Exhibit K attachments include:

a. Market Study: A proposed hotel

b. Peer Review of Market Study

c. Summary of Financial Analysis of Rejected Project Alternatives

MARKET STUDY:

A PROPOSED HOTEL

IN CALABASAS, CALIFORNIA

Prepared for:

The New Home Company
29219 Canwood Street, Suite 107
Agoura Hills, CA 91301

October 2015

KALLENBERGER JONES & CO.

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The bulk of the commercial and residential development in the vicinity of Calabasas is in Warner Center and the Los Angeles communities of Woodland Hills and West Hills, as shown in the following aerial photo.

In general, commercial development in Calabasas, Agoura Hills, and Westlake Village is concentrated along a narrow strip that surrounds US-101.

Access and Visibility

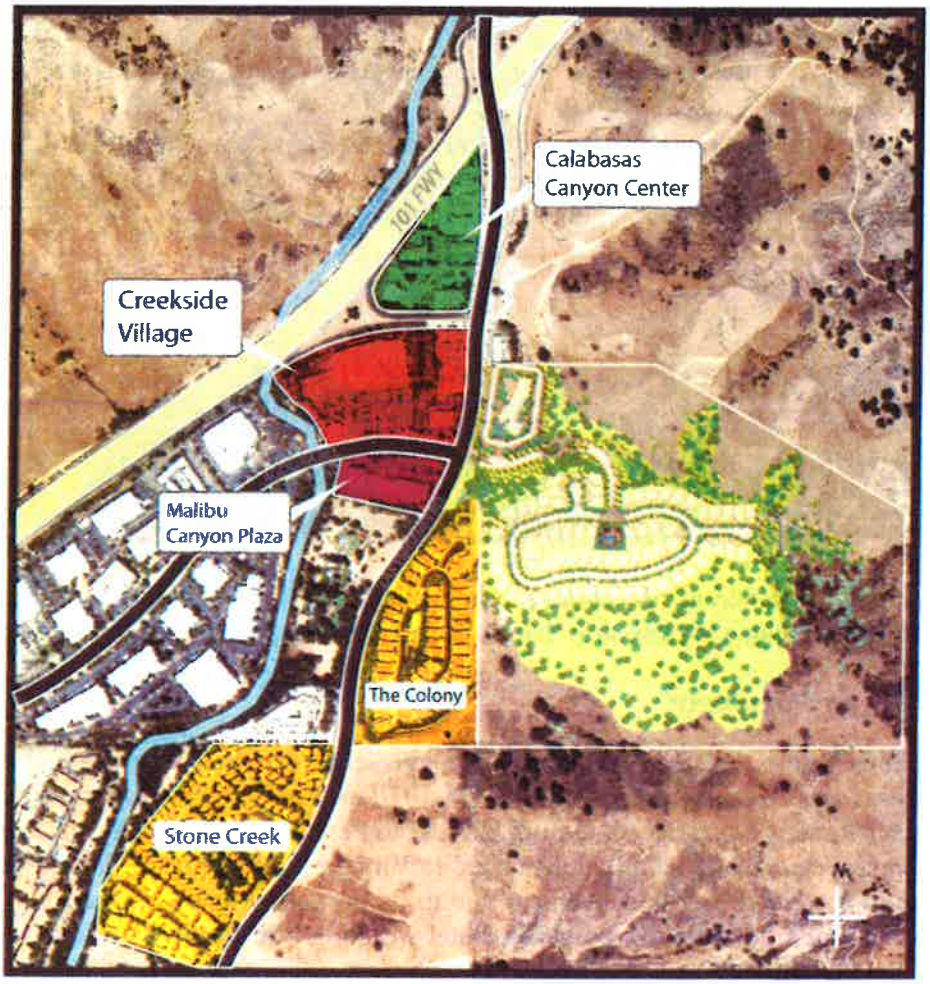
The Hotel Site is located northeast of the intersection of Las Virgenes and Agoura Roads in Calabasas and two blocks south of the US-101/Las Virgenes Road four-way interchange. Las Virgenes Road is a popular route from US-101 to Pepperdine University and Malibu, and various road improvements are being implemented to Virgenes Road near the Hotel Site. On the whole, access to the Hotel Site is convenient due to its proximity to US-101 and the facilitating local roadway system. While the Proposed Hotel would not be readily visible to motorists traveling on US-101, the tall and prominent Mobil sign and other indications of the commercial development on Virgenes Road give this neighborhood the identifiable characteristics of a visitor-serving area.

Neighborhood

A concentration of office and flex space that surrounds the intersection of Lost Hills and Agoura Roads dominates the neighborhood of the Hotel Site, as shown in the aerial photo on the following page. The major businesses in this area include the headquarters of the Cheesecake Factory restaurant chain, Alcatel-Lucent, Ixia, Spirent, John Paul Richard, and Esoterix Laboratory Services. In general, these and similar businesses located in the neighborhood would generate demand for hotel rooms.

Canyon Oaks

Project Vicinity Map



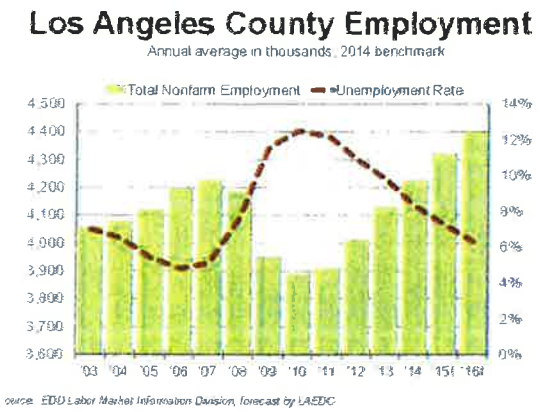
Existing Surrounding Land Uses

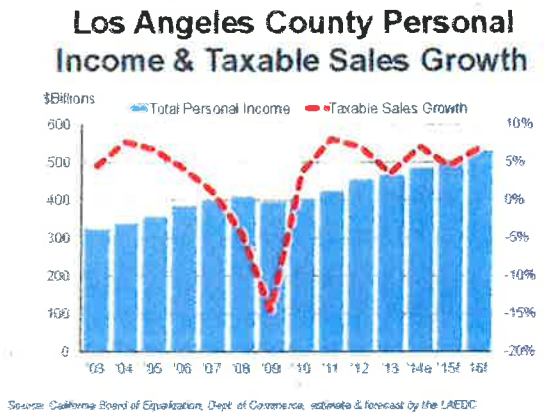
- Calabasas Canyon Center - Retail and Office Complex
- Malibu Canyon Plaza - Albertsons Grocery Store, neighborhood retail & restaurants
- Creekside Village - Business oriented retail services
- Existing Residential Communities

