered and analyzed relevant economic, demographic, and development data relative to Los Angeles County, the greater San Fernando Valley area, and more specifically to the community of Northridge. The purpose of this analysis was to ascertain the

economic climate in which the proposed hotel project will operate and create a basis for projecting future economic conditions as they relate to the proposed subject.

MARKET RESEARCH

We have reviewed our database and conducted primary market research relative to the proposed hotel's competitive market and prepared a five-year history of occupancy and average daily rate trends. To obtain data on current conditions, market mix, and likely future results, we conducted primary research in the area including interviews with representatives of the competitive hotels, real estate professionals, and representatives of the University. We conducted a demand survey and interviewed representatives from a number of departments at CSUN. Data on proposed projects was also researched and reviewed to determine the likelihood of future additions to supply.

PREPARATION OF MARKET SUPPLY AND DEMAND ESTIMATES

We analyzed historical growth and the characteristics of each of the principal segments of demand for lodging accommodations and researched the potential additions to supply. Then, using the information gathered in our research, we projected the growth in demand from 2015 through 2019 for the competitive market, and combined the estimated future supply and demand to reach our conclusions of the overall market potential.

SUBJECT OCCUPANCY AND AVERAGE DAILY RATE PROJECTIONS

After completing our estimates of the market area's supply and demand, we estimated the share of the market that the proposed subject hotel should reasonably be expected to capture for its first ten full years of operation. From this we derived its annual occupancy percentages. After considering the historical average daily rate trends in the market and the projected market position for the proposed hotel, the property's average daily rate was projected from its estimated opening in 2017.

ESTIMATED ANNUAL OPERATING RESULTS

Based on our analysis of market demand and the estimated occupancy and average daily room rates for the proposed hotel, we have estimated revenues and expenses for the hotel for its first ten years of operation. These estimates result in a "bottom line" of income before fixed charges of interest, depreciation, amortization, and income taxes.

SUMMARY OF CONCLUSIONS

Based on our market analysis, we believe that there is support for the proposed full-service hotel to be located on the California State University, Northridge campus, in the community of Northridge, California. Our recommendation is for a 150-room full-service hotel that will include meeting space, food and beverage outlets, business center, and sundry store. The subject site presents a unique opportunity for a high-quality, full-service hotel to be located on the CSUN campus and presents a viable lodging product that maximizes the penetration into the various sources of demand originating from CSUN and

in the surrounding area. In consideration of the above mentioned factors, the following table contains our projections for occupancy, average daily rate, and net operating income for a proposed 150-room, full-service hotel for the projection period of January 1, 2017 through December 31, 2026.

Projected Market Performance and Operating Results						
Proposed CSUN Hotel						
Year	Average Daily Rate	Annual Occupancy	Rooms Revenue	Total Revenue	Net Operating Income	Ratio to Total Revenues
2017	\$154.00	70.0%	\$5,903,000	\$ 9,360,000	\$2,062,000	22%
2018	158.00	74.0	6,402,000	10,166,000	2,382,000	23
2019	163.00	78.0	6,962,000	11,048,000	2,759,000	25
2020	168.00	78.0	7,175,000	11,383,000	2,850,000	25
2021	173.00	78.0	7,389,000	11,724,000	2,938,000	25
2022	178.00	78.0	7,602,000	12,067,000	3,021,000	25
2023	184.00	78.0	7,859,000	12,458,000	3,145,000	25
2024	189.00	78.0	8,072,000	12,809,000	3,224,000	25
2025	195.00	78.0	8,328,000	13,207,000	3,337,000	25
2026	201.00	78.0	8,585,000	13,610,000	3,450,000	25

Section II
ANALYSIS OF SITE LOCATION

ANALYSIS OF SITE LOCATION

LOCATION

The proposed subject site is situated in the southeast portion of the California State University, Northridge (CSUN) campus on the northwest quadrant of the Nordhoff Street and Matador Way intersection. The subject site is currently improved with a one-story structure containing the Orange Grove Bistro at The University Club, an on-campus restaurant. The uses surrounding the subject site are detailed below:

- North:** The subject site is bounded to the north by orange groves, followed by Dearborn Street, a parking structure, and the main campus of the university. Further north is the MedTronic Diabetes office, which is directly north of the university campus, as well as the community of Granada Hills. California State Route 118 (Ronald Reagan Freeway) is located approximately three miles north of the subject site.
- South:** The subject site is bounded to the south by Nordhoff Street, a main east-west arterial running from Panorama City in the east, through the communities of North Hills and Northridge, to Chatsworth in the west. The Northridge Hospital Medical Center is located approximately one mile south of the subject site. Further south are the residential neighborhoods of the Reseda, Tarzana, and Encino communities. U.S. Route 101 is located approximately 4.5 miles south of the subject site.
- West:** The subject site is bounded to the west by the university's Historic Orange Grove, followed by Lindley Avenue, the Valley Performing Arts Center and the Mark Curb College of Arts, Media, and Communication. Further west is Reseda Boulevard, a major north-south thoroughfare that runs through the western San Fernando Valley. Approximately 1.4 miles west of the subject site is the Northridge Fashion Center and the industrial areas of the Chatsworth community.
- East:** The subject site is bounded to the east by Matador Way followed by Monterey Hall, the surface G1 parking lot, Zelzah Avenue, and the residential neighborhoods of Northridge, Sherwood Forest, and North Hills. Interstate 405 is located approximately three miles east of the subject site. The Van Nuys Airport and other major area employers, such as Anheuser Busch, are located approximately 4.4 miles southeast of the subject site. Furthermore, Universal Studios Hollywood is located approximately sixteen miles southeast of the subject site.

ACCESS AND VISIBILITY

Overall, the subject site has an excellent location relative to numerous transportation networks in the area. Primary access to the site is provided by U.S. Route 101, Interstate 405, and California State Route 118. Located approximately 4.5 miles south of the subject site, U.S. Route 101 is a major freeway which runs in north and south directions, providing access to the subject from the Tri-Cities area, downtown Los Angeles, and the Burbank Airport. Interstate 405 is an important traffic arterial serving the Los Angeles and San Diego County areas and connects the site with other major freeways including Interstates 5, 10, 105, 110, 605, and 710, as well as the Los Angeles International Airport. The subject site is also located south of California State Route 118 (SR-118) which runs from Saticoy in Ventura County in the east to Lake View Terrace in Los Angeles County. The subject's location proximate to these three highways will allow guests easy access throughout Southern California and to employment centers, high-quality entertainment and shopping areas, and local beaches.

The subject site is located approximately four miles north of the Reseda Metro Orange Line Station and 1.3 miles northeast of the Northridge Metrolink Station. The Northridge Metrolink Station is served by the Ventura County Line, which runs from the Los Angeles Union Station in the east to East Ventura in the west. Multiple Metro Local and Rapid lines also provide service to various intersections around campus.

The subject will enjoy frontage on Nordhoff Street, a heavily traveled east-west thoroughfare that bisects western San Fernando Valley, which will provide for very good visibility of the proposed hotel site to patrons on the campus. However, vehicular access to the subject site will be limited. Ingress and egress to the subject hotel will be offered on Matador Way. Westbound travelers on Nordhoff Street can access the site by traveling north on Matador Way, where the subject site will be located on the left. Eastbound travelers on Nordhoff Street can access the site by turning north onto Zelzah Avenue, turning west onto the university campus on Prairie Street, turning south on Matador Way, and going straight, where the subject site will be located on the right. A majority of the developments surrounding the subject site are primarily a collection of low to mid-rise structures, thus the proposed hotel will have good visibility in the immediate area. Appropriate signage should help mitigate any visibility difficulties.

SITE ADVANTAGES AND DISADVANTAGES

Overall, the subject site benefits from its proximity to major demand generators and excellent access and visibility. Following are additional advantages, as well as disadvantages of the subject site:

Advantages

- Location at the southeast corner of the CSUN campus, allowing the hotel to benefit from its affiliation with the university.

- The proposed hotel would be close enough to the academic schools, departments, and faculty offices to make it accessible for university-related events, while not interfering with campus activities for non-university events.
- Excellent access via major Los Angeles freeways.

Disadvantages

- The site is somewhat exclusive to the CSUN campus and would be less likely to attract non-university related business.
- Lack of restaurants within walking distance.
- The quality of adjacent developments presents a less desirable atmosphere for potential hotel and conference guests.

SITE ENVIRONS: CALIFORNIA STATE UNIVERSITY, NORTHRIDGE

As previously mentioned, the subject will be located on the California State University, Northridge Campus in the heart of the San Fernando Valley in Los Angeles County. Founded in 1958, California State University, Northridge is a public institution with a total community of 40,131 students and approximately 3,905 faculty and staff on a 356-acre campus in the heart of the San Fernando Valley. CSUN is one of the largest of the California State University campuses in both its physical facilities and its large academic community. California State University Northridge is the only public university in the San Fernando Valley, and its current student body makes the university one of the largest universities in California in terms of enrollment.

According to the University's Office of Institutional Research, the Campus is currently comprised of 91 buildings containing 7,362,074 square feet of facilities and has a student housing capacity of 2,861 beds. As the campus grows in stature, the CSUN Master Plan (2005) recognized that the University will need to increase its physical capacity to be able to accommodate an additional 10,000 FTEs by 2035. The facilities targeted in the Master Plan include 1,553,430 gross square feet of new enrollment-driven academic, administrative, and student-support facilities, along with 364,600 gross square feet of new, non-state-funded facilities and 45.91 acres of playfields for instructional, athletics, and recreational use.

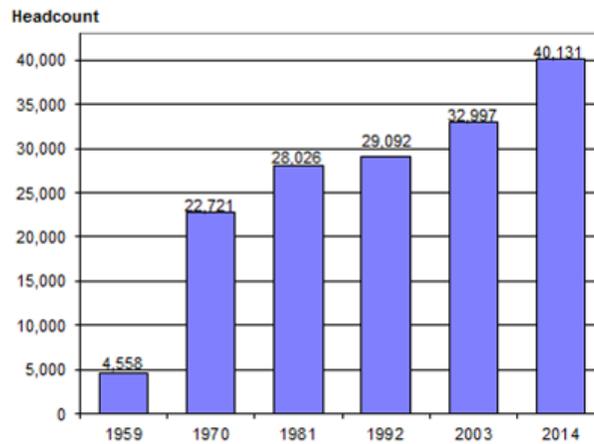
The University makes important contributions to the surrounding community, the state, and the country. It is the major producer of K-12 teachers in the region, the State of California, and the nation, a top producer of students going to Ph.D. programs in science and other disciplines, and also widely recognized for providing educational services to minority students, handicapped, and hearing-impaired students, and programs for adult education, extended education, and professional continuing education. It is the primary anchor for athletics, art, and culture for the San Fernando Valley. Furthermore, the CSUN campus is home to the oldest, most contiguous orange grove which pays homage to the San Fernando Valley's agricultural past.

Student Population

In the Fall of 2014, the number of students admitted to the University totaled 40,131, equating to 32,513 full-time equivalent (FTE) students; of the total FTEs, 29,111 were undergraduate students and 3,402 were graduate students. The following table outlines the admitted Fall 2014 student population breakdown by academic standing and gender, followed by a chart depicting the growth in Fall enrollment for the CSUN campus from 1959 to 2014. As can be seen from the chart below, the total headcount of students admitted in the Fall quarter has grown at a compound average annual growth (CAAG) rate of 4.0 percent since the University's establishment in 1958.

<u>Academic Level</u>	<u>FTEs</u>	<u>Headcount</u>	<u>Percent</u>
Freshman	7,469.73	8,486	21.1%
Sophomore	3,693.20	4,220	10.5%
Junior	8,464.47	10,655	26.6%
Senior	9,483.33	11,845	29.5%
Undergraduate	29,110.73	35,206	87.7%
Graduate	3,402.58	4,925	12.3%
<u>Gender</u>			
Men	14,452.52	17,998	44.8%
Women	18,060.80	22,133	55.2%

Total Fall Enrollment 1959-2014



Source: CSUN, Office of Institutional Research

Colleges

CSUN is home to a total of nine colleges which offer a 69 baccalaureate degrees, 58 master's degrees, 2 professional doctorate degrees, 28 teaching credential programs in the field of education. The nine colleges are:

- Mike Curb College of Arts, Media, and Communication
- Business & Economics
- Michael D. Eisner College of Education
- Engineering & Computer Science
- Tseng College
- Health & Human Development

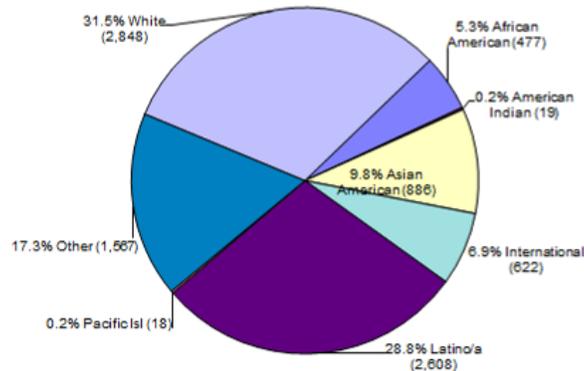
- Humanities
- Science & Mathematics
- Social & Behavioral Sciences

The most popular majors include: Business, Management, Marketing and Related Support Services; Social Sciences; Communication, Journalism, and Related Programs; English Language and Literature/Letters; and, Liberal Arts and Sciences, General Studies and Humanities. In Fiscal Year 2013/14, the University granted a total of 9,045 degrees, which is depicted in the chart below.

Degrees Conferred 2013/14

	<u>Headcount</u>	<u>Percent</u>
Bachelor's	7,042	77.9%
Master's/Ph.D	2,003	22.1%
Total Degrees	9,045	

Degree Recipient Ethnicity



Source: CSUN, Office of Institutional Research

CSUN Matadors Athletics

The CSUN Matadors are the athletic teams representing the California State University, Northridge. The program currently has 17 teams competing at the NCAA Division I Level, and these teams are also members of the Big West Conference. Recently, CSUN Athletics announced the “Rise of the Matadors,” a pride campaign that ushered in a new visual identity for the Matadors. The following chart outlines the various CSUN Matador teams and each team’s corresponding seasons.



Men's Sports	Season	Women's Sports	Season
Baseball	January - May	Basketball	October - March
Basketball	November - April	Cross Country	August - November
Cross Country	August - November	Golf	September - April
Golf	September - April	Sand Volleyball	March
Soccer	August - November	Soccer	August - November
Track & Field	January - June	Softball	February - May
Volleyball	January - May	Tennis	January - April
		Track & Field	January - June
		Volleyball	August - November
		Water Polo	January - May

Valley Performing Arts Center

The Valley Performing Arts Center (VPAC) is a \$125 million, LEED Gold Certified concert hall located on the southeast corner of the university campus. The 166,000 square foot center officially debuted in January 2011 and includes a 1,700-seat multipurpose concert hall designed to support orchestra, opera, Broadway, film and dance. The venue also includes a 178-seat black box theater, backstage support areas, classrooms, a 230-seat lecture room, rehearsal and events space, as well as a new broadcast facility for KCSN public radio.



The Valley Performing Arts Center has established California State University, Northridge, as a hub for culture and live performing arts in the region. It was recently ranked number three on the Best College Ranking's list of "The 25 Most Amazing College Campus Theaters" in the U.S. VPAC hosts a range of Latin, country, jazz, theatre, dance, classical, and entertainment, including world-famous performers, such as Yo-Yo Ma, Vanessa Williams, performing-arts groups, comedy shows, as well as CSUN events. The performance season generally begins in September and ends in May.

University Student Union (USU)

The University Student Union (USU) at California State University, Northridge is a student centered non-profit organization that works to expand the college experience through various programs, services, employment, and involvement opportunities. The USU is committed to providing inclusion, diversity and personal growth to students, as well as food, study areas, computer labs, TV lounges, events and entertainment. As the center of the student community, the USU organizes various events throughout the academic year to enhance the total university experience through volunteer and job opportunities, performances, and various services such as food, study areas, computer labs, and TV lounges. Completed in Fall 2006, the USU underwent a \$15 million renovation that included the new Sol Center and various upgrades throughout the facilities. In Spring 2012, the USU opened the 138,000 square foot Student Recreation Center facility for exercise and leisure activity that promotes lifelong health and wellness. The USU is also responsible

for the booking and coordination of meeting rooms to the various colleges, departments, and student groups in need of meeting space. Based on the demand surveys and interviews with department and university representatives, the USU serves as the central meeting space of the campus, for not only the various colleges and departments, but also the students.

The following chart outlines the square footages and seating capacity of the various meeting spaces available at the USU.

University Student Union Meeting Space					
	Square Footage	Seating Capacity			
		Banquet	Class.	Conf.	Theater
Meeting Rooms					
Altadena	730	24	36	36	50
Balboa	957	24	30	26	56
Burbank	475	18	18	12	42
Flintridge	1,390	42	48	36	84
Granada	664	16	24	18	49
La Crescenta	600	18	16	16	24
Lake View Terrace Room	2,021	66	84	N/A	150
Lake View Terrace A	344	6	9	6	20
Lake View Terrace B	287	6	9	6	20
Lake View Terrace C	532	18	18	18	40
Lake View Terrace D	858	18	27	24	60
Panorama City	725	24	36	36	50
Pasadena	952	24	36	24	87
Reseda	695	16	24	18	49
Santa Susana Room	610	N/A	N/A	N/A	42
Thousand Oaks	1,488	42	48	36	96
Tujunga	730	24	36	36	50
Van Nuys	725	24	36	36	50
Ventura Room	540	N/A	N/A	N/A	36
Conference Rooms					
Calabasas	190	N/A	N/A	14	N/A
Executive Board Room	540	N/A	N/A	16	N/A
Glendale	294	N/A	N/A	16	N/A
Moorpark Conference Room	270	N/A	N/A	10	N/A
Multi-Purpose Rooms					
Shadow Hills A	180	N/A	N/A	8	N/A
Shadow Hills B	200	N/A	N/A	8	N/A
<i>USU Conference Room</i>		N/A	N/A	20	N/A
Multi-Purpose Rooms					
Grand Salon	4,591	152	117	42	216
Northridge Center Complex	7,481	360	488	N/A	800
Northridge Center	5,219	200	144	N/A	310
North Valley	882	32	36	30	56
South Valley	882	32	36	30	56
USU Theatre	1,840	N/A	N/A	N/A	224
West Valley	1,365	64	60	36	112
Dining Room					
Pub Sports Grill	2,492	140	N/A	N/A	124
Outdoor Space					
Plaza del Sol	4,500	104	N/A	N/A	+ 700
Recreational Space					
Games Room	-		Recreation	Performance	
			150	100	

Source: CSUN, University Student Union

RELATIONSHIP TO DEMAND GENERATORS

California State University, Northridge Campus Demand

Overall, the subject's location relative to the area's primary demand generators is considered to be very good. Considering its location and the needs and desires indicated by university representatives, we expect a significant portion of demand for the subject to be associated with the university. The following presents an outline summary of interviews and demand surveys completed with the various university divisions, followed by our chief findings of demand for a high-quality, full-service hotel. Please note, our hotel market analysis in Section IV includes additional demand analyses based on proximate facilities, such as hotels in the West San Fernando Valley area.

Academic Resources and Planning	Mike Curb College of Arts, Media & Communication
Administration and Finance	Office of Human Resources
College of Health and Human Development	Office of Human Resources
College of Humanities	Provost Office
College of Science and Mathematics	Purchasing and Contract Administration
CSUN Intercollegiate Athletics	Recreation and Tourism Management
David Nazarian College of Business and Economics	Student Involvement & Development
Department of Kinesiology	The Tseng College
Disability Resources and Educational Services	University Counseling Services
Division of Student Affairs	University Student Union
Financial Aid and Scholarship	Valley Performing Arts Center
Klotz Student Health Center	

Demand Characteristics

For each entity surveyed or interviewed, we attempted to gain a full understanding of any potential hotel or hospitality related demand that could be satisfied by the addition of a hotel. This demand was then divided into several categories. The following presents the various types of demand that was derived during the course of our interviews and analysis. For each, we have presented a summary of source programs and thoughts on scale. While the programs were helpful in identifying sources of demand, very little specific quantification was available.

Students – Student demand includes, but is not limited to: Admitted Student events; Alumni events; student interviews; tours; visiting domestic and international students; graduation ceremony; continuing education; and information sessions. Student demand also comes from sources outside the University, including visiting students and athletic teams and recruits to CSUN. Student-related activities offer potential for room demand, with varying lengths of stay. For example, domestic travelers average one to two nights and international students support extended stays. There is also potential demand for meeting space, restaurants, a gym, and other similar facilities from this population.

Faculty – Faculty demand includes, but is not limited to: visiting faculty; job applicants; retreats; recruitment; professional industry events; speaker series;

symposiums and consortiums; board members; consultants; and academic conferences. Each program interviewed referenced a need for nearby hotel rooms and meeting space for its faculty and operations, as well as restaurant, gym facilities, and catering services.

Industry – Industry demand includes, but is not limited to: lecture series for industry professionals, workshops, roundtable discussions, visiting professors, researchers, networking events, symposiums and consortiums, and continuing education. Industry demand for hotel and meeting facilities is similar to Faculty demand, as explained above. Potential hotel demand exists via non-local participations and on-site multi-day workshops, where attendees require catering services, meeting space, and lodging.

Family – Visiting families are a potential source of demand for the hotel. While most of the student population origin is local and at the graduate-level, interviews confirmed a strong likelihood of visitation at the beginning and end of each academic year, representing Fall move-in and Spring graduation.

Valley Performing Arts Center (VPAC) – Demand from the Valley Performing Arts Center is primarily generated by individual visiting performers and performing-arts groups, such as orchestras and dance groups, arriving from outside of Los Angeles County. This demand also includes attendees of the performances and events held at VPAC, although to a lesser extent as many of the attendees are local patrons. This particular segment does not generate any need for conference space due to the meeting space already available at the Center; however, a strong demand for high quality food and beverage options emanates from this population.

Non-University Related Demand

In addition to demand that stems directly from the university, lodging demand in the local San Fernando Valley is also generated from three different segments: Commercial, Leisure, and Group. The nature of non-university related demand is primarily corporate, both short-term and long-term (extended-stay), with leisure and group demand comprising the balance.

Commercial Demand Segment

Commercial demand is generated by travelers doing business in the area. The business parks in the West San Fernando Valley house numerous companies, educational institutions, and healthcare facilities. In addition, the Warner Center office market contains over 8,200,000 square feet of office space, and office occupancies have been increasing with Farmers Insurance and AIG relocating their headquarters to the area. Major industries in the submarket include: healthcare, financial services, and professional services. Aerospace and manufacturing uses, once a major component of the local economy, have declined in recent years. However, aviation and defense interests such as Northrop Grumman in Woodland Hills to Pratt & Whitney Rocketdyne in Canoga Park employ

skilled research and development engineers and designers. The San Fernando Valley is also home to the largest concentration of entertainment companies in the nation; Universal Studios, Warner Brothers, and Disney are all located in the Valley.

