



# Downtown Winters Hotel and Conference Center

## Request for Proposals

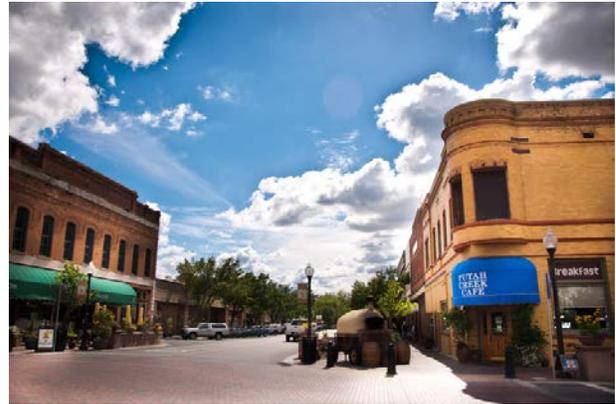


***City of Winters  
318 First Street  
Winters, CA 95694***

## OVERVIEW

*Thank you for your interest in the Downtown Winters hotel opportunity. The purpose of this Request for Proposals (“RFP”) is to solicit proposals from qualified development teams interested in pursuing the development of a full-service hotel in the heart of Downtown Winters.*

*This project is a major priority for the City of Winters and the Downtown Business District. The City envisions this as a catalyst project, which will encourage further development in the downtown core. The project is supported the City Council, the Community and the many key businesses within the Downtown core.*



## SUMMARY OF REQUEST

This RFP is a request for detailed proposals from development teams interested in pursuing such a project. The level of design, furnishing and operation of the Project must be commensurate with a high quality hotel.

## PROPERTY

Located in Downtown Winters, the site is a pre-eminent location within the Central Business District. The site is owned by the City of Winters. The combined efforts of the City and our former Community Development Agency have assembled key properties to expedite development. A site map is attached as Exhibit A. There is one adjacent property owner who has indicated a willingness to either sell or enter into an owner participation agreement with a potential developer.

## DEVELOPMENT OPPORTUNITY

Design and build a full service hotel that can also provide meeting space to attract high quality events and help the city establish a strong visitor industry. The project must be consistent with all adopted City plans effecting the historic Downtown Core, including the City’s Form Based Code and the Downtown Master Plan.

## PROJECT GOALS AND OBJECTIVES

- Develop a regionally recognized, high quality, signature hotel.
- Accommodations to meet the demands of a proposed PG&E Gas Training Facility and a large demand Monday through Friday.
- Meeting space to support UC Davis and many local business needs.
- Enhance the dynamic environment of the downtown with a hotel that complements the area’s existing retail, food and entertainment and regional attractions.

- Serve as an added catalyst for continued economic growth and provide a direct economic benefit to the City
- Maximize the site's potential in a creative and complementary manner
- Reflect and respect the architectural and spatial context of the Downtown
- Establish a long-term ground lease

## **MARKET FEASIBILITY**

The City has contracted with PKF to revise a market feasibility analysis for the project. This is included at Exhibit B to this RFP.

## **FINANCING**

Based on initial meetings with the Program Director for the California Office of the USDA Rural Development, and subsequent meetings with local Community Banks, the Downtown Hotel Project is a strong candidate for the USDA Business and Industry Guaranteed Loans (B&I). The B&I Program provides up to a maximum guarantee of 80% for loans of \$5 million or less, 70% for loans up to \$10 million, and 60% for loans exceeding \$10 million. Loan terms can be fixed or variable. The maximum term for loans on real estate can be up to 30 years.

Additional financing is potentially available through the State of California, Department of Housing and Community Development, through the Community Development Block Grant (CDBG) Program, utilizing the Over-the-Counter (OTC) Application Process. The City has a consultant contract for OTC application services with Community Development Services, an industry leading firm with expertise working with businesses and jurisdictions on CDBG OTC applications.

## **SELECTION**

Through this RFP process, up to three (3) qualified teams will be selected by an Advisory Review Panel for continuation in the process, which will include a 90 day exclusive negotiation period. Formal negotiations for a development and lease agreement are expected at the end of this process.

## **PRE-SUBMITTAL MEETINGS:**

The City is open to meeting with all interested teams to tour the site and ask questions related to this RFP. Please contact Dan Maguire to set a time to meet and discuss this process and visit the site.



## **BACKGROUND**

The uniqueness of Downtown Winters lies in its seamless blending of the City's future as well as its past. Its attractive historic buildings retain their architectural detail reflective of a previous era, illustrating the value the community places on its origins. These structures are important to the community's identity. These buildings also illustrate the City's growth and economic development policies, which aim to encourage investment at the center of the community rather than supporting sprawl into adjacent agricultural lands. Nearby neighborhoods and a lack of strip commercial development encourage residents to visit Downtown on a daily basis, resulting in a lively and active district that is no longer common in the Central Valley.

The Downtown is a thriving hub of entertainment, weekend nightlife and the celebration of culinary excellence. The combination of wine tasting, great restaurants and the Palms Playhouse make Winters a regional destination for people to relax and hang out.

Winters is strategically located within the reach of both Sacramento and the San Francisco Bay Area. Technology facilities (Genentech and Alza Pharmaceuticals), regional tourism, Cache Creek Casino Resort and UC Davis all continue to expand. Agriculture remains the basis of the local economy. Agriculture evolves just as other industries do; however, and Winters is the regional center for farms growing and distributing the high quality, value-added produce that supplies many of Northern California's farmers markets and renowned restaurants. Winters is also home to an arts and artisan community, and residents prize the quality of life in a small town that is close to a major metropolitan area as well as expansive recreational and open space areas. Quality lodging and conference facilities will achieve great success due to our location, beauty and proximity to major population centers.

Recent building renovations and new businesses attest to Downtown Winters' viability. As the community grows, there are opportunities to improve the business climate of the Downtown as a public place and to solidify it as a compact, walkable, thriving commercial district.

Lodging is a natural component to be added into the Downtown. The proposed 40 acre PG&E Gas Training Facility to be located on Grant Ave is projected to open in June, 2015 (15,750 room nights per year) and nearby UC Davis (15 miles) hosts over 8,800 meetings each year and uses over 51,000 room nights annually for their conferences and meetings. Lake Berryessa (9 miles) is in transition, with a need for lodging for the estimated (100,000) visitors annually. Cache Creek Casino Resort is located 20 miles from Downtown.

This project is a major priority for the City and the business community.

**SPECIFIC PROJECT INFORMATION**

**DEVELOPMENT SITE INFORMATION**

The proposed hotel site is located centrally in downtown.

Details related to the size, zoning, and development capacity of the site area are summarized in Attachment A.

**DEVELOPMENT PARAMETERS**

**HEIGHT LIMIT**

The maximum height allowed for the development site is 45 ft. The City may consider the use of height averaging by the developer up to 30% higher. This will require consultation with City Staff and the approval of the Planning Commission.

**FAR**

The maximum permitted floor area ratio (“FAR”) for the block is approximately 2.0.

The development envelope for the hotel proposal is to be dictated by the aspects of the Downtown Master Plan and the required setbacks and height limits.