AREA REVIEW

The Regional Economy

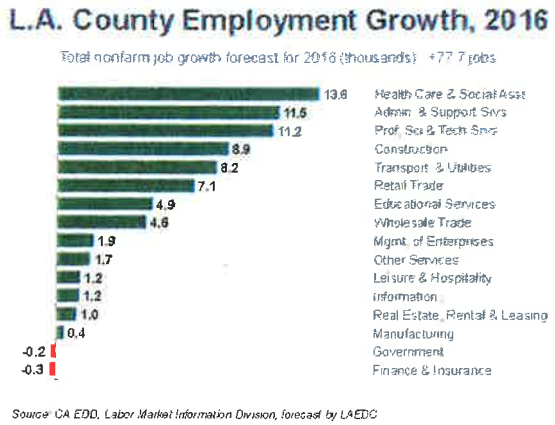
Los Angeles County. The economy of Los Angeles County has rebounded in recent years, and the recovery is generally projected to continue into 2016, as shown in the following graphs prepared by the Los Angeles County Economic Development Corporation (LAEDC).

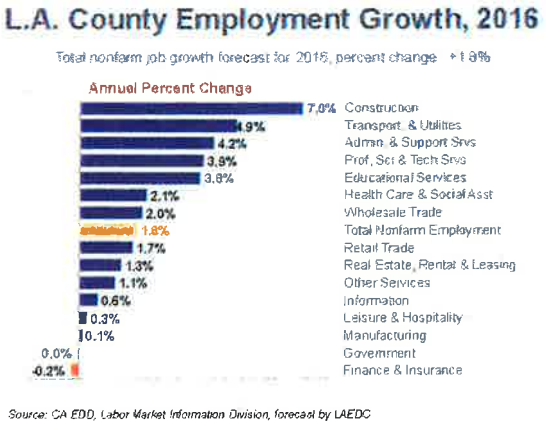




The unemployment rate in Los Angeles County peaked at 12.5 percent in 2010 but fell to 8.3 percent in 2014 and is forecast buy LAEDC to be 7.3 percent in 2015 and 6.3 percent in 2016.

The primary economic sectors that have realized high growth rates include construction, transportation and utilities, administrative and support services, and professional and technical services. These sectors are forecast to continue these trends, as shown in the following graphs.





The construction sector has traditionally been very volatile, and it is now on a sharp upswing. Residential permits rose 51.3 percent in 2013 and 15.5 percent in 2014; LAEDC forecasts increases of 29.9 percent in 2015 and 22.2 percent in 2016. Since actual construction lags the issuing of building permits, the construction sector should continue to provide a boost to the regional economy after 2016.

Economic Outlook

The consensus of economists is that the economic recovery in Los Angeles and Ventura Counties should continue as rising disposable incomes in the nation and state should spur additional growth in retail sales and in the demand for office and industrial space in the region and outlying areas such as the San Fernando and Conejo Valleys. The prospects of some of the major sources of economic growth are summarized in the following paragraphs.

- ***International Trade***: Container volume through the twin ports of Los Angeles and Long Beach increased 3.4 percent in 2013, another 3.8 percent in 2014, and is forecast to be flat in 2015 due to the congestion caused by a labor dispute in early 2015. The LAEDC forecasts container volume to increase 3 percent in 2016.

- ***Construction:*** Construction stalled severely in the recent recession, but has exploded in recent years due to the improving economy and the pent-up demand for housing and commercial space. As discussed previously, building permits have increased sharply, which suggests that most of the construction of the permitted projects will occur over the next few years.

- ***High-tech:*** Silicon Beach is the popular name for a zone in the Westside region of Los Angeles County that is reputed to be the home of more than 500 tech startup companies. In the first half of 2015, the Los Angeles/Orange County area received $3.1 billion in venture capital, which was the third most in the nation, behind only Silicon Valley and New York City, according to LAEDC.

Office Market

The office market in the Conejo Valley encompasses more than 6.5 million square feet. In comparison, the office market in the West San Fernando Valley has roundly 14.8 million square feet, and a good portion of that is in Warner Center and Woodland Hills. In general, these office markets are modestly healthy, as the vacancy rate in the West San Fernando Valley was 15.7 percent in the third quarter of 2015, and that of the Conejo Valley was 14.6 percent. Data that support this assessment are presented in the following table.

LOCAL OFFICE MARKET: 3rd quarter 2015

	Conejo Valley	West San Fernando Valley
Buildings	105	139
Available office space (sq ft)	6,553,712	14,840,973
Average building size (sq ft)	62,416	106,770
Vacancy Rate	14.6%	15.7%
Net absorption in YTD 2015 (sq ft)	86,200	19,300
Under construction (sq ft)	120,933	0
Asking rent: (sq ft/month)	$2.19	$2.19

Source: Colliers International

Traffic volumes in the vicinity of the Hotel Site have been consistently high in recent years, as indicated in the table below.

TRAFFIC* ON US-101 AT LAS VIRGENES RD

	Relationship to Las Virgenes Road	
Year	West	East
2010	185,000	169,000
2011	185,000	169,000
2012	181,000	169,000
2013	186,000	173,000
2014	180,000	167,000

* average annual daily traffic

Source: Caltrans

In an effort to facilitate the flow of traffic on US-101 in Thousand Oaks, Caltrans is underway with a project to improve the intersection of US-101 and State Route 23. This project is likely to have a negligible effect on traffic in Calabasas.

