MEETING DATE: 07/21/08

AGENDA ITEM: Consideration of Authorization to Enter into a Professional Services Agreement for a Market Study of the Feasibility of a Full Service Hotel as part of the Washington/National Project.

ATTACHMENTS

	Pages
1. Proposal by PKF Consulting	1-7
2. Proposal by HVS Consulting & Valuation	8-15

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March 14, 2008

Ms. Elaine Gerety Warner
Senior Management Analyst
City of Culver City
Community Development
9770 Culver Boulevard
Culver City, California

Sent via email: elaine.gerety-warner@culvercity.org

Dear Ms. Gerety Warner:

In accordance with your request we are pleased to submit this proposal for professional services in connection with a study of potential market demand for a proposed hotel to be located in Culver City, California. We understand that you are evaluating the development of a hotel and would like us to assist you in determining the demand for and market feasibility of the proposed project.

To assist you in your planning process, we will be pleased to conduct a study to ascertain the potential market demand for the proposed hotel. Assuming that sufficient market support is indicated, our analysis will assist you and your associates in establishing a program for the development of the property.

PKF CONSULTING

PKF Consulting (PKF/C) is an international firm of management consultants, industry specialists, and appraisers who provide a full range of services to the hospitality, real estate, and tourism industries.

Other related companies include the **PKF Capital**, which provides real estate transaction and capital markets services, and **The PKF Hospitality Research Group**, a hospitality-related market research firm.

Headquartered in San Francisco, the firm has offices in New York, Philadelphia, Boston, Atlanta, Houston, Dallas, Los Angeles, and Washington, DC. PKF Consulting is a member of the Pannell Kerr Forster International Association, with 300 offices in 90 countries.

The firm is staffed and equipped to provide the leisure and real estate industries with the following key services: Asset Advisory Services, Transaction Advice and Due Diligence, Appraisal and Valuation, International Hospitality Consulting, Public Sector leisure and Tourism Consulting, and Litigation Support.

Senior professionals of the firm have been a part of the hospitality business for upwards of 25 years. They head teams of consultants who bring a broad range of experience - corporate finance, hotel operations, resort planning, international tourism - to meeting client needs. Real estate professionals carry MAI (Member of the Appraisal Institute), CRE (Counselor of Real Estate) and ISHC (International Society of Hospitality Consultants) designations.

METHODOLOGY

The study will be conducted in phases and the work program will be concerned with the determination of current and potential future lodging demand in the market area, the assessment of existing and potential future supply and the share of the market that could reasonably be attained by the proposed project, and our facilities recommendations. Our work plan for the study will be as follows.

ANALYSIS OF THE SITE LOCATION

This part of the study is designed to evaluate the site in terms of its opportunities and constraints for development. Some of the factors to be examined include:

- Access
- Visibility
- Ambiance
- Present utilization
- Topography
- Relationship to demand generators
- Relationship to area amenities
- Advantages/disadvantages of the site versus the major competitors

AREA REVIEW

We will gather and analyze relevant economic data regarding the market area to determine whether the overall economic environment in the area appears to be suitable for hotel development. We will examine correlations between key economic factors and the demand for lodging and will utilize any available forecasts of these indicators in our evaluation of potential future demand.

We will perform primary market research in the site area, consisting of interviews with key demand generators, inspection and evaluation of competition and discussions with persons familiar with development patterns and the local hotel market. Among those with whom we will conduct such interviews are:

- Managers of tourist attractions
- Owners and managers of potentially competitive lodging facilities
- Government officials in zoning, development and transportation
- Major employers in the area
- Convention and Visitors Bureau representatives

On the basis of the foregoing research, we will prepare estimates of future growth in demand for, and the supply of lodging facilities in the market area.

We will analyze historical economic growth in the area and the characteristics of each of the principal segments of demand for hotels. Then, using the information gathered in our research, we will estimate growth in demand for each market segment and project demand for each of the next five years, expressed in terms of room nights.

