Corte Madera Inn

On-site Alternatives Analysis

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Summary

This analysis examines the proposed project and on-site alternatives that may reduce or eliminate fill in the Inn Pond. Off-site analyses were examined separately as part of an earlier analysis (see Zentner and Zentner 2014).

Four options are examined: Alternative 1 is the proposed project, including 174 rooms in a dual-branded hotel and including fill of the Pond; Alternative 2 is a 147-room single-branded Residence Inn hotel including reconstruction of the hotel but without dual-branding and including preservation of the Pond; Alternative 3 is a 187-room, dual-branded hotel that includes preserving the Pond but increases the height of the hotel to provide the requisite number of rooms; and Alternative 4 provides for construction of a 148-room single-branded hotel that preserves half of the Pond. These alternatives were examined against the project basic purpose, which is to develop a viable hotel facility capable of capitalizing on the demand for central Marin hotel space. Criteria used in this analysis include: Ability to achieve the project purpose; Impacts to waters, wetlands and other environmental resources; and Practicability.

Alternative 1 is practicable. It can achieve the overall project basic purpose. It is also economically feasible as the revenue/value from the number of units exceeds (barely) development costs. It will, however, result in the fill of the Pond but no other impacts to Federal- or State-listed species.

Alternative 2 is not practicable. It does not meet the project basic purpose as the number of rooms proposed will not generate sufficient revenue to offset construction costs. As well, the single-branding (also a result of the limited number of rooms) reduces marketability, sustainability, and potential values/revenues significantly. As a result, it is not practicable as development costs exceed value/revenues.

Alternative 3 is also not practicable. This option does provide the requisite amount of rooms in a dual-branded hotel complex but building heights would exceed the Town height limits. The Town has made it clear that while some variances can be approved, such as a minor General Plan Amendment, the height limits cannot be exceeded along Tamal Vista. An alternative that cannot be approved due to local planning and zoning controls is not a practicable alternative.

Alternative 4 is also not practicable. Like Alternative 2, it does not meet project basic purpose and is not financially feasible.

In essence, a practicable project on this specific site is a combination of: (1) dual-branding, which allows the hotel to bring in higher revenues while reducing costs; (2) a sufficient number of rooms such that value/revenue exceeds construction costs; and (3) a building mass that does not violate Town building height limits.

Provision of short and long-term rooms (dual branding) allows the hotel to capture a broader revenue stream (especially at the higher end) which essentially increases annual revenues, marketability and long-term sustainability. A larger project is more efficient to build because it spreads infrastructure costs, like foundation systems and related contractor fees, over more rooms, thus reducing the overall cost of construction per room, and ultimately making the project less expensive per room as well as easier to finance. For example, for all alternatives, the building foundation will cost about the same whether the building structure is two versus three stories. This concept also applies to sewer, water, electrical infrastructure, parking lots, and storm drainage. Thus, the project scale helps make the larger projects more efficient to construct and cost less per room. However, on this site, larger projects are difficult to build due to the height limitations imposed by the Town along Tamal Vista, essentially limiting the potential location for taller buildings to portions of the site further from Tamal Vista. The hotel reaches a “break-even” point between revenue/value and costs at approximately 174 rooms, which is the bare minimum of rooms required for dual-branding, while proving enough size to offset construction costs.

In short, providing the minimum room count while meeting the Town’s limitations means that fill of the Pond is the only practicable option that is consistent with the project’s basic purpose.

I. INTRODUCTION

This analysis was completed in support of the Corte Madera Inn Rebuild project in the Town of Corte Madera, Marin County (**Figure 1**). The project proponent, the Reneson Hotel Group, has applied for an individual permit for the fill of approximately 0.64 acres of Section 404 jurisdictional area (the Pond), to rebuild the Corte Madera Inn.