Warner Center

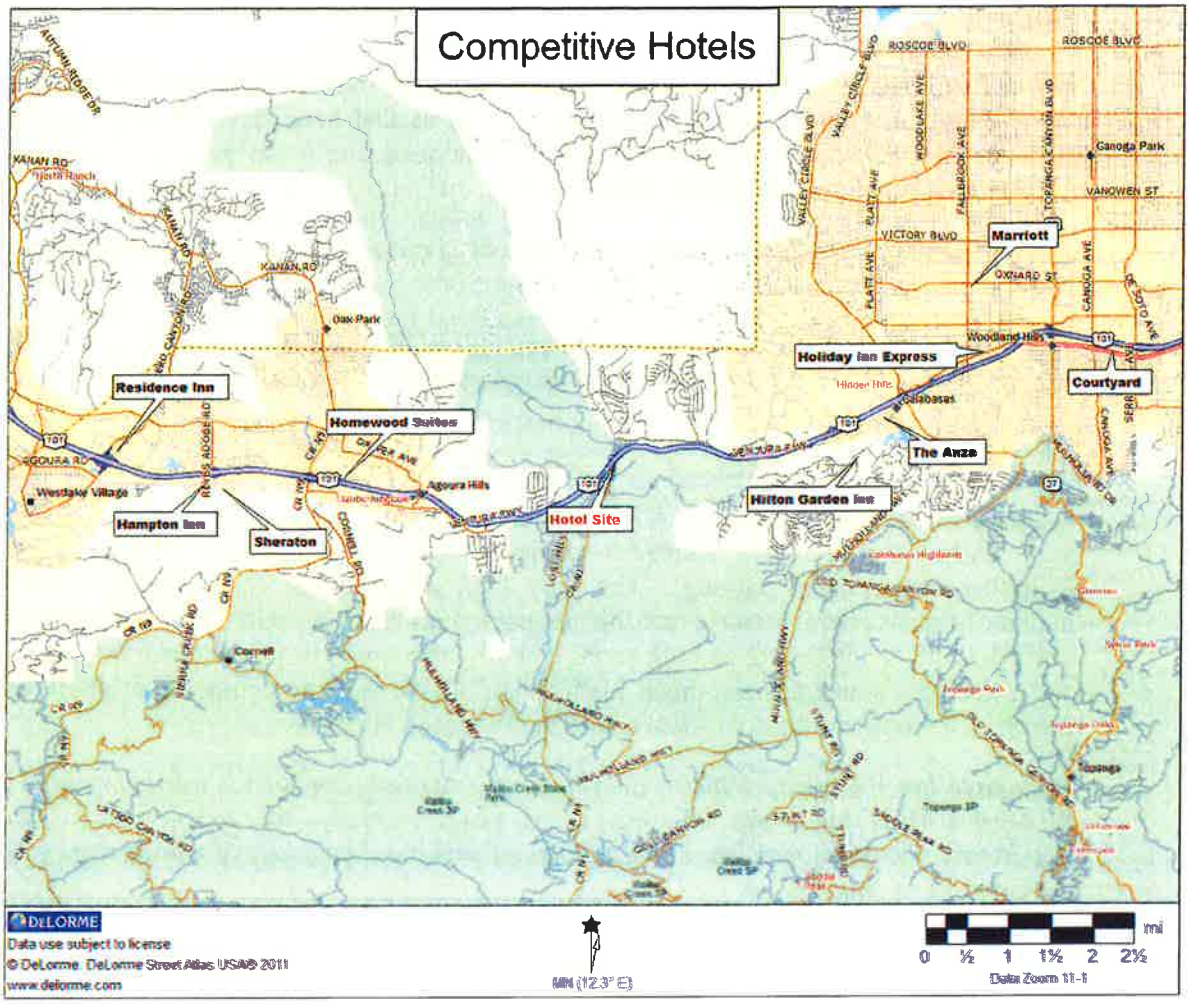
Warner Center is a commercial and retail district encompassing 1,100 acres that is located in the southwestern corner of the San Fernando Valley in the communities of Woodland Hills and Canoga Park. In the 1960s, it was planned to be a suburban office and retail center that would relieve traffic to and from Downtown Los Angeles and generate jobs in the San Fernando Valley. The four major existing projects in Warner Center are:

- Warner Center Business Park, which was built in the 1970s and has 1.1 million square feet of mostly low- and mid-rise office and industrial buildings.
- Warner Center Plaza, which was constructed mostly in the 1980s and has 1.8 million square feet of mostly office space, much of which is in high-rise towers.
- The Trillium, which opened in the late 1980s and has two 17-story office towers, each of which has roundly 300,000 square feet of rentable space.
- LNR Warner Center, which was built between 2001 and 2005 and has more than 1.4 million square feet of mostly office space.

In December 2013, the Los Angeles City Council adopted a long-term development plan ("Warner Center 2035") that emphasizes public transit and provides for substantial additional and intensive real estate development in the Warner Center plan area. This plan envisions the development of another 14 million square feet of commercial building area and approximately 20,000 additional residential units.

Conclusion

The outlook for the national, state, and local economies is favorable, and tourism should continue to expand in California and along US-101 in the vicinity of the Hotel Site. The local office and industrial markets are healthy and are likely to improve even more due in large part to the considerable new real estate development that is proposed in Warner Center, including the recent opening of a new shopping center, the planned development of the former 47-acre Rocketdyne plant, and other major and minor projects. As a result, the demand for hotel rooms in Calabasas should increase significantly.



As indicated in the previous table and map, the Hotel Site is approximately halfway between Woodland Hills and Westlake Village. The Proposed Hotel should be able to attract a high proportion of hotel customers bound for the offices located within two blocks of the Hotel Site and some of the visitors to Woodland Hills, Agoura Hills, and Westlake Village.

On the whole, this competitive set is somewhat diverse. Two of the hotels, the Marriott Woodland Hills and the Sheraton Agoura Hills, are full-service properties that have restaurants and significant meeting facilities. The Residence Inn and Homewood Suites are extended-stay hotels that offer kitchen facilities, which appeal to many hotel customers that stay five nights or longer. The Hilton Garden Inn, Courtyard, and Anza hotels are commonly classified as select-service properties because they offer food and beverage facilities that provide at least two meals each day. The Hampton Inn & Suites and Holiday Inn Express are limited-service hotels that feature a free breakfast but have no other significant facilities.

Of the four hotels that were built prior to 1987, three (Marriott, Courtyard, and Anza) have been renovated in recent years and are generally in good or better condition. The fourth property, the Sheraton, has been partially renovated and is exhibiting some signs of its age. In spite of their renovations, the ages of these properties make them vulnerable to new competitive hotels.

Supply Forecast. Forecasting the future supply of hotel rooms in this market is laden with uncertainty because none of the aforementioned hotel projects have progressed to the stage where they can be considered likely to be developed soon. All seem to face major entitlement, environmental, and financing obstacles. Even hotel projects that have received the necessary entitlements are often delayed and/or occasionally abandoned due to such obstacles as cost increases, changing market conditions, and financing difficulties. Since none of the hotel projects have reliable opening dates, it is assumed herein that their development will be dispersed over the next several years. The forecast of the future supply of hotel rooms in the local market is presented in the table below.