Leisure Demand Segment

The San Fernando Valley area historically does not attract a large amount of leisure demand but does offer a price-sensitive alternative to tourists visiting the greater Los Angeles area. Many tourist attractions within Los Angeles County, such as Six Flags Magic Mountain, Universal Studios, and the beaches of Malibu and Santa Monica are within driving distance of Northridge. As Northridge is primarily characterized by single-family uses, visiting family and friends are also a source of leisure demand in the local lodging market. This market segment also includes residents of the San Fernando Valley requiring alternate lodging due to damage to their homes from storm conditions and other natural environmental patterns experienced in the greater Los Angeles area.

Group Demand Segment

Group demand in the San Fernando Valley is made up of traditional, self-contained group business consisting of corporate meetings and functions, social groups, SMERF (Social, Military, Educational, Religious, and Fraternal) group functions, sports groups, airline contract business, in addition to catering-based social group business, such as wedding parties and anniversaries.

SUMMARY

The California State University Northridge drives a wide range of demand via its various university programs and events. We have focused on identifying the needs first and foremost of the university campus, with the recognition that whatever rooms are not filled by students, faculty, visiting lecturers, industry programs, and visitors to the Valley Performing Arts Center will be available to proximate demand generators, such as the local companies, leisure travelers, and groups meeting in the Northridge area.

There are annual events which can generate high demand for rooms, such as commencement ceremonies and celebrations, visiting groups of international students, and seasonal sports events that bring in visiting schools' sports teams. Demand for conference space is typically spread throughout the year, including the Summer and Winter seasons, however, at a more minimal pace. Utilizing the various sources of demand that were presented during our interviews, we find a significant demand for a new campus-positioned hotel with ancillary meeting space. More specifically, we recommend 150 guestrooms, multiple meeting rooms and a large banquet hall with the capacity to host 300 people, one three-meal restaurant, a bar with lounge, fitness facility, and sundry/convenience store. The primary focus of this hotel is to satisfy on campus demand and should be positioned as a high-quality, full-service hotel.

Section III

AREA REVIEW AND NEIGHBORHOOD ANALYSIS

AREA REVIEW AND NEIGHBORHOOD ANALYSIS

INTRODUCTION

The economic climate of the market area encompassing the subject property is an important consideration in forecasting hotel demand and income potential. Historical economic and demographic trends that highlight the amount of visitation or other travel-related indicators provide a basis for hotel demand projections. The subject site is located in the community of Northridge in the San Fernando Valley area of Los Angeles County, California. The purpose of this section is to review available economic and demographic data to determine whether the subject site's regional and local market areas might experience future economic growth.

LOS ANGELES COUNTY OVERVIEW

Los Angeles County, otherwise referred to as the Los Angeles-Long Beach Metropolitan Statistical Area (MSA), includes 88 incorporated cities, covers an area of 4,752 square miles, and as of January 2014, had an estimated population of approximately 10.04 million people. In the past 80 years, the county has evolved into a large commercial/industrial urban community and has become the business and financial center of California and the Western United States. The regional economy has become more diversified with a larger number of people employed in services, home-based businesses, motion picture production, computer software development, and other professional services. Recent growth in regional employment has been driven chiefly by gains in health care and social assistance, administrative, support, and waste services, and leisure and hospitality segments of the economy. Overall regional economic activity had increased significantly over the last year. By measure of GDP alone, L.A. County would be larger than Sweden, Norway, Poland, Belgium.

Los Angeles County typically acts as an excellent barometer for the performance of the greater Southern California lodging market. As the largest and most diverse of the major Southern California markets, individual hotel performance often greatly varies. However, when taken as a whole, the growing pains and opportunities of the Los Angeles County area often reflect those seen in other areas.

As with the national economy, the State of California and the Los Angeles area fell into economic recession during the third quarter of 2008. However, today California is back on track to reclaim its status as the Golden State. The steep decline of the economy during the recession was exacerbated by seemingly intractable fiscal challenges that began well before the downturn. Now, after nearly five years of recovery, California and Los Angeles County are on a more solid footing. Although the recovery continues to be slow, the unemployment rate is falling, more people are finding jobs, the housing market is improving and for the first time in years, budget surpluses are in sight.

In December 2014, Los Angeles County supported a civilian labor force of more than 5.0 million workers. Los Angeles County entered 2014 with momentum from a county labor

market that slowed during the second half of 2013. In Los Angeles County, unemployment dropped to 7.5 percent in 2014, its lowest level since 2008, and is estimated to drop even further in 2015 and 2016. Recent growth in regional employment has been driven chiefly by gains in leisure and hospitality, professional, scientific and technical services, healthcare and social assistance, and construction.

This improvement is consistent with the Los Angeles County Economic Development Corporation's (LAEDC) outlook that the economy has continued to move forward in 2015 and will continue to do so in 2016, barring any unforeseen shocks to the national economy. According to the LAEDC, the local consumer sector is improving, an all-important fact for retailers and other consumer-serving businesses. As for the business sector, 2014 brought opportunities for emerging as well as existing industries. Over the short to medium term, expansion will continue in the major industries. In addition, Silicon Beach will continue to grow as Silicon Valley companies seek to capitalize on the presence of creative content here in Los Angeles. Also, venture capital will continue to flow to the area as startups in a variety of technology industries grow in number. Finally, even as concerns about funding for government aerospace programs linger, private firms will continue to pursue commercial space ventures from their operations in Los Angeles County and elsewhere in Southern California.

Los Angeles International Airport (LAX), the busiest airport on the West Coast, is a bustling domestic stop and an important international hub. The airport has an enormous impact on tourism and travel in the greater Los Angeles area as many international tourists use LAX as a gateway to the United States. The following table shows the history of passenger travel at Los Angeles International Airport.

Los Angeles International Airport Passenger Counts 2004 – 2014			
Year	Domestic	International	Total
2004	44,200,000	16,500,000	60,700,000
2005	44,000,000	17,500,000	61,500,000
2006	44,100,000	16,900,000	61,000,000
2007	45,200,000	17,200,000	62,400,000
2008	43,100,000	16,700,000	59,800,000
2009	41,400,000	15,100,000	56,500,000
2010	43,100,000	15,900,000	59,100,000
2011	45,100,000	16,700,000	61,800,000
2012	46,500,000	17,200,000	63,700,000
2013	48,800,000	17,900,000	66,700,000
2014	51,600,000	19,100,000	70,700,000
CAAG	1.6%	1.5%	1.5%

Source: Los Angeles World Airports and PKF Consulting USA

Airline travel was impacted by the World Economic Crisis that arose in 2008. Following two years of decline (2008 and 2009), passenger travel at LAX is showing continued signs of recovery, beginning in 2010 and through 2014. Overall, from 2004 to 2014, total

passenger counts increased by an aggregate of 1.5 percent, and recently reached a record level of more than 70 million passengers.

LAX Modernization

Los Angeles World Airports (LAWA) is in the midst of a multi-billion dollar development program for Los Angeles International Airport (LAX). The centerpiece of the program is the recently Tom Bradley International Terminal Modernization (TBIT) Project which includes new gate and concourse areas and a great hall for luxury dining and retail. LAWA also completed a \$737 million renovation in 2010 of the existing TBIT that upgraded the facility with a new in-line baggage screening system and interior improvements to enhance service and convenience to the passengers and tenants who use LAX's premier international terminal. Additionally, there are several major airfield and facility projects underway that are in support of the development program. These include a new Central Utility Plant, new taxiways and taxi lanes, and renovations to other terminals.

In September 2013, the LAX revealed a \$1.9 billion renovation to its Tom Bradley International Terminal. The renovation included nine new gates big enough to accommodate the Airbus A380, the world's largest passenger airliner. Furthermore, the waiting areas have been upgraded with new furniture, massive art displays, and more than 60 local and luxury restaurants and shops. With the latest expansion, the terminal doubled in size from 1.2 million square feet to 2.2 million. Phase II of the renovation, which will be completed by 2015, will add nine more gates and update the security and customs areas.

The \$238 million renovation and modernization of Terminal 6 was completed in March of 2012, and included increased lobby space, new check-in kiosks in place of traditional ticket counters, bag check stations, and a new baggage handling system. Extra security screening areas were also included, decreasing the time passengers have to wait to pass through security.

The airport's \$438 million Central Utility Plant project that replaced the 50-year old existing Central Utility Plant (CUP) was completed in March of 2014. The new energy efficient facility with state-of-the-art computerized management systems doubled the airport buildings' cooling capacity, as well as increased the steam-heating capacity of the airport by a third. The plant will generate nearly nine megawatts of electricity for the airport, with any excess being exported to the Department of Power and Water.

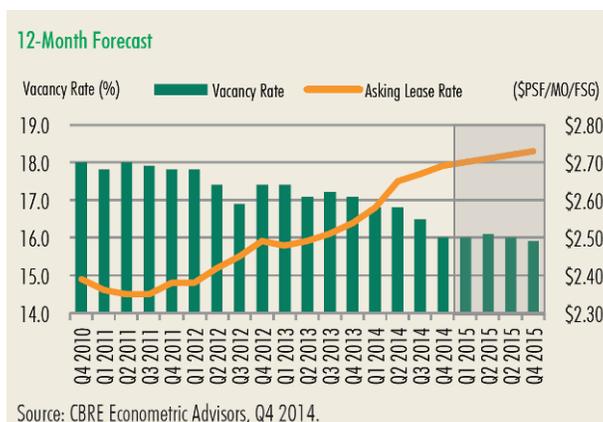
The airport's \$7 million Runway Status Light project was completed in September of 2014, and significantly increases the safety on the runways for pilots and passengers. Utilizing lights embedded in the tarmac along the runways, pilots will now be able to visually see whether or not a runway is safe to approach. This, along with the installation of a new advanced ground radar system, ASDE-X, which allows the air traffic control tower to identify the location of all aircraft and vehicles on the runways and taxiways, make LAX's safety measures some of the most modern and advanced available.

In addition, other planned renovations include the \$270 million Elevator, Escalator, and Moving Walkway project will replace or refurbish 212 outdated systems with new, modern units throughout the airport; the \$613 million In-Line Baggage Handling & Screening System program will improve and automate the security screening of checked baggage at all LAX terminals and will make travel through LAX safer, faster and more convenient. The total cost of the program covers all nine LAX terminals; the \$508 million renovation to Terminal 1 in collaboration with Southwest Airlines which will modernize the terminal's outdated equipment and infrastructure, double the amount of available concessions, create a brighter more open lobby, and introduce and automated system to handle checked bags. The project began in the summer of 2014, and is expected to be completed in 2018. The \$229 million renovation/modernization of Terminal 5 will improve passenger service and security with a completed new in-line baggage screening system, expansion and streamlining of the passenger screening check points and international passenger processing facilities. These renovations are expected to be completed by 2016, with the exception of the Terminal 1 renovation.

Office market activity is an excellent indicator of the county's economy. According to CBRE, as of the fourth quarter of 2014 (Q4 2014), Greater Los Angeles, which consists of Mid-Countries, West Los Angeles, Tri Cities/Glendale, Los Angeles Downtown, Hollywood/Wilshire Corridor, San Fernando Valley, South Bay, San Gabriel Valley, and Ventura County, recorded a year-to-date net absorption of 2,719,103 square feet. In fact, 2014 posted the highest level of net absorption for a calendar year since 2005. The amount of net absorption pushed total vacancy rates down to 15.3 percent from 16.4 percent in the same period in the previous year and 15.8 percent in the previous quarter. Weighted average asking rental rates increased to \$2.69 per square foot, per month full service gross, up \$2.67 per square foot, per month compared to the last quarter and \$2.54 per square foot, per month compared to Q4 2013.

The Greater Los Angeles office market is poised for continued growth during the near term. Job growth in the local market is forecasted to grow by 1.9 percent over the next 12 months lead by professional and business services, technology, and healthcare. As a result of the increased office demand, the overall vacancy rate is expected to decline modestly by the end of 2015, while asking lease rates are projected to climb by approximately 1.6 percent over the same period.

The following table summarizes the Greater Los Angeles office market performance from Q4 2010 to Q4 2014, along with CBRE's 12-month forecast.



REGIONAL INFRASTRUCTURE

Los Angeles is located within 500 miles of several large metropolitan areas including San Francisco, San Diego, Sacramento, Phoenix, and Las Vegas. The transportation infrastructure of the region consists of a wide range of services and facilities including regional and international airports, the Ports of Los Angeles and Long Beach, an extensive freeway system, and numerous railroad and bus transit lines. Each component of the region's transportation system is reviewed in the following discussion.

Port of Los Angeles

The Port of Los Angeles is 20 miles south of Downtown Los Angeles and is one of the West Coast's gateways to international commerce. It ranks as the busiest port in the U.S. and eighth busiest in the world. The Port of Los Angeles is located in San Pedro Bay and encompasses 7,500 acres, 43 miles of waterfront and features 27 cargo terminals, including container, automobile, and omni facilities. In 2011, these terminals handled a combined 158.2 million metric revenue tons of cargo, equating to about \$273.0 billion in cargo value. In 2011, the Port moved an estimated 7.9 million TEUs (20-foot equivalent units), a 1.4 percent increase over 2010. 2012 posted a 1.7 percent increase over 2011 with an estimated 8.1 million TEUs. According to the most recent year-end 2013 figures, total shipments decreased by 2.6 percent to approximately 7.9 million TEUs. Despite the port's slightly reduced shipping performance as a result of the recent recession, the port generates approximately 1.2 million jobs in California, \$63 billion in California trade value, \$6 billion in state and local tax revenue, and \$23 billion in federal tax revenue.

Rail and Bus

Amtrak and Greyhound serve Los Angeles and the Southern California region in providing nationwide passenger train and bus service.

Los Angeles continues to expand its passenger rail line capabilities with the Metropolitan Transportation Authority (MTA) opening up passenger rail lines, many of which are subterranean, that extend from Downtown Los Angeles to locations throughout Los Angeles County. Estimates from November 2014 place combined rail and bus ridership at

average weekday boardings of 1.5 million and average Saturday, Sunday, and Holiday boardings (combined) of over 1.6 million.

Metro Rail is the rapid transit rail system consisting of six separate lines (the Red, Purple, Blue, Expo, Green, and Gold lines) serving 80 stations in the Los Angeles County, California area. It connects with the Metro transit-way bus rapid transit system (the orange line and silver lines) and also with the Metrolink commuter rail systems. The system, which has an average daily weekday ridership of 356,367 as of November 2014, is owned and operated by the Los Angeles County Metropolitan Transportation Authority (Metro) and started service in 1990. It has been extended significantly since that time and several further extensions are either in the works or being considered.

The MTA is accelerating 12 new expansion projects of the Metrorail as part of their 30/10 initiative, which will use Measure R sales tax revenues to fund completion of 30 years' worth of construction in only ten years. The 30/10 initiative is projected to create 160,000 new jobs, and on an annual basis add 77 million boardings, decrease mobile source pollutions by 521,000 pounds and gasoline by 10.3 million gallons, and reduce vehicle miles traveled by 191 million. The map on the following page shows current MTA rail lines and projected new lines from the 30/10 Initiative.



In addition to commuter rail, Union Pacific and other rail lines provide freight capability from extensive rail yards just east of Downtown Los Angeles.

TOURISM INDICATORS

Important trends that indicate the health of Los Angeles area tourism include total visitor volume statistics, Los Angeles Convention Center bookings, and the performance of hotels located throughout Los Angeles County, as measured by PKF Consulting’s 2015 Southern California Lodging Forecast.

Total Visitor Volume

According to Los Angeles Tourism & Convention Board, total visitation to Los Angeles County in 2014 was approximately 43.4 million people, reflective of a 2.8 percent increase over 2013, marking the fourth consecutive year of record-breaking tourism. The increase in total visitation experienced in 2014 marks a four-year climb in visitor numbers seen in Los Angeles County. International visitors made one of the largest impacts on Los Angeles' tourism with 6.5 million visitors to the city, a 4.8 percent increase over 2013, with the largest share of overseas visitors coming from China.

In 2013, direct tourism spending rose with visitors accounting for \$17.5 billion in expenditures, a 6.1 percent increase over 2012. Direct spending is forecasted to increase by 4.4 percent in 2014, up to \$18.6 billion. These numbers represent an all-time high for both visitors and spending in the history of the city.

The overall increase in visitation stems from Los Angeles Tourism & Convention Board's successful digital, television, and online advertising campaigns launched in multiple domestic feeder cities such as San Francisco, San Diego, Phoenix, New York City coupled with improvements made to the city's tourism website, discoverLosAngeles.com. Furthermore, to spread awareness abroad, the tourism board operates two tourism offices in the cities of Shanghai and Beijing in China. The following table summarizes the number of overnight visitors to Los Angeles County and their direct spending between 2004 and 2013. According to the Los Angeles Tourism & Convention Board, the total overnight visitor count was estimated to increase to 29.2 million in 2014, with an estimated contribution of \$18.6 billion to the local economy. According to the most recent figures available, in 2012 there was a total impact of \$30.5 billion in economic impact to Los Angeles County.

Overnight Visitor Volumes and Expenditures Los Angeles County				
Year	Overnight Visitation (Millions)	Percent Change	Direct Spending (Billions)	Percent Change
2004	24.3	9.5%	\$12.0	9.1%
2005	25.0	2.9	12.9	7.7
2006	25.7	2.8	13.6	5.4
2007	25.9	0.8	14.2	4.4
2008	25.7	(1.2)	13.8	(2.8)
2009	23.9	(7.0)	11.8	(14.5)
2010	26.1	8.4	14.1	19.5
2011	27.0	4.2	15.2	7.8
2012	27.9	3.7	16.5	7.1
2013	28.5	4.5	17.5	6.1
2014F	29.2	2.5	18.6	4.4

Source: CIC Research and L.A. Inc.

Transient Occupancy Tax

One method of tracking visitor trends is by analyzing the transient occupancy tax (TOT) revenue, also known as bed tax revenue. The TOT reflects taxes on room revenue for lodging facilities in the City of Los Angeles. The TOT rate in Los Angeles is currently 14.0

percent. This revenue has experienced a 5.8 percent compound annual growth rate from 2001/02 to 2013/14. Assuming that all hotels located within the city have been paying room tax on a regular basis, the following table highlights the increase in occupancy and/or average daily rate experienced by these hotels.

Transient Occupancy Tax Revenue City of Los Angeles 2001/02– 2013/14 (Fiscal)		
Year	Tax Revenue	Percent Change
2001/02	\$ 93,867,000	N/A
2002/03	92,652,000	-1.3%
2003/04	97,988,000	5.8
2004/05	127,752,000	30.4
2005/06	126,989,000	-0.6
2006/07	134,557,000	6.0
2007/08	148,523,000	10.4
2008/09	136,323,000	-8.2
2009/10	118,500,000	-13.1
2010/11	134,798,000	13.8
2011/12	149,258,000	10.7
2012/13	157,808,000	12.4
2013/14	184,382,000	16.8
CAAG	5.8%	

Source: LA City Administrative Office

Los Angeles Convention Center

The main demand generator for large convention and meeting activity in Los Angeles is the Los Angeles Convention Center, which contributes a large number of annual group room nights to the Los Angeles hotel market. The center offers approximately 720,000 square feet of exhibit hall space and 150,000 square feet of meeting space split between its two halls. Its enclosed space makes it one of the largest meeting and convention facilities in the country. The following table presents the actual and projected room nights generated by the Los Angeles Convention Center through 2019, based on definite convention bookings as of December 2014. It can be anticipated that additional conventions will continue to be booked in 2015 for the coming years.

Los Angeles Convention Center Current and Projected Activity				
Year	Definite ¹	Tentative ²	Prospect ³	Total Room Nights
2004	226,414			226,414
2005	187,225			187,225
2006	171,463			171,463
2007	112,876			112,876
2008	231,695			231,695
2009	178,376			178,376
2010	207,320			207,320
2011	256,529			256,529
2012	290,528			290,528
2013	187,623			191,823
2014	212,586			212,586
2015	159,066	32,065	28,635	219,766
2016	150,589	148,963	45,196	344,748
2017	73,601	179,123	307,560	560,284
2018	24,782	131,147	229,753	385,682
2019	57,043	87,662	194,310	339,015

¹Contracted peak and total rooms for executed LACC License Agreement.
²As executed a Letter of Agreement.
³A group considering Los Angeles as a meeting destination for which a Sales Lead has been issued.
Source: Los Angeles Tourism & Convention Board and PKF Consulting USA

The cyclical nature of bookings from year to year reflects a typical pattern for most convention markets, in part because many major conventions either meet in alternate years or in alternate cities. Numbers for 2005 through 2007 showed a lower than average room night count as convention groups remained smaller, fewer conventions were booked, and groups reserved room nights independently and therefore did not get counted as convention center bookings. However, with growing anticipation for the continued development in downtown Los Angeles, booking pace has notably improved.

In January of 2011, the Anschutz Entertainment Group (AEG) went before the Los Angeles City Council to present preliminary plans to build a privately financed \$1.2 billion football stadium attached to a renovated Los Angeles Convention Center. City Council approved the downtown NFL stadium plan in September of 2012. According to current plans, construction of the stadium would require the demolition and reconstruction of the West Hall in a manner that it would then be contiguous to the South Hall of LACC, resulting in a more attractive and viable convention space. According to officials familiar with the project, the 72,000 seat stadium could potentially host as many as 50 events per year and would create approximately 6,300 new permanent jobs, drive as much as \$3 billion in already permitted new development, and further increase Los Angeles's prestige. It should be noted that breaking ground on the stadium is contingent on securing an NFL franchise and is considered to be speculative at this time. Even so, the \$700 million commitment from Farmers Insurance to secure exclusive naming rights for the proposed stadium is a positive sign. Should the project proceed, plans also include a \$10 million expansion of the Metro Rail Blue Line's Pico Station to stimulate the utilization of public transit by game attendees. In addition, the Convention Center's Gilbert Lindsay Plaza would also undergo a \$10 million renovation to replace a concrete area with a tailgating center with green space capable of holding 15,000 people.

In November of 2013, AEG secured the approval of the Cultural Affairs Commission for its design of what it dubbed the Los Angeles Convention Hall; plans call for razing the older of the two Convention Center buildings, erecting Farmers Field on that plot, and then building a new Convention Center edifice that connects with the newer building. The commission also approved designs of two new parking garages. The Los Angeles Convention Center is owned and historically has been operated by the City of Los Angeles. Its operation has been privatized and AEG assumed management of the Center as of December 8, 2013.

As AEG's plans to build a privately financed \$1.2 billion football stadium attached to a renovated Los Angeles Convention Center are contingent on securing an NFL franchise, the Los Angeles City Council recently voted to move ahead with a backup plan for modernizing the city's Convention Center. Referred to by some city officials as Plan B, the alternative Convention Center proposal includes 300,000 additional square feet of exhibition space, additional meeting room space totaling about 75,000 square feet, and a new 45,000-square-foot ballroom, which would be the largest in the Los Angeles area, according to City Council documents. The AEG option to secure a team and build the stadium expired on October 18, 2014. The Los Angeles City Council granted them a six month extension to secure a team and embark on their stadium and Convention Center expansion and renovation.