FACILITIES RECOMMENDATIONS

As part of our analysis, we will review your plans for the proposed project and make preliminary recommendations as to the proposed hotel's facilities, including:

- Number, type, and mix of guest rooms
- Restaurant and lounge facilities, if appropriate
- Banquet and meeting space requirements
- Other facilities and amenities

These recommendations are intended to provide you with the basis for a design program for the proposed hotel.

MARKET SHARE ESTIMATES

The focus here will be on estimated demand for the subject hotel. Upon completion of the estimate of market area supply and demand for the future, we will estimate the share of the market that the proposed facilities should reasonably be expected to capture for the hotel's first five years of operation.

Based upon an analysis of the sources of demand available to the subject property and its estimated competitive position, we will estimate the average daily room rate that could potentially be achieved in a representative year, in current value dollars, and over the first five years of operation of the subject hotel.

Since the estimated operating results will be based on estimates and assumptions that are subject to uncertainty and variation, we will not represent them as results that will actually be achieved.

REPORT

We will codify our conclusions into a draft of a report suitable for presentation to third parties in connection with the negotiation of a joint venture, lease, franchise or management agreement or for use in connection with primary mortgage financing. The draft report will be for the internal use only of you and other members of the planning team and for discussion purposes with us. Once you have reviewed the draft report, we will be pleased to review it with you, address any additional questions or concerns necessary and then finalize our report.

LIMITATIONS OF THE STUDY

Our final report will be subject to the attached assumptions and limiting conditions.

PROFESSIONAL FEES

Our professional fees for the assignment, based on our current hourly billing rates and an estimate of the hours required, will be $13,000. Any hours expended due to changes in the scope of the assignment will be billed at our normal hourly billing rates, which are as follows:

	Per Hour
Senior Vice President	$300 - $450
Vice President	225 - 300
Associates	200 - 225
Consultants	110 - 185

In addition to our fees, we will be reimbursed for any out of pocket expenses incurred in performance of the assignment such as travel of our representatives while in the field, long distance telephone, computer costs and photocopying. We estimate that our expenses will not exceed $1,000.

If, at any time during the course of the study we form an initial opinion that there is insufficient demand for the proposed facilities, we will suspend the assignment at that point and discuss our findings with you. If you desire that we terminate the assignment at this point, we will write you a brief letter summarizing our findings and charge you only for that time actually incurred to date at our regular per diem rates, plus expenses.

As is customary in assignments of this nature, we request a retainer of $7,000 at the start of the assignment. The remainder of our fees and expenses will be billed and payable on a progress basis.

STUDY TIMETABLE

Based on our present scheduling, we could commence the assignment within one to two weeks of receiving your authorization to proceed. We anticipate providing you with a draft of our full report within three to four weeks of starting the assignment.

APPROVAL AND ACCEPTANCE

If the foregoing correctly states the nature of the work you wish undertaken at this time, and arrangements are satisfactory, please sign a copy of this proposal and return it to us, together with the requested retainer, as our authorization for the assignment. If, on the other hand, you have any questions, please do not hesitate to call on us.

We appreciate having the opportunity to submit this proposal and look forward to working with you and your associates on this most interesting assignment.

Sincerely,

PKF Consulting

By Bruce Baltin
Senior Vice President

APPROVED AND ACCEPTED:

____
By

____
Title

____
Date

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

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).

Distribution and Liability to Third Parties - The party for whom this report was prepared may distribute copies of this appraisal report only in its entirety to such third parties as may be selected by the party for whom this report was prepared; however, portions of this report shall not be given to third parties without our written consent. Liability to third parties will not be accepted.

Use in Offering Materials - This report, including all cash flow forecasts, market surveys and related data, conclusions, exhibits and supporting documentation, may not be reproduced or references made to the report or to PKF Consulting in any sale offering, prospectus, public or private placement memorandum, proxy statement or other document ("Offering Material") in connection with a merger, liquidation or other corporate transaction unless PKF Consulting has approved in writing the text of any such reference or reproduction prior to the distribution and filing thereof.