Estimated Growth in Average Daily Room Supply
Market Area: Calabasas, California

Competitive Hotels:	Year Opened	Total Rooms	Rooms Available 2014	Additions to Average Daily Rooms Available 2015	2016	2017	2018	2019	2020	2021	2022
Residence Inn	2007	160	160								
Hampton Inn & Suites	2002	93	93								
Sheraton	1988	280	280								
Homewood Suites	2007	125	125								
Hilton Garden Inn	2002	142	142								
The Anza	1987	122	122								
Holiday Inn Express	2009	86	86								
Marriott	1986	474	474								
Courtyard	1966	122	122								
Forecast Supply:											
Proposed Hotel	2018	120					120				
Rondell SpringHill Suites	2018	128					128				
Residence Inn Woodland Hills	2019	105						105			
Dual Marriott hotels	2019	225						225			
Boutique Hotel	2020	100							100		
Uncertain additions	2021-22	300								150	150
Change in Supply							248	330	100	150	150
ROOMS AVAILABLE		**2,582**	**1,604**	**1,604**	**1,604**	**1,604**	**1,852**	**2,182**	**2,282**	**2,432**	**2,582**
% Change in Supply				**0.0%**	**0.0%**	**0.0%**	**15.5%**	**17.8%**	**4.6%**	**6.6%**	**6.2%**
ANNUAL SUPPLY (room nights)			585,460	585,460	585,460	585,460	675,980	796,430	832,930	887,680	942,430

As indicated in this table, it is assumed that the Proposed Hotel and the Rondell SpringHill Suites will open in 2018. The remaining planned hotels are assumed to be built subsequently. Also, "uncertain additions" equivalent to 150 new hotel rooms were assumed to open annually after 2020, which would allow for hotel projects that may surface in the future.

Market Trends

The key performance metrics of a hotel operation are occupancy, average daily room rate (ADR), and revenues per available room (RevPAR). RevPAR is simply equal to occupancy times ADR. These performance measures of the nine competitive hotels are presented in the table on the following page.

MONTHLY PERFORMANCE PATTERNS: 2014					
		Average Room Rate		RevPAR	
Month	Occupancy	Amount	Change*	Amount	Change*
January	76.4%	$130.39	4.5%	$99.57	13.2%
February	79.8%	$133.08	5.7%	$106.21	20.6%
March	80.3%	$133.43	7.0%	$107.14	15.0%
April	82.1%	$132.96	4.4%	$109.17	9.3%
May	83.4%	$135.27	7.8%	$112.80	13.7%
June	88.2%	$138.35	8.0%	$122.00	13.3%
July	90.5%	$141.06	7.9%	$127.71	13.3%
August	91.1%	$142.89	7.8%	$130.16	13.0%
September	81.5%	$136.52	4.4%	$111.22	9.6%
October	84.1%	$137.16	7.1%	$115.42	10.7%
November	78.7%	$136.25	8.3%	$107.30	12.1%
December	71.6%	$129.90	5.8%	$93.03	4.7%
average	82.3%	$135.86	6.6%	$111.85	12.2%

* change from same month in 2013

Source: Smith Travel Research

As shown in this table, the occupancies of the competitive hotels were between 79.8 and 91.1 percent from February through October. The occupancies in June, July, and August were greater than 88.2 percent, having been boosted by the tourism that occurs during summer vacations. The occupancies in January, November, and December were lowest due largely to the limited business travel during the winter holidays. Still, the occupancy in January and November exceeded 76.4 percent, and that in December was 71.6 percent.

Day-of-Week Patterns

The performance of the competitive hotels by day of week in the twelve-month period ending September 30, 2015 is presented in the table below.

DAY OF WEEK PATTERNS			
Day	Occupancy	Average Room Rate	RevPAR
Sunday	65.5%	$137.57	$90.18
Monday	83.7%	$152.65	$127.78
Tuesday	90.6%	$156.88	$142.07
Wednesday	90.7%	$155.57	$141.03
Thursday	79.8%	$143.43	$114.52
Friday	80.6%	$130.70	$105.28
Saturday	85.9%	$132.91	$114.12

Source: Smith Travel Research

As indicated in this table, the ADRs and RevPARs in this market are highest on Tuesday and Wednesday, which is typically when business travel peaks. The higher ADRs on these two days are often attributed to the common practice of business travelers having their lodging expenses reimbursed by their companies or clients. In support of this viewpoint are the much lower ADRs

Estimated Growth In Lodging Supply and Demand
Market Area: Calabasas, California

	2014	2015	2016	2017	2018	2019	2020	2021	2022	Compound Annual Growth (2014-2022)
Commercial		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
Gross Demand	416,300	433,000	450,300	468,300	486,800	506,000	526,000	546,800	568,400	
Less: Unsatisfied Demand	44,600	65,000	75,000	85,000	60,000	35,000	27,000	16,000	5,000	
Net Demonstrated Demand	371,700	368,000	375,300	383,300	426,800	471,000	499,000	530,800	563,400	
Plus: Induced Demand	0	0	0	0	0	0	0	0	0	
TOTAL DEMAND: Commercial	371,700	368,000	375,300	383,300	426,800	471,000	499,000	530,800	563,400	**5.3%**
Growth over Previous Year		-1.0%	2.0%	2.1%	11.3%	10.4%	5.9%	6.4%	6.1%	
% of Total Market Demand	77%	77%	78%	78%	79%	79%	79%	80%	80%	
Leisure		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
Gross Demand	115,800	118,100	120,500	122,900	125,400	127,900	130,500	133,100	135,800	
Less: Unsatisfied Demand	5,500	8,500	12,000	15,000	13,000	9,000	6,000	2,000	1,000	
Net Demonstrated Demand	110,300	109,600	108,500	107,900	112,400	118,900	124,500	131,100	134,800	
Plus: Induced Demand	0	0	0	0	2,000	3,900	4,300	4,900	5,500	
TOTAL DEMAND: Leisure	110,300	109,600	108,500	107,900	114,400	122,800	128,800	136,000	140,300	**3.1%**
Growth over Previous Year		-0.6%	-1.0%	-0.6%	6.0%	7.3%	4.9%	5.6%	3.2%	
% of Total Market Demand	23%	23%	22%	22%	21%	21%	21%	20%	20%	
TOTAL MARKET DEMAND										
Total Gross Demand	532,100	551,100	570,800	591,200	612,200	633,900	656,500	679,900	704,200	
Less: Unsatisfied Demand	50,100	73,500	87,000	100,000	73,000	44,000	33,000	18,000	6,000	
Total Net Demonstrated Demand	482,000	477,600	483,800	491,200	539,200	589,900	623,500	661,900	698,200	
Plus: Induced Demand	0	0	0	0	2,000	3,900	4,300	4,900	5,500	
TOTAL MARKET DEMAND	482,000	477,600	483,800	491,200	541,200	593,800	627,800	666,800	703,700	**4.8%**
Growth over Previous Year		-0.9%	1.3%	1.5%	10.2%	9.7%	5.7%	6.2%	5.5%	
ANNUAL SUPPLY (room nights)	585,460	585,460	585,460	585,460	675,980	796,430	832,930	887,680	942,430	**6.1%**
Growth over Previous Year	13.2%	0.0%	0.0%	0.0%	15.5%	17.8%	4.6%	6.6%	6.2%	
MARKET OCCUPANCY	**82%**	**82%**	**83%**	**84%**	**80%**	**75%**	**75%**	**75%**	**75%**	

By 2018, many of the existing competitive hotels will have aged properties and a few will have dated designs. In similar markets, the new and renovated hotels typically outperform the older properties. Thus, the average occupancies forecast in this market should be a blend of higher occupancies among the new and renovated hotels and lower occupancies in the older, dated properties.