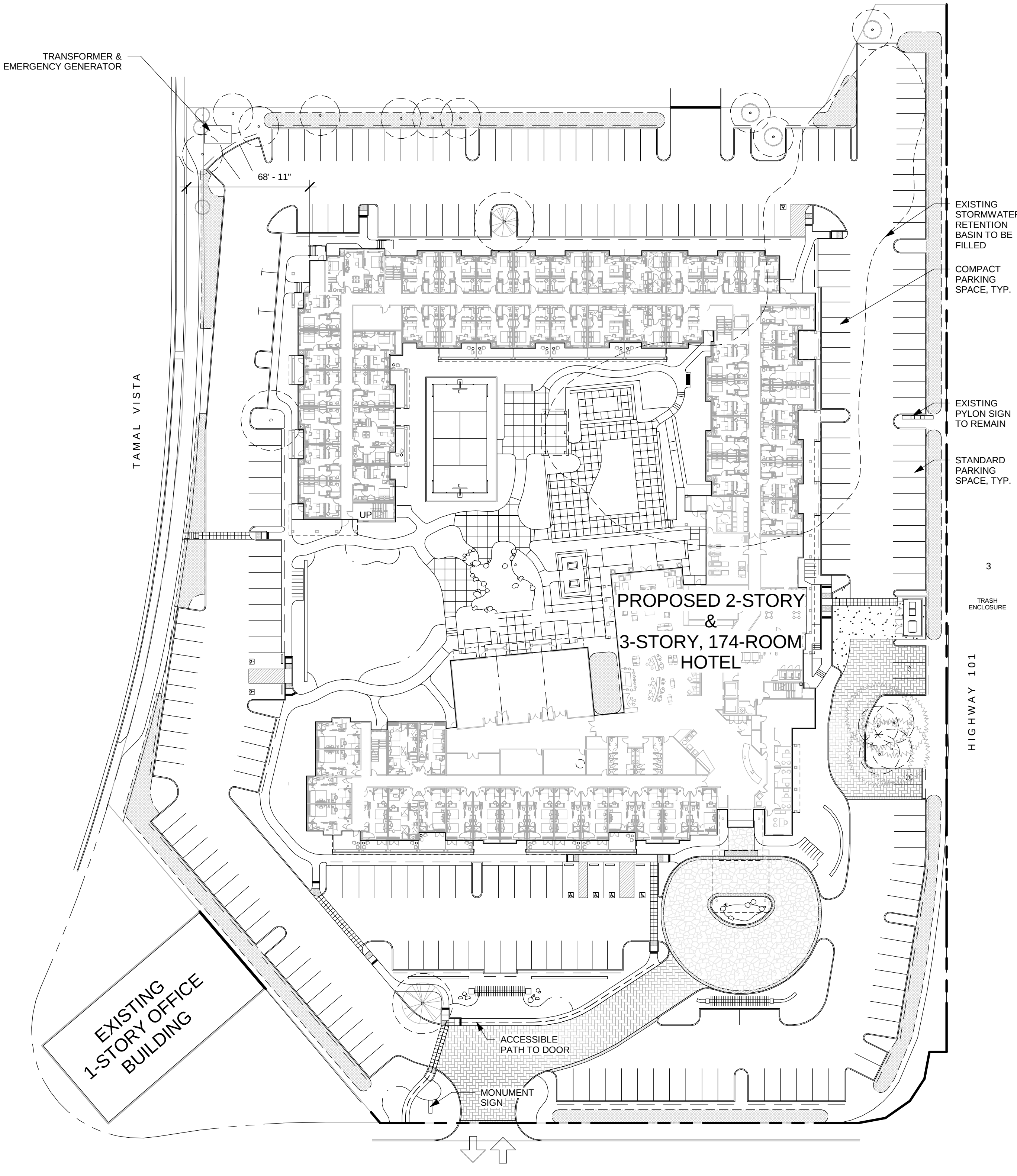
Under the terms of the Clean Water Act, an individual permit requires the submission of an analysis (also termed the "404 (b)(1)" analysis), which addresses alternatives to the project. Federal regulations state that:

"Except as provided under Section 404(b)(2), no discharge of dredged or fill material shall be permitted if there is a practicable alternative to the proposed discharge which would have less adverse impact on the aquatic ecosystem so long as the alternative does not have other significant adverse environmental consequences." (40 CFR 230.10a)

These alternatives must examine practicable alternative locations or site designs which reduce or eliminate fill within "special aquatic sites". "Practicability" is defined in the following fashion:

"An alternative is practicable if it is available and capable of being done after taking into consideration cost, existing technology and logistics in light of overall project purposes." (40 CFR 230.10(a)(2))

The off-site portion of the alternatives analysis was previously completed and has been reviewed by Corps of Engineers (Corps) and Regional Water Quality Control Board (RWQCB) staff. This on-site analysis incorporates and modifies portions of the off-site analysis and includes a new analysis of on-site alternatives.



Site Area = 238,273 s.f.

Partial 2-story & 3-story building with 174 rooms

Hotel parking 1 per guestroom @ 174 rooms =	174 spaces
Conference room parking 1 per 900 sf @ 3,600 sf =	4 spaces
Total required parking =	178 spaces
Toal parking provided =	235 spaces

FIGURE 1

II. PROJECT DESCRIPTION AND BASIC PURPOSE

A. Project Summary

The applicant, Reneson Hotels, proposes to demolish the existing, 110-room hotel on a roughly 5.5-acre site in central Marin and to construct a hotel with 174 total rooms (Figure 1). The original proposal called for 187 rooms, however, through the local planning and review process, the number of units has been reduced to 174 rooms, an increase of 64 rooms relative to the existing hotel.

The new building would be a somewhat U-shaped two- to three-story building with a driveway entrance off Madera Boulevard. The two-story portions would be located along the eastern portion of the site, fronting U.S. Highway 101, and along the western portion of the site, fronting Tamal Vista Boulevard. The three-story sections would run along the south side of the hotel fronting Madera Blvd. and the north side adjacent to the office complex. The open portion of the "U" would front on Tamal Vista, at the western edge of the site.

The new hotel would be a "dual-branded" hotel, with one part being an extended-stay hotel (i.e., with kitchenettes) with 103 total rooms and the other being a limited-service traditional hotel with 71 total rooms. The extended-stay hotel would be a Residence Inn by Marriott and the limited-service hotel would be a SpringHill Suites by Marriott.