In terms of the **Los Angeles hotel market**, 2012 year saw a shift from 2011 with strong increases in average daily rate, amid a slight positive shift in demand as represented by the increase in occupied room nights. The overall county lodging market has seen a faster recovery than anticipated, from when the economy began to falter in the latter part of 2007. These hotel submarkets either slowed in growth or reversed to a decline in terms of both occupancy and average daily rate, in the fourth quarter of 2009. As the hotel market continued to recover, occupancy and average daily rate posted positive gains in 2012, 2013, and 2014 and are forecast to show continued positive growth through 2015.

The table on the following page displays our Los Angeles County lodging sample set in terms of average daily and total annual rooms supply, annual occupied rooms, market occupancy percentage, and average daily room rate. These statistics illustrate the total lodging supply and demand for the county, including all types of lodging properties. Overall occupancy levels and average daily room rates reflect the composite forecast for the submarkets presented herein, extrapolated to the overall Los Angeles County hotel supply. The table presented below includes the sum of our aggregated sub markets, extrapolated to the overall supply.

Los Angeles County										
Historical Market Performance of the Competitive Supply										
Year	Daily Supply	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2009	97,555	35,607,575	N/A	24,117,920	N/A	67.7%	\$137.03	N/A	\$ 92.82	N/A
2010	96,380	35,178,700	-1.2%	25,164,280	4.3%	71.5	138.94	1.4%	99.39	7.1%
2011	95,354	34,804,210	-1.1	26,126,076	3.8	75.1	147.05	5.8	110.39	11.1
2012	99,220	36,215,440	4.1	28,267,746	8.2	78.1	154.81	5.3	120.84	9.5
2013	99,259	36,229,675	0.0	28,935,677	2.4	79.9	162.00	4.6	129.38	7.1
2014E	100,483	36,676,404	1.2	30,035,151	3.8	81.9	172.17	6.3	141.00	9.0
2015F	101,610	37,087,736	1.1	30,519,434	1.6	82.3	182.69	6.1	150.33	6.6
CAAG	0.7%	0.7%		4.0%			4.9%		8.4%	

Source: PKF Consulting

Los Angeles County finished 2013 at an occupancy rate of 79.9 percent. This signifies an increase in occupied room nights of 2.4 percent last year amidst a flat increase in annual supply. With supply increasing in 2014 at 1.2 percent, we estimate that the county's occupancy will have increased to 81.9 percent as occupied room nights grow by 3.8 percent. In 2014, we estimate ADR to have increased to \$172.17, an increase of 6.3 percent. With supply increasing in 2015 at 1.1 percent, we forecast that the county's occupancy will increase to 82.3 percent as occupied room nights increase by 1.6 percent. In 2015, we forecast ADR to increase to \$182.69, an increase of 6.1 percent. It should be noted that many submarkets and the County as a whole are experiencing occupancy levels above their long term averages and, in some cases, previous highs. Thus, it is difficult to forecast strong growth in occupied rooms with a constrained supply growth.

AREA CONCLUSIONS

Los Angeles is home to a very large population base. Air access to the county is very good with the Los Angeles International Airport and the numerous regional airports. Los Angeles is also the center of the entertainment industry and numerous media companies ensuring adequate press coverage. While the current economic uncertainty has had an impact across all industries, Los Angeles continues to present a viable place to do business and is expected to recover as economic signs continue to improve in 2015 and beyond.

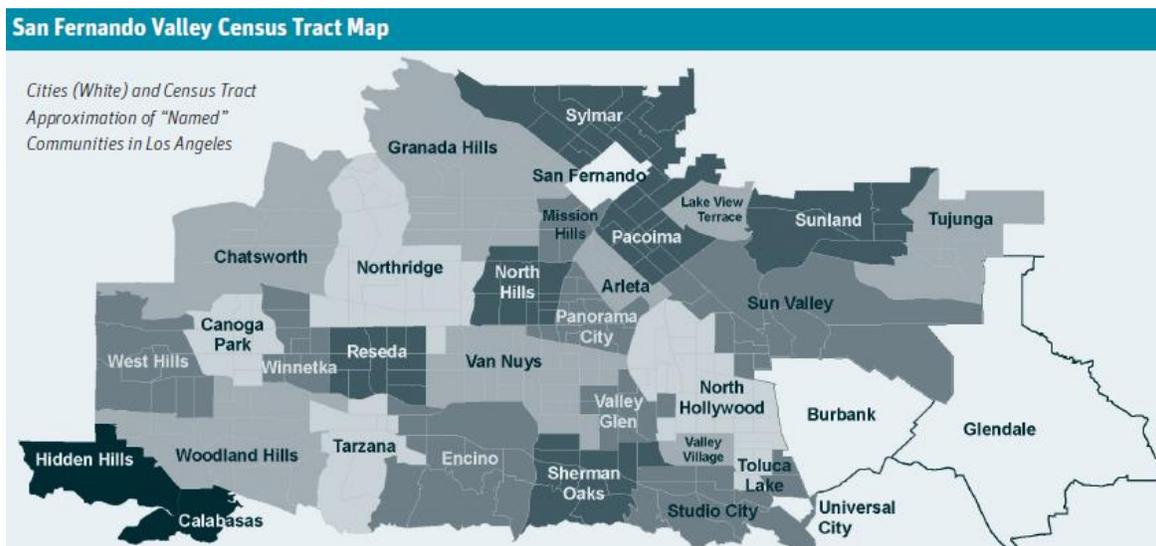
NEIGHBORHOOD ANALYSIS

SAN FERNANDO VALLEY OVERVIEW

The San Fernando Valley, or "the Valley" as it is generally known, encompasses most of the northern portion of the city of Los Angeles. It is bounded on the west by the Santa Susana Mountains, on the north by the San Gabriel Mountains, on the east by the Verdugo Hills, and on the south by the Santa Monica Mountains. Overall, the Valley encompasses 289 square miles.

The San Fernando Valley is largely comprised of a series of communities under the jurisdiction of the city of Los Angeles. With its large geographic area, the San Fernando Valley encompasses 21 distinct communities. Several of the better-known communities include Chatsworth, Granada Hills, Northridge, Canoga Park, Woodland Hills, Encino, Van Nuys, Sherman Oaks, Studio City, North Hollywood, and Universal City. Separate from the city of Los Angeles, incorporated cities in the Valley include Burbank, Calabasas, Glendale, Hidden Hills, and San Fernando.

The Valley portion of the City of Los Angeles, which is roughly defined as that portion north of Mulholland Boulevard and west of Barham Boulevard, comprises the largest part of the San Fernando Valley, accounting for approximately 80 percent of the Valley's population and 77 percent of its land area. The Los Angeles portion of the Valley is better known by its array of "named communities." At present, 27 "named" communities make up the Los Angeles portion of the Valley, including Universal City, home to Universal Studios Hollywood. Since the 2000 census, the Valley has been growing at an average growth rate of 1.1 percent per year. With the onset of the 2007 economic downturn, the Valley's growth rate declined slightly from the more robust growth earlier in the decade. According to recent estimates, the Valley is home to more than 1.8 million residents and Woodland Hills is home to more than 67,000 residents. The follow map provides an overview of the "named" communities in Los Angeles comprising the San Fernando Valley.



REGIONAL INFRASTRUCTURE

There are several freeways serving the San Fernando Valley, including: Interstates 405, 5 and 210; U.S. Route 101; and State Routes 118 and 170. These freeways are important traffic arterials serving the Counties of Los Angeles, Orange, San Diego, and Ventura and connect the Valley with other major freeways, including Interstates 10, 605, and 710. Notable streets that traverse the Valley include: Sepulveda Boulevard, Ventura Boulevard, Laurel Canyon Boulevard, San Fernando Road, Victory Boulevard, Reseda Boulevard, Riverside Drive, Mulholland Drive, and Topanga Canyon Boulevard.

Rail

The area is also served by the Red Line of the Metrorail, a regional commuter rail carrier that provides daily commuter services to the San Fernando Valley and the City of Los Angeles. The Red Line's two Valley subway stations at Universal City and North Hollywood also provide access through the Bob Hope Airport, Amtrak, Metrolink, Metro Rapid, Metro Local, and the Metro Orange Line. The Metrolink commuter rail also has two Valley lines, the Antelope Valley Line and Ventura County Line. Amtrak's Pacific Surfliner, a regional train route that runs north-south between San Luis Obispo and San Diego has stops at the Burbank Airport, Van Nuys, and Chatsworth Stations.

The California High-Speed Rail Authority is planning two stations in the Valley, one in downtown Burbank and the other in Sylmar, with an initial section of the railroad possibly opening in 2020.

Air Service

Two major airports, the Burbank Airport and the Van Nuys Airport, a general aviation airport, serve the Valley.

Burbank Bob Hope Airport Traffic

The Burbank Bob Hope Airport provides air service to the Tri-Cities area, which includes the cities of Pasadena, Burbank, and Glendale. The airport is located approximately fifteen miles northwest of Pasadena and is currently serviced by Alaska Airlines, Delta Airlines, JetBlue Airways, Seaport Airlines, Southwest Airlines, United Airlines, and US Airways. The Burbank airport provides an alternative to the Los Angeles International Airport.

The following table provides data on the number of passenger arrivals to the Burbank Bob Hope Airport.

Burbank Bob Hope Airport Passenger Arrivals		
Year	Number of Passengers	% Change
2004	4,916,800	N/A
2005	5,512,619	12.1%
2006	5,689,291	3.2
2007	5,921,336	4.1
2008	5,331,404	-10.0
2009	4,588,433	-13.9
2010	4,461,271	-2.8
2011	4,301,568	-3.6
2012	4,056,416	-5.7
2013	3,844,092	-5.2
CAAG	-2.7%	
YTD 11/13	3,509,512	
YTD 11/14	3,528,389	
% Change	0.5%	
Source: Burbank Bob Hope Airport		

Overall, between 2004 and 2013, the Burbank Bob Hope Airport has experienced a 2.7 percent decline in total passenger counts over the ten year period. From 2004 to 2007, the Burbank Airport experienced an increase in overall passenger traffic, with the strongest growth of 12.1 percent witnessed in 2005. However, the 10.0 percent and 13.9 percent declines in passenger counts experienced in 2008 and 2009, respectively, can be attributed to the reduced traveling that occurred as a result of the economic crisis and the resultant consolidation of routes by the Airlines. The airport continued to lose passengers, dropping to approximately 4.5 million in 2010, representing a 2.8 percent decrease in 2010 and a further 3.6 percent decrease in 2011.

In February of 2012, American Airlines halted its operations at the Burbank Airport. Furthermore, in January 2013, JetBlue Airways eliminated all daytime flights at the airport. However, Seaport Airlines, which runs a commuter flight to El Centro, near the Mexican border, began service in April. In June of 2013, Santa Monica-based Surf Air began to offer eight daily flights to San Carlos Airport in San Mateo on six-passenger, turbo-prop plans for business professionals who need to fly from the Los Angeles area to the Silicon Valley area on a regular basis. Surf Air added service to Santa Barbara from Burbank and San Mateo in July of 2013. As a result of these changes, 2012 and 2013 posted declines of 5.7 percent and 5.2 percent, respectively, as the total passenger count dropped even further down to approximately 3.8 million passengers by year-end 2013. Year to date through November 2014, the most current data available, total passenger counts are 0.5 percent higher than the prior year.

Bob Hope Airport Regional Intermodal Transit Center (RITC)

In July of 2012, the Burbank-Glendale-Pasadena Airport Authority broke ground on the \$112 million, 520,000 square foot transit building linking airline passengers with multiple modes of transportation. The Regional Intermodal Transit Center (RITC) was completed in June of 2014 and features a three-level structure including airport public parking (approximately 1,200 parking spaces), a rental car service building (approximately 2,000 spaces),



regional buses, bicycles, and a connection to the Metrolink at the Bob Hope Airport Station. Further, the new building accommodates shuttle services to subway stations in North Hollywood and downtown Burbank. The building was constructed on 20-acre site along Empire Avenue which was previously occupied by a parking lot across from the Bob Hope Airport Train Station. The

building also features a 1,200 foot long elevated walkway with moving sidewalks, a four-megawatt, roof mounted solar facility, built with a steel structure designed for a maximum critical seismic event.

Van Nuys Airport (VNY)

Owned and operated by Los Angeles World Airports, the Van Nuys Airport is dedicated to noncommercial air travel, averaging over 260,000 takeoffs and landings annually. More than 100 businesses are located on the 730-acre airport, including four major fixed-based operators: Bob Hoover's Jet Center, Castle & Cooke Aviation, Clay Lacy Aviation, and Signature Aviation. These operators provide aircraft storage and parking, aviation fuel, aircraft sales, flight instruction, aircraft charter, and aircraft maintenance. VNY is also home to numerous companies that provide aviation support activities such as aircraft repairs, avionics, interior work, and other specialized functions.

Contributing more than \$1.3 billion each year to the Southern California economy, VNY creates jobs, promotes business, and provides critical general aviation and emergency services. Business travelers and tourists using private, corporate, and charter aircraft benefit from the airport's proximity to city and county businesses, recreation, and entertainment centers. The airport also provides a base and maintenance facilities for fire, police, air ambulance, search and rescue, and news media aircraft that serve the region.

In June of 2014, the Van Nuys Airport broke ground on a \$21 million propeller aircraft facility. The 30-acre facility, known as "The Park," will have its own terminal, self-service fuel station, aircraft wash rack, restaurant, maintenance services, flight schools, and offices. There will be tie-downs and office facilities for approximately 270 aircraft and related businesses. The entire 350,500 square foot project will be constructed in four phases and is slated for completion by the end of 2018. The first phase of the project is scheduled for completion by March of 2015.

ECONOMIC AND DEMOGRAPHIC OVERVIEW

Population Trends

By 1970, the Valley was largely built out. As a result, population growth slowed significantly. With the economic growth in the mid- to late 1980s, population growth accelerated. Between 1990 and 1999, population growth was minimal. New growth is in

the form of the redevelopment of older less dense uses into higher-density developments. Urban sprawl is occurring in areas outside the San Fernando Valley in adjacent Santa Clarita Valley to the north and Simi Valley to the northwest.

Residential

Housing is a major component of land use in the San Fernando Valley. Generally, single-family homes and condominiums located south of Ventura Boulevard are the most expensive in the Valley. These areas benefit from good access to the Ventura Freeway, the primary highway traversing the Valley. In addition, many of these homes are located within the Santa Monica Mountains and have a view amenity. In particular, the communities of Encino, Sherman Oaks, Studio City, and Woodland Hills have some of the most exclusive homes in the area.

Due to the high single-family home prices, and a continuing demand for housing in the San Fernando Valley (influenced by high home prices and the central location of the San Fernando Valley relative to employment centers), the development of higher density apartment buildings and condominiums accelerated between the late 1990s and the mid-2000s. Most new apartment/condominium development is occurring through the redevelopment of older, lower density projects. Overall, the San Fernando Valley area has become one of the most densely populated areas in Los Angeles County.

Employment

Since World War II, the Valley's economy has undergone a transition from being agriculturally based to being a diversified economic base with the fastest growing employment sectors being trade, service, and government employment. There are a number of large hospitals in the Valley. Many of the firms, particularly the high technology and entertainment sectors, are characterized by desirable, high wage jobs. Further, due to the relatively good access to the regional transportation system, residents can also commute to employment centers in Downtown Los Angeles and West Los Angeles for employment.

As the Valley's population grew in the 20th Century so did the region's business opportunities. One of the earliest industries to arrive in the Valley was film making and today this "Valley of the Stars" is the center of motion picture and television production in America. Disney, Warner Bros., Universal Studios, and DreamWorks Animation are all headquartered here. ABC, CBS, and NBC, as well as several cable networks, also have major facilities in the Valley. This multi-billion dollar economic engine supports countless allied companies and creative professionals who showcase their art from the Valley. However, entertainment is far from the only star that lights up the San Fernando Valley's economy. Aerospace was also a key industry in the Valley, however with the cancellation of the space shuttle program, this industry segment has seen significant declines in recent years.

The Valley is very independent and quite entrepreneurial. Half of all L.A. County contractors, a third of all business professionals, and many healthcare professionals have Valley addresses. Professional service firms are also major employers from Calabasas and Warner Center in the west portion of the San Fernando Valley to Burbank and Glendale in the east. Feeding technical, creative, and professional talent to these core industries is an outstanding group of educational institutions including California State University, Northridge, Woodbury University, and four community colleges as well as suburban campuses of many private colleges and universities.

Education

The Valley is home to California State University, Northridge, San Fernando Valley College of Law, Woodbury University, ITT Technical Institute, DeVry University, four community colleges, eight regional occupational centers, and several charter schools.

Retail

Retail development in the San Fernando Valley is highly diversified, reflecting the population density and divergent income characteristics. Significant regional malls serve the Valley, including the Northridge Fashion Center in Northridge, Westfield Topanga in Woodland Hills, the Media City Center in Burbank, and the Sherman Oaks Fashion Square in Sherman Oaks. In addition to the regional malls, there are numerous commercial thoroughfares that provide a wide variety of retail services. The best-known and most upscale retail corridor in the Valley is Ventura Boulevard. Ventura Boulevard traverses the entire length of the Valley, and is almost exclusively improved with retail and office buildings. Generally, upscale retail districts are in the West Valley, Sherman Oaks, and Studio City.

Office

Office development in the San Fernando Valley is centered in three primary areas. The oldest area is the Encino/Sherman Oaks submarket. This submarket is located along Ventura Boulevard, near the intersection of the Ventura (State Highway 134) and San Diego (Interstate 405) Freeways. Originally housing large users, tenancy is now characterized by generally smaller firms. The city of Burbank, at the east end of the Valley, has one of the largest concentrations of office space in the San Fernando Valley. This submarket began to develop in the mid-1980s as the entertainment industry expanded. This demand segment dominates this submarket. The third major concentration of office space is in the Canoga Park/Woodland Hills submarket, in the southwest portion of the Valley. Most of the high-rise office development in this submarket is within the Warner Center mixed-use planned community. Office tenancy is characterized by large office users, particularly in the health care industry.

Industrial

Historically, industrial development has been largely concentrated in the eastern portion of the San Fernando Valley. This industrial development was largely located along San

Fernando Road, a primary arterial paralleling the Golden State (Interstate 5) Freeway and the main Southern Pacific Railroad lines. In addition, there is significant industrial development along Sherman Way and Roscoe Boulevard extending generally west and northwest, also reflecting historic rail lines. Industrial development in the San Fernando Valley is generally older. Recent trends in the market, spurred by increasing land values, have resulted in the redevelopment of industrial sites into higher density uses. The largest concentrations of industrial space are in Chatsworth, Van Nuys, Burbank, North Hollywood, and Sun Valley/Sunland.

TOURISM

The San Fernando Valley is a bastion of suburban living with network and movie studios, parks, art galleries, shopping centers, theme parks, and much more.

The Great Wall of Los Angeles

At 2,754 feet, The Great Wall of Los Angeles is one of the longest murals in the world, located on Coldwater Canyon between Burbank Boulevard and Oxnard Street. The half-mile-long mural is regarded as one of the city's most successful depictions and examples of ethnic and cultural cooperation, conceived by Social and Public Art Resource Center (SPARC) founder, Judith Baca as part of a beautification project in the area. *The Great Wall of Los Angeles* was begun in 1974 and completed five summers later, involving over 400 employed youth and their families from diverse socio-economic backgrounds, as well as artists, oral historians, ethnologists, scholars and community members. Each year was dedicated to depicting a different decade in California history from the viewpoint of different ethnic minorities. Ongoing maintenance efforts are made through donations and grant funding.

Japanese Garden

Constructed over a three-year period and dedicated in 1984, the Japanese Garden at Woodley Park in Van Nuys is an oasis of serenity designed by Dr. Koichi Kawana. Ranked tenth out of 300 public Japanese gardens by the *Journal of Japanese Gardening*, it is a treasure of the San Fernando Valley complete with a Zen meditation garden, Three Buddhas arrangement of stones, *chisen* (wet strolling garden with waterfalls), Shoin Building, Crane Island and a Weeping Willow Tree.

Discovery Cube

After nearly 20 years at the original location in Orange County, the Discovery Cube Science Museum expanded to its second location in the San Fernando Valley, celebrating its opening in December of 2014. Discovery Cube is a new 71,000 square foot science center on the site of the former Children's Museum of Los Angeles in the Lake View Terrace neighborhood of the San Fernando Valley. The two-story, state-of-the-art facility is the Valley's major museum and anticipated to host 180,000 visitors during the first year of operation.

Universal Studios Hollywood

One of the world's oldest continuously operating movie studios, Universal Studios Hollywood presents a unique destination as not only an operating major movie studio, but also a full-fledged theme park featuring various types of attractions, live-action shows, and a Studio Tour tram ride highlighting the studio's history and operations. Originating as just the Studio Tour in 1964, Universal Studios Hollywood has become the number one tourist destination in Los Angeles, drawing approximately 9 million visitors a year, with an average of 25,000 guests each day.



The theme park is organized into the Upper Lot and the Lower Lot, both of which are connected through a series of long escalators known as the StarWay Escalator. The main entrance to the theme park leads the guest into the Upper Lot, which showcases many of the park's attractions, shops, and restaurants, as well as the live-actions shows, such as *WaterWorld* and the *Special Effects Stage*. The Lower Lot contains many of the theme park's rides, such as *Revenge of the Mummy* and *Jurassic Park*. The theme park also includes a series of hydraulic motion-based 3D attractions, which include the new *The Simpsons Ride*, as well as *Transformers: The Ride*. More recently, in April of 2014, the new *Despicable Me Minion Mayhem* attraction opened alongside a *Super Silly Fun Land* playground.

Perhaps the most famous of the attractions at the theme park is the world famous *Universal Studio Tour*, a 45-minute, narrated tour around the studio's back lots which give guests a firsthand look at how a full-fledged movie studio operates and many famous sets from popular movies and television shows. Along the tour, guests also experience attractions uniquely specific to the tour, such as King Kong 360-3D and the infamous JAWS.

To enhance the Universal Studios experience, Universal's ticket system is separated by three tiers: General Admission, Front of Line, and the VIP Experience. While the General Admission is the top seller for the park, the Front of Line and VIP Experience tickets allow guests priority access to rides and reserved seating to the variety of shows.

New Attractions

The theme park is currently in the process of developing many of its major upcoming attractions, which include a new *The Wizarding World of Harry Potter* themed area, a *The Simpsons' Springfield*-themed expansion, and a *Fast & Furious Supercharged* attraction, an addition to the Studio Tour. Currently under construction is the town of Springfield, which is to be a themed area situated around the existing *The Simpsons Ride*. Upon completion, the entire Simpsons-themed area will bring the Krusty Burger, Moe's Tavern, and Duff Brewery and stores based on the fictional town of Springfield. The *Fast & Furious Supercharged* attraction will be another hydraulic motion-based ride featuring special effects, state-of-the-art 3D audio system, and 3D imagery projected onto the world's longest 360-degree screen, spanning nearly 400 feet in length in a newly constructed 50,000

square foot structure in the back lot. Both the *Springfield* and *Fast & Furious Supercharged* attractions are slated to open in 2015.