**DUE DILIGENCE INFORMATION**

**MARKET FEASIBILITY**

The City has commissioned PKF to complete a market feasibility analysis update for a Downtown Hotel. The information is based on a previous application but provides a solid analysis for the consideration of applicants.

**TITLE**

The City of Winters has had a Title Report prepared for the entire site, which is available by contacting the City Manager’s Office.



## **ZONING**

The site is zoned Railroad Avenue Downtown A, according to Winters Municipal Code, Chapter 17.58 (Form-Based Code for Downtown), which allows the proposed uses.

## **ENVIRONMENTAL CLEARANCE**

The selected proposal team shall be responsible for securing compliance with the California Environmental Quality Act of 1970 at the team's sole expense. Appropriate application for environmental review of the proposed improvements and use must be made by the successful proposal team upon selection. The development may qualify for a categorical exemption under CEQA.

## **DESIGN CONCEPTS AND GUIDELINES**

Design guidelines for the Downtown are located as part of the Form Based Code for Downtown Regulating Plan Area, as prescribed in Winters Municipal Code, Chapter 17.58

## **SUBMITTAL REQUIREMENTS**

Please provide identification of the proposed team members (i.e. the developer, hotel operator). Include a single contact person for all correspondence and notifications. Submissions must incorporate the following elements to be eligible for review:

### **Development Entity/Capacity**

1. Description of development entity, including full legal name, type, ownership equity/financing structure, and primary contact regarding submittal. Teams must identify a hotel brand and/or franchise and hotel management company that will manage the operations.
  - a. Development Plan
  - b. Detailed project description in relation to the goals and objectives stated on page 1 of this RFP.
2. Conceptual site plan and elevations
  - a. Chart detailing proposed building uses and square footage
  - b. Preliminary development schedule/timeline and anticipated phasing
3. Economic Plan/Pro-forma

### **Project Pro-forma:**

- a. Estimated construction costs including detailed direct, indirect/soft costs and financing costs
- b. Estimated net operating income including detailed revenue
- c. projections and operating costs

Description of the project's potential to serve as an economic stimulus to the area and projected economic impact:

- Transient Occupancy Tax
  - Property Tax
  - Sales Tax
4. Identification of additional project benefits to the City, such as jobs created, services provided and needs met

#### Transaction Terms and Conditions

- Term sheet that includes the following:
- Proposed Lease Amount
- Proposed Lease Term
- Teams are encouraged to provide any relevant information that will assist the City in the evaluation of their submission. However, bulky promotional materials not directly related to a hotel project are discouraged.

Submissions must be in the actual possession of the City in City Hall, 318 First Street on or prior to March 11, 2014 at 5:00pm. Late submissions will not be considered. Submissions must be provided in a sealed package with the statement "Winters Downtown Hotel Proposal" and the prime contact name and address clearly labeled on the front. Please submit twelve (12) complete copies (8½ x 11 format preferred).

## **EVALUATION**

### **EVALUATION PROCESS**

The City will designate an Advisory Review Panel to evaluate all proposals received in response to this RFP. The Panel will assess the responses based on the factors described below. Panel members will score each response in their own preferred order. The scores assigned by each Panel 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 RFP process.

Members of the Advisory Review Panel and other City staff may contact references and industry sources, investigate previous projects and current commitments, and interview some or all of the development team. The City reserves the right to reject any or all submittals at its sole and absolute discretion.

## **EVALUATION CRITERIA**

The following is an outline of the criteria that will be utilized in determining those submittals deemed most advantageous to the City of Winters and most responsive to stated goals of this project.

### **Development Entity/Capacity**

- Demonstrated experience in successful financing, development, operation and economic performance of comparable projects

### **Development Plan**

- Extent to which the submittal meets project goals and objectives.

### **Economic Plan (Pro-forma)**

- Projected economic benefit to the City of Winters
- Feasibility of development proposal
- Transaction Terms
- Proposed development schedule and phasing required to complete the project
- Quality and feasibility of proposed business offer
- Ability to complete the transaction in a timely fashion

## **PROPOSED SELECTION SCHEDULE**

The City intends to proceed in accordance with the schedule noted below. The City reserves the right to alter the schedule at any point in the process, but agrees to provide adequate notice to respondents should the schedule be amended.

### **SCHEDULE:**

RFP Release: January 27, 2014

Due Date for written questions: February 14, 2014

RFP Response Deadline: March 11, 2014 (no later than 5:00pm)

## **INQUIRIES**

All questions shall be directed to:

Dan Maguire, Economic Development and Housing Manager  
(530) 794-6718

Daniel.Maguire@cityofwinters.org

## **SPECIAL TERMS AND CONDITIONS**

### **RESPONDENT RESPONSIBILITIES**

All facts and opinions stated herein and in any additional information, whether written or oral, provided by the City of Winters and/or its representatives, are based on available information and are believed to be accurate. However, no representation or warranty is made with respect thereto. The information in this document is intended to help prospective respondents create viable responses. However, it is the sole and absolute responsibility of those responding to this request to complete their own due diligence with regard to the information contained herein, including, without limitation, any development restrictions, whether contractual, governmental, physical, or otherwise, which may restrict or affect development of the site. Development is subject to all applicable development standards and restrictions.

### **RESERVATION OF RIGHTS BY CITY OF WINTERS**

The issuance of this RFP and the acceptance of submittal do not constitute an agreement by the City of Winters that any contract will actually be entered into by the City of Winters. Any costs incurred by respondents in preparation of a response to this RFP or future RFP are completely the responsibility of the respondents. Any or all disputes arising under this RFP and any contract negotiated as a result of this RFP shall be governed by the laws of the State of California.

The City reserves the right to issue written notice of any changes in the submittal process should the City determine, in its sole and absolute discretion, that such changes are necessary or desirable.

### **NO PARTNERSHIP/BUSINESS ORGANIZATION**

Nothing in this RFP or in any subsequent development agreement, lease, or any other contract entered into as a result of this RFP shall constitute, create, give rise to or otherwise be recognized as a partnership or formal business organization of any kind between or among the City of Winters or the team.

### **EMPLOYMENT RESTRICTION AND INDEMNITY**

No person who is an officer, employee, contractor or consultant of a team shall be an officer or employee of the City of Winters. No rights of the City of Winters's retirement or personnel rules accrue to team, its officers, employees, contractors, or consultants. The successful team shall have the total responsibility of all salaries, wages, bonuses, retirement, withholdings, worker's compensation and occupational disease compensation, insurance, unemployment compensation other benefits and taxes and premiums appurtenant thereto concerning its officers, employees, contractors, and consultants. Team shall save and hold the City of Winters

harmless with respect to any and all claims for payment, compensation, salary, wages, bonuses, retirement, withholdings, worker's compensation and occupational disease compensation, insurance, unemployment compensation other benefits and taxes and premiums in any way related to Team's officers, employees, contractors and consultants.

### **CIVIL RIGHTS RESERVED**

Notwithstanding any other provision of the Request for Proposals, the City reserves the right to:

- Waive any immaterial defect or informality;
- Extend or otherwise revise the submittal date;
- Reject any or all submissions or portions thereof;
- Reissue a new or revised Request for Proposals; and
- Request one or more teams to submit a more detailed submittal

This RFP does not commit the City of Winters to enter into a contract or development agreement, to pay any cost incurred in the preparation of a submittal in response to this request or in subsequent exclusive negotiations. Further, this RFP does not convey to any team any contract property rights.