ESTIMATED PERFORMANCE OF THE PROPOSED HOTEL

Market Penetration Methodology

The purpose of a market penetration analysis is to provide the framework for estimates of the occupancy, average room rate, and other measures of the market performance of a hotel. The market penetration analysis applied herein uses the concept of fair share and market penetration. In this analysis technique, a hotel is evaluated compared to its competition, and its potential market share is calculated on the basis of its relative appeal. A hotel's "fair share" of market demand is said to be equal to its share of supply, i.e., a 100-room hotel in a market of 1,000 rooms would have a fair share equal to ten percent. A market penetration of 100 percent indicates a property is capturing its fair share. Market penetration in excess of 100 percent indicates a hotel is performing better than the weighted average of the competition, and the converse applies to a hotel realizing a lower penetration rate.

Market Position

The Proposed Hotel would compare to its competitors as follows:

Relationship to Demand Generators: A secondary concentration of office and other commercial land uses extends westward from the vicinity of the Hotel Site for approximately one mile. The Proposed Hotel would be the nearest major lodging option to the businesses in this area, of which the most noteworthy is the headquarters of the Cheesecake Factory restaurant chain. The Proposed Hotel, which would be approximately six miles west of Warner Center; would be nearer this major office zone than the four competitive hotels in Agoura Hills and Westlake Village, but farther than the five competitive hotels in Woodland Hills and Calabasas.

Access and visibility: The Proposed Hotel would enjoy very good access from US-101, but most competitors are also near this major highway. The one significant exception is the Marriott Woodland Hills, which is one mile north of US-101.

Neighborhood: The Hotel Site is near three shopping centers that contain several restaurants and other visitor-serving land uses. Most of the competitive hotels are in similar neighborhoods.

Facilities: The Proposed Hotel would have new facilities, which would provide it some competitive advantages over all of the existing competitive hotels. In particular, it would have the contemporary décor that is required of almost all new hotel brands.

Pricing: In consideration of its geographic attributes, it is assumed that the Proposed Hotel would command room rates that are slightly lower than similar hotels in Woodland Hills but comparable to hotels in Calabasas and Agoura Hills.

On the whole, the Proposed Hotel would have attributes that suggest that its market penetration should be near its fair share of 100 percent.

PROPOSED HOTEL: ESTIMATED AVERAGE ROOM RATE At a Stabilized Occupancy of 75 Percent In a Representative Year (in current dollars)					
Room Type:	Standard Rooms (100)		Suites (20)		Average
	Weekday	Weekend	Weekday	Weekend	Rate
Commercial					
Percent of Segment Demand	73.0%	10.0%	15.0%	2.0%	100.0%
Estimated Room Nights	19,126	2,620	3,930	524	26,200
Estimated Rate	$150.00	$120.00	$170.00	$140.00	$149.80
Rooms Revenue	$2,868,900	$314,400	$668,100	$73,360	$3,924,760
Leisure					
Percent of Segment Demand	25.0%	50.0%	10.0%	15.0%	100.0%
Estimated Room Nights	1,700	3,400	680	1,020	6,800
Estimated Rate	$155.00	$120.00	$175.00	$140.00	$137.25
Rooms Revenue	$263,500	$408,000	$119,000	$142,800	$933,300
SUMMARY					
Total Estimated Rooms Revenue	$3,132,400	$722,400	$787,100	$216,160	$4,858,060
Total Estimated Room Nights	20,826	6,020	4,610	1,544	33,000
Estimated Average Daily Rate	$150.41	$120.00	$170.74	$140.00	**$147.21**
				Rounded to:	**$147.00**

The average room rate of the Proposed Hotel is estimated to be $147 in 2015 dollars, which is equivalent to the projected average of the nine competitive hotels in 2015. This estimated ADR was then adjusted by an inflation rate of 2.5 percent per annum to arrive at the estimated ADR in nominal dollars in the five years subsequent to the assumed opening of the hotel. In addition, the ADR was discounted by four percent in 2018 and one percent in 2019 to reflect the introductory rates that are typical of a new hotel. The final estimates of the ADRs of the Proposed Hotel were rounded to the nearest fifty cents.

ESTIMATED ADR: PROPOSED HOTEL				
Year	Inflated Rate	Discount Factor	Adjusted Rate	Rounded (50 cents)
2015	$147.00			
2016	$150.68			
2017	$154.44			
2018	$158.30	(4.0%)	$151.97	$152.00
2019	$162.26	(1.0%)	$160.64	$160.50
2020	$166.32	0.0%	$166.32	$166.50
2021	$170.47	0.0%	$170.47	$170.50
2022	$174.74	0.0%	$174.74	$174.50

Source: Kallenberger Jones & Co.

MEMORANDUM			
TO:	Joe Power Rincon Consultants, Inc.	**DATE:**	December 22, 2015
FROM:	Roger Dale The Natelson Dale Group, Inc. (TNDG)	**FILE:**	#4055
SUBJECT:	**Canyon Oaks Project – Summary of Peer Review of Hotel Market Study**		

Scope of Assignment

Per your request, TNDG has reviewed the applicant-submitted market study for the proposed hotel component of the Canyon Oaks Project[1]. This memorandum provides a summary of our review of the market study.

In addition to verifying the reasonableness of the study's methodology and conclusions, a key purpose of the peer review was to assess the extent to which the market study addresses CEQA-relevant issues raised in the DEIR public comments. In particular, two of the comment letters (Letter 20 and Letter 31) raise concerns about the market feasibility of the hotel and its potential to cause negative competitive impacts to existing hotels in the market area. These types of potential impacts are relevant to CEQA to the extent that they would result in *physical* changes in the market area such as blighting or "urban decay."