The *Wizarding World of Harry Potter* at Universal Studios Hollywood will be a fully immersive experience designed to bring J.K. Rowling’s Harry Potter fiction and films to life. Similar to the Universal Orland Resort themed land that opened in 2010, the Hollywood theme park will emulate the visual landscape of the fiction, including Hogwarts Castle that will serve as the core of the themed environment. This addition is set to open in 2016.

SAN FERNANDO VALLEY LODGING MARKET

The San Fernando Valley, located to the north and east of downtown Los Angeles, contains the production centers for a large number of television, film, and music firms. The eastern portion of the Valley is a mix of traditional office space commingled with entertainment giants like Walt Disney and DreamWorks. The western portion of the Valley is more heavily dependent on traditional sources of commercial and leisure demand. While it may lack some of the glamour of its eastern counterpart, this market is still a powerful force in the Los Angeles economy. A summary of general trends for the San Fernando Valley lodging market is shown below.

San Fernando Valley Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2009	1,975,745	N/A	1,299,415	N/A	65.8%	\$128.56	N/A	\$ 84.55	N/A
2010	2,004,580	1.5%	1,390,955	7.0%	69.4	128.06	-0.4%	88.86	5.1%
2011	2,023,925	1.0	1,482,308	6.6	73.2	131.34	2.6	96.19	8.3
2012	1,998,010	-1.3	1,523,208	2.8	76.2	135.65	3.3	103.41	7.5
2013	2,029,400	1.6	1,580,474	3.8	77.9	139.90	3.1	108.95	5.4
2014E	2,065,535	1.8	1,663,953	5.3	80.6	148.02	5.8	119.25	9.4
2015F	2,091,998	1.3	1,691,870	1.7	80.9	156.53	5.7	126.59	6.2
CAAG	1.0%		4.5%			3.3%		7.0%	

Source: PKF Consulting

We estimate that the San Fernando Valley hotel market experienced an increase in occupied rooms of 5.3 percent in 2014, amid an increase of 1.8 percent in supply, with the absorption of the repositioned 122-room Courtyard Woodland Hills on an annualized basis and the opening of the Holiday Inn Express North Hollywood. The market ADR is estimated to have ended 2014 with a 5.8 percent increase to \$148.02. Looking forward, we forecast occupied rooms to increase 1.7 percent and the average daily rate to increase 5.7 percent in 2015, with an increase in supply of 1.3 percent. This increase in supply in 2015 is represented by the opening of the SpringHill Suites in Burbank.

COMMUNITY OF NORTHRIDGE

History and Overview

The Northridge Community planning Area contains approximately 6,350 acres or 10 square miles of land area. The community is generally bounded by the Ronald Reagan (formerly Simi Valley) Freeway and Devonshire Street to the north, the Los Angeles County

Flood Control Channel (Bull Creek) on the east, Roscoe Boulevard on the south, and Tampa Avenue on the west. Northridge is situated about 22 miles northwest of downtown Los Angeles and is the site of the Northridge Campus of California State University. Communities lying adjacent include Chatsworth-Porter Ranch, Granada Hills-Knollwood, Mission Hills-Panorama City-North Hills, and Reseda-West Van Nuys.

Northridge is one of the 82 named communities in the City of Los Angeles and is home to over 80,000 residents. Originally referred to as “Zelzah,” or “the watering place in the desert,” the area was a watering hole and gathering place for the native Gabrielino Indians and later the Spanish who established Missions in the area. The development of the area began with the arrival of the Southern Pacific Railroad in 1874, which ran diagonally across the Valley from Burbank in the east to Chatsworth in the west. In 1914, water from William Mulholland’s aqueduct was diverted to the San Fernando Valley region, and the reliable supply of water and main crop of the area changed from wheat to citrus. In 1938, the community was renamed to “Northridge.” Today, the main industries that provide jobs in the community are in the service, manufacturing, and educational sectors. The California State University is a major employer in the community.

Northridge residents live in everything from post-World War II bungalows and higher-density, multi-family complexes to sprawling ranch style estates. The Northridge community developed rapidly after World War II, when many orchards disappeared and became suburban-type housing tracts to meet the demand for single-family homes by returning servicemen and their families. Commercial development began to take place in the 1950’s. In 1956, San Fernando Valley State College, which later became California State University, Northridge, was opened. Light industry moved into the area and a building boom began. The community has a rich heritage of farming and ranches and was one of the last Valley areas to undergo the transition to suburban housing. Northridge continues its development into a low-density and moderate-density urban community and retains its identity of a bedroom community characterized by single-family neighborhoods and a suburban lifestyle.

Regional Infrastructure

The community of Northridge is located in the heart of the San Fernando Valley. There is a complete transportation infrastructure and a wide range of services and facilities including: nearby regional airports in Van Nuys, Burbank, and Los Angeles; Metrolink and Metro lines; bus transit lines; and, and extensive freeway system that provides access to all parts of California. Each component of the transportation system is reviewed in the following discussion.

Freeway System

There are three freeways serving Northridge, including U.S. Route 101 (Ventura Freeway), Interstate 405 (San Diego Freeway), and California State Route 118 (Ronald Reagan Freeway). These provide excellent access to the whole of Southern California.

Rail and Bus

The Metropolitan Transportation Authority (MTA) operates regularly scheduled bus transit lines serving the Northridge area. Additional bus transit service is provided by the Antelope Valley Transit Authority (AVTA) which operates express service between the Northridge area and the Lancaster/Palmdale area. Furthermore, the City of Los Angeles Department of Transportation (LADOT) operates “CityRide,” a city-wide demand responsive paratransit program, as well as a DASH route around Northridge. A community-based shuttle operates between the University Student Union on the CSUN Campus and the Northridge Metrolink Station.

Bus transportation in and around Northridge, as well as to other Los Angeles County cities is possible through the Metro Local and Rapid lines, as well as through LADOT’s DASH Northridge route. Metrolink provides one rail line that connects Northridge to other cities within Southern California via the Ventura County Line. Additionally, the Los Angeles Metro runs the Orange Line through Western San Fernando Valley; the Orange Line is a Metro Liner bus rapid transit with a dedicated right-of-way for its entire length. Although the Orange Line does not directly service Northridge, it stops in the neighboring community of Reseda to the south.

Economic Drivers

California State University, Northridge (CSUN)

The California State University, Northridge and its \$120 million Valley Performing Arts Center are huge anchor attractions for the entire region. A significant community asset, California State University Northridge is situated on 356 acres of land lying at the center of Northridge. It is primarily a commuter campus and is San Fernando Valley’s only public university. The CSUN campus is publicly accessible with ample open space; it is home to a duck and turtle pond, fountains and a botanical pond area. Visitors can enjoy the natural space, and a 270 foot stream, a national spring, and an ever-expanding botanical garden with over 1,200 species of plants. The University also maintains a high-tech, fuel cell-based rainforest. The southeast corner of campus is home to one of the last working orange groves in the San Fernando Valley. The grove’s more than 400 orange trees serve as a reminder of the region’s agricultural past.

Northridge Hospital Medical Center

The Northridge Hospital Medical Center is a major regional asset. The healthcare and biotechnology industries are gaining traction as the “Baby Boomer” generation begins to join the ranks of senior citizens in the community. The 411-bed hospital is one of the largest employers in the area, employing approximately 2,000 people with approximately 800 physicians with admitting privileges. The hospital includes a certified trauma center and is also home to the Thomas and Dorothy Leavey Cancer Center.

Northridge Fashion Center

The Northridge Fashion Center is a super-regional shopping center that draws consumers from the various communities of the San Fernando Valley. The two-level, enclosed shopping center was opened in 1971, expanded in 1989, and renovated in 1995, 1998, and 2012 and currently offers approximately 1.5 million square feet of retail space and 6,963 parking spaces. More than 18 million shoppers visit the Northridge Fashion Center's 170 specialty stores, which include well-known national retailers, such as H&M, Sears, JC Penney, Forever 21, and Macy's, dining and entertainment destinations, including a 10-plex Pacific Theaters.

In 2012, the Northridge Fashion Center completed a renovation that included the modernization and enhancement of various areas of the mall. The Food Court was upgraded with new finishes and banquette seating and the outdoor patio was expanded to include a vibrant dining terrace. In the theater plaza, enhancements include remodeled restrooms, exterior patio seating to create synergies between the new restaurants and existing Pacific Theatres 10-plex. The Macy's Court was enhanced with a new cyberlounge and now offers complimentary wireless internet access. The remodel also included a newly merchandised children's wing with a new play area.

Industrial

The Valley's main industrial corridor runs from the former Southern Pacific railroad tracks that stretch from Chatsworth to Glendale and beyond. The main industrial corridor of Northridge runs for approximately a mile and a half from Tampa to Lindley Avenue. High-end manufacturing industries dominate in Northridge.

Tourism

Northridge is a commercial and residential community that derives most of its travel demand primarily from the commercial sector. Leisure travel and tourism in the area is limited to individuals visiting family in the Northridge area and price-sensitive travelers seeking alternative lodging options within the greater Los Angeles area. However, Northridge does offer local cultural events, such as the annual Salute to Recreation Family Festival involving fireworks and musical performances and the North Valley Heritage Festival in June, as well as the Valley Performing Arts Center. The 1,700 seat, state-of-the-art Valley Performing Arts Center at CSUN is a recognizable Northridge icon.

Development

A group of Northridge residents and businesses are in the process of developing a "university village" concept that would give the community a more distinct character and greater appeal to regional shoppers. In a strategic collaboration between the neighborhood councils, CSUN, the Valley Economic Alliance, and various city officials, the Northridge vision project provides a community-based plan for the revitalization of Reseda Boulevard and to provide better connections to the CSUN campus, including the new Valley Performing Arts Center.

The idea of the Northridge Vision project is to carve the community into identifiable areas. Using CSUN as the core, the project suggests areas such as University Village, an Old Historic Northridge, Uptown Northridge, and a Healthy Living Neighborhood built around Northridge Hospital Medical Center. The University Village area would feature pedestrian-friendly areas from Reseda Boulevard to the entrance of CSUN. The community's business district is located along the Reseda Boulevard corridor. There is excellent potential for redevelopment through community and private-investor partnerships.

Overall, the community of Northridge is largely built-out. New development is expected to occur through the redevelopment of older improved sites. In particular, there are a number of older industrial buildings or retail centers that could be redeveloped to higher density uses in the area.

SURROUNDING AREAS: WARNER CENTER AND WOODLAND HILLS

Warner Center

The Warner Center area of Woodland Hills encompasses approximately 1,100 acres and is bounded by Vanowen Street to the north, De Soto Avenue to the east, the Ventura Freeway to the south, and Topanga Canyon Boulevard to the west.

Office development is the most significant commercial land use in Warner Center. Most of the existing office buildings in Warner Center were developed between the late 1970's and late 1980's. Older buildings in the market tend to be low-rise structures, while more recent development has been of medium density, high-rise buildings. Office development in Warner Center is dominated by the five-building Warner Center Plaza (Towers 1-6). This project approximates 1,800,000 square feet out of a total submarket office space inventory of 8,200,000 square feet. Outside of this project, the only other multitenant Class A high-rise office development includes The Trillium and the Warner Corporate Center. Additional (typically low-rise) office development is located on the east side of Canoga Avenue roughly extending north from Burbank Boulevard (LNR Warner Center); the south side of Burbank Boulevard, just east of Topanga Canyon Boulevard; and the west side of Owensmouth Avenue between Victory Boulevard and Erwin Street.

Retail

In addition to being the largest office submarket in the San Fernando Valley, Woodland Hills has a diverse retail base. Retail development in the area includes two regional shopping centers (Westfield Topanga and Westfield Promenade), as well as numerous community shopping centers and freestanding destination retail tenants. One of the two regional malls, Westfield Promenade, has been re-positioned as more of an entertainment retail project. A major mixed-use (predominantly retail) development, the 550,000-square-foot Village at Westfield Topanga is now under construction. It will be located between the two existing centers and be anchored by Costco, but will also include an upscale pedestrian oriented multitenant area. This project was planned to include a 158-room Hyatt hotel (originally a 275-room hotel was envisioned). The hotel has been dropped but is uncertain if it will be added later. Outside of Warner Center, Ventura Boulevard is the

primary commercial arterial traversing the southern portion of the San Fernando Valley. In the community of Woodland Hills, land uses on this street include a number of neighborhood serving retail uses.

Development

Residential development in the area ranges from apartment buildings and condominiums (primarily in Warner Center) to high-end single-family homes (particularly south of the Ventura Boulevard in the hills of the Santa Monica Mountains). Over the past few years, residential development has resumed after being curtailed during the recession. Several major projects are under-construction or proposed. These include:

- Alta at Warner Center, a 298-unit residential apartment project is nearing completion on the west side of Eton Avenue, south of Vanowen Boulevard.
- The Millennium, a 707-unit residential apartment project including 312 senior apartment units and 395 market rate apartment units, is under construction at the northwest corner of DeSoto Avenue and Erwin Street.
- A 621-unit residential apartment project is proposed for the Catalina Yachts site at the southwest corner of Victory Boulevard and Variel Avenue.
- A 379 apartment unit project and a 71,000 square foot office tower with ground floor retail are planned for the former Daily News headquarters, on the north side of Oxnard Street, east of Canoga Avenue.
- The 47-acre former Pratt & Whitney Rocketdyne campus at the northwest corner of Victory Boulevard and Canoga Avenue is proposed for a major development that may include up to 4,000 residential units, 2,000,000 square feet of retail and office space, and a 155,000-squarefoot hotel. The project is in its planning stages.

CONCLUSIONS AND FUTURE ECONOMIC OUTLOOK

The subject site is located in the community of Northridge. Northridge is a mid to upscale suburban location with a bedroom and business community serving the western San Fernando Valley. Within Northridge, the subject property is located on the California State University campus along Nordhoff Street, a well-traveled thoroughfare. The immediate subject environs primarily consist of single-family residential and low-rise retail and commercial properties. Overall, the subject's neighborhood is considered to be stable to improving, with limited changes in its relative desirability expected over the next three to five years.

The economic future of Los Angeles County and the greater San Fernando Valley area is increasingly bright. All are well positioned for continued economic growth. Air access to the county is very good with the Los Angeles International Airport, Burbank Bob Hope

Airport, and the numerous regional airports. Although Northridge is a bedroom community, the San Fernando Valley is home to a large corporate base and well located relative to the greater Los Angeles basin's numerous transportation network. While certain challenges exist in the San Fernando Valley, Los Angeles continues to present a viable place to do business and is expected to continue to prosper as the economy shows forward momentum.

Section IV
MARKET ANALYSIS

MARKET ANALYSIS

OVERVIEW

The proposed California State University, Northridge (CSUN) hotel will be unique given its branded positioning and campus edge location, creating a self-contained environment for the subject property. However, the future performance of a hotel is directly related to the supply of and demand for hotel rooms within the subject's market area. Accordingly, an analysis of the local area's hotel market is a key component of the analysis of the subject. The following is a discussion of the competitive hotel market for the proposed CSUN hotel in the west San Fernando Valley.

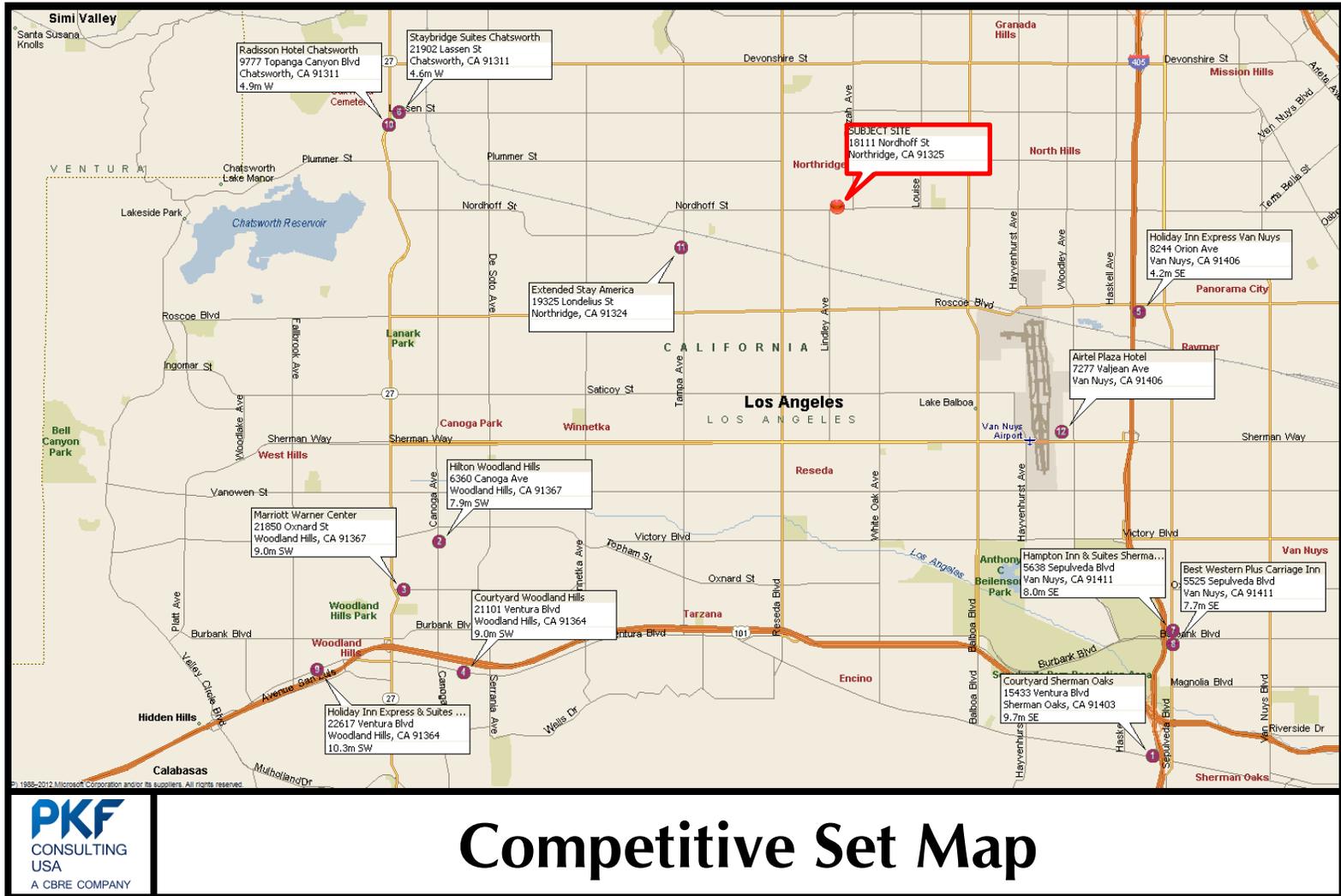
COMPETITIVE SUPPLY

In order to identify the competitive market for the proposed hotel, we have analyzed the overall West San Fernando Valley lodging market. Due to the subject's proximity to current hotels in the area, we have selected twelve properties that we anticipate will offer competition to the subject and are considered to be the core properties of the primary competitive supply as they currently benefit from CSUN-related demand.

The hotels that are considered competitive have been selected based on their size and facilities, location, market orientation, and rate structure. There are various lodging facilities located in the area which were excluded from the subject's competitive market due to rate structure, facilities, and/or market orientation. Based on these criteria, we have identified twelve properties, representing 2,255 rooms, that we feel will offer competition to the subject hotel. The table below shows these twelve hotels and their corresponding room counts and map designation numbers. On the following page is a map of the competitive supply and a brief description of each of the competitive properties. This is followed by our formed conclusions as to the subject's rate and occupancy based on our analysis of the demand survey results, knowledge of university campus hotels, brand premium and value, occupancy and rate data of the San Fernando Valley hotel properties.