### **PROPERTY RIGHTS/DISCLOSURE OF INFORMATION**

All materials submitted in response to this RFP and submittals subsequent thereto, shall become the property of the City of Winters upon delivery. By tendering a response to this RFP, teams agree that the content of every other submittal is confidential and proprietary and waives any right of access to those submittals during the review period. The foregoing waiver shall not apply to the submittal selected under this RFP, if any, or to the submittal of any developer contesting, protesting or otherwise challenging an award or recommendation, once made. Any developer tendering a submittal in response to this RFP further acknowledges and understands that the City of Winters is a public entity required to abide by public record laws and shall not be liable for disclosures required by law.

### **SUBMITTAL REJECTION/RIGHT TO DISQUALIFY**

Submittal of terms, condition and/or agreements may result in rejection if such terms, conditions, or agreements are deemed unacceptable by the City in its sole discretion. The City of Winters reserves the right to disqualify any team who fails to provide information or data specifically requested herein or who provides materially inaccurate or misleading information or data or who attempts to influence the selection process outside the procedures established herein. The City of Winters reserves the right to disqualify any team on the basis of any real or apparent conflict of interest. This disqualification is at the sole discretion of the City of Winters.

# Subject Parcels





**Phase I  
Market Study**

**Proposed Full-Service Hotel  
Winters, California**



**Prepared For:**  
Mr. John Donlevy, Jr.  
City Manager  
City of Winters  
318 First Street  
Winters, California 95694

**Prepared By:**  
PKF Consulting USA  
San Francisco, California

**Date of the Report**  
January 13, 2014

91554

**PKF**  
CONSULTING  
USA

[www.pkfc.com](http://www.pkfc.com)



January 13, 2014

Mr. John W. Donlevy, Jr.  
City Manager  
City of Winters  
318 First Street  
Winters, California 95694

**Re: Update to Potential Market Demand Analysis  
Proposed Hotel – Winters, California**

Dear Mr. Donlevy:

In accordance with your request, we have completed an update to our Phase I study of the potential market demand for a proposed 81-room hotel (the “Subject” or “Hotel”) to be located in Winters, California. Since the time that report was issued on December 5, 2012, we have been informed of a development that could affect our original conclusions. Namely, we understand that a new PG&E training facility will be constructed in Winters, and is set to open by January of 2016. This facility will handle all regional training for gas employees, many of whom will require hotel accommodations during their training period. We have thus modified our original conclusions in light of these factors, as summarized in this letter report.

The conclusions set forth are based on an analysis of the existing and potential future supply and demand for the competitive lodging market as of the completion of our fieldwork in November and December of 2013 and January of 2014. This report has been prepared for use by your internal management in determining the potential market demand for the proposed Hotel.

As in all studies of this type, the estimated results are based on competent and efficient management and presume no significant change in the status of the competitive lodging market from that as set forth in this report. The terms of our engagement are such that we have no obligation to revise our conclusions to reflect events or conditions that occur subsequent to the date of completion of our fieldwork. However, we are available to discuss the necessity for revisions in view of changes in the economy or market factors impacting the competitive lodging market.

Since the proposed Subject's future performance is based on estimates and assumptions that are subject to uncertainty and variation, we do not present them as results that will actually be achieved. However, our analysis has been conscientiously prepared on the basis of information obtained during the course of this assignment and our experience in the industry. This interim report is subject to the Certification and Statement of Assumptions and Limiting Conditions presented in the Addenda.

After you have had an opportunity to review this letter, please feel free to contact us with any questions or comments. It has been a pleasure to work with you on this interesting engagement.

Yours sincerely,

**PKF Consulting**



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By: Thomas E. Callahan, CPA, CRE, FRICS, MAI  
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By: Elle Patterson  
Consultant  
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## **A. SCOPE AND METHODOLOGY**

PKF Consulting USA (“PKF Consulting”) was formally retained on October 30, 2012, by representatives of Presidio Companies to conduct a study of the potential market demand for a proposed hotel to be located in Winters, California. We were subsequently retained by the City of Winters on September 4, 2013 to perform an update of this market study to reflect the impact of a new gas training facility slated to open in Winters in 2016.

As we understand it, Presidio Companies desires to build an 81-room hotel (the “Subject” or “Hotel”) which will likely be affiliated with the Four Points by Sheraton brand, and will include such amenities as a bar and lounge, 5,400 square feet of meeting space, and ground floor retail. As a component of this analysis, we first determined the market potential for a hotel and subsequently provided our projections of the occupancy and average daily room rates (“ADR”) the Subject could achieve for its first five years of operation.

Specifically, in conducting the study of the potential market demand, we:

- Visited the Subject site and assessed the impact of the site’s accessibility, visibility, and proximity to demand generators on the marketability and likely market mix of the proposed Subject;
- Researched and analyzed current economic and demographic trends to determine their impact on future lodging demand in the market;
- Reviewed the historical performance levels of the greater Sacramento lodging market as well as that of comparable hotels located in Davis; and,
- Developed a forecast of the likely occupancy levels and average daily room rates the Subject could reasonably achieve over its first five years of operation.

Several sources were used in compiling the background information and preparing the analyses contained in this report. These sources include PKF Consulting’s *Trends in the Hotel Industry*, data gathered through direct interviews with representatives of local businesses, data provided by sources in the lodging chains with which the competitive properties are affiliated, and data from various local government agencies.

## **B. SITE DESCRIPTION**

As we understand it, the proposed development will be located on a 1.1-acre site in downtown Winters at the southwestern quadrant of the intersection formed by Abbey Street and Railroad Avenue. This site, which is owned by the City, is

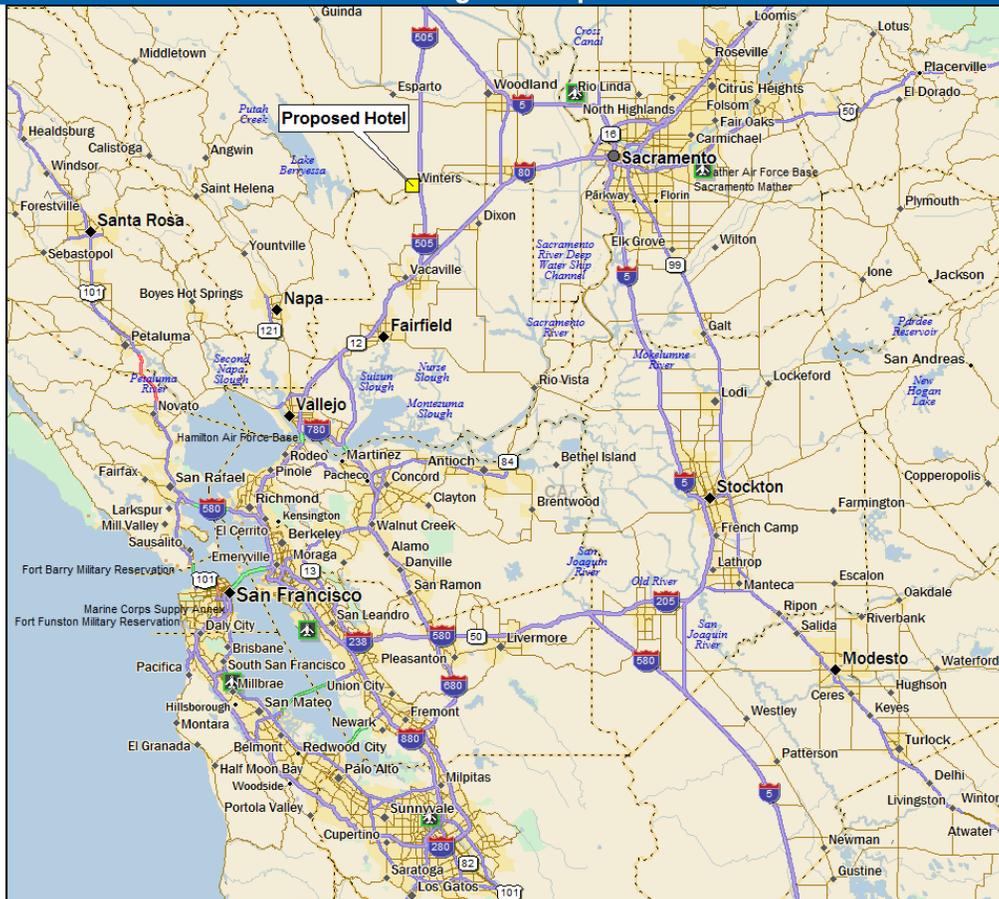
currently developed with one-story retail facilities which will be razed for construction of the Hotel. Surrounding developments include the following:

Surrounding Developments	
<b>North:</b>	Retail developments, Mariani Nut Factory
<b>East</b>	Vacant lot, restaurants, retail developments
<b>South:</b>	Restaurants, theater, wine tasting room, retail developments
<b>West:</b>	City Hall, retail developments

The Hotel will be easily accessible from Interstate 505 (“I-505”), the nearest major highway, which merges with Interstate 80 (“I-80”) and Interstate 5 (“I-5”) to facilitate travel to cities such as San Francisco and Sacramento. From I-505 North, travelers would exit onto California State Route 128 West and turn left onto Railroad Avenue to arrive at the Subject on the right. Total drive time is approximately 80 minutes from San Francisco, 45 minutes from Sacramento, 30 minutes from Davis and Fairfield, and 15 minutes from Vacaville.

Provided below is a regional map indicating the location of the site within Winters as well as photographs of the site’s current improvements.

**Regional Map**



**Photographs of the Site's Current Improvements**



**Site's Current Improvements – Railroad Ave**



**SW Intersection of Railroad Ave and Abbey St**

Overall, the location of the site is ranked good to very good, as outlined in the following table. While the site enjoys prominent visibility in downtown Winters and easy accessibility from I-505 and California State Route 128, the city has few notable demand generators of its own. However, as will be discussed later in this report, the Subject will benefit from the construction of a new PG&E training facility, which is projected to open in Winters in 2016.

<b>Subject Site Analysis</b>					
	<b>Excellent</b>	<b>Very Good</b>	<b>Good</b>	<b>Fair</b>	<b>Poor</b>
Accessibility		<b>X</b>			
Visibility		<b>X</b>			
Proximity to Demand		<b>X</b>			
Long-term Strategic Potential		<b>X</b>			

**C. PROJECT DESCRIPTION**

Based on plans provided to us, we understand that the Subject will be constructed as a three-story, 81-room brick and stucco structure. The Hotel's entrance will be on Abbey Street (running northeast/southwest), with 70 parking spaces located on a partially-covered surface lot at the rear of the building and 12 spaces located off-site. The 58,300 square foot building will include such amenities as a bar and lounge, 5,400 square feet of meeting space, and street-level retail shops, which will contribute an additional income source to the Hotel. As the city only features one event facility (the Buckhorn Restaurant) which experiences strong utilization throughout the year, a high-quality product such as the Subject should be able to capture its fair share of event demand.

Based on our conversations with Presidio Companies, we understand that the Hotel will likely be affiliated with the Four Points brand. Presidio Companies has received a non-binding letter from Starwood Hotels & Resorts expressing its interest in this project, as well as a letter of interest from hotel management company Richfield Hospitality. We deem an upper-tier property such as the Four Points to be the most

appropriate to benefit downtown Winters, which is gaining a reputation for fine dining, wine bars, and upscale shops. Furthermore, an upscale hotel would be able to compete most effectively for local wedding demand, which currently goes to hotels in Davis and Napa. Due to its proximity to social event venues such as Bear Flag Farms, Taber Ranch, and Park Winters and to the lack of hotel rooms at these properties, an upscale hotel in Winters should be competitive for wedding-related room nights.

**Rendering of the Subject upon Completion**



**D. AREA REVIEW**

**Overview:** The Subject will be situated in Winters, California, approximately 15 miles west of Davis and 30 miles west of Sacramento. It spans approximately three square miles and had an estimated 2012 population of 6,900. It is part of the Sacramento-Arden-Arcade-Roseville Metropolitan Statistical Area and is also the seat of Yolo County, which had a 2012 population of 204,100 and includes the cities of Davis (its largest city), West Sacramento, and Woodland.

**Economy:** Yolo County is a largely agricultural region, producing approximately 90 percent of the canned and processed tomatoes in the United States. Other crops produced in the region include rice, wheat and grains, wine grapes, fruit, nuts, and seeds. The county anticipates notable growth in the professional services, transportation, wholesale trade, and government sectors over the next five years.

Yolo County is also home to the University of California, Davis (“UC Davis”), a public teaching and research university with an enrollment of approximately 26,700 undergraduate students and 7,500 graduate students. The school was founded as the agricultural extension of UC Berkeley and maintains a strong agricultural heritage. Additional programs include medicine, law, veterinary medicine, education, nursing, and business management. This university is also the county’s

largest employer; other major employers in Yolo County and the City of Winters are presented in the table below.

<b>Top Employers</b>			
<b>Yolo County</b>			
<b>Rank</b>	<b>Employer</b>	<b>Employees</b>	<b>Industry</b>
1	University of California, Davis	12,639	Education
2	State of California	2,480	Government
3	Cache Creek Casino Resort	2,200	Casino
4	Pacific Gas & Electric Co.	1,731	Utilities
5	Yolo County	1,267	Government
<b>City of Winters</b>			
1	Winters Joint Unified School District	220	Education
2	Mariani Nut Company	200	Food Processing
3	Buckhorn Restaurant Group	100	Hospitality
4	Double M Trucking	70	Transportation
5	Pavestone	50	Retail

*Source: Sacramento Business Journal*

Over the past decade, unemployment in Yolo County has generally exceeded that of the state and nation. Unemployment was listed as 9.4 percent in November of 2013, as compared to 8.3 percent for California and 7.0 percent for the United States. As Yolo County’s employment is greatly influenced by the agricultural industry, unemployment increases significantly during non-harvest seasons. In 2012, for instance, unemployment peaked at 14.3 percent in February, then dropped sharply to 9.0 percent in September. By comparison, employment within the Sacramento-Arden-Arcade-Roseville MSA is much more consistent throughout the year.