Factors Reviewed

In reviewing the applicant's market study, TNDG considered the following elements of the methodology:

- Delineation of the geographic market area or "region" considered in the analysis;
- Data sources utilized;
- Evaluation of the competitive inventory of existing hotels;
- Discussion of the site-specific attributes of the subject property;
- Methodology for forecasting future growth in hotel demand;
- Overall documentation and defensibility of assumptions, etc.

Peer Review Conclusions

Based on the peer review, TNDG believes that the overall methodology of the study is sound, well documented and consistent with industry standards. The report makes a solid case for the market feasibility of the proposed project. Key market trends summarized in the report include the following:

[1] "Market Study: A Proposed Hotel in Calabasas, CA" dated October 2015 and prepared by Kallenberger Jones & Co.

- Overall occupancy rate for the defined market area is healthy (nearly 84% year-to-date) and has increased steadily over the past 6 years.
- Average daily rates (ADR) have also increased steadily over the past 6 years. The average room rate has increased from $119.83 in 2010 to $148.01 in 2015 (YTD), representing a 24% increase.
- Revenue per available room ("RevPAR") – an important hotel industry metric which shows the combined effects of occupancy and room rates has increased from $78.78 in 2010 to $124.10 in 2015 (YTD). This represents an increase of 58%.

Strong performance relative to the hotel industry's three key metrics – occupancy rates, ADR and RevPar – is generally recognized as an indication that demand in a market area is sufficient to support additional hotel facilities. Although the equilibrium occupancy rate (i.e. the occupancy level at which it is possible for hotels to maintain feasible operations) varies depending on the market/region, a general rule of thumb is that a market area in which the overall occupancy level exceeds 70% is poised to accommodate new hotel development. Thus, at nearly 84%, the current overall occupancy rate for the evaluated market area suggests that there is significant residual demand for new facilities.

The report forecasts that the proposed project would achieve a stabilized occupancy rate of 75% and an average daily rate (in 2015 dollars) of $147.00. Based on the data and analysis presented, TNDG believes that this is a realistic projection and that it confirms that market demand/need for the proposed project.

CEQA-related Issues

As noted previously, two of the DEIR comment letters (Letter 20 and Letter 31) raise concerns about the potential of the proposed hotel to cause negative competitive impacts to existing hotels in the market area. Per Section 15131(b) of the CEQA Guidelines, a project's competitive economic impacts in a community or region are considered significant only if they can be tied to direct physical changes ("urban decay") in the impact area. In the case of hotel development, if a proposed project were to result in the closure of one or more existing competing hotels, this competitive effect would not in and of itself constitute urban decay. CEQA does not trigger an automatic presumption that urban decay will occur as a result of competing businesses being closed/vacated due to a proposed project. In order for a competitive impact to rise to the level of causing urban decay, it would need to cause sustained vacancies that ultimately result in severe physical deterioration of the affected buildings.

For the purposes of EIR analyses, urban decay is typically defined as physical deterioration due to long-term building vacancies that is so prevalent and substantial that it impairs the health, safety, and welfare of the surrounding community. Physical deterioration includes, but is not limited to, abandoned buildings and commercial sites in disrepair, boarded doors and windows, long-term unauthorized use of properties and parking lots, extensive gang or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees or shrubbery, extensive litter, uncontrolled weed

growth, and homeless encampments.

Although the applicant's market study has not been specifically prepared to address the CEQA-related issues raised in the comment letters, TNDG believes that the data and analysis presented in the report are sufficient to make conclusions regarding the potential for the project to cause urban decay.

As discussed further below, it is TNDG's conclusion that the proposed project would not cause the closure of any existing hotels and therefore would not result in urban decay in the evaluated market area.

Based on the data and analysis provided, the report projects that the "competitive set" of potentially impacted hotels in the market area would maintain a sustained average occupancy rate of 75% or higher during each year of the forecast horizon, even after taking into consideration the market impact of the proposed project and other pending hotel developments. Given that this projected occupancy rate is well above the industry-standard equilibrium occupancy of approximately 70%, TNDG believes that projected growth in hotel demand will be sufficient to support the proposed project (and other anticipated hotel projects) without causing any existing hotel(s) to close.

It should be noted that the report's "cumulative" analysis (i.e., calculation of the impacts of all planned/proposed hotel projects) is conservative in that it assumes the construction of two hotels (totaling 300 rooms) <u>over and above the specific projects likely to be developed during the forecast horizon.</u>

With regard to potential impacts on existing hotels, DEIR comment Letter 20 specifically raises concerns about the Good Nite Inn. The Good Nite Inn is not included within the "competitive set" of hotels considered in the applicant's feasibility study. The study focuses on the subset of hotels that are likely to be most competitive with the proposed project. TNDG concurs with this aspect of the report methodology and agrees that it is appropriate to segment the existing hotels based on market niche (i.e., price level). Whereas the hotels included in the competitive set are classified (by Smith Travel Research – the primary data source for the analysis) as "upper midscale," "upscale," or "upper upscale" facilities, the Good Nite Inn is classified as an "economy" hotel. Based on this distinction, it can be concluded that the Good Nite Inn serves a different market segment than would be served by the proposed project (which would have average room rates considerably higher than the Good Nite Inn). As such, the Good Nite Inn is unlikely to be significantly impacted (in terms of loss of market share) by the proposed project, especially within an overall market area where there is substantial residual demand for new hotel development.

MEMORANDUM			
TO:	Joe Power Rincon Consultants, Inc.	**DATE:**	December 23, 2015
FROM:	Roger Dale The Natelson Dale Group, Inc. (TNDG)	**FILE:**	#4055
SUBJECT:	**Canyon Oaks Project – Summary of Financial Analysis of Rejected Project Alternatives**		

This document summarizes the structure, content, assumptions, and other technical details for the tables and appendices included in this document, which are summaries of an electronic spreadsheet prepared by TNDG. The spreadsheet was prepared in coordination with Rincon Consultants, Inc. with the intent of providing the City of Calabasas (City) with a review of the financial feasibility of certain alternative development scenarios for the site considered in the EIR but previously rejected based on indications of impracticality or infeasibility (Alternatives 3A and 3B are not included in this analysis because they were rejected for reasons other than financial feasibility). Six separate scenarios were evaluated, in addition to the Proposed Project, involving residential and hotel uses in either stand-alone-residential configurations or combinations of residential and hotel uses.