Proposed Hotel at CSUN		
	Property	Number of Rooms
Subject	Proposed CSUN Hotel	150
1	Courtyard Sherman Oaks	213
2	Hilton Woodland Hills	326
3	Marriott Warner Center	474
4	Courtyard Woodland Hills (formerly Holiday Inn)	102
5	Holiday Inn Express Van Nuys	132
6	Staybridge Suites Chatsworth	114
7	Hampton Inn & Suites Sherman Oaks	96
8	Best Western Plus Carriage Inn	181
9	Holiday Inn Express & Suites Woodland Hills	86
10	Radisson Hotel Chatsworth	148
11	Extended Stay America Northridge	117
12	Airtel Plaza Hotel	266
Total Competitive Supply (without subject)		2,255

Source: **PKF Consulting**



**Competitive Property Number One
Courtyard Sherman Oaks**

<u>Location</u>	<u>Description</u>
Address: 15433 Ventura Boulevard Sherman Oaks, California 91403 Distance from the Subject: 8.6 miles southeast	Date Opened: 1968 Guestrooms: 150 Configuration: Interior corridor

<u>Amenities</u>	<u>Picture</u>
<ul style="list-style-type: none"> • 8,481 square feet of meeting space • Courtyard Cafe restaurant • Courtyard Bar • 24-hour room service • Parking - \$17 day • Fitness center • Business center kiosk • Complimentary shuttle service • Rooftop (4th floor) pool and whirlpool • Complimentary wired/wireless Internet access in guestrooms and public spaces • Room Amenities: <ul style="list-style-type: none"> ○ 27" high-definition television with premium cable channels ○ CD player ○ Large working desk ○ Wet bar ○ Mini-refrigerators ○ Coffee/tea maker ○ Iron and ironing board ○ Dual line telephone with speakerphone and voicemail 	

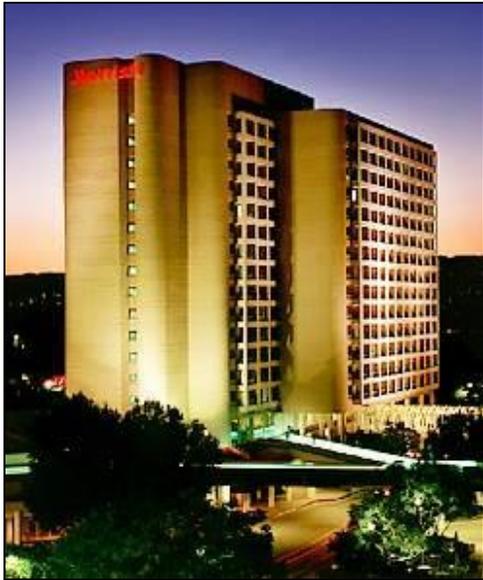
<u>Condition & Renovations</u>	<u>Historical Performance</u>
<p>One of the older properties in the competitive set, the Courtyard Sherman Oaks was converted from a Radisson in late 2003. The last major renovation was in 2004, but the lobby was recently renovated.</p>	<p>In 2014, the Courtyard Sherman Oaks performed above the competitive market average in terms of both occupancy and average daily rate.</p>

Competitive Property Number Two Hilton Woodland Hills/Los Angeles

<u>Location</u>	<u>Description</u>
<p>Address: 6360 Canoga Avenue Woodland Hills, California 91367</p> <p>Distance from the Subject: 7.4 miles southwest</p>	<p>Date opened: 1987</p> <p>Guestrooms: 326, 3 types of suites</p> <p>Configuration: Interior corridor</p>
<u>Amenities</u>	<u>Picture</u>
<ul style="list-style-type: none"> • 13,096 square feet of meeting space • Parking: \$19 valet, \$17 self • Outdoor pool, whirlpool spa, and sauna • Brasserie restaurant serving three meals/day • Fitzgerald's Bar & Lounge w/ live entertainment on weekend nights • Complimentary guest access to LA Fitness, located across the porte-cochere from the hotel • Executive Level • Room Amenities: <ul style="list-style-type: none"> ○ High-Speed Internet ○ Voice Mail ○ 27" TV with in-room movies ○ Hair dryer ○ Iron and ironing board 	
<u>Condition & Renovations</u>	<u>Historical Performance</u>
<p>The property is in fair condition, but an approximate \$10 million renovation began in November 2014. The scope includes all areas of the hotel and is expected to be completed in the summer of 2015.</p>	<p>In 2014, the Hilton Woodland Hills performed above the competitive market average in terms of both occupancy and average daily rate.</p>

**Competitive Property Number Three
Warner Center Marriott Woodland Hills**

<u>Location</u>	<u>Description</u>
<p>Address: 21850 Oxnard Street Woodland Hills, California 91367</p> <p>Distance from the Subject: 8.3 miles southwest</p>	<p>Date opened: 1986</p> <p>Guestrooms: 476, including 11 suites</p> <p>Configuration: Interior corridor</p>

<u>Amenities</u>	<u>Picture</u>
<ul style="list-style-type: none"> • 22,716 square feet of meeting space • Parking: \$22 valet, \$17 self • Indoor and outdoor pools, whirlpool spa, and sauna • Fitness Center • Breeze, An American Grill restaurant serving three meals/day • Q Martini Bar • Chill Poolside Dining • Starbucks • Lamont's Gift Shop • Hertz Rental Car desk • Concierge Level • Room Amenities: <ul style="list-style-type: none"> ○ New "Marriott Bed" standard ○ Wireless High-Speed Internet ○ Voice Mail ○ 27" TV with in-room movies 	

<u>Condition & Renovations</u>	<u>Historical Performance</u>
<p>The property was recently purchased by Laurus Corp. and a \$10 million renovation is planned. The renovation scope includes the concierge-level guestrooms and lounge, meeting space, and standard guestroom soft goods.</p>	<p>In 2014, the Warner Center Marriott performed above the competitive market average in terms of both occupancy and average daily rate.</p>

**Competitive Property Number Four
Courtyard Woodland Hills (formerly Holiday Inn)**

<u>Location</u>	<u>Description</u>
Address: 21101 Ventura Boulevard Woodland Hills, California 91364 Distance from subject: 8.3 miles southwest	Date opened: 1965 Guestrooms: 133 Configuration: Interior corridor

<u>Facilities & Amenities</u>	<u>Picture</u>
<ul style="list-style-type: none"> • 350 square feet of meeting space • Surface parking - \$10 per day/stay • Bistro Café and Lounge • Complimentary wireless Internet in guestrooms and public spaces • 24-Hour sundries shop • Business Center kiosks • Laundry/Valet Services • 24-hour Fitness Center • Outdoor pool • Room Amenities: <ul style="list-style-type: none"> ○ Flat screen televisions with premium cable channels ○ Wet bar ○ Mini-refrigerator ○ Microwave (suites) ○ Coffee/tea maker ○ Iron and ironing board ○ Telephone with speakerphone and voicemail 	

<u>Condition & Renovations</u>	<u>Historical Performance</u>
<p>The property was converted from a Holiday Inn, after a 12-month renovation that was completed in February 2013. The Courtyard has very limited meeting space and is primarily a transient hotel. The property was completely renovated prior to reopening and is in very good condition.</p>	<p>In 2014, the Courtyard Woodland Hills performed above the competitive market average in terms of both occupancy and average daily rate.</p>

**Competitive Property Number Five
Holiday Inn Express Van Nuys**

<u>Location</u>	<u>Description</u>
Address: 8244 Orion Avenue Van Nuys, California 91406 Distance from subject: 4.1 miles southeast	Date Opened: 1967 Guestrooms: 132 Configuration: Interior Corridor

<u>Facilities & Amenities</u>	<u>Picture</u>
<ul style="list-style-type: none"> • 684 square feet of meeting space • Complimentary Express Start Breakfast Bar • Complimentary wireless and wired internet access • Business center • Fitness Center • Outdoor pool • Guest laundry • Automated teller machine • Concierge services • Dedicated lounge • Room Amenities: <ul style="list-style-type: none"> ○ 32" flat screen television ○ Cable/satellite TV with HBO ○ Complimentary standard wireless Internet ○ Work desk ○ Mini-refrigerator ○ Coffee maker ○ Iron and ironing board ○ Dual-line telephone with speakerphone and voicemail 	

<u>Condition & Renovations</u>	<u>Historical Performance</u>
The Holiday Inn Express Van Nuys most recently underwent a comprehensive rooms and exterior renovation in early 2013 and remains in average condition.	In 2014, the Holiday Inn Express Van Nuys performed below the competitive market average in terms of occupancy and above the market average in terms of average daily rate.

**Competitive Property Number Six
Staybridge Suites Chatsworth**

<u>Location</u>	<u>Description</u>
Address: 21902 Lassen Street Chatsworth, California 91311 Distance from Subject: 5.5 miles northwest	Date opened: 1989 Guestrooms: 114 Configuration: Exterior Corridor

<u>Facilities & Amenities</u>	<u>Picture</u>
<ul style="list-style-type: none"> • 450 square feet of meeting space • Complimentary hot breakfast or to-go bag • Complimentary wireless and wired internet connection • Laundry/valet services • Guest laundry facilities • Business Center • Fitness Center • Outdoor pool • Outdoor BBQ • Room Amenities: <ul style="list-style-type: none"> ○ Flat screen television with cable ○ Complimentary wired/wireless Internet ○ Sofa bed ○ Large work desk ○ Full kitchen ○ Microwave oven ○ Toaster ○ Silverware, plates, settings ○ Coffee maker ○ Iron and ironing board ○ Two dual-line telephones with voicemail 	

<u>Condition & Renovations</u>	<u>Historical Performance</u>
The Staybridge Suites Chatsworth most recently completed a comprehensive renovation in the first quarter of 2013 and remains in good condition.	In 2014, the Staybridge Suites Chatsworth performed above the competitive market average in terms of both occupancy and average daily rate.

**Competitive Property Number Seven
Hampton Inn & Suites Sherman Oaks**

<u>Location</u>	<u>Description</u>
Address: 5638 Sepulveda Boulevard Sherman Oaks, California 91411 Distance from Subject: 7.7 miles southeast	Date opened: 2008 Guestrooms: 96 Configuration: Interior corridor

<u>Facilities & Amenities</u>	<u>Picture</u>
<ul style="list-style-type: none"> • 576 square feet of meeting space • Complimentary Hampton Hot Breakfast or to-go bag • Complimentary wireless Internet access • Guest laundry facilities • Business Center • Fitness Center • Heated indoor pool • Room Amenities: <ul style="list-style-type: none"> ○ 37" Flat screen television with cable ○ Complimentary wired/wireless Internet ○ Hampton Bed® ○ Waterpik® shower head ○ Sofa bed ○ Large work desk ○ Mini-refrigerator ○ microwave ○ Coffee maker ○ Iron and ironing board ○ Two dual-line telephones with voicemail 	 <p>The photograph shows the exterior of the Hampton Inn & Suites Sherman Oaks. It is a multi-story, modern hotel building with a light-colored facade and dark window frames. A prominent sign for the hotel is visible in the foreground. The building is surrounded by some landscaping and a parking area with several cars.</p>

<u>Condition & Renovations</u>	<u>Historical Performance</u>
<p>The Hampton Inn & Suites Sherman Oaks opened in 2008 and has not undergone any recent renovations. It remains in good condition.</p>	<p>In 2014, the Hampton Inn & Suites Sherman Oaks performed above the competitive market average in terms of both occupancy and average daily rate.</p>

**Competitive Property Number Eight
Best Western Plus Carriage Inn**

<u>Location</u>	<u>Description</u>
<p>Address: 5525 Sepulveda Boulevard Sherman Oaks, California 91411</p> <p>Distance from Subject: 7.7 miles southwest</p>	<p>Date opened: 1964 Guestrooms: 181 Configuration: Exterior Corridor</p>
<u>Facilities & Amenities</u>	<u>Picture</u>
<ul style="list-style-type: none"> • Single, board room-style meeting space • Cocktail lounge • On-site Denny's restaurant • Dry cleaning service • Complimentary wireless internet access • Airport shuttle service • Discount tickets for nearby theme parks. • Pet friendly hotel • Business Center • Fitness Center • Outdoor pool • Room Amenities: <ul style="list-style-type: none"> ○ 37" flat screen television with cable ○ Complimentary wired/wireless Internet ○ Large work desk ○ Mini-refrigerator ○ microwave ○ Coffee maker ○ Iron and ironing board ○ Complimentary newspaper ○ Two dual-line telephones with voicemail 	
<u>Condition & Renovations</u>	<u>Historical Performance</u>
<p>The Best Western Plus Carriage Inn completed a rooms renovation in 2012 and remains in good condition.</p>	<p>In 2014, the Best Western Plus Carriage Inn performed above the competitive market average in terms of occupancy and below the market average in terms of average daily rate.</p>

**Competitive Property Number Nine
Holiday Inn Express & Suites Woodland Hills**

<u>Location</u>	<u>Description</u>
Address: 22617 Ventura Boulevard Woodland Hills, California 91364 Distance from subject: 9.8 miles southwest	Date Opened: 2009 Guestrooms: 86 Configuration: Interior Corridor

<u>Facilities & Amenities</u>	<u>Picture</u>
<ul style="list-style-type: none"> • 624 square feet of meeting space • Complimentary breakfast buffet • Complimentary wireless Internet in public spaces • Business center • Sundries store • Complimentary self-parking • Fitness Center • Outdoor pool and whirlpool • Guest laundry • Room Amenities: <ul style="list-style-type: none"> ○ Flat screen television ○ Satellite TV ○ Complimentary standard wireless Internet ○ Work desk ○ Mini-refrigerator ○ Coffee maker ○ Iron and ironing board ○ Dual-line telephone with speakerphone and voicemail 	

<u>Condition & Renovations</u>	<u>Historical Performance</u>
The Holiday Inn Express is the newest property in the competitive set and is in good condition.	In 2014, the Holiday Inn Express & Suites Woodland Hills performed above the competitive market average in terms of occupancy and below the market average in terms of average daily rate.

**Competitive Property Number Ten
Radisson Hotel Chatsworth**

<u>Location</u>	<u>Description</u>
Address: 9777 Topanga Canyon Boulevard Chatsworth, California 91311 Distance from Subject: 5.7 miles west	Date opened: 1985 Guestrooms: 148 Configuration: Interior Corridor

<u>Facilities & Amenities</u>	<u>Picture</u>
<ul style="list-style-type: none"> • 4,000 square feet of meeting space • Caprese Restaurant • Lounge • Complimentary wireless Internet in public spaces • Complimentary self-parking • Laundry/valet services • Guest laundry facilities • Business Center • Fitness Center • Heated outdoor pool and whirlpool • Room Amenities: <ul style="list-style-type: none"> ○ 40" flat screen television with cable ○ Complimentary wired/wireless Internet ○ Complimentary morning newspaper ○ Large work desk ○ Refrigerator ○ Coffee maker ○ Iron and ironing board 	

<u>Condition & Renovations</u>	<u>Historical Performance</u>
<p>The Radisson Hotel Chatsworth completed a multi-million dollar renovation in January of 2014, which included a comprehensive renovation of the rooms and suites. The property remains in good condition.</p>	<p>In 2014, the Radisson Chatsworth performed below the competitive market average in terms of both occupancy and average daily rate.</p>

**Competitive Property Number Eleven
Extended Stay America Los Angeles-Northridge**

<u>Location</u>	<u>Description</u>
Address: 19325 Londelius Street Northridge, California 91324 Distance from Subject: 2.2 miles southwest	Date opened: 2005 Guestrooms: 117 Configuration: Interior Corridor

<u>Facilities & Amenities</u>	<u>Picture</u>
<ul style="list-style-type: none"> • Complimentary Grab N’ Go Breakfast • Complimentary Wireless Internet Access • Business Services • 24-Hour Coin Operated Laundry Facility • Heated outdoor pool and whirlpool • Room Amenities: <ul style="list-style-type: none"> ○ Fully-equipped kitchen with refrigerator, stovetop, microwave, coffee maker, cooking utensils, dishes, and cutlery ○ Radio alarm clock ○ Work desk 	

<u>Condition & Renovations</u>	<u>Historical Performance</u>
Upgrades to this property are completed as necessary. This property is in average condition.	In 2014, the Extended Stay America Northridge performed above the competitive market average in terms of occupancy and below the market average in terms of average daily rate.

**Competitive Property Number Twelve
Airtel Plaza Hotel**

<u>Location</u>	<u>Description</u>
Address: 7277 Valjean Avenue Van Nuys, California 91406 Distance from Subject: 4.7 miles southeast	Date opened: 1984 Guestrooms: 266 Configuration: Interior Corridor

<u>Facilities & Amenities</u>	<u>Picture</u>
<ul style="list-style-type: none"> • Landings Restaurant, three-meal restaurant • Clipper Club Lounge • Clipper Café • In-Room Dining • Poolside Service • 24-Hour Fitness Center • Swimming Pool and Whirlpool • 22,000 SF of Meeting Space • Complimentary Wireless Internet Access • Complimentary Shuttle Service • Room Amenities: <ul style="list-style-type: none"> ○ 27"-42" Flat Screen Television ○ Mini refrigerator ○ Walk-in Shower ○ iPod docking station ○ Lamps with outlets ○ Coffee maker ○ Separate living areas (suites) ○ Private balconies (some rooms) 	

<u>Condition & Renovations</u>	<u>Historical Performance</u>
The Landings Restaurant completed a renovation in May of 2009. More recently, a comprehensive rooms renovation was completed in 2012, and the property has had ongoing upgrades as necessary.	In 2014, the Airtel Plaza Hotel performed below the competitive market average in terms of both occupancy and average daily rate.

Additions to Supply

In conducting our investigations regarding the potential for additions to supply in the subject's competitive market, we identified two potential additions to competitive supply. There are talk of plans for a hotel and retail complex to be located within the redevelopment of the former Rocketdyne site at the northwest corner of Victory Boulevard and Canoga Avenue. The plans for the overall development call for a 155,000 square foot hotel (estimated 200 to 250 rooms); however, this project will be years in the making due to the environmental clean-up that needs to take place on the site. Furthermore, a 158-room Hyatt hotel (originally envisioned as a 275-room hotel) was planned as part of the Village at Westfield Topanga project but has been dropped from the project. Due to the speculative nature of both of these projects, we do note them as potential additions to supply but have not included them in our market projections.

HOTEL ROOMS DEMAND

Demand for hotel rooms is categorized in three ways:

- **Demonstrated Demand**: the demand already captured at competitive hotels;
- **Induced Demand**: the demand that does not presently seek accommodations in the competitive market, but could be persuaded to do so through marketing efforts, room rates, facilities, services and amenities.
- **Unsatisfied Demand**: the demand that seeks accommodations in the market but is not satisfied due to one of a number of factors: sell-outs during peak season; lack of a particular type of accommodation; lack of meeting space; or high room rates.

Historical Performance of the Competitive Supply

The aggregate average annual available and occupied rooms, resulting occupancy levels, average daily rate, and revenue per available room (RevPAR) for this sample set between 2010 and 2014 are presented in the following table.

Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2010	830,375	N/A	516,206	N/A	62.2%	\$115.39	N/A	\$71.73	N/A
2011	830,375	0.0%	535,672	3.8%	64.5	117.28	1.6%	75.66	5.5%
2012	795,700	-4.2	550,209	2.7	69.1	121.35	3.5	83.91	10.9
2013	823,075	3.4	613,301	11.5	74.5	125.04	3.0	93.17	11.0
2014	823,075	0.0	653,120	6.5	79.4	132.93	6.3	105.48	13.2
CAAG	-0.2%		6.1%			3.6%		10.1%	

Source: PKF Consulting USA

Rooms supply in the competitive market has experienced fluctuations over the historical period due to various renovations and repositionings. 2011 experienced a 4.2 percent decrease in annual rooms supply with the closure of an average of 95 guestrooms at the

Courtyard Woodland Hills during conversion from the Holiday Inn flag. The reintroduction of the rooms back into the market increased annual rooms supply by 3.4 percent in 2013. Over the same period, demand for rooms, as demonstrated by occupied room nights, increased at a rate of 6.1 percent annually. 2010 recorded the lowest occupancy of 62.2 percent in the five-year period for the competitive market, as the lodging market was recovering from the aftermath of the economic recession. However, with improving economic fundamentals, the competitive market has experienced four consecutive years of increases in occupied room nights. In 2014, the market's occupied room nights increased by 6.5 percent, resulting in a market occupancy of 79.4 percent.

The average daily room rate (ADR) of the competitive set increased by 3.6 percent on an annual basis over the last five years. As with the market occupancy, average daily rate in the market suffered its lowest level of \$115.39 in 2010 due to the economic recession. 2011 experienced a slight increase of 1.6 percent. The market began to show signals of recovery in 2012, posting 3.5 and 3.0 percent increases in 2012 and 2013, respectively. 2014 finished the year with a 6.3 percent increase over 2013, which equates to an ADR of \$132.93. Growth in average daily rate in the past three years was assisted by the repositionings of the Courtyard Woodland Hills from a lower-rated property to a higher quality hotel, improving economic conditions, as well as the attractiveness of renovated hotel product that has been well received as travel across all segments has returned to the market place.

Revenue per available room (RevPAR), a combination of occupancy and average daily room rate, increased at an average rate of 10.1 percent annually over the five-year period. The competitive set has posted notable gains in both occupancy and ADR since 2011. Year-end 2014 posted a RevPAR of \$105.48, a 13.2 percent increase over 2013.

Mix of Demand

The competitive hotel market is dependent on commercial, leisure and group room nights, as shown in the following table. In 2014, commercial demand was the strongest at 64 percent, followed by leisure demand at 20 percent and then group demand at 16 percent.

Competitive Market 2014 Mix of Demand		
Market Segment	Room Nights	Ratio
Commercial	417,100	64%
Leisure	131,600	20
Group	104,400	16
Total	653,000	100%
Source: PKF Consulting USA		

Using the historical growth in the market as a base and taking into account the current demonstrated and future projected economic conditions, we have estimated future growth in overall market demand. Each market segment is discussed in the following paragraphs, followed by a discussion and summary table setting forth our estimated growth in supply and demand.

Commercial Segment

The commercial market segment accounted for approximately 417,100 room nights of demand in 2014, or 64 percent of total captured demand. The local business park houses numerous companies, educational institutions, and healthcare facilities. In addition, the Warner Center office market contains over 8,200,000 square feet of office space, and office occupancies have been increasing with Farmers Insurance and AIG relocating their headquarters to the area. Major industries in the submarket include: healthcare, financial services, and professional services. Aerospace and manufacturing uses, once a major component of the local economy, have declined in recent years. However, aviation and defense interests such as Northrop Grumman in Woodland Hills to Pratt & Whitney Rocketdyne in Canoga Park employ skilled research and development engineers and designers. The San Fernando Valley is also home to the largest concentration of entertainment companies in the nation; Universal Studios, Warner Brothers, and Disney are all located in the San Fernando Valley.

Additionally, The University Corporation is often approached with inquiries for the use of the University's meeting space, classrooms, lecture halls, and sports facilities for non-University related functions and events, which include filming for commercials and television shows, conferences, continuing education courses, fundraisers, seminars, workshops, photo shoots, or company events; however, many of these events are turned away or lost due to lack of lodging accommodations in the area. With the addition of the subject hotel on campus, the University will be able to retain and attract other like-kind events on campus.

The commercial demand segment typically includes less price-sensitive individual business travelers as well as contract business with major corporates at negotiated room rates. Commercial travel is heaviest Monday through Thursday nights, with typical fill nights on Tuesdays and Wednesdays. These travelers have a preference for hotels that are located near where they are conducting business, offer services and amenities related to conducting business and are affiliated with a recognizable and reliable brand name. We estimate that this segment will grow at 3.0 percent, or the general level of economic growth, in 2015 and for the remainder of our projection period.

We have induced a total of 3,000 commercial room nights in 2017 to account for the additional demand that will be accommodated with the addition of the subject property. We anticipate that with its newer facilities and anticipated positioning as a high-quality, full-service hotel within the lodging market, the subject will be able to attract additional demand to the market and/or satisfy previously unsatisfied demand.

Leisure Segment

The San Fernando Valley area historically does not attract a large amount of leisure demand but does offer a price-sensitive alternative to tourists visiting the greater Los Angeles area. Many tourist attractions within Los Angeles County, such as Universal Studios, Six Flags Magic Mountain in the Santa Clarita Valley, and the beaches of Malibu

and Santa Monica are within driving distance of Northridge. As Northridge is primarily characterized by single-family uses, visiting family and friends are also a source of leisure demand in the local lodging market. This market segment also includes residents of the San Fernando Valley requiring alternate lodging due to damage to their homes from storm conditions and other natural environmental patterns experienced in the greater Los Angeles area.

As outlined in the table on the previous page, the leisure segment represents the second largest demand source for the competitive supply, representing 20 percent of the total occupied rooms in 2014, or 131,600 room nights. This segment is expected to grow at the same level as the overall economy, or three percent in 2015 and beyond.

Group Segment

In 2014, the group segment accounted for approximately 104,400 room nights, or 16 percent of total demand. The group segment consists of self-contained groups that book hotel rooms in blocks of ten or greater. This segment is made up primarily of company seminars, regional association meetings and the like. Corporate groups hold annual meetings for the purposes of educating their members, promoting their products, or discussing legislation that may affect the organization. Social and SMERF (Social, Military, Educational, Religious, and Fraternal) group functions, sports groups, airline contract business, in addition to catering-based social group business, such as memorial services, wedding parties and anniversaries also contribute to this market segment.

We anticipate that this market segment will grow at 3.0 percent in 2015 and each year thereafter. We estimate that approximately 5,000 room nights of group demand will be introduced into the market with the introduction of the subject property.

Supply and Demand Growth

The competitive market ended 2010 at a historically low level of occupancy of 62 percent as the lodging market was coming out of the economic recession. As the economy and hotel industry began to recover, the competitive market achieved an occupancy level of approximately 65 percent in 2011, 69 percent in 2012, 75 percent in 2013, and 79 percent in 2014. Going forward, growth in supply is expected to remain flat until 2017, when the subject property enters the market. In 2014, we project market occupancy to remain at 79 percent. The following year, the market is estimated to decrease to 78 percent, reaching its stabilized level of occupancy.