The new hotel would provide 235 parking spaces. This would represent an increase of 47 spaces. The new hotel would also include 3,600 sq ft of conference space, an increase of 600 sq ft over the existing hotels' conference space. No restaurant would be provided for the new hotel and the existing restaurant would be removed.

The old hotel grounds would be completely renovated. Along with the fill of the Pond, new landscaping would be added to the perimeter of the site as well as interior portions of the site. A pool, spa, fire pits, barbeque area, sport court and water feature would be provided for hotel guest use only; the existing pool and swim club would be eliminated.

B. Basic Purpose

The Basic Purpose of this project is to develop a viable hotel facility capable of capitalizing on the demand for central Marin hotel space. Based on market studies of the local area, "building a viable hotel facility" means developing a hotel project that can: (1) provide both short-term and extended-stay hotel accommodations (that is, is "dual-branded") to capitalize on market demand, and (2) is affiliated with a top-tier hotel brand (e.g. Marriott, Hilton), which can provide the requisite returns and economic stability.

PKF Consulting, a nationally-recognized hotel analytics firm, prepared two separate reports related to the property. The first report, dated March 2013 and included as **Attachment A**, focused on market demand and helped define the supply side scale and brand options. The second report, dated October 2014 and included as **Attachment B**, focused on the financial feasibility of the development options.

Both reports strongly recommended dual-branding as it will allow the hotel to: (1) take advantage of the variety of demand present in this region; that is, to accommodate both short- and long-term stays; and (2) capitalize on this demand and capture the higher value revenues that accompany these. Essentially, dual branding creates a more diverse hotel that is both more stable (diversity of accommodations allows hotel operators to balance fluctuating short-term, seasonal and long-term demand), more marketable (due to a broader-based user group) and, therefore, more sustainable on a long-term basis.

Dual-branded hotels require distinct branding (*e.g.*, SpringHill Suites and Residence Inn) and physical separation on short-term and extended-stay guest rooms. Moreover, they require sufficient scale for each brand to be competitive and efficient. But, combining the two hotel brands into one building envelope allows the project to serve multiple markets while offering operational efficiencies such as shared public spaces, meeting rooms, recreational facilities, and back-of-the-house operations.

Feasibility analyses completed by PKF Consulting (2013) concluded that the short-term accommodations should include approximately 100 rooms in a limited-service hotel designed to target the mid/upper scale hotel market. These rooms would replace the failing and outdated hotel facilities at the 110-room Corte Madera Inn. The SpringHill Suites by Marriott is a mid/upper all-suites, limited service hotel that achieves this objective. Limited service hotels, originally defined as a hotel without a full-service restaurant, typically offer basic services and amenities. These services and amenities have expanded over the past two decades to meet current market demand and now offer many of the same high-quality amenities that guests would expect from full-service hotels, with one significant difference: limited-service hotels lack a dedicated, revenue-producing food and beverage component.

The extended-stay accommodations should also include about 100 rooms and target the underserved demand for nationally-affiliated, extended-stay accommodations in Marin County, according to the feasibility study. Extended stay hotels provide more home-like amenities than standard hotels. The Residence Inn brand by Marriott targets the upper tier of the extended-stay market. Extended-stay hotels typically have self-serve laundry facilities and offer discounts for extended stays, beginning at 5 or 7 days. They also have guestrooms (or "suites") with kitchens. The kitchens usually include, at a minimum, a sink, a refrigerator (usually full size), a microwave oven, and a stovetop. Extended-stay hotels are aimed at business travelers on extended assignments, families in the midst of a relocation, and others in need of temporary housing.

Other project objectives/elements include the following:

- Improve the safety conditions of the vehicular entrance at Madera Boulevard.
- Minimize noise and traffic impacts by not extending vehicular access to/from Tamal Vista Boulevard.
- Minimize the visual impact on the adjacent residential neighborhood along Tamal Vista Boulevard.
- Minimize the number of rooms facing east (toward U.S. Highway 101 noise).

- Provide 3,000 to 4,000 square feet of conference space in a quiet and attractive setting as replacement for the 3,000 square feet provided by the Corte Madera Inn

- Provide recreational facilities (e.g., swimming pool, whirlpool, sport court, barbeque area, fire pits) in an attractive and quiet setting.

C. Project Demand

An extensive study of the market demand for a new hotel on the subject site was completed by PKF Consulting (2013). The study considered the current demand at the existing Corte Madera Inn and other unfulfilled demand in the market.

PKF found that the Marin County lodging market incorporates a wide variety of lodging facilities located primarily along Highway 101, in the cities of Sausalito, Mill Valley, Corte Madera, Larkspur, San Rafael, and Novato. Additionally, the market includes properties located along Highway 101 in towns such as Tiburon. Lodging facilities in the market include other upscale, full-service hotels such as the Embassy Suites in San Rafael; upscale, focus-service hotels such as the Courtyard by Marriott in Larkspur; and luxury boutique hotels such as the Casa Madrona Hotel and Spa in Sausalito, in addition to a variety of economy lodging facilities.

PKF noted that Marin County is a secondary tourist destination to nearby San Francisco, Napa, and Sonoma Counties