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.

Attachment 2

HVS

Proposal for a Market Study, Product Recommendation and Financial Projections

Proposed Full Service Hotel

Culver City, California

Submitted to:

Ms. Elaine Gerety-Warner
Senior Management Analyst
City of Culver City
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Prepared by:

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March 17, 2008

HVS

Proposal for a Market Study, Product Recommendation and Financial Projections

Pursuant to our conversation, we are pleased to submit this proposal for services of the HVS Consulting & Valuation division of M&R Valuation Services, Inc. in connection with a Proposed Full Service Hotel in Culver City, California. This proposal sets forth a description of the objectives and scope of the assignment, along with the methodology to be employed, an estimate of the time requirements, and a schedule of professional fees.

Objective

The preliminary objective of this assignment is to evaluate market supply and demand and provide a product recommendation for a proposed full service hotel on your site (Phase One). We will analyze the relevant economics and prepare a projection of rooms revenues (Phase Two). A 10-year cash flow projection will then be prepared (Phase Three). We may then, upon your request, prepare a concise written report of our findings (Phase Four). Our valuation will be performed in accordance with the standards stipulated by the Uniform Standards of Professional Appraisal Practice (USPAP).

In order to accomplish the objectives described above, our work will be conducted in four phases, which typically include the following steps:

Phase One: Market Research and Product Recommendation

1. An inspection of the site will be made to determine the suitability of the land for the proposed development. The physical orientation of the subject site with respect to access to and visibility from highways, other forms of transportation, and the local demand for accommodations will be analyzed. We will also review the supportive nature of surrounding land uses as they relate to the subject property.
2. Architectural plans or preliminary conceptual drawings for the proposed improvements will be reviewed, if available.
3. The demand for transient accommodations will be investigated to identify the various generators of visitation operating within the local market. The current and anticipated potential of each of these market segments will be evaluated to determine the extent of existing and future demand based on interviews with officials of business and government as well as statistical data collected during fieldwork. In conjunction with the identification of potential demand, an investigation will be made of the strengths of the

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respective market segments. Seasonality, weekly demand fluctuations, vulnerability to economic trends and changes in travel patterns, and other related factors will be analyzed.

4. Potentially competitive lodging facilities will be evaluated to determine their market position with respect to the subject. Identified properties displaying similar market attributes will receive a physical inspection along with selective management interviews to estimate levels of occupancy, room rates, market penetrations, and other pertinent operational characteristics. The competitive factors that will be specifically reviewed include: location, market orientation, quality of facilities and amenities, physical condition, management expertise, operating performance and chain affiliation.
5. The potential for future hotel development will be assessed to determine the prognosis of the Culver City and West L.A. market over the short- and long-term. Through interviews with hotel operators, developers, government officials and others, we will ascertain whether any potentially competitive projects are under construction, proposed, or rumored.
6. Statistical data relating to general economic and demographic trends often foreshadow future potential for market areas and neighborhoods. Interviews with local chambers of commerce, economic development agencies, demand generators and other related organizations, along with an investigation of the subject's primary market area, will reveal patterns reflecting growth, stability, or decline and the impact upon the demand for lodging accommodations.
7. Based upon our field research and supply and demand analysis, we will develop a recommendation regarding the optimum lodging product for the proposed property. Facilities and operating characteristics that will lend to the project's feasibility will be delineated.

At the conclusion of Phase One we will organize and analyze all of the data compiled during our field research and fill in any missing information. Economic and demographic statistics, market supply and demand trends, competitive data, pertinent observations and our product recommendation will be set forth for discussion. Based upon our research we will provide you with a verbal overview of our findings.