Presented in the following table is the projected market performance for the overall market for the period 2015 to 2019. We have also provided the actual performance of the market in 2014 as a basis of comparison.

Proposed CSUN Hotel Competitive Market Estimated Future Growth in Lodging Supply and Demand 2014 - 2019						
	2014	2015	2016	2017	2018	2019
ROOMS SUPPLY	2,255					
Additions/(Deletions) to Supply						
Proposed CSUN Hotel				150		
Cumulative Rooms Supply	2,255	2,255	2,255	2,405	2,405	2,405
Total Annual Rooms Supply	823,075	823,075	823,075	877,825	877,825	877,825
Growth Over the Prior Year	0.0%	0.0%	0.0%	6.7%	0.0%	0.0%
DEMONSTRATED DEMAND IN BASE YR						
Commercial	417,127	64%				
Leisure	131,642	20%				
Group	104,351	16%				
TOTAL DEMONSTRATED DEMAND	653,120	100%				
INDUCED/(UNSATISFIED) DEMAND						
Commercial		0	0	3,000	0	0
Leisure		0	0	0	0	0
Group		0	0	5,000	0	0
TOTAL INDUCED/(UNSATISFIED) DEMAND		0	0	8,000	0	0
GROWTH RATES						
Commercial		3.0%	3.0%	3.0%	3.0%	3.0%
Leisure		3.0%	3.0%	3.0%	3.0%	3.0%
Group		3.0%	3.0%	3.0%	3.0%	3.0%
PROJECTED DEMAND						
Commercial						
Demonstrated	417,127	429,641	442,530	455,806	472,570	486,747
Induced/(Unsatisfied)	0	(14,360)	(32,506)	(20,617)	(37,273)	(51,450)
Total	417,100	415,300	410,000	435,200	435,300	435,300
Growth Over Prior Year	N/A	-0.4%	-1.3%	6.1%	0.0%	0.0%
Leisure						
Demonstrated	131,642	135,591	139,659	143,849	148,164	152,609
Induced/(Unsatisfied)	0	(4,532)	(10,259)	(7,453)	(11,686)	(16,131)
Total	131,600	131,100	129,400	136,400	136,500	136,500
Growth Over Prior Year	N/A	-0.4%	-1.3%	5.4%	0.1%	0.0%
Group						
Demonstrated	104,351	107,481	110,706	114,027	122,598	126,276
Induced/(Unsatisfied)	0	(3,592)	(8,132)	(908)	(9,670)	(13,348)
Total	104,400	103,900	102,600	113,100	112,900	112,900
Growth Over Prior Year	N/A	-0.5%	-1.3%	10.2%	-0.2%	0.0%
Total Market Demand	653,100	650,300	642,000	684,700	684,700	684,700
Growth Over Prior Year	N/A	-0.4%	-1.3%	6.7%	0.0%	0.0%
Market Occupancy	79%	79%	78%	78%	78%	78%
Source: PKF Consulting USA						

While the market may fluctuate above and below this number, we are of the opinion that an occupancy rate of 78 percent is appropriate for this particular market considering the supply and demand patterns, seasonality, and mix of business within the competitive market. This stabilized occupancy is in line with the average historical occupancy of the competitive market and the current market dynamics.

Projected Rate And Market Performance of the Competitive Supply

We have also estimated the average daily rate (ADR) of the competitive market based upon our analysis of the historical rates achieved, interviews with management of the competitive properties, the anticipated impact of the new supply entering the market, and the changing economic conditions.

As previously discussed, average daily rate for the competitive market has experienced four consecutive years of growth, ending 2014 with an average daily rate of \$132.93. We have estimated that the average daily rate of the competitive market will increase by 3.8 percent in 2015 to \$138.00 based upon a continued focus on rate increases. We estimate that from 2016 and thereafter, the market average daily rate will grow at the general level of inflation, or 3.0 percent, per year. The following table illustrates the projected average daily rate of the competitive market from 2015 through 2021.

Projected Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2015	823,075	0.0%	650,300	-0.4%	79%	\$138.00	3.8%	\$109.03	3.4%
2016	823,075	0.0	642,000	-1.3	78	142.00	2.9	110.76	1.6
2017	877,825	6.7	684,700	6.7	78	146.00	2.8	113.88	2.8
2018	877,825	0.0	684,700	0.0	78	151.00	3.4	117.78	3.4
2019	877,825	0.0	684,700	0.0	78	155.00	2.6	120.90	2.6
2020	877,825	0.0	684,700	0.0	78	160.00	3.2	124.80	3.2
2021	877,825	0.0	684,700	0.0	78	165.00	3.1	128.70	3.1
CAAG	1.1%		0.9%			3.0%		2.8%	

Source: PKF Consulting USA

ESTIMATED PERFORMANCE OF THE SUBJECT HOTEL

Build-Up Approach

In the build-up approach, the subject's future demand was derived by estimating the average daily rate and occupancy for each month of the year, then further separating monthly demand by weekend and weekday. The build-up approach is created by analyzing individual events and demand segments, then projecting expected room nights generated. In addition, we incorporated our knowledge of market mix, seasonality and booking patterns of the demand base, discussions with managers familiar with the area, and overall economic trends in the region.

Methodology

Under the building-up approach, the following steps were utilized in estimating the future demand of the subject property:

- Major segments of the subject’s market mix were identified;
- The anticipated demand patterns for weekdays and weekends for each month were analyzed;
- Demand interviews were performed in regards to University and non-University generated demand;
- The subject’s occupancy and average daily rate were estimated for each month of the year based upon the estimated market mix.

Furthermore, as a test of reasonableness, we have compared our rate and occupancy projections with the actual average daily rate and occupancies of similar properties located in the San Fernando Valley area. As mentioned before, this project is unique due to its affiliation with California State University, Northridge Campus. The development of a branded full-service hotel on the University campus would provide a self-contained niche of demand for the property, and the location of the property would benefit from proximate off-campus demand sources.

CSUN Demand Surveys

We attempted to quantify the room night demand and average daily rate for the proposed hotel through a distribution of demand surveys and discussions with representatives from the various departments on CSUN and proximate demand sources. However, of the 72 surveys disbursed, 37 surveys, or approximately 51 percent, were returned. Although there was inconclusive data to analyze individual events for each demand segment, we have estimated the demand generated by these programs and facilities into our analysis based upon the questionnaire results, as well as the interviews, and have adjusted the rate and occupancy estimates congruent to what the market would demand. Based on the survey responses and interviews, we have categorized demand into three segments: leisure, university transient, and university group.

Leisure – Leisure demand is associated with primarily single events, such as graduation and welcome ceremonies, and includes demand from visiting families and friends, in addition to demand from off-campus sources.

University Transient – University transient demand includes overnight stays for on-campus activities, such as seminars, continuing education, and recruitment. This also includes extended stays for visiting faculty, students, researchers, and consultants. University demand is typical of reoccurring events and activities that take place on campus. This demand is included within the our defined commercial demand segment below.

University Group – University group demand includes room night blocks for a group of people attending an on-campus event or programs, such as a conference, symposium, or international study abroad programs.

The following table illustrates the proposed demand by segment.

Total Projected Annual Demand by Segment Proposed CSUN Hotel						
	University Related		Outside Demand		Total Demand	
Leisure	1,628	4%	1,772	4%	3,400	8%
Commercial	15,850	37	15,350	36	31,200	73
Group	6,520	15	1,580	4	8,100	19
TOTAL	23,986	56%	18,714	44%	42,700	100%

Source: PKF Consulting

Estimated room nights on an annual basis for each demand segment are provided in further detail in the following table.

California State University, Northridge Estimated Room Nights by Demand Segment				
Event	Month	Rooms		Total Rooms
		Weekday	Weekend	
LEISURE				
Welcome Week	August	150	150	300
Commencement	May	300	150	450
Visiting Family and Friends	Aug-May	0	350	350
Alumni	Apr/May	16	16	32
Valley Performing Arts Center	Jul-May	396	100	496
Off-Campus Leisure Demand	Every	500	1,272	1,772
Total Leisure Demand				3,400
UNIVERSITY TRANSIENT				
Faculty Search/Applicant Interviews	Every	2,500	200	2,700
Continuing Education	Every	100	50	150
Visiting Students/Faculty	Jun-Nov	2,500	1,000	3,500
Visiting Researchers	Every	1,000	500	1,500
Visiting Consultants	Aug-May	500	0	500
Speaker Series	Aug-May	1,000	0	1,000
Symposium/Consortiums/Conferences	Aug-May	3,000	500	3,500
Other University Transient Demand	Every	2,500	500	3,000
Off-Campus Commercial Demand	Every	14,250	1,100	15,350
Total Commercial Demand				31,200
UNIVERSITY GROUP				
Sports Teams	Every	2,000	0	2,000
International Study Abroad Programs	Every	2,500	0	2,500
Other University Group Demand	Every	1,500	520	2,020
Off-Campus Group Demand	Every	1,580	0	1,580
Total Group Demand				8,100
TOTAL ROOM NIGHTS				42,700

Source: PKF Consulting

Penetration Analysis

An analytical tool, referred to as a penetration rate or fair share index, measures the relative share of rooms demand of a hotel. If the hotel is achieving its “fair market share,” the percent of demand that it is capturing is equal to the hotel’s percentage share of room supply – this would be expressed as a penetration rate of 100 percent. A property with competitive advantages would be expected to penetrate its market at a rate in excess of

100 percent, whereas a hotel with competitive disadvantages would be expected to achieve penetration levels lower than 100 percent.

Estimated occupancy levels for the subject have been projected on the basis of a market penetration analysis. Our analysis of the competitive hotels and how these hotels compare to the anticipated quality level of the subject support this method. Market penetration is defined as the actual capture of room demand in relation to the hotel's fair share of demand. Market penetration levels in excess of 100 percent of fair share suggest a hotel has competitive advantages, while competitive weaknesses or positioning strategies are reflected in market penetration levels of less than 100 percent of fair market share.

The actual penetration of each market segment by the subject property may deviate from fair market share for the following reasons:

- The competitive advantages or disadvantages of the subject, taking into consideration such factors as exclusivity, location, room rate structure, quality and extent of amenities offered, affiliation, quality of management, and marketing efforts and image (guest perception);
- The characteristics and composition of each market segment;
- The restraint on demand captured due to capacity constraints during certain periods of the week or season, or due to the accommodation requirements of certain market segments; and,
- Management decisions concerning target markets.

For the purpose of analyzing the subject's penetration within the competitive market, we have categorized the previously stated demand segments as follows: *University Transient* are now the *Commercial Market*; *Leisure* will remain the same; and *University Group* is now the *Group Market*.

Penetration of the Subject

Our estimates of the subject hotel's penetration by each segment of demand are presented in the paragraphs below. We have assumed a January 1, 2017 opening date. The following favorable factors have been considered to project the subject's penetration of the market:

- The subject's location on and affiliation with the campus of California State University, Northridge;
- The subject's location at the intersection of Nordhoff Street and Matador Way;
- The subject's positioning as a high-quality, full-service hotel; and,
- The subject's newer facilities and amenities relative to the competitive set.

Commercial Market Penetration

The subject is in a good position to capture commercial demand on both location and product-related factors. Commercial travelers in this market select hotel accommodations based on room and overall hotel amenities, location relative to their destination, and area amenities. The subject is located within the heart of the San Fernando Valley and will be well located to capture commercial demand from University-related sources, such as those visiting for the purposes of recruitment, meetings and conferences, industry professionals, and visiting performers, faculty, researchers, or consultants, as well as from proximate demand sources, such as the nearby Anheuser Busch Budweiser Brewery and Van Nuys Airport. Furthermore, the subject property will be able to capture the room nights generated by commercial entities looking to use the University's various meeting, sports, and teaching facilities that were previously unaccommodated due to lack of quality lodging accommodations in the local area.

Based on the foregoing factors, we anticipate the subject to obtain a 105 percent penetration of the commercial segment upon opening in 2017. We project the subject's penetration of this segment to increase to 110 percent in 2018, further increase to 115 percent in 2019, and stabilize at this level of penetration for the remainder of the projection period. We estimate that the hotel will attract more than its fair share of commercial overnight visitors to CSUN, which have historically utilized other hotels due to lack of quality neighborhood facilities.

Leisure Market Penetration

The properties in the competitive market attract leisure business which emanates primarily from travelers visiting the various Los Angeles County attractions, friends, and family. Similar to other hotels in the competitive market, the leisure demand segment tends to have strong weekend (Friday through Monday) travel patterns. Leisure business is somewhat seasonal, with increased leisure business in the summer months. Leisure travelers are concerned with the hotel's proximity to area leisure attractions. Room size is also an important consideration for the leisure traveler as it balances with the hotel's amenities and orientation.

Due to the subject's higher rated positioning and location further away from desirable amenities and area freeways relative to the hotels in the competitive set, we anticipate that the subject will underpenetrate the leisure segment on a stabilized basis and that leisure demand will be derived from visiting family and friends, alumni, and other off-campus demand. We have estimated a leisure penetration of 30 percent in 2017 and 35 percent in 2018. The subject's penetration of the leisure segment is estimated to increase to 40 percent in 2019 and stabilize at this level for the remainder of the projection period.

Group Market Penetration

Group demand consists of travelers who book blocks of rooms exceeding ten rooms per night. The purpose of the group traveler's visit is to meet with other members of a corporate, leisure, or association group to further the group's goals. These travelers often

require meeting space at the hotels in which they are staying. With approximately 5,000 square feet of meeting and event space, the subject property will offer more meeting space than all of the properties, except for the Courtyard Sherman Oaks, Hilton Woodland Hills, Warner Center Marriott, and the Airtel Plaza Hotel. Although there is meeting space available through the University Student Union, the subject will present itself as a viable option for the various departments to conduct their on-campus meetings and events, which include: symposiums and consortiums, conferences, staff retreats, continuing education meetings, receptions, recognition ceremonies, commencement events, board meetings, orientation, workshops, weekend seminars, mixer events, etc. The subject's function spaces would also be suitable for other community-related social events, such as weddings.

Based on the subject's facilities and location, we anticipate that the subject will achieve above its fair share of the group demand segment on a stabilized basis. We have estimated that the subject will penetrate the group market at 105 percent upon opening in 2017. The subject's penetration of this segment is estimated to increase to 110 percent in 2018 and further increase to 115 percent in 2019, stabilizing at this level each year thereafter.

Overall Market Penetration

The estimated stabilized market mix and penetration for the proposed 150-room CSUN hotel are presented in the following table.

Proposed CSUN Hotel			
Stabilized Mix of Demand and Market Penetration			
Market Segment	Room Nights	Ratio	Penetration
Commercial	31,200	73%	115%
Leisure	3,400	8	40
Group	8,100	19	115
Total	42,700	100%	100%

Source: PKF Consulting USA

Combining our estimates of the three penetration rates for the proposed hotel, we estimate that the subject property will achieve below its fair share of market demand upon its opening in 2017, with the penetration rate estimated at 90 percent. This equates to an occupancy level of 70 percent during its first year of operation. By the second year of operation, the subject's penetration rate is expected to increase to 95 percent of its fair share, equal to an occupancy of 74 percent in 2018. In 2019, the subject is projected to achieve 100 percent penetration as it reaches its stabilized occupancy of 78 percent. In consideration of the subject's location on the university campus, its own unique features, as well as its proximity to existing commercial and leisure demand generators, we are of the opinion that this projected level of occupancy is reasonable. The proposed subject hotel is expected to remain at this level of occupancy of 78 percent for the remainder of our projection period.

The following table sets forth projected penetration for the subject from 2017 through 2021.

Proposed CSUN Hotel Market Penetration and Projected Occupancy					
	2017	2018	2019	2020	2021
TOTAL ROOMS AVAILABLE					
Proposed CSUN Hotel	54,750	54,750	54,750	54,750	54,750
Competitive Market	877,825	877,825	877,825	877,825	877,825
	=====	=====	=====	=====	=====
Fair Share of Supply	6.2%	6.2%	6.2%	6.2%	6.2%
	=====	=====	=====	=====	=====
ESTIMATED TOTAL MARKET DEMAND					
Commercial	435,200	435,300	435,300	435,300	435,300
Leisure	136,400	136,500	136,500	136,500	136,500
Group	113,100	112,900	112,900	112,900	112,900
	-----	-----	-----	-----	-----
TOTAL	684,700	684,700	684,700	684,700	684,700
	-----	-----	-----	-----	-----
FAIR SHARE OF DEMAND					
Commercial	27,100	27,100	27,100	27,100	27,100
Leisure	8,500	8,500	8,500	8,500	8,500
Group	7,100	7,000	7,000	7,000	7,000
	-----	-----	-----	-----	-----
TOTAL	42,700	42,600	42,600	42,600	42,600
	-----	-----	-----	-----	-----
SUBJECT PENETRATION					
Commercial	105%	110%	115%	115%	115%
Leisure	30%	35%	40%	40%	40%
Group	105%	110%	115%	115%	115%
	-----	-----	-----	-----	-----
ROOM NIGHTS CAPTURED					
Commercial	28,500	29,900	31,200	31,200	31,200
Leisure	2,600	3,000	3,400	3,400	3,400
Group	7,400	7,700	8,100	8,100	8,100
	-----	-----	-----	-----	-----
TOTAL CAPTURED DEMAND	38,500	40,600	42,700	42,700	42,700
	=====	=====	=====	=====	=====
MARKET SHARE CAPTURED	5.6%	5.9%	6.2%	6.2%	6.2%
OVERALL MARKET PENETRATION	90%	95%	100%	100%	100%
	-----	-----	-----	-----	-----
SUBJECT OCCUPANCY	70%	74%	78%	78%	78%
	-----	-----	-----	-----	-----
MARKET MIX					
Commercial	74%	74%	73%	73%	73%
Leisure	7%	7%	8%	8%	8%
Group	19%	19%	19%	19%	19%
	-----	-----	-----	-----	-----
TOTAL	100%	100%	100%	100%	100%
	=====	=====	=====	=====	=====
Source: PKF Consulting USA					

Average Daily Rate and Yield for the Subject

Our derivation of the average daily rate for the subject property in a stabilized year of operation is based on the historical average daily rates achieved by the market and information concerning the other hotel properties in the competitive supply. Considerations were also given to the comparison of the other competitive properties with the subjects in terms of quality of facility, location, and mix of demand. Overall, the subject hotel's primary strengths are considered to be the following:

- The subject will be the newest property upon opening;
- The subject will be well-located in the San Fernando Valley area, given the numerous existing commercial and leisure demand generators located within the immediate area; and,
- The subject will be developed as a high-quality, full-service hotel.

The demand surveys indicated that rates typically paid by visitors to CSUN range from a low of approximately \$75.00 per night for the price-conscious visitor to possibly higher than \$150.00 per night during peak periods. As a state-owned entity, various departments within CSUN have negotiate contracted rates with nearby hotels, although the surveys indicate that many are willing to pay a \$10.00 to \$25.00 premium per night for the convenience of being on campus.

In consideration of the proposed amenities and facilities of the subject, rates currently being achieved by hotels in the competitive set, as well as the subject's expected full-service positioning in the market, we have estimated that the subject will achieve an opening average daily rate of \$154.00 in 2017. This opening rate equates to a stabilized average daily room rate of \$145.00, stated in 2015 dollars. We find this rate reasonable, placing the subject approximately \$7.00 above the competitive market average but within the range of other high-quality, full-service properties in the competitive set, similar Southern California markets, and throughout the nation. Beginning in 2018 and each year thereafter, the subject's average daily rate is projected to grow at inflationary rates, or three percent per year. The following table outlines our estimates of average daily rate and the resulting revenue yield for the subject. It should be noted that figures are rounded to the nearest dollar amounts.

Projected Market Performance of the Subject Hotel											
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Average Daily Rate	Percent Change	REVPAR	Percent Change	Market Penetration	Revenue Yield
2017	54,750	N/A	38,500	N/A	70%	\$154.00	N/A	\$108.29	N/A	90%	95%
2018	54,750	0.0%	40,600	5.5%	74	158.00	3.0%	117.17	8.2%	95	99
2019	54,750	0.0	42,700	5.2	78	163.00	3.0	127.13	8.5	100	105
2020	54,750	0.0	42,700	0.0	78	168.00	3.0	131.02	3.1	100	105
2021	54,750	0.0	42,700	0.0	78	173.00	3.0	134.92	3.0	100	105
CAAG	0.0%		2.6%			3.0%		5.7%			

Source: PKF Consulting USA

As can be seen in the table above, we estimate that the subject hotel's occupancy will increase from 70 percent in 2017 to 78 percent in 2019, when it will stabilize for the remainder of the projection period. Average daily rate is estimated to increase at a compound average annual rate of 3.0 percent for the same period. Increases in average daily rate and occupancy are estimated to yield a compound average annual increase in RevPAR of 5.7 percent through 2021. Market penetration is estimated to be 90 percent upon entering the market and increasing to a stabilized 100 percent by the third year of operation. Revenue yield for the subject, a function of the subject property's RevPAR compared to that of the competitive market, is expected to reach a stabilized 105 percent in 2021.

Section V
FACILITIES RECOMMENDATIONS

FACILITIES RECOMMENDATIONS

COMPARABLE UNIVERSITY HOTELS

We have identified four university hotels throughout the United States, as representative of the general range of hotels located either on or proximate to university campuses. Taken on the whole, this group of four properties can be considered generally comparable to the facility proposed for CSUN, based on their proximity to university, facilities, and demand sources. Our recommendations for the proposed hotel's facilities are based, in part, on these comparable properties. The selected properties range in size from 85 to 307 rooms. Meeting space at each property ranged from 3,000 to 12,800 square feet. The properties and their respective universities are identified and described in the following pages.

Comparable University Hotel One Marriott Fullerton



Name:	Marriott Fullerton	 CALIFORNIA STATE UNIVERSITY FULLERTON
Location:	2701 Nutwood Avenue Fullerton, California 92831	
Number of Rooms:	224	
Orientation:	Full-Service	
Year of Construction:	1989	
Affiliated University:	California State University, Fullerton	
Number of Students:	38,325 (2013)	

The 224-room, six-story full-service Marriott at California State University, Fullerton was built in 1989. The property offers nine meeting rooms totaling 5,730 square feet of meeting space. The Grand Ballroom totals 2,816 square feet and can accommodate up to 320 people. The meeting space can also be configured to accommodate seven breakout rooms. Other facilities and amenities available at this property include: HA’ PENNY PUB, a three-meal restaurant, concierge desk, fitness center, outdoor pool and whirlpool, and a business center.

Guestroom amenities include: 37” flat screen television with premium cable channels and pay-per-view movies; two telephones with voicemail; work desk with ergonomic chair; alarm clock; coffee maker; marble bathroom; hair dryer; Bath and Body Works bathroom amenities; and in-room dining.