Employment in Yolo County has grown at a compound annual growth rate (“CAGR”) of 0.6 percent since 2000. However, employment in November of 2013 was 3,500 jobs below the peak achieved in 2007, prior to the recession. Most industries have lost jobs in recent years, though growth has been seen in the professional services sector. County-wide job growth is forecast to increase by an average of 2.5 percent annually for the next five years.

**Transportation:** The circulation system in Yolo County is dominated by use of private vehicles, and most travelers to the area arrive by car. Interstate 505 is the major arterial serving the region; this 33-mile rural interstate extends from I-5 (near Dunnigan, California) in the north to I-80 (in Vacaville, California) in the south. The closest major airport is the Sacramento International Airport, approximately 30 miles northeast of Winters. Regional airports serving the Winters area include the Yolo County Airport, University Airport, Nut Tree Airport, and Watts-Woodland Airport.

**Tourism:** While not a major tourist destination, Winters has been steadily gaining recognition statewide as a weekend getaway spot. Winters has enjoyed recent press coverage by such publications as the San Francisco Chronicle, which introduced many Californians to the town’s artisan community, galleries, shops,

wine-tasting rooms, restaurants, and live-music venues. Winters' quaint 19<sup>th</sup> century buildings lend a historic element to the town, and Rotary Park provides a scenic focal point.

A variety of activities and events draw visitors to the town year-round. The Winters Theatre Company, the Opera House, and the Palms Playhouse stage a variety of shows throughout the year, and the city sponsors a variety of community events such as Youth Day in April, a fireworks display in July, the Festival de la Comunidad in September, a Dia de los Muertos celebration in October, and a Holiday Tree Lighting in December. City representatives report that many of these events draw thousands of guests from all over northern California. As mentioned, Buckhorn Restaurant in Winters provides the city's only banquet space; this facility hosts approximately 100 events per year with an average of 33 guests per event. Some of these were private social gatherings for Winters residents, though the majority were affiliated with local institutions and businesses. Even companies based in other cities, such as UC Davis and Genentech in Vacaville, use the Buckhorn banquet space. Management of Buckhorn believes that the city could bring in additional corporate meeting business if it had a hotel to accommodate groups.

The Winters region is also gaining a reputation for wine and beer production as well as recreational activities. The newly-opened Berryessa Brewing Co. is located two miles west of downtown Winters, and Berryessa Gap Tasting Room, Main Street Cellars, and Turkovich Wine Bar are located in the town's center. Furthermore, the southern tip of Lake Berryessa is located approximately ten miles west of Winters. This popular recreational area is the largest lake in Napa County, and offers activities such as fishing, waterskiing, boating, hiking, biking, and swimming. Furthermore, we understand that the Winters region hosts many weddings on local farms and in historic houses. However, most of these venues include little or no hotel accommodations; thus, guests must stay in hotels in the cities of Napa or Davis. With an array of events, attractions, and outdoor activities, local business owners report that downtown Winters is a thriving destination on Wednesdays through Sundays throughout the year.

## **E. OVERVIEW OF THE GAS TRAINING FACILITY**

We understand that PG&E intends to construct a gas training facility on a 30-acre site near I-505 between Grant Avenue and Putah Creek in Winters, approximately 1.2 miles northeast of the Subject site. Winters was chosen because of its central location in Northern California, and the facility will accommodate trainees from Bakersfield to the Oregon Border (however, we have been told that some cities within this region will not be using the facility). Training will be for both new hires and for continuing education purposes. This would be the company's largest gas training facility upon completion, and it will be vital for the company's growth as we understand that an estimated 65 percent of current employees are eligible for retirement in the next five years and many new employees will therefore need to be hired in the near-term.

The facility will be constructed in two phases. Construction of Phase I of the facility, which is planned to educate an average of 150 trainees daily, is projected to begin this fall and to be complete by the summer of 2015. However, as this is a fairly aggressive schedule, we have assumed an opening date of January 1, 2016. Phase II is projected to accommodate 27 additional trainees; however, construction of this expansion this is not slated to be complete for another five or ten years. Thus, we have only focused on Phase I in our analysis.

## **F. HOTEL MARKET ANALYSIS**

Since no hotels are located in Winters, we have considered the historical operating performance of a variety of hotels in the greater Sacramento lodging market in formulating our projections of the occupancy and rates likely attainable by the Subject. Presented in the following table is a summary of historical performance and supply changes for a cross section of both upper-tier and lower-tier hotels in Sacramento, along with PKF Hospitality Research’s estimations of future occupancy and ADR for this market.

<b>Sacramento Lodging Market – Historical and Projected Future Performance</b>						
<b>Year</b>	<b>Occupancy</b>	<b>ADR</b>	<b>ADR %</b>	<b>RevPAR</b>	<b>RevPAR %</b>	<b>Supply %</b>
2007	60.3%	\$99.97	3.0%	\$60.32	(0.5%)	(0.5%)
2008	56.4%	\$99.06	0.4%	\$55.89	(5.8%)	1.4%
2009	50.4%	\$88.95	(10.2%)	\$44.80	(19.9%)	2.9%
2010	53.5%	\$86.19	(3.1%)	\$46.07	2.8%	2.2%
2011	56.3%	\$87.56	1.6%	\$49.27	6.9%	(0.4%)
2012	57.9%	\$89.83	2.6%	\$52.04	5.6%	(0.9%)
2013	60.0%	\$93.06	3.6%	\$55.86	7.3%	(0.9%)
2014	60.8%	\$97.67	5.0%	\$59.34	6.2%	0.0%
2015	62.2%	\$103.59	6.1%	\$64.40	8.5%	0.0%
2016	62.2%	\$109.23	5.5%	\$67.97	5.5%	0.2%

*Source: PKF Hospitality Research*

As is shown, occupancy has been fairly low over the past six years, ranging from approximately 50 to 60 percent. ADR has ranged from approximately \$86 to \$100 over this period, though is still recovering from the recession of 2009. Supply has remained fairly constant, increasing by an average of one percent per year. PKF Hospitality Research projects limited supply additions over the next five years, along with gradual growth in ADR and the stabilization of occupancy in the low 60 percent range.

Due to its proximity and similarities to Winters, we believe that hotels in Davis would be the most competitive with the proposed Subject. Presented in the table below is a list of the city’s hotels. As shown, most are older properties, having been built in the 1960s, 1970s, and 1990s. The Hyatt Place UC Davis, which opened in 2010, is the newest property; we understand that several business owners in Winters send guests to this property when they seek accommodations. We further understand that this hotel will open a 57-room expansion in the spring of 2014. However, the

remaining properties are quite small in size, and the Subject, at 81 rooms, would be one of the largest hotels in the region.

<b>Competitive Lodging Market Davis, CA</b>		
<b>Hotel</b>	<b>Rooms</b>	<b>Year Open</b>
Hyatt Place UC Davis	75	2010
Best Western Plus Palm Court Hotel	27	1994
Hallmark Inn	120	1990
La Quinta Inn & Suites	51	1997
University Park Inn	45	1973
Comfort Suites UC Davis	71	2000
Best Western University Lodge	52	1968
The Aggie Inn	33	N/A
Econo Lodge	26	1963
Days Inn	78	1974
Motel 6	103	1978
<b>Total</b>	<b>681</b>	<b>-</b>

We have considered the occupancy and rates achieved by these properties in determining the Subject’s likely performance upon opening. As shown in the table below, Davis hotels have exceeded the greater Sacramento market in recent years with regard to both occupancy and ADR. In fact, Davis hotels achieved a 2013 occupancy level nearly 5 percentage points above that projected for the Sacramento market, with a slightly above-average ADR. Supply has also remained relatively constant, as only one property (the Hyatt Place) has opened in the past 18 years.