Phase Two: Forecast of Occupancy and Average Rate

Upon finalization of the preliminary hotel programming, we will proceed with Phase Two, as follows:

1. Based on the data and information gathered during the fieldwork phase, along with our extensive library of actual hotel operating statements,

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financing statistics, area hotel trends, and investor requirements, we will first perform a supply and demand analysis to determine historical and projected overall market performance.

2. Our supply and demand analysis will then be expanded into a forecast of the proposed subject's performance based upon potential market penetration by demand segment and/or through a seasonality analysis resulting in a forecast of occupancy up through a stabilized level of operation.

3. Average rate for the subject property will be forecast based upon segmented rates, crosschecked with comparative competitive average rates, resulting in a quantification of the subject's overall rooms revenue.

At the conclusion of Phase Two we will provide you with our data and analysis in chart form for your review and discussion.

Phase Three: 10-Year Forecast of Income and Expense

Upon your review of our Phase Two findings, and upon your authorization, we will proceed with Phase Three, a 10-year forecast of income and expense, as follows:

1. Local data relating to departmental revenues, other than rooms, will be researched. In most instances, we will utilize actual departmental revenue results from comparable properties in our economic analysis of your proposed hotel.

2. Local labor costs, sales, energy rates, and assessed values and taxes will be researched and considered in the analysis. Using actual expense statements from comparable lodging facilities, we will develop expense estimates corresponding to the level of activity and quality of operations indicated by the projected occupancy and average rate and other departmental revenues.

3. A 10-year forecast of income and expenses (net income available for debt service) representing future expectations of income potential will be made through a series of build-up years, a stabilized year and beyond. Our projected income statements conform with the Uniform System of Accounts for Hotels and include a detailed line-by-line account of all revenue and expense sources.

At the conclusion of our analysis we will set forth our forecast of income and expense in chart form for your review and discussion.

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Phase Four: Market Study and Financial Projections Report

Upon your request we will prepare a concise 15- to 25-page market study and financial projection report setting forth our ten year forecast of income and expense. The report will set forth the data and analysis that forms the basis for our product recommendation and forecast.

Requested Information

To aid us in performing this assignment, we request that you provide us with the following information (where applicable):

1. Overall project description;
2. Architectural plans and or renderings;
3. Site plan;
4. The latest real property tax bills for the subject site;
5. Pertinent leases;
6. Contact person to arrange for site inspection.

Timing

We anticipate that Phase One: Market Research and Product Recommendation can be completed within approximately 10 to 15 days of our receipt of the executed agreement and all requested information. At this time we will verbally summarize our findings and product recommendation. Phase Two: Forecast of Occupancy and Average Rate will require an additional 5 to 10 days to complete following your authorization to proceed. At the conclusion of Phase Two, we will provide you with our forecast in chart form. Preparation of Phase Three: Ten-Year Forecast of Income and Expense will take an additional 5 to 10 days to prepare following your authorization to proceed. After your review of our findings and upon your authorization, we will then proceed with Phase Four: Market Study Report, which will take an additional 5 to 10. days to prepare.

Professional Fees

Our fees for this assignment are as follows: Phase One - Market Research and Product Recommendation: $6,500; Phase Two - Forecast of Occupancy and Average Rate: $2,000; Phase Three - Ten-Year Forecast of Income and Expense: $3,000; Phase Four - Market Study and Financial Projections Report: $3,500. We request payment of our fees upon submission of our invoices at the conclusion of each phase.

Please keep in mind that additional fieldwork and analysis may be required to update our findings if a significant amount of time elapses between any of the Phases. We retain the right to revise our timing and fee estimates if additional fieldwork and analysis are required.

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It is our normal policy to provide a draft copy of our final report for your review. Upon your approval of this draft, we will commence printing the final report, which will be delivered to you when our invoice for services has been paid in full. This fee covers all report preparation costs, such as graphics, photographs, typing, proofreading, printing and binding, and includes three copies of the final report which will be delivered to you.

In addition to our professional fee, you agree to reimburse us for out-of-pocket research, travel, and related expenses incurred on your behalf. You will be billed for these expenses upon completion of our Phase One work.