**Comparable University Hotel Number Two
Kellogg West Conference Center & Hotel**



Name:	Kellogg West Conference Center & Hotel	
Location:	3801 West Temple Avenue, Building 76 Pomona, California 91768	
Number of Rooms:	85	
Orientation:	Full-Service	
Year of Construction:	1971	
Affiliated University:	California State Polytechnic University, Pomona	
Number of Students:	23,966 (2014)	

The 85-room, full-service Kellogg West Conference Center & Hotel at California State Polytechnic University, Pomona was built in 1971. The property offers approximately 12,800 square feet of meeting space with the capacity to host up to 300 people. The meeting space can be configured into 19 separate conference rooms. The largest room measures 3,800 square feet in size for a 250-seat dining room. The property includes: a complimentary hot breakfast buffet, a fitness center, and outdoor pool and whirlpool.

Guestroom amenities include: a complimentary hot breakfast buffet; daily newspaper; in-room refrigerators; coffee makers; flat-screen HD television; complimentary high speed wireless internet access; iron and ironing board; hair dryer; and work desk.

Comparable University Hotel Number Three The Study @ Yale



Name:	The Study @ Yale
Location:	1157 Chapel Street New Haven, Connecticut 06511
Number of Rooms:	124
Orientation:	Full-Service
Year of Construction:	1970
Affiliated University:	Yale University
Number of Students:	12,336 (2014)



The 124-room The Study @ Yale Hotel was built in 1970. The property offers approximately 3,000 square feet of meeting space, which can be configured into a divisible ballroom, boardroom, and meeting room. This property also offers a 1,200 square foot Penthouse Lounge for small receptions and cocktail parties. The property also features the three-meal Heirloom Restaurant & Lounge, which provides in-room dining for guests. Other amenities include a 24-hour café lobby, living room, business station, fitness center, and complimentary wireless internet access throughout the hotel.

Guestroom amenities include: a 37" flat-screen television with premium cable channels; two multi-line telephones with voicemail; iPod alarm clock; in-room safe; marble bathrooms; Frette linens; robes; and in-room dining.

Comparable University Hotel Number Four Nashville Marriott at Vanderbilt University



Name:	Nashville Marriott at Vanderbilt University
Location:	2201 West End Avenue Nashville, Tennessee 37235
Number of Rooms:	307
Orientation:	Full-Service
Year of Construction:	2001
Affiliated University:	Vanderbilt University
Number of Students:	12,725 (2014)



VANDERBILT
UNIVERSITY

The 307-room Nashville Marriott Hotel was built in 2001. The property offers approximately 11,000 square feet of meeting space, which can be configured into 11 meeting rooms. The largest room is the Parthenon Ballroom, measuring at 4,700 square feet. This property offers a hot breakfast buffet, as well as the Park25 Bistro (lunch and dinner only). Other amenities at this property include an indoor swimming pool, fitness center, and free shuttle service to downtown Nashville attractions.

Guestroom amenities include: a 32" flat-screen television with premium cable channels and pay-per-view movies; two dual-line telephones with voicemail; radio alarm clock; marble bathroom; double vanities; Bath and Body Work bath amenities; hair dryer; chair with ottoman; desk with ergonomic chair; iron and ironing board; coffee maker; and in-room dining.

BASIS FOR ANALYSIS

We have reviewed the available development options for the subject site relative to our site analysis and analyzed the overall West San Fernando Valley lodging market. Based on our interviews and market research, we found support for one 150-room high-quality, full-service hotel with meeting space and ancillary facilities featuring modern guestrooms and amenities suitable for accommodating guests. These rooms will cater to both short and long term guests, such as the visiting professionals, faculty recruits, consultants, researchers, and visiting family who are seeking comfortable, modern hotel accommodations during their visit to the CSUN campus. The proposed full-service hotel should include dining, business services, a fitness center, and functional meeting space designed to serve varying capacities and purposes.

Based on our analysis of the site, comparable university hotels, and the competitive lodging properties, as well as our interviews with university representatives, planning officials, and representatives of potential demand generators for the proposed subject hotel, we have developed recommendations as to the facilities program of the hotel. The following provides a general scope of facilities that should be considered for the subject.

Overall Quality Level

The proposed development at CSUN should be positioned as a full-service, high-quality university hotel with meeting facilities. The subject hotel should include modern amenities suitable for accommodating a range of guests, and should include dining, business services, and functional meeting space designed to serve varying capacities and purposes. The subject will be competing on the local level with the twelve full-service, extended-stay, select-service, and limited-service hotels in the West San Fernando Valley. To appropriately position the subject within the competitive market, the hotel's overall quality level should be above a majority of the competitive properties.

Based on our analysis of university demand, other sources of demand, and comparable projects, we recommend a high-quality, full-service hotel with complementing amenities and ancillary facilities. As is the standard with other full-service hotels, the subject hotel should offer room amenities such as two-line telephones, coffee makers, irons and ironing boards, data ports, wireless high speed internet access, alarm clock radios, and cable television with pay-per-view movies and games. The proposed hotel should incorporate complementary aesthetics, both in architecture and interior design.

Brand Recommendation

The demand for the subject hotel is anticipated to come primarily from the University; this includes academic, sports teams, alumni, and other. CSUN has access to communication and advertising channels to this captive audience. Based on the market in which the property will operate, it is recommended that the hotel align itself with a brand that will offer competitive assets such as a reservations system and international sales in order to compete in the greater San Fernando Valley and Los Angeles County market. As previously

noted, the subject hotel will be competing on the local level with twelve hotels located in the West San Fernando Valley. These hotels include full-service, extended-stay, select-service, and limited-service properties and are all considered to be of average to good quality. All but one of the hotels in the competitive are brand name hotels. The brand should reflect a widely recognized chain flag to better serve the diverse market.

Based on the findings of our interviews with CSUN representatives, the existing facilities within the market, and the subject’s location on campus, it is our opinion that the proposed development should be positioned as a high-quality, branded, full-service hotel. A full-service hotel is characterized by extensive facilities, amenities, and guest services. Examples of high-quality, full-service brands include: Sheraton, Hyatt, Crowne Plaza, Renaissance by Marriott, Marriott, and Hilton and Doubletree.

We have reviewed both branded and unbranded properties and placed the subject’s demand and positioning in this context. While a brand creates a larger distribution channel and more marketing power, it comes at a fairly significant cost, including franchise fees, marketing assessment, reservation fees, and other expenses. However, brand recognition may prove valuable for visitors unfamiliar with the Northridge neighborhood. The overall benefits of a branded hotel on the property should be given significant consideration.

For the purposes of this analysis, we have assumed that the property will be affiliated with a nationally recognized brand and managed by a third party operator. We are not aware of who the operator will be but have assumed a management team familiar with the operation of a high-quality, full-service hotel. As such, the property will be subject to a franchise fee and a management fee.

Guest Rooms

Based on our market research, we found support for 150 rooms. With a count of 150 rooms, the subject hotel will be well-positioned to capture an appropriate and diverse mix of demand across all segments. Of this total, we recommend a standard guestrooms with king and double queen beds, as well as suites. We recommend a mix of 40 percent double queen rooms, 55 percent king guest rooms, and 5 percent suites.

Proposed CSUN Hotel		
Room Types		
	No. of Rooms	Room Mix
Queen/Queen	60	40%
King	83	55
Suite	7	5
Total	150	
Source: PKF Consulting		

Individual guest units should offer either king-size beds or two queen beds in approximately 360 square feet of guestroom space. We recommend that the guest rooms contain a 40” or larger flat-screen, remote-controlled television with cable channels and on-command movie options; work desks with ergonomic seating and functional work lighting;

two-line telephones with data ports and voice mail; shower with water massage and curved shower rods; iron and ironing board; coffee maker; hairdryer; complimentary daily newspaper; and other amenities consistent with a high-quality, full-service hotel. The suites should be larger in size, approximately 480 to 600 square feet, and offer separate sitting and sleeping areas.

Food and Beverage

The proposed hotel should provide a three-meal food and beverage establishment, as well as a bar with a lounge area, 24-hour room service, and catering services. Due to lack of quality restaurants in the area, the subject presents a unique opportunity to capture additional food and beverage revenue. The subject should offer a sophisticated restaurant facility to accommodate hotel guests, as well as local patrons within the community. An upscale dining option would attract additional publicity for the hotel and would be well positioned to capture demand generated by guests of the hotel, visitors to the Valley Performing Arts Center, as well as by local Northridge residents. Back of the house production areas would service all food and beverage services, including meeting and banquet rooms. The cocktail lounge/bar should provide comfortable seating with the availability of morning beverages as well as evening cocktails. The style of facility should be equipped with a lounge area featuring wireless capabilities similar to a coffee shop so that guests can utilize the space for various meeting-related needs.

Meeting Space

We recommend the subject provide a main ballroom and breakout rooms to accommodate small to large functions for the various types of University faculty and student meetings, as well as conferences and symposiums. The subject should offer approximately 5,000 square feet of meeting space, which should include four to five breakout rooms, a boardroom, and a 2,500 square foot ballroom with the flexibility to be divided into separate spaces. All available meeting space should be equipped with wireless Internet access, independently controlled lighting and a good quality sound system.

Guest Services

Guest services and amenities should also include a pantry/sundry shop, guest laundry and valet service, fitness facility, high-speed wireless Internet access in public areas, and a business center. The fitness facility in the hotel should be 600 to 1,000 square feet and provide treadmill, elliptical, bike, and limited weights. The proposed hotel should also consider providing pool and whirlpool facilities.

FACILITY CONCLUSIONS

These facilities and amenities should be considered to optimize the market position and performance of the proposed hotel. The subject hotel will be the only property on campus, well-positioned relative to the branded hotels in the competitive market, and accommodate the hotel and meeting space needs of the various departments, faculty, students, and visitors. With its convenient location, as well as its proximity to academic facilities on

campus, the property should have the proper facilities and location to service the needs of the corporate, group and leisure market segments. Our market projections assume these abovementioned facilities, amenities, and services will be included.

Section VI

ESTIMATED ANNUAL OPERATING RESULTS

ESTIMATED ANNUAL OPERATING RESULTS

BASIS OF PROJECTIONS

To prepare estimates of future operating results for the proposed 150-room subject hotel, the starting point or basis is the best estimate of results that could be achieved with good management in a representative year or stabilized market, calculated in 2015 dollars.

We estimate that during a representative year, the subject property could achieve a stabilized occupancy of 78 percent at an average daily room rate of \$145.00 stated in 2015 dollars. From this base, we considered the effects of inflation, additional development and occupancy levels for a ten-year operating period, from January 2017 through December 2026. The underlying rationale and assumptions used in preparing these estimates are presented in this section.

The estimates of revenues, costs and expenses are based on the proposed facilities and services and the operational characteristics thereof. The basis for our projections is the operating results of upscale hotel properties with similar characteristics that are believed to operate with efficient management and proper control over costs and expenses.

STATEMENT OF ESTIMATED ANNUAL OPERATING RESULTS

The *Uniform System of Accounts for Hotels*, recommended by the American Hotel and Motel Association and utilized throughout the industry, has been used in the classification of income and expenses for this report. In conformity with this system of account classifications, only direct operating expenses are charged to the operating departments of the subject. The general overhead items that are applicable to operations as a whole are classified as deductions from income and include administrative and general expenses, marketing expenses, utility costs, and property operations and maintenance. Additional costs for management fees, fixed charges, which include real estate taxes and insurance, and reserves for replacement are deducted to derive at the net operating income.

Income and Expense Estimates

Data from the following sources have been used as a basis for the income and expense estimates.

- The market performance (average daily rate and occupancy levels) of the competitive hotels to the subject; and,
- Comparable data from five hotels with similar average daily rate, occupancy, size, and market positioning from PKF Consulting's *Trends in the Hotel Industry* survey (referred to as Comparables "A", "B", "C", "D", and "E".)

Operating Statistics of Comparable Hotels

An analysis was performed on the operating results of five hotels, three of which are located in Los Angeles County and two of which are university campus hotels. All are considered to be comparable with the proposed subject property due to either their location, size, or market orientation. The comparable properties range in size from 195 rooms to 392 rooms, with an average room count of 263 rooms. Occupancies for the comparable hotels ranged from 68.6 percent to 91.1 percent, and ADRs ranged from \$125.74 to \$158.39. Together, these hotel had a composite occupancy of 80.1 percent and an average daily rate of \$134.51. The statistical information is taken from actual financials for the comparable hotels for the most recent calendar year available. For reasons of confidentiality, we cannot disclose the identity of the comparable hotels.

The following pages contain the operating results of the comparable hotels as mentioned above.

Proposed CSUN Hotel									
Operating Results of Comparable Hotels									
	Hotel A			Hotel B			Hotel C		
	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.
Revenues									
Rooms	77.6%	\$36,315	\$131.64	66.4%	\$43,158	\$129.84	81.1%	\$51,438	\$158.39
Food & Beverage	15.9%	7,464	27.06	32.3%	20,964	63.07	11.0%	7,009	21.58
Other Operated Departments	6.5%	3,023	10.96	1.3%	868	2.61	7.9%	4,985	15.35
Total Revenues	100.0%	46,802	169.65	100.0%	64,991	195.53	100.0%	63,432	195.33
Departmental Expenses									
Rooms	26.9%	9,757	35.37	21.5%	9,283	27.93	14.2%	7,283	22.43
Food & Beverage	93.9%	7,006	25.40	57.6%	12,070	36.31	74.8%	5,245	16.15
Other Operated Departments	59.8%	1,808	6.55	80.3%	697	2.10	35.0%	1,746	5.38
Total Departmental Expenses	39.7%	18,570	67.32	33.9%	22,050	66.34	22.5%	14,274	43.95
Departmental Profit	60.3%	28,232	102.34	66.1%	42,941	129.19	77.5%	49,158	151.37
Undistributed Expenses									
Administrative & General	10.1%	4,738	17.18	8.5%	5,519	16.60	5.2%	3,269	10.07
Marketing	11.9%	5,554	20.13	13.2%	8,583	25.82	13.7%	8,670	26.70
Property Operation and Maintenance	6.1%	2,838	10.29	3.9%	2,530	7.61	2.7%	1,702	5.24
Utility Costs	4.8%	2,256	8.18	3.4%	2,197	6.61	2.8%	1,764	5.43
Total Undistributed Operating Expenses	32.9%	15,386	55.78	29.0%	18,828	56.65	24.3%	15,405	47.44
Gross Operating Profit	27.4%	12,845	46.56	37.1%	24,112	72.54	53.2%	33,753	103.94
Base Management Fee	3.0%	1,401	5.08	2.1%	1,365	4.11	3.0%	1,902	5.86
Fixed Expenses									
Property Taxes	1.9%	869	3.15	2.9%	1,893	5.70	4.1%	2,631	8.10
Insurance	4.5%	2,123	7.70	1.2%	767	2.31	0.2%	157	0.48
Total Fixed Expenses	6.4%	2,992	10.85	4.1%	2,660	8.00	4.4%	2,788	8.59
Net Operating Income Before Reserve	18.1%	8,452	30.64	30.9%	20,087	60.43	45.8%	29,063	89.49
Source: PKF Consulting									

Proposed CSUN Hotel									
Operating Results of Comparable Hotels									
	Hotel D			Hotel E			Weighted Average		
	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.
Revenues									
Rooms	69.2%	\$31,491	\$125.74	80.2%	\$43,873	\$133.29	74.4%	\$39,327	\$134.51
Food & Beverage	28.7%	13,081	52.23	18.5%	10,134	30.79	21.9%	11,557	39.53
Other Operated Departments	2.1%	941	3.76	1.2%	668	2.03	3.8%	2,002	6.85
Total Revenues	100.0%	45,513	181.73	100.0%	54,675	166.11	100.0%	52,886	180.88
Departmental Expenses									
Rooms	23.2%	7,292	29.12	21.6%	9,478	28.79	21.7%	8,541	29.21
Food & Beverage	56.4%	7,382	29.48	78.0%	7,905	24.02	67.3%	7,775	26.59
Other Operated Departments	41.6%	392	1.56	48.9%	327	0.99	48.9%	980	3.35
Total Departmental Expenses	33.1%	15,066	60.16	32.4%	17,709	53.80	32.7%	17,296	59.16
Departmental Profit	66.9%	30,447	121.58	67.6%	36,966	112.31	67.3%	35,590	121.72
Undistributed Expenses									
Administrative & General	8.9%	4,034	16.11	10.5%	5,754	17.48	8.7%	4,586	15.69
Marketing	14.6%	6,638	26.50	13.4%	7,333	22.28	13.4%	7,076	24.20
Property Operation and Maintenance	4.0%	1,802	7.19	5.3%	2,923	8.88	4.4%	2,327	7.96
Utility Costs	3.3%	1,501	5.99	2.6%	1,424	4.33	3.4%	1,822	6.23
Total Undistributed Operating Expenses	30.7%	13,974	55.80	31.9%	17,434	52.97	29.9%	15,812	54.08
Gross Operating Profit	36.2%	16,474	65.78	35.7%	19,532	59.34	37.4%	19,778	67.65
Base Management Fee	5.0%	2,276	9.09	2.0%	1,093	3.32	3.2%	1,683	5.76
Fixed Expenses									
Property Taxes	2.4%	1,106	4.42	3.6%	1,980	6.01	2.9%	1,528	5.23
Insurance	1.2%	524	2.09	1.1%	613	1.86	1.7%	917	3.13
Total Fixed Expenses	3.6%	1,630	6.51	4.7%	2,593	7.88	4.6%	2,445	8.36
Net Operating Income Before Reserve	27.6%	12,568	50.18	29.0%	15,845	48.14	29.6%	15,651	53.53
Source: PKF Consulting									

STABILIZED YEAR ESTIMATE

As indicated previously, we have estimated the performance of the 150-room subject hotel for a stabilized year of operation. This estimate is primarily based on our review of the performance of other comparable hotels, our analysis of University demand, as well as the recommended facilities program as presented in this report. The support for our stabilized year estimate is detailed in the following paragraphs, and is stated in calendar year 2015 dollars.

Departmental Revenues and Expenses

In the *Uniform System of Accounts for Hotels*, revenues to the facility are categorized by the department from which they are derived. In the case of the subject, these include income from rooms, food and beverage, spa, other operated departments, and rentals and other income. In the *Uniform System of Accounts for Hotels*, only direct operating expenses associated with each department are charged to the operating departments. General overhead items, which are applicable to the overall operation of the facility, are classified as undistributed operating expenses.

Direct or departmental revenues and expenses, which typically vary with occupancy, are generally analyzed on a per occupied room (POR) or ratio basis, while undistributed expenses, which are more fixed in nature, are typically analyzed on a per available room (PAR) basis.

Room Revenue and Expense

Room revenue is based on the number of occupied rooms multiplied by the ADR for each respective year as presented in this report. As indicated in our previous analyses, we estimated that the stabilized occupancy rate of the subject would be 78 percent, with an ADR of \$145.00 (expressed in 2015 dollars). This is summarized as follows.

$$\boxed{150 \text{ rooms} \times 365 \text{ days} \times 78\% \text{ occupancy} \times \$145.00/\text{day} = \$6,192,000 \text{ (rounded)}}$$

The following is a table illustrating average daily rate, annual occupancy and annual rooms revenue commencing January 1, 2017 (date of opening).

Year	Estimated Rooms Revenue		
	Average Daily Rate	Annual Occupancy	Rooms Revenue
2017	\$154.00	70.0%	\$5,903,000
2018	158.00	74.0	6,402,000
2019	163.00	78.0	6,962,000
2020	168.00	78.0	7,175,000
2021	173.00	78.0	7,389,000
2022	178.00	78.0	7,602,000
2023	184.00	78.0	7,859,000
2024	189.00	78.0	8,072,000
2025	195.00	78.0	8,328,000
2026	201.00	78.0	8,585,000

Room expense consists of salaries and wages, employee benefits, commissions, contract cleaning, guest transportation, laundry and dry cleaning, linen, operating supplies, reservation costs, uniforms, contract services, and other items related to the rooms department.

The comparable hotels had rooms expenses ranging from \$22.43 to \$35.37 per occupied room (POR), with ratios to rooms revenue ranging from 14.2 percent to 26.9 percent. In a representative year, we estimate a rooms expense of \$28.00 per occupied room, or a ratio to rooms revenue of 19.3 percent. This incorporates the projected services and amenities at the property and is within the range of comparables on a per occupied room basis and is in-line with industry standards on a ratio basis for a full-service hotel.

Rooms Expense		
<u>Comparables</u>	Per Occupied Room	Ratio to Rms Revenue
A	\$35.37	26.9%
B	27.93	21.5%
C	22.43	14.2%
D	29.12	23.2%
E	28.79	21.6%
Weighted Average	29.21	21.7%
Subject Stabilized Year	\$28.00	19.3%

Food and Beverage Revenue and Expense

Food and beverage revenue is generated by the sale of meals to both hotel guests and also outside patrons in the food and beverage outlets, the sale of soft drinks, liquor, and wine in the restaurants and lounge, room service, and other associated revenues. Food and beverage revenue will vary depending on the number of food and beverage outlets, and the amount of meeting space.

The subject hotel is anticipated to capture food and beverage revenue from the three-meal restaurant, lobby bar and lounge, in-room dining, as well as 5,000 square feet of meeting space. The subject is expected to capture food revenue from transient guests, as well as banquet and catering events, such as University symposiums, local association meetings, and corporate meetings. Furthermore, due to lack of quality dining options in the immediate area, the subject presents an opportunity to capture additional food and beverage revenue from local citizens, as well as visitors to the Valley Performing Arts Center. This is anticipated due to the location within the University and results from our demand interviews.

In determining the food and beverage revenues for the subject we have evaluated the recommended food and beverage outlet facilities at the subject property and reviewed the historical performance of establishments with similar food and beverage operations from the comparable properties. The following are food and beverage revenues from the comparable properties, both total amount and per occupied room basis.

Food & Beverage Revenue		
Comparables	Total Amount	Per Occupied Room
A	\$2,433,310	\$27.06
B	4,255,719	63.07
C	1,366,661	21.58
D	5,127,649	52.23
E	2,036,842	30.79
Weighted Average	N/A	39.53
Subject Stabilized Year	\$3,203,000	\$75.00

The comparable hotels range from \$27.06 to \$63.07 per occupied room in food and beverage revenue. The amounts vary widely based on the facilities available at each property and their quality levels. Based on our assumptions of the subject property's facilities relative to the comparable properties and the subject's food and beverage opportunities, given its location in an underserved area, we estimate a food and beverage revenue of \$75.00 per occupied room in a representative year, which equates to an annual food and beverage revenue of \$3,203,000. We find this reasonable for the subject based on its 5,000 square feet of meeting space, room service, a three-meal restaurant, and lobby lounge and bar.

Food and Beverage expense includes the cost of food and beverages, payroll and related expenses, and other items such as laundry, linen, china, glassware, silverware, uniform costs, supplies, and other miscellaneous items.