<b>Proposed Four Points Hotel Historical Performance of the Competitive Market</b>									
<b>Year</b>	<b>Annual Supply</b>	<b>Percent Change</b>	<b>Occupied Rooms</b>	<b>Percent Change</b>	<b>Market Occupancy</b>	<b>ADR</b>	<b>Percent Change</b>	<b>RevPAR</b>	<b>Percent Change</b>
2007	198,560	3.0%	112,268	-	56.5%	\$78.36	-	\$44.27	-
2008	198,560	0.0%	106,034	-5.6%	53.4%	\$85.85	9.6%	\$45.85	3.6%
2009	198,560	0.0%	99,788	-5.9%	50.3%	\$88.47	3.1%	\$44.51	-2.9%
2010	221,510	11.6%	112,170	12.4%	50.6%	\$91.82	3.8%	\$46.47	4.4%
2011	225,205	1.7%	131,595	17.3%	58.4%	\$87.40	-4.8%	\$51.05	9.9%
2012	220,095	-2.3%	134,199	2.0%	61.0%	\$90.34	3.4%	\$55.14	8.0%
2013	220,095	0.0%	142,622	6.3%	64.8%	\$95.39	5.6%	\$61.81	12.1%
<b>CAGR</b>	<b>1.7%</b>	<b>-</b>	<b>4.1%</b>	<b>-</b>	<b>-</b>	<b>3.3%</b>	<b>-</b>	<b>5.7%</b>	<b>-</b>

Source: PKF Consulting USA

## **G. PROJECTED PERFORMANCE OF THE COMPETITIVE MARKET**

In formulating our projections for the competitive market, we have first considered the impact that the newly-constructed PG&E training facility will have on local demand. Based on our conversations with representatives of PG&E, we

understand that, of the estimated 150 employees who will be training at the facility on any given weekday, approximately 75 percent will require hotel accommodations. We have assumed that hotels will be required for four nights per week (i.e. Monday nights through Thursday nights). As summarized in the following table, this equates to 450 weekly room nights for PG&E employees.

<b>PG&amp;E Demand Captured by the Competitive Market</b>	
Average Daily PG&E Trainees:	150
Percentage Needing Accommodations:	75%
Average Room Nights Required per Week:	4
PG&E Employees Needing Accommodations per Week:	450
Training Weeks Per Year:	35
Total PG&E Room Nights per Year:	15,750
Percentage of PG&E Employees Captured by the Competitive Market:	60%
<b>PG&amp;E Room Nights per Year Captured by the Competitive Market:</b>	<b>11,800</b>

We have further assumed that the training facility will be in operation for approximately 30 to 40 weeks per year, as it will likely be closed during holiday seasons and for a summer break. Taking the midpoint of this range, we have assumed that hotel rooms will be required for 35 weeks per year. This results in 15,750 room PG&E room nights per year. However, due to size constraints within the competitive market and to the price-sensitivity of union demand, we have assumed that the competitive market will capture just 60 percent of total PG&E demand, the remainder of which will be displaced to nearby markets such as Vacaville and Dixon. This results in 11,800 annual PG&E room nights captured by the competitive market on a stabilized basis. However, we have assumed that PG&E-related demand will gradually ramp up between 2016 and 2017. Specifically, we project that, in 2016, the facility will be operating at approximately 75 percent of capacity, which equates to 8,900 PG&E room nights.

We have assumed that growth in both transient and group demand will remain in line with recent market trends, and will grow at approximately 2.0 percent per year. As shown in the table on the following page, we project the market to achieve occupancy levels of approximately 63 to 64 percent in 2014 through 2016 with the opening of the Hyatt Place expansion and the addition of the proposed Subject. As these rooms are absorbed and the training facility opens, we project occupancy to gradually ramp-up to its stabilized level of 68 percent by 2019. While this estimate would represent levels well above historical performance, we believe it is reasonable considering the positive impact of the new PG&E facility. Due to size constraints within the competitive market and to the fact that some of this contracted demand will likely be turned away by management due to its lower price point, occupancy levels above these estimates are not likely feasible.

Proposed Four Points Hotel Competitive Market Estimated Future Growth in Lodging Supply and Demand 2013 - 2018								
	2013	2014	2015	2016	2017	2018	2019	2020
<b>ROOMS SUPPLY</b>	603							
<b>Additions/(Deletions) to Supply</b>								
Proposed Four Points Hotel				81				
Hyatt Place UC Davis		39	13					
Cumulative Rooms Supply	603	642	655	736	736	736	736	736
Total Annual Rooms Supply	220,095	234,330	239,075	268,640	268,640	268,640	268,640	268,640
Growth Over the Prior Year	0.0%	6.5%	2.0%	12.4%	0.0%	0.0%	0.0%	0.0%
<b>DEMONSTRATED DEMAND IN BASE YR</b>								
Transient	114,085	80%						
PG&E	0	0%						
Group	28,536	20%						
<b>TOTAL DEMONSTRATED DEMAND</b>	<b>142,622</b>	<b>100%</b>						
<b>INDUCED/(UNSATISFIED) DEMAND</b>								
Transient		4,000	1,000	5,000	0	0	0	0
PG&E		0	0	0	0	0	0	0
Group		0	0	1,000	0	0	0	0
<b>TOTAL INDUCED/(UNSATISFIED) DEMAND</b>		<b>4,000</b>	<b>1,000</b>	<b>6,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>GROWTH RATES</b>								
Transient		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
PG&E		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Group		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>PROJECTED DEMAND</b>								
<b>Transient</b>								
Demonstrated	114,085	116,367	122,774	126,250	133,875	136,552	139,284	142,069
Induced/(Unsatisfied)	0	4,000	1,000	5,000	0	0	(1,212)	(3,821)
<b>Total</b>	<b>114,100</b>	<b>120,400</b>	<b>123,800</b>	<b>131,200</b>	<b>133,900</b>	<b>136,600</b>	<b>138,100</b>	<b>138,200</b>
Growth Over Prior Year	N/A	5.5%	2.8%	6.0%	2.1%	2.0%	1.1%	0.1%
<b>PG&amp;E</b>								
Demonstrated	0	0	0	8,900	11,800	11,800	11,800	11,800
Induced/(Unsatisfied)	0	0	0	0	0	0	(105)	(324)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,900</b>	<b>11,800</b>	<b>11,800</b>	<b>11,700</b>	<b>11,500</b>
Growth Over Prior Year	0	0.0%	0.0%	0.0%	32.6%	0.0%	-0.8%	-1.7%
<b>Group</b>								
Demonstrated	28,536	29,107	29,689	30,283	31,908	32,547	33,198	33,861
Induced/(Unsatisfied)	0	0	0	1,000	0	0	(289)	(911)
<b>Total</b>	<b>28,500</b>	<b>29,100</b>	<b>29,700</b>	<b>31,300</b>	<b>31,900</b>	<b>32,500</b>	<b>32,900</b>	<b>33,000</b>
Growth Over Prior Year	N/A	2.1%	2.1%	5.4%	1.9%	1.9%	1.2%	0.3%
Total Market Demand	142,600	149,500	153,500	171,400	177,600	180,900	182,700	182,700
Growth Over Prior Year	N/A	4.8%	2.7%	11.7%	3.6%	1.9%	1.0%	0.0%
<b>Market Occupancy</b>	<b>65%</b>	<b>64%</b>	<b>64%</b>	<b>64%</b>	<b>66%</b>	<b>67%</b>	<b>68%</b>	<b>68%</b>