Summary of analysis findings

The analysis results are summarized on Table 1. Alternatives 1A through 1E are financially infeasible, based on a Percent Return on Costs figure that is either negative or below what a prudent investor would accept for these types of projects, based on the analysis concept applied. Alternative 2 is theoretically feasible, but the return on the project is considerably below that of the Proposed Project, and given the factors noted below would likely be infeasible by prevailing real estate investment standards. Specifically, the figures for Percent Return on Costs must be viewed in terms of the following qualifiers:

- The pro forma analyses are simplified, static models of potential project performance, using, except as described above, an independent-party approach to the assessment of feasibility, involving industry standard figures in lieu of actual factors and assumptions of conditions under which the projects have successfully concluded their introductions into the marketplace.
- As static models, the pro formas do not reflect the considerable costs (including discounted future receipts) involved in the passage of time from when project costs begin to be incurred to the conclusion of sales or the achievement of full operating revenues in the case of the hotel.

Modeling structure, assumptions, limitations, and other considerations

The development programs upon which the pro forma models are based, and analysis results, are summarized in Appendix A. The input factors (e.g. room rate, unitized construction cost, etc. by use type) that apply to the development alternatives are shown on Table 2. Costs and other inputs were applied to specific housing product types, and costs for parking garages and special site-development elements (e.g. soil removal and retaining walls) were included for relevant alternatives using costs as supplied by The New Home Company (Developer) or Rincon. Costs for the special site development elements were allocated to the different land uses based on estimates of the site area dedicated to each use. The feasibility of the hotels was analyzed using a special set of program requirements as conveyed

to TNDG: The quality of the hotel is defined as that of a four-star facility; however, the room rates achievable for a hotel at this location are considerably less than the rates associated with a four-star hotel. Hotels of both 100 and 120 rooms were programmed within certain alternatives.

Costs per square foot for affordable units are assumed to be similar to those of market-rate units. Allowable sales prices were estimated using a sub-model incorporating data from the Los Angeles County Affordable Housing Program, with figures for housing cost limits applicable to very low income households. Affordable units' special site development costs, and other development costs less sales revenues, are transferred to market units. With this approach, there is no "revenue" from affordable units, and affordable housing "costs," reduced by revenues for those units, become an additional cost to market-rate units.

No analysis of market conditions was performed by TNDG for any of the uses shown in the pro forma models. The input values applied in the models assume projects that are successfully competitive within the market area. This approach was in keeping with the fact that the analysis process was defined at the outset as being relatively general in nature.

A single measure of the relative financial feasibility of the alternatives, the percentage return on total costs, including a given land cost for the site, was generated for the total project – the sum of housing sales (including the affordable units with costs and revenues incorporated into the analysis as described above) and the theoretical value of the hotel. For the hotels, the development costs, including land, when subtracted from the value of the project upon completion and stabilized occupancy, represent the theoretical return on the project investment. The hotel value is the theoretical sale price based on capitalization of annual net operating income (potential room rental income, less a vacancy factor, less an operating expense factor). The hotel capitalization rate (cap rate) used is a figure associated with that particular use. For the (market) residential components, revenues are based on the target price assumed for each of the housing product types. Target prices were taken largely from the Developer. (TNDG estimated one of the values based on a linear interpolation of other, given, price/size assumptions.)

Development costs for all uses include hard construction costs and a factor for soft costs associated with the development process. The model's residential and hotel components incorporate an allocation of special site costs, applicable to the entire project, to the market residential units and the hotel. This allocation is based on the estimated site area dedicated to each component. (Note however that the feasibility of individual uses is not specifically included in the analysis, so this allocation is for information only.)

Secondary data sources were used to generate estimates of cost, income, operating factors, and cap rates, including RS Means online estimating tools (construction costs), published real estate reports from major brokerage companies, the National Association of Homebuilders, HVS Global Hospitality Services, and TNDG's internal database of similar research.

TNDG prepared this analysis using assumptions and data inputs that appeared to be reasonable at the time; however, these kinds of models are inherently sensitive to varying factors, including changes in market conditions over time, and different opinions and assumptions that developers and other analysts bring to the exercise.

Table 1. Executive Summary of Analysis Results

Variable	Alternative 1A	Alternative 1B	Alternative 1C	Alternative 1D	Alternative 1E	Alternative 2	Proposed Project
Land area (SF)	328,878	468,270	328,878	328,878	328,878	696,960	694,346
Total cost, hard & soft, and in-lieu fees	$70,445,270	$73,147,520	$53,937,150	$11,416,240	$12,910,220	$71,156,858	$63,660,278
Sales total (residential); capitalized value/sale price (hotel)	$83,392,325	$83,392,325	$62,320,000	$21,600,000	$24,700,000	$103,508,790	$103,508,790
Actual land cost	$10,758,411	$10,758,411	$10,758,411	$10,758,411	$10,758,411	$10,758,411	$10,758,411
Total costs, hard, soft, and land	$81,203,681	$83,905,931	$64,695,561	$22,174,651	$23,668,631	$81,915,269	$74,418,689
Project net receipts after costs	$2,188,644	-$513,606	-$2,375,561	-$574,651	$1,031,369	$21,593,521	$29,090,101
Percent return on costs	2.7%	-0.6%	-3.7%	-2.6%	4.4%	26.4%	39.1%

Table 2. Key Input Values

Land Use Type	SF Residential	SF Residential	SF Residential, Typical	MF Residential	Affordable, MF	Afford. duplex	Hotel, small	Large hotel	All Uses
Average unit size	6000	4000	2872	2000	2000	1237			
COST FACTORS									
Shell and interior improvements building cost total (per square foot)	$92.00	$97.00	$105.00	$165.00 *	$160.00	$160.00	$345.00	$345.00	
Site/offsite development factor									5.0%
Total bldg. (incl. site/offsite factor)	$96.60	$101.85	$110.25	$173.25	$168.00	$168.00	$362.25	$362.25	
Soft cost factor	20%	20%	20%	20%	20%	20%	25%	25%	
FINANCIAL FACTORS									
Intended price ceiling	$1,800,000	$1,300,000	$1,050,000	$820,000	[in model]	[in model]			
Source of pricing	Developer	Developer	Developer	Trend line using other price targets	Sub-model with data from L.A. County Affordable Housing Program		City ests.	City ests.	
Room Rates							$147.00	$147.00	
Vacancy Factor							25%	25%	
Operating/leasing Expense Factor							48.5%	48.5%	
Capitalization Rate							7.5%	7.5%	
Actual land value									$10,758,411

* Cost figure does not include underground parking, which is covered separately in the model, and equates to $205/SF.