The food and beverage expenses at the comparable properties ranged from 56.4 percent to 93.9 percent of departmental revenues. We have estimated the subject's food and beverage expenses to be 75.0 percent of food and beverage revenues in a representative year. This incorporates the University's purchasing power, type of food and beverage, and level of expected catering/banquet demand. The projected numbers for the CSUN hotel are within the range of comparables and well within industry averages. We believe this is reasonable given the Los Angeles labor market and the revenues projected relative to the specific facilities.

Food & Beverage Expense	
Comparables	Ratio to F&B Rev.
A	93.9%
B	57.6%
C	74.8%
D	56.4%
E	78.0%
Weighted Average	67.3%
Subject Stabilized Year	75.0%

Other Operated Departments Revenue and Expense

Other Operated Departments can vary significantly among the comparable properties and the subject depending on the nature of the additional revenue generators. Other operated

department revenue is typically generated from the use of telephones and internet connections within guestrooms, guest laundry, business center, and/or other recreational amenities. Other operated departments at the subject property include revenue from telecommunications, in-room entertainment, business services, laundry services, wireless internet, the sundry store, parking, and other miscellaneous services. This line item also includes Rentals & Other Income, which generally reflects the net revenues associated with the rental of concessions, commissions, cash discounts earned, forfeited advance deposits, service charges, interest income and other.

Other operated departments revenue at the comparable hotels ranged from \$2.03 to \$15.35 per occupied room. Based upon the various components of this line item, we have estimated the income for the subject to be approximately \$10.00 per occupied room in a representative year of operations, which reflects the income generated from the abovementioned services.

Other Operated Departments Revenue	
	Per Occupied Room
<u>Comparables</u>	
A	\$10.96
B	2.61
C	15.35
D	3.76
E	2.03
Weighted Average	6.85
Subject Stabilized Year	\$10.00

Other Operated Department Expenses include cost of calls, operation of the telephone switchboard and internet connection, telephone and internet service charges, payroll costs, employee benefits, and other operating supplies of such other operated departments.

The comparables' other operating expenses ranged from 35.0 percent to 80.3 percent on an expense to revenue ratio. For a representative year of operations, we have estimated expenses to be approximately 55.0 percent of revenues, which is within the range of the comparables' performance and in line with industry standards on a ratio basis for a full-service property.

Other Operated Departments Expense	
	Ratio to O.O.D. Rev.
<u>Comparables</u>	
A	59.8%
B	80.3%
C	35.0%
D	41.6%
E	48.9%
Weighted Average	48.9%
Subject Stabilized Year	55.0%

Undistributed Operating Expenses

Undistributed Operating Expenses are operating expenses that are not chargeable to a particular operating department and are presented as undistributed operating expenses, in accordance with the *Uniform System of Accounts for the Lodging Industry*. These expenses include administrative and general, marketing, property operations and maintenance, and energy and utilities. These expenses are relatively unaffected by fluctuations in occupancies and ADR. Excluding management fees, which are a fixed percentage based on a contract agreement and market parameters, these expenses are analyzed primarily on a dollar amount per available room (PAR) basis.

Administrative and General

This category includes the salary and wages of the general manager and administrative staff; cash overages and shortages; credit card commissions; bad debt expense; security; data processing costs; accounting payroll expense; and professional fees. Administrative and general expenses at the comparables range from \$3,269 to \$5,754 per available room (PAR) and an expense ratio of total revenue ranging from 5.2 percent to 10.5 percent. We have estimated administrative and general expenses for the subject property to be \$4,800 per available room, or 7.3 percent of the total revenue. This estimate is within the range of the comparables on a per available room and ratio to total revenues basis.

Administrative and General		
	Per Available Room	Ratio to Total Rev.
<u>Comparables</u>		
A	\$4,738	10.1%
B	5,519	8.5%
C	3,269	5.2%
D	4,034	8.9%
E	5,754	10.5%
Weighted Average	4,586	8.7%
Subject Stabilized Year	\$4,800	7.3%

Marketing

This expense includes franchise fees, the cost of advertising, printing of brochures, salary associated with sales and marketing personnel, and other costs associated with an ongoing sales and promotion program. Marketing expenses for the comparables ranged from \$5,554 to \$8,670 per available room. The amount spent on marketing depends on the location, reputation, and brand association of the property. Assuming a branded property, we have estimated an expense of approximately \$7,000 per available room, which is 10.7 percent of total revenues. While we believe the University will generate a majority of demand for the hotel from referrals, we believe the estimate for marketing expense is reasonable for a branded property located within a University campus as it takes into account all franchise and marketing fees associated with a nationally recognized brand.

Marketing		
	Per Available Room	Ratio to Total Rev.
<u>Comparables</u>		
A	\$5,554	11.9%
B	8,583	13.2%
C	8,670	13.7%
D	6,638	14.6%
E	7,333	13.4%
Weighted Average	7,076	13.4%
Subject Stabilized Year	\$7,000	10.7%

Property Operations and Maintenance

Property operations and maintenance expenses are a function of building age and usage. This category includes the engineering salaries, wages and benefits, maintenance of the building, grounds and landscape, electrical and mechanical equipment, engineering, refrigeration, operating supplies, cleaning, waste removal and uniforms.

The comparable hotels posted expenses ranging from \$1,702 to \$2,923 per available room. Property operations and maintenance expenditures for the subject are estimated to be approximately \$2,100 per available room a representative year, which is 3.2 percent of revenues and is in-line with the range of comparable properties on a per available room and ratio to total revenues basis.

Property Operation and Maintenance		
	Per Available Room	Ratio to Total Rev.
<u>Comparables</u>		
A	\$2,838	6.1%
B	2,530	3.9%
C	1,702	2.7%
D	1,802	4.0%
E	2,923	5.3%
Weighted Average	2,327	4.4%
Subject Stabilized Year	\$2,100	3.2%

Utility Costs

Energy and utility costs include electric, fuel, steam, water, and sewer charges. The cost of utilities at the comparable hotels ranged from \$1,424 to \$2,256 per available room. We have estimated energy and utility costs of \$1,700 PAR in a representative year of operation, equal to 2.6 percent of total revenues.

Utility Costs		
	Per Available Room	Ratio to Total Rev.
<u>Comparables</u>		
A	\$2,256	4.8%
B	2,197	3.4%
C	1,764	2.8%
D	1,501	3.3%
E	1,424	2.6%
Weighted Average	1,822	3.4%
Subject Stabilized Year	\$1,700	2.6%

Management Fee and Fixed Charges

Management Fee

A management fee is an expense item representing the value of management services. It is a variable operating expense normally expressed as a percentage of total revenues. We have utilized a management fee of 3.0 percent of gross revenues throughout the projection period, which is within market parameters. This is considered market rate to attract a third party management company. Please note, if the property is franchised under a brand and then managed by another company, a franchise fee might apply as well, as is reflected in the marketing costs.

Real Estate and Property Taxes

The subject property is in the real estate taxing jurisdiction of the Los Angeles County Assessor's Office. In California, Proposition 13 limits property taxes to one percent of the assessed value as of the 1975/76 fiscal year, plus city, special district, and county bonds. Assessed values are further limited to a two percent increase per year, except upon sale or major alterations of the property.

We have applied a base tax rate for the subject property of 1.1 percent, or approximately \$385,000 in a representative year of operation based upon the prospective market value of the hotel. This figure has been inflated at two percent per year in accordance with the Jarvis-Gann Amendment.

Insurance

Insurance for liability and building and contents is estimated to be \$800 per available room in a representative year of operation, primarily based on our analysis of comparable hotel properties in Southern California, the specific attributes of the proposed subject, and our knowledge of industry standards and trends. The subject's projected insurance expense is also within the range of the comparable hotels as detailed in the table below.

Insurance	
<u>Comparables</u>	Per Available Room
A	\$2,123
B	767
C	157
D	524
E	613
Weighted Average	917
Subject Stabilized Year	\$800

Reserves for Replacement

An additional item not typically listed on an owner's income statement is the amount required for the periodic replacement of certain short-lived items such as carpeting, draperies, and other furniture, fixtures and equipment. For a new hotel, reserves are often lower in the first few years, because very little capital improvements will be necessary. We

have increased the reserves gradually over the first three full years of the projection period to build up reserves as the building ages. Since the subject property is expected to open in January 1, 2017, we have projected a ramp-up in reserves for replacement from 2.0 percent in 2017, to 3.0 percent in 2018, and thereafter stabilizing at 4.0 percent of hotel related revenue in 2019.

Schedule of Reserves for Replacement	
Year	Reserve Percentage of Total Revenue
2017	2.0%
2018	3.0
2019	4.0
2020	4.0
2021	4.0

STABILIZED YEAR OPERATING RESULTS

Presented on the following page is an estimate of the subject hotel's stabilized year operating results expressed in current value 2015 dollars. This estimate is based on the foregoing analysis. For this twelve-month period, revenues are projected to total approximately \$9,822,000. Gross operating profit, which does not include management fees, property taxes, direct assessments, insurance, or reserves for replacement, totals approximately \$3,649,000 or 37.2 percent of total revenue. This ratio falls within the range of the comparables, whose reported gross operating profits ranged from 27.4 percent to 53.2 percent. Operating income for the subject in the stabilized year, after the deduction of a management fee, property taxes, insurance, and a reserve for capital replacement, totals \$2,456,000, or 25.0 percent of total revenues.

Proposed CSUN Hotel		Stated in 2015 Dollars			
Representative Year of Operation					
Number of Units:		150			
Number of Annual Rooms Available:		54,750			
Number of Rooms Occupied:		42,705			
Annual Occupancy:		78.0%			
Average Daily Rate:		\$145.00			
Revenue Per Available Room:		\$113.10			
Revenues		Amount	Ratio	Per Room	P.O.R.
Rooms		\$6,192,000	63.0%	\$41,280	\$144.99
Food & Beverage		3,203,000	32.6%	21,353	75.00
Other Operated Departments		427,000	4.3%	2,847	10.00
Total Revenues		9,822,000	100.0%	65,480	230.00
Departmental Expenses					
Rooms		1,196,000	19.3%	7,973	28.01
Food & Beverage		2,402,000	75.0%	16,013	56.25
Other Operated Departments		235,000	55.0%	1,567	5.50
Total Departmental Expenses		3,833,000	39.0%	25,553	89.76
Departmental Profit		5,989,000	61.0%	39,927	140.24
Undistributed Expenses					
Administrative & General		720,000	7.3%	4,800	16.86
Marketing		1,050,000	10.7%	7,000	24.59
Property Operation and Maintenance		315,000	3.2%	2,100	7.38
Utility Costs		255,000	2.6%	1,700	5.97
Total Undistributed Operating Expenses		2,340,000	23.8%	15,600	54.79
Gross Operating Profit		3,649,000	37.2%	24,327	85.45
Base Management Fee		295,000	3.0%	1,967	6.91
Fixed Expenses					
Property Taxes		385,000	3.9%	2,567	9.02
Insurance		120,000	1.2%	800	2.81
Total Fixed Expenses		505,000	5.1%	3,367	11.83
Net Operating Income Before Reserve		2,849,000	29.0%	18,993	66.71
FF&E Reserve		393,000	4.0%	2,620	9.20
Net Operating Income After Reserve		\$2,456,000	25.0%	\$16,373	\$57.51
Source: PKF Consulting					

PRESENTATION OF ESTIMATED ANNUAL OPERATING RESULTS

The previous analysis provided for the income and expenses incurred in the operation of the subject in a stabilized year, represented in 2015 dollars. In the following analysis, we provide estimated income and expenses for the subject during each year of the 10-year holding period anticipated for a typical investor. Our estimate of the performance for the subject in the stabilized year is used as a basis for our analysis, considering the effects of inflation, business development, and varying occupancy.

Inflation

To portray price level changes during the holding period, we have assumed an inflation rate of 3.0 percent throughout the projection period. This rate reflects the consensus of several well-recognized economists for the current long-term outlook for the future movement of prices and is consistent with the inflation rates of the 1990s and early 2000s. All expenses are projected to increase at 3.0 percent throughout the holding period.

It should be noted that inflation is caused by many factors and unanticipated events and circumstances can affect the forecasted rate. Therefore, the estimated operating results computed over the projection period can vary from the actual operating results, and the variations may be material.

Statement of Estimated Annual Operating Results

The estimated annual operating results for the proposed California State University, Northridge Campus hotel from January 1, 2017 to December 31, 2026 are presented on the following pages.

Proposed CSUN Hotel Projected Operating Results Calendar Years		2017		2018		2019		2020		2021	
Number of Units:		150		150		150		150		150	
Number of Annual Rooms Available:		54,750		54,750		54,750		54,750		54,750	
Number of Rooms Occupied:		38,330		40,520		42,710		42,710		42,710	
Annual Occupancy:		70.0%		74.0%		78.0%		78.0%		78.0%	
Average Daily Rate:		\$154.00		\$158.00		\$163.00		\$168.00		\$173.00	
Revenue Per Available Room:		\$107.80		\$116.92		\$127.14		\$131.04		\$134.94	
		Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues											
Rooms		\$5,903,000	63.1%	\$6,402,000	63.0%	\$6,962,000	63.0%	\$7,175,000	63.0%	\$7,389,000	63.0%
Food & Beverage		3,050,000	32.6%	3,321,000	32.7%	3,605,000	32.6%	3,713,000	32.6%	3,825,000	32.6%
Other Operated Departments		407,000	4.3%	443,000	4.4%	481,000	4.4%	495,000	4.3%	510,000	4.4%
Total Revenues		9,360,000	100.0%	10,166,000	100.0%	11,048,000	100.0%	11,383,000	100.0%	11,724,000	100.0%
Departmental Expenses											
Rooms		1,204,000	20.4%	1,273,000	19.9%	1,346,000	19.3%	1,386,000	19.3%	1,428,000	19.3%
Food & Beverage		2,392,000	78.4%	2,544,000	76.6%	2,704,000	75.0%	2,785,000	75.0%	2,869,000	75.0%
Other Operated Departments		224,000	55.0%	244,000	55.1%	264,000	54.9%	272,000	54.9%	280,000	54.9%
Total Departmental Expenses		3,820,000	40.8%	4,061,000	39.9%	4,314,000	39.0%	4,443,000	39.0%	4,577,000	39.0%
Departmental Profit		5,540,000	59.2%	6,105,000	60.1%	6,734,000	61.0%	6,940,000	61.0%	7,147,000	61.0%
Undistributed Expenses											
Administrative & General		764,000	8.2%	787,000	7.7%	810,000	7.3%	835,000	7.3%	860,000	7.3%
Marketing		1,114,000	11.9%	1,147,000	11.3%	1,182,000	10.7%	1,217,000	10.7%	1,254,000	10.7%
Property Operation and Maintenance		334,000	3.6%	344,000	3.4%	355,000	3.2%	365,000	3.2%	376,000	3.2%
Utility Costs		271,000	2.9%	279,000	2.7%	287,000	2.6%	296,000	2.6%	304,000	2.6%
Total Undistributed Operating Expenses		2,483,000	26.5%	2,557,000	25.2%	2,634,000	23.8%	2,713,000	23.8%	2,794,000	23.8%
Gross Operating Profit		3,057,000	32.7%	3,548,000	34.9%	4,100,000	37.1%	4,227,000	37.1%	4,353,000	37.1%
Base Management Fee		281,000	3.0%	305,000	3.0%	331,000	3.0%	341,000	3.0%	352,000	3.0%
Fixed Expenses											
Property Taxes		400,000	4.3%	425,000	4.2%	433,000	3.9%	442,000	3.9%	451,000	3.8%
Insurance		127,000	1.4%	131,000	1.3%	135,000	1.2%	139,000	1.2%	143,000	1.2%
Total Fixed Expenses		527,000	5.6%	556,000	5.5%	568,000	5.1%	581,000	5.1%	594,000	5.1%
Net Operating Income Before Reserve		2,249,000	24.0%	2,687,000	26.4%	3,201,000	29.0%	3,305,000	29.0%	3,407,000	29.1%
FF&E Reserve		187,000	2.0%	305,000	3.0%	442,000	4.0%	455,000	4.0%	469,000	4.0%
Net Operating Income After Reserve		\$2,062,000	22.0%	\$2,382,000	23.4%	\$2,759,000	25.0%	\$2,850,000	25.0%	\$2,938,000	25.1%
Source: PKF Consulting		Full Year of Operation									

Proposed CSUN Hotel Projected Operating Results Calendar Years		2022		2023		2024		2025		2026	
Number of Units:		150		150		150		150		150	
Number of Annual Rooms Available:		54,750		54,750		54,750		54,750		54,750	
Number of Rooms Occupied:		42,710		42,710		42,710		42,710		42,710	
Annual Occupancy:		78.0%		78.0%		78.0%		78.0%		78.0%	
Average Daily Rate:		\$178.00		\$184.00		\$189.00		\$195.00		\$201.00	
Revenue Per Available Room:		\$138.84		\$143.52		\$147.42		\$152.10		\$156.78	
		Amount	Ratio								
Revenues											
Rooms		\$7,602,000	63.0%	\$7,859,000	63.1%	\$8,072,000	63.0%	\$8,328,000	63.1%	\$8,585,000	63.1%
Food & Beverage		3,940,000	32.7%	4,058,000	32.6%	4,180,000	32.6%	4,305,000	32.6%	4,434,000	32.6%
Other Operated Departments		525,000	4.4%	541,000	4.3%	557,000	4.3%	574,000	4.3%	591,000	4.3%
Total Revenues		12,067,000	100.0%	12,458,000	100.0%	12,809,000	100.0%	13,207,000	100.0%	13,610,000	100.0%
Departmental Expenses											
Rooms		1,471,000	19.4%	1,515,000	19.3%	1,560,000	19.3%	1,607,000	19.3%	1,655,000	19.3%
Food & Beverage		2,955,000	75.0%	3,043,000	75.0%	3,134,000	75.0%	3,229,000	75.0%	3,325,000	75.0%
Other Operated Departments		289,000	55.0%	298,000	55.1%	306,000	54.9%	316,000	55.1%	325,000	55.0%
Total Departmental Expenses		4,715,000	39.1%	4,856,000	39.0%	5,000,000	39.0%	5,152,000	39.0%	5,305,000	39.0%
Departmental Profit		7,352,000	60.9%	7,602,000	61.0%	7,809,000	61.0%	8,055,000	61.0%	8,305,000	61.0%
Undistributed Expenses											
Administrative & General		886,000	7.3%	912,000	7.3%	939,000	7.3%	968,000	7.3%	997,000	7.3%
Marketing		1,291,000	10.7%	1,330,000	10.7%	1,370,000	10.7%	1,411,000	10.7%	1,453,000	10.7%
Property Operation and Maintenance		387,000	3.2%	399,000	3.2%	411,000	3.2%	423,000	3.2%	436,000	3.2%
Utility Costs		314,000	2.6%	323,000	2.6%	333,000	2.6%	343,000	2.6%	353,000	2.6%
Total Undistributed Operating Expenses		2,878,000	23.9%	2,964,000	23.8%	3,053,000	23.8%	3,145,000	23.8%	3,239,000	23.8%
Gross Operating Profit		4,474,000	37.1%	4,638,000	37.2%	4,756,000	37.1%	4,910,000	37.2%	5,066,000	37.2%
Base Management Fee		362,000	3.0%	374,000	3.0%	384,000	3.0%	396,000	3.0%	408,000	3.0%
Fixed Expenses											
Property Taxes		460,000	3.8%	469,000	3.8%	479,000	3.7%	488,000	3.7%	498,000	3.7%
Insurance		148,000	1.2%	152,000	1.2%	157,000	1.2%	161,000	1.2%	166,000	1.2%
Total Fixed Expenses		608,000	5.0%	621,000	5.0%	636,000	5.0%	649,000	4.9%	664,000	4.9%
Net Operating Income Before Reserve		3,504,000	29.0%	3,643,000	29.2%	3,736,000	29.2%	3,865,000	29.3%	3,994,000	29.3%
FF&E Reserve		483,000	4.0%	498,000	4.0%	512,000	4.0%	528,000	4.0%	544,000	4.0%
Net Operating Income After Reserve		\$3,021,000	25.0%	\$3,145,000	25.2%	\$3,224,000	25.2%	\$3,337,000	25.3%	\$3,450,000	25.3%
Source: PKF Consulting											

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

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This report is made with the following assumptions and limiting conditions:

Economic and Social Trends - The consultant assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The consultant is not obligated to predict future political, economic or social trends.

Information Furnished by Others - In preparing this report, the consultant was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either express or implied, is given by the consultant for the accuracy of such information and the consultant assumes no responsibility for information relied upon later found to have been inaccurate. The consultant reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Hidden Conditions - The consultant assumes no responsibility for hidden or unapparent conditions of the property, subsoil, ground water or structures that render the subject property more or less valuable. No responsibility is assumed for arranging for engineering, geologic or environmental studies that may be required to discover such hidden or unapparent conditions.

Hazardous Materials - The consultant has not been provided any information regarding the presence of any material or substance on or in any portion of the subject property or improvements thereon, which material or substance possesses or may possess toxic, hazardous and/or other harmful and/or dangerous characteristics. Unless otherwise stated in the report, the consultant did not become aware of the presence of any such material or substance during the consultant's inspection of the subject property. However, the consultant is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the value of the subject property. The value estimated in this report is predicated on the assumption that no such material or substance is present on or in the subject property or in such proximity thereto that it would cause a loss in value. The consultant assumes no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state and local environmental laws, regulations and rules.

Zoning and Land Use - Unless otherwise stated, the projections were formulated assuming the hotel to be in full compliance with all applicable zoning and land use regulations and restrictions.

Licenses and Permits - Unless otherwise stated, the property is assumed to have all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

Engineering Survey - No engineering survey has been made by the consultant. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.

Subsurface Rights - No opinion is expressed as to the value of subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

Maps, Plats and Exhibits - Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

(continued)

Legal Matters - No opinion is intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants.

Right of Publication - Possession of this report, or a copy of it, does not carry with it the right of publication. Without the written consent of the consultant, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with proper written qualification and only in its entirety for its stated purpose.

Testimony in Court - Testimony or attendance in court or at any other hearing is not required by reason of rendering this appraisal, unless such arrangements are made a reasonable time in advance of said hearing. Further, unless otherwise indicated, separate arrangements shall be made concerning compensation for the consultant's time to prepare for and attend any such hearing.

Archeological Significance - No investigation has been made by the consultant and no information has been provided to the consultant regarding potential archeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archeological significance.

Compliance with the American Disabilities Act - The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We assumed that the property will be in direct compliance with the various detailed requirements of the ADA.

Definitions and Assumptions - The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and are to be part of these general assumptions as if included here in their entirety.

Dissemination of Material - Neither all nor any part of the contents of this report shall be disseminated to the general public through advertising or sales media, public relations media, news media or other public means of communication without the prior written consent and approval of the consultant(s).

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Limits to Liability - PKF Consulting cannot be held liable in any cause of action resulting in litigation for any dollar amount, which exceeds the total fees collected from this individual engagement.

Legal Expenses - Any legal expenses incurred in defending or representing ourselves concerning this assignment will be the responsibility of the client.