If this assignment is terminated during the course of any phase of our work, we are entitled to charge you for the time incurred on the assignment up to that point at our hourly rates.

In the event that after completing the fieldwork phase (Phase One) of the study it becomes necessary to alter the parameters of the study, such as the property description; date of value; financial, management, or ownership structure; or any other factor which could change the final estimate of value, HVS will be entitled to charge an additional fee based upon our current per-diem rates and the time required to incorporate the necessary changes into our analysis and report. In addition, the estimate of timing will be extended by an amount equal to the added work.

Additional fees will also be charged on an hourly basis for any work which exceeds the scope of this proposal, including performing additional research, analysis and/or alternate valuation scenarios; reviewing other appraisals and/or other studies and documents related to the property; telephone calls and/or meetings with any party which we believe goes beyond the time generally expended during the course of an assignment of this nature; and attending out-of-town meetings.

Hourly rates of professional staff are as follows Managing Director - $400; Senior Vice President - $300; Director - $275; Vice President - $250; Assistant Vice President - $225; Senior Associate - $200; Associate - $175; Consulting and Valuation Analyst - $150; Editor - $100. Any meeting or presentation not previously agreed to as being part of this assignment that requires the Managing Director to travel out of the San Francisco Bay Area will be charged at a minimum per-diem rate of $3,200. Hourly and per-diem rates will be charged at the rate in effect at the time that they occur.

Notwithstanding the fee payment schedule set forth above, if at any time while performing this assignment it becomes necessary to suspend work for a period of thirty (30) days or more, then HVS will be entitled to bill for the

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portion of the assignment completed up to the suspension (less any retainer paid) at its current per-diem rates.

If payment for professional fees and out-of-pocket research, travel, and related expenses is not received within thirty (30) days of the billing date, HVS reserves the right to suspend all work until payment is made and apply a service charge of .8 percent per month or fraction thereof to the total unpaid sum. It is further agreed that in the event legal action becomes necessary to enforce collection of bills rendered, you will be responsible for all collection costs, including, but not limited to, court costs and reasonable legal fees. It is understood that HVS may extend the time for payment on any part of billings rendered without affecting the understanding outlined above.

It is agreed that the liability of HVS, its employees, and anyone else associated with this assignment is limited to the amount of the fee paid as liquidated damages. You acknowledge that any opinions, recommendations, and conclusions expressed during this assignment will be rendered by the staff of M&R Valuation Services, Inc. acting solely as employees and not as individuals. Any responsibility of HVS is limited to the client, and use of our product by third parties shall be solely at the risk of the client and/or third parties.

The study described in this proposal will be made subject to certain assumptions and limiting conditions. A copy of our normal assumptions and limiting conditions will be provided upon request. If in the sole opinion of HVS it becomes necessary to add additional assumptions and limiting conditions in order to properly characterize and represent our conclusions, these additional assumptions and limiting conditions will become a part of our final report.

If the foregoing proposal meets with your acceptance, please sign and return one copy of this agreement. Your signature beneath the words "AGREED TO AND ACCEPTED," signifies your agreement to employ HVS for these services.

In order to schedule our assignments and perform your study in accordance with the timing set forth above, we ask that we receive an executed copy of this agreement, together with your retainer check, on or before June 30, 2008.

You acknowledge that you are retaining the HVS Consulting & Valuation division of M&R Valuation Services, Inc., to provide the services described in this proposal. M&R Valuation Services, Inc. is licensed to use the service mark HVS.

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We appreciate the opportunity of submitting this proposal and look forward to working with you on this assignment.

Very truly yours,
HVS Consulting & Valuation
A Division of M&R Valuation Services, Inc.

Suzanne R. Mellen, CRE, MAI, FRICS
Managing Director

AGREED TO AND ACCEPTED:

City of Culver City

By: ______________________________
Elaine Gerety-Warner

Date: ______________________________

SRM/smj