Appendix A. Model Summary, Alternatives 1A through 1C

Variables	Alternative 1A				Alternative 1B				Alternative 1C		
PROGRAM											
Land uses	MF afford. units	Market Multifamily	Hotel	Total Project	MF afford. units	Market Multifamily	Hotel	Total Project	MF afford. units	Market Multifamily	Total Project
Land area (SF)	N/A	251,907	76,971	328,878	N/A	346,520	121,750	468,270	N/A	328,878	328,878
Number of units/rooms	4	68	100		4	68	100		4	76	
Average unit size	2,000	2,000	N/A		2,000	2,000	N/A		2,000	2,000	
COSTS											
Total residential cost/sf (incl. extra costs)	$201.60	$318.74	N/A		$201.60	$334.27	N/A		$201.60	$354.85	
Total building cost	$1,344,000	$23,562,000	$15,939,000	$40,845,000	$1,344,000	$23,562,000	$15,939,000	$40,845,000	$1,344,000	$26,334,000	$27,678,000
Total parking cost	$0	$5,724,590	$3,975,410	$9,700,000	$0	$5,724,590	$3,975,410	$9,700,000	$0	$9,700,000	$9,700,000
Landslide repair	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Soil export	$0	$4,902,315	$1,722,435	$6,624,750	$0	$6,049,500	$2,125,500	$8,175,000	$0	$6,624,750	$6,624,750
Retaining walls	$0	$1,369,000	$481,000	$1,850,000	$0	$1,901,800	$668,200	$2,570,000	$0	$1,850,000	$1,850,000
Residential elevators	$0	$720,000	$0	$720,000	$0	$1,080,000	$0	$1,080,000	$0	$960,000	$960,000
Affordable units costs minus sales (2)		$1,069,600				$1,069,600				$1,069,600	
Sub-total hard costs	$1,344,000	$37,347,505	$22,117,845	$59,465,350	$1,344,000	$39,387,490	$22,708,110	$62,095,600	$1,344,000	$46,538,350	$46,538,350
Total cost, hard & soft	$1,612,800	$43,348,823	$27,096,447	$70,445,270	$1,612,800	$45,460,808	$27,686,712	$73,147,520	$1,612,800	$53,937,150	$53,937,150
Affordable housing in-lieu fees	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
FINANCIAL FACTORS											
Affordable unit average price	$135,800				$135,800				$135,800		
Est. Sales price/sf	$67.90				$67.90				$67.90		
Gross sale income (or hotel annual receipts)	$543,200	$55,760,000	$4,024,125		$543,200	$55,760,000	$4,024,125		$543,200	$62,320,000	$0
Net Operating Income			$2,072,424				$2,072,424				
Sales total (residential); capitalized value/sale price (hotel)	N/A	$55,760,000	$27,632,325	$83,392,325	N/A	$55,760,000	$27,632,325	$83,392,325	N/A	$62,320,000	$62,320,000
Actual land cost				$10,758,411				$10,758,411			$10,758,411
Total costs, hard, soft, and land				$81,203,681				$83,905,931			$64,695,561
Project net receipts after all costs				$2,188,644				-$513,606			-$2,375,561
Percent return on costs				2.7%				-0.6%			-3.7%

Appendix A, cont'd. Model Summary, Alternatives 1D, 1E, 2, and the Proposed Project

Variables	Alt. 1D	Alt. 1E	Alternative 2				Proposed Project			
PROGRAM										
Land uses	Single Family Residential	Single Family Residential	Duplex afford. units	Single Family Residential (1)	Hotel	Total Project	Duplex afford. units	Single Family Residential (1)	Hotel	Total Project
Land area (SF)	328,878	328,878	N/A	570,200	126,760	696,960	N/A	567,587	126,760	694,346
Number of units/rooms	12	19	4	67	120		4	67	120	
Average unit size	6,000	4,000	1,237	2,872	N/A		1,237	2,872	N/A	
COSTS										
Total residential cost/sf (incl. extra costs)	$158.56	$169.87	$201.60	$177.22	N/A		$201.60	$167.10	N/A	
Total building cost	$6,955,200	$7,740,600	$831,264	$21,214,746	$23,242,685	$45,288,695	$831,264	$21,214,746	$24,095,421	$46,141,431
Total parking cost	$0	$0	$0	$0	$4,950,000	$4,950,000	$0	$0	$0	$0
Landslide repair	$0	$0	$0	$6,218,233	$1,382,357	$7,600,590	$0	$6,213,029	$1,387,561	$7,600,590
Soil export	$470,000	$584,000	$0	$1,943,047	$431,953	$2,375,000	$0	$0	$0	$0
Retaining walls	$1,850,000	$1,850,000	$0	$0	$0	$0	$0	$0	$0	$0
Residential elevators	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Affordable units costs minus sales (2)				$482,717			$0	$482,717	$0	$0
Sub-total hard costs	$9,275,200	$10,174,600	$831,264	$29,858,742	$30,006,995	$59,865,737	$831,264	$27,910,492	$25,482,982	$53,393,474
Total cost, hard & soft	$10,666,240	$11,722,720	$997,517	$34,101,692	$37,055,166	$71,156,858	$997,517	$32,153,441	$31,506,837	$63,660,278
Affordable housing in-lieu fees	$750,000	$1,187,500	$0	$0	$0	$0	$0	$0	$0	$0
FINANCIAL FACTORS										
Affordable unit average price			$128,700				$128,700			
Est. Sales price/sf			$104.04				$104.04			
Gross sale income (or hotel annual receipts)	$21,600,000	$24,700,000	$514,800	$70,350,000	$4,828,950		$514,800	$70,350,000	$4,828,950	
Net Operating Income					$2,486,909				$2,486,909	
Sales total (residential); capitalized value/sale price (hotel)	$21,600,000	$24,700,000	N/A	$70,350,000	$33,158,790	$103,508,790	N/A	$70,350,000	$33,158,790	$103,508,790
Actual land cost	$10,758,411	$10,758,411				$10,758,411				$10,758,411
Total costs, hard, soft, and land	$22,174,651	$23,668,631				$81,915,269				$74,418,689
Project net receipts after all costs	-$574,651	$1,031,369				$21,593,521				$29,090,101
Percent return on costs	-2.6%	4.4%				26.4%				39.1%

1. Building area does not include garage space.
2. Affordable units' extra costs, and other development costs less sales revenues, are transferred to market units. With this approach, there is no "revenue" from affordable units, and affordable housing "costs," reduced by revenues, become an additional cost to market-rate units.
3. Summations across columns can differ by row; for example, sums of most costs (other than "Total Building Cost") do not include figures for affordable units, as these are included in the figures for market units.