Source: PKF Consulting USA

## H. PROJECTED PERFORMANCE OF THE PROPOSED SUBJECT

### 1. Demand Generators

In projecting the Subject's future performance, we have considered the demand it could likely capture from the transient and group segments as well as from the PG&E training facility. The Subject would need to capture demand from all of these sources in order to maintain occupancy levels on weekends and holiday periods (when PG&E training will not be in session) and to drive rates throughout the year. Existing demand in Winters is primarily leisure-based, stemming from local events, weekend tourism, and social functions. As few companies have offices in Winters, most corporate demand would need to be drawn from nearby cities such as Davis and Vacaville. Relying primarily on leisure travel, which is seasonal in nature, non-PG&E demand for a hotel in Winters would be strongest during the summer months and on weekends.

The group meeting market segment consists of room nights generated from corporate, association, and social meetings. In the local lodging market, group demand consists primarily of weddings, corporate meetings from businesses within the Vacaville Industrial Park, and conferences associated with UC Davis. Due to its distance from San Francisco and Sacramento and to the large number of conference centers in these cities, we assume that companies based in these cities would not be using the Subject's meeting space.

We are of the opinion that the following entities and purposes would drive the majority of business for the proposed Subject.

1. **University of California, Davis.** The university occasionally seeks off-site venues for some of its conferences, and a hotel in Winters would also receive the city's overflow demand during peak times such as graduation. Furthermore, the UC Davis Wolfskill Experimental Orchards are located within Winters and draw researchers from around the world.
2. **Tourists driving along 128 and 505.** These travelers include Bay Area residents as well as visitors from other regions or states, and are primarily retirees en route to Northern California or the wine regions of Napa and Sonoma. Winters is located approximately 42 miles northeast of the City of Napa, and thus is a charming stopping point for travelers from Sacramento and for guests flying into the Sacramento International Airport.
3. **Weddings and local events.** The Winters region holds many weddings per year in nearby venues such as Park Winters, Bear Flag Farm, and Taber Ranch. However, Park Winters has just five rooms which are reportedly full year-round, and neither Bear Flag Farm nor Taber Ranch offer accommodations. Management of these properties has informed us that the region would greatly benefit from the addition of a hotel in order to

accommodate wedding parties. Bear Flag Farm, which hosts weddings for 15 weekends per year, estimates that 60 to 70 percent of wedding parties would be interested in a hotel in Winters; most of its wedding guests currently book rooms at Hyatt Place in Davis and at upscale hotels in Napa. According to management, these guests typically stay for three nights and can rent as many as 60 rooms at a time for an event. Similarly, upscale event venue Park Winters currently sends its guests to Davis and Vacaville, and management estimates that nearly all guests would be interested in instead staying instead at a hotel in Winters. Management reports that the average event includes 125 to 150 people, and that about 25-30 percent of these guests seek overnight accommodations. As Park Winters is already sold out for every weekend in 2013, a hotel in Winters would have a great opportunity to capture some of this demand.

4. **Regional businesses and tourists.** Based on our conversations with regional business owners, we understand that companies such as Genentech and Kaiser Permanente, based in Vacaville, often seek off-site venues for its meetings and events and would be likely to rent out the Subject's conference facilities. For instance, management of Buckhorn Restaurant and Park Winters both report demand from these institutions. Also, many residents from nearby cities such as Vacaville, Fairfield, and Woodland travel to Winters for its fine dining venues, theater productions, and various events. A portion of these visitors might be interested in overnight accommodations as well as a place to hold business and social events.

While the Subject will capture some demand from these sources, it will be highly seasonal in nature. Thus, the Subject would rely upon PG&E demand in order to maintain occupancy levels year-round, particularly during mid-week periods.

## **2. Occupancy**

In order to project the future occupancy levels of the Subject, we have estimated the level of patronage by market segment that can be reasonably captured. The extent to which the Subject can capture demand from each market segment was estimated by performing a fair share penetration analysis. A hotel's fair share is defined as its number of available rooms divided by the total supply of available rooms in the competitive market. Factors indicating that a hotel would possess competitive advantages suggest a market penetration in excess of 100 percent of fair share, while competitive weaknesses are reflected in penetration less than 100 percent.

We are of the opinion that the Subject would receive less than its fair share of transient and group demand within the regional market due to its relative distance from the area's primary demand generators. For instance, Davis benefits from the presence of UC Davis, which provides steady demand year-round for local hotels, and Sacramento is home to the California State Capitol, the Sacramento

International Airport, and a variety of corporate offices and cultural attractions. Winters would capture only secondary demand from these entities as well as from such large regional demand drivers as Cache Creek Casino Resort and the Vacaville Industrial Park, which are somewhat distant from Winters. Thus, most demand in Winters would come from leisure sources such as weddings and events around the area.

However, due to its proximity to the training facility, we believe that the Subject will be able to capture more than its fair share of PG&E demand. Specifically, we project that the Subject will be able to capture approximately 4,500 to 5,000 PG&E room nights per year. While sizeable, this estimate takes into account size constraints and the Subject's higher price point relative to nearby hotels. This equates to a penetration of 380 percent for this market segment, and will result in approximately 25 percent of total demand at the Subject emanating from PG&E trainees.

Combined with transient and group demand from the previously identified sources, we project the Subject to achieve a stabilized occupancy of **64 percent**. While this is lower than our stabilized projection of 68 percent for the market, it reflects the relatively limited number of supplemental demand generators in Winters. However, this occupancy projection is slightly above the 60 to 62 percent occupancy level projected for Sacramento hotels between 2013 and 2017.

Our occupancy projections for the Subject are presented on the following page. As can be seen, we project the Subject to achieve a penetration of approximately 75 percent in the transient market segment and 80 percent in the group market segment; thus, receiving less than its fair share of demand. However, we project the Subject to penetrate the market strongly in the PG&E segment, capturing nearly four times its fair share of trainee room nights.

Proposed Four Points Hotel Market Penetration and Projected Occupancy					
	2016	2017	2018	2019	2020
<b>TOTAL ROOMS AVAILABLE</b>					
<b>Proposed Four Points Hotel</b>	<b>29,565</b>	<b>29,565</b>	<b>29,565</b>	<b>29,565</b>	<b>29,565</b>
Competitive Market	268,640	268,640	268,640	268,640	268,640
	====	====	====	====	====
Fair Share of Supply	11.0%	11.0%	11.0%	11.0%	11.0%
	====	====	====	====	====
<b>ESTIMATED TOTAL MARKET DEMAND</b>					
Transient	131,200	133,900	136,600	138,100	138,200
PG&E	8,900	11,800	11,800	11,700	11,500
Group	31,300	31,900	32,500	32,900	33,000
	-----	-----	-----	-----	-----
<b>TOTAL</b>	<b>171,400</b>	<b>177,600</b>	<b>180,900</b>	<b>182,700</b>	<b>182,700</b>
	-----	-----	-----	-----	-----
<b>FAIR SHARE OF DEMAND</b>					
Transient	14,400	14,700	15,000	15,200	15,200
PG&E	1,000	1,300	1,300	1,300	1,300
Group	3,400	3,500	3,600	3,600	3,600
	-----	-----	-----	-----	-----
<b>TOTAL</b>	<b>18,800</b>	<b>19,500</b>	<b>19,900</b>	<b>20,100</b>	<b>20,100</b>
	-----	-----	-----	-----	-----
<b>SUBJECT PENETRATION</b>					
Transient	79%	77%	74%	74%	74%
PG&E	380%	380%	380%	380%	380%
Group	75%	80%	80%	80%	80%
	-----	-----	-----	-----	-----
<b>ROOM NIGHTS CAPTURED</b>					
Transient	11,400	11,300	11,100	11,200	11,300
PG&E	3,700	4,900	4,900	4,900	4,800
Group	2,600	2,800	2,900	2,900	2,900
	-----	-----	-----	-----	-----
<b>TOTAL CAPTURED DEMAND</b>	<b>17,700</b>	<b>19,000</b>	<b>18,900</b>	<b>19,000</b>	<b>19,000</b>
	====	====	====	====	====
<b>MARKET SHARE CAPTURED</b>					
	10.3%	10.7%	10.4%	10.4%	10.4%
<b>OVERALL MARKET PENETRATION</b>					
	<b>94%</b>	<b>97%</b>	<b>95%</b>	<b>94%</b>	<b>94%</b>
	-----	-----	-----	-----	-----
<b>SUBJECT OCCUPANCY</b>					
	<b>60%</b>	<b>64%</b>	<b>64%</b>	<b>64%</b>	<b>64%</b>
	-----	-----	-----	-----	-----
<b>MARKET MIX</b>					
Transient	64%	59%	59%	59%	59%
PG&E	21%	26%	26%	26%	25%
Group	15%	15%	15%	15%	15%
	-----	-----	-----	-----	-----
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
	====	====	====	====	====

Source: PKF Consulting USA

### 3. Average Daily Rate

Based on its location and on the assumption that the proposed Subject will contain 81 rooms and is a high-quality, upscale product, we estimate it would have achieved a *hypothetical* average daily rate of **\$105** in 2013. This ADR is in line with the 2012 performance of comparable Four Points hotels located in Northern California and is above the 2013 projections for Sacramento hotels and the Davis competitive market owing to the Subject’s brand affiliation, newness, and amenities. However, it is below the rates achieved by upper-tier properties in Davis, as these hotels will likely capture a smaller amount of rate-sensitive contracted demand with PG&E.

We project ADR to grow at approximately 3.0 percent per year. While moderate, we believe it is appropriate for a hotel in a small city such as Winters with a seasonal market and few large demand generators. Furthermore, it is in line with the growth rates experienced by the Davis hotels, whose ADR grew at a CAGR of 3.3 percent between 2007 and 2013. Upon its projected opening date of January 2016, we assume that the Subject would offer an introductory rate discount of approximately 3.5 percent to increase initial demand, resulting in an ADR of \$110. Once the Subject gains recognition in the marketplace, we predict growth rates to return to their long-run average. For its next seven years of operation, the proposed Subject is projected to achieve ADR levels ranging from \$117 to \$141.

The following table summarizes our estimated annual occupancy and ADR performance for the proposed Subject’s first five years of operation, based on an assumed opening date of January 1, 2016.

Proposed Four Points Hotel Projected Performance								
Year	Hypothetical ADR	Market Growth	Introductory Discount	Actual ADR	Percent Change	Occupancy	RevPAR	Percent Change
2013	\$105.00	-	-	-	-	-	-	-
2014	\$108.00	3.0%	-	-	-	-	-	-
2015	\$111.00	3.0%	-	-	-	-	-	-
2016	\$114.00	3.0%	3.5%	<b>\$110.00</b>	-	<b>60%</b>	\$65.85	-
2017	\$117.00	3.0%	0%	\$117.00	6.4%	<b>64%</b>	\$75.19	14.2%
2018	\$121.00	3.0%	0%	\$121.00	3.4%	<b>64%</b>	\$77.35	2.9%
2019	\$125.00	3.0%	0%	\$125.00	3.3%	<b>64%</b>	\$80.33	3.9%
2020	\$129.00	3.0%	0%	\$129.00	3.2%	<b>64%</b>	\$82.90	3.2%

Source: PKF Consulting USA

Although it is possible that the proposed Subject will experience growth in occupancy and ADRs above those estimated above, it is also possible that sudden economic downturns, unexpected additions to room supply, or other external factors will force the property below the selected point of stability. Consequently, the estimated occupancy and ADR levels are representative of the most likely potential operations of the proposed Subject over the projection period based on our analysis of the market as of the date of this report.

**ADDENDA**

- A. CERTIFICATION OF CONSULTANTS**
- B. STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS**

**ADDENDUM A**  
**CERTIFICATION OF CONSULTANTS**

## **CERTIFICATION OF THE CONSULTANTS**

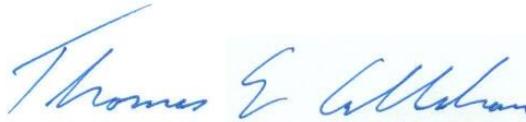
We, Thomas E. Callahan, CPA, CRE, FRICS, MAI, and Elle K. Patterson certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, conclusions, and recommendations.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
- We were previously engaged on by the Presidio Companies on November 1, 2012 to perform a market study for the site that is the subject of this report. That report was issued on November 30, 2012. We have performed no other services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- We have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this report.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- Thomas E. Callahan and Elle K. Patterson have made a personal inspection of the site that is the subject of this report.
- No one has provided significant professional assistance to the persons signing this report.

- We certify that, to the best of our knowledge and belief, the reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Thomas E. Callahan has completed the requirements of the continuing education program of the Appraisal Institute.
- Thomas E. Callahan is a Certified General Real Estate Appraiser in the State of California.

Yours sincerely,

**PKF Consulting**



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By: Thomas E. Callahan, CPA, CRE, FRICS, MAI  
Co-President & Chief Executive Officer - West  
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By: Elle Patterson  
Consultant  
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**ADDENDUM B**

**STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS**

## STATEMENT OF 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 the 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 properties, subsoil, ground water or structures. 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, 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 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 subject property is assumed 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 that have been or can be obtained or renewed for any use on which the performance estimates contained in this report are 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 properly written qualification and only in its entirety for its stated purpose.

**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 Americans with Disabilities Act** - The Americans with Disabilities Act ("ADA") became effective January 26, 1992. It is 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.

**Utilization of the Land and/or Improvements** - It is assumed that the utilization of the land and/or improvements is within the boundaries or property described herein and that there is no encroachment or trespass.

**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, new 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 of whom this report was prepared may distribute copies of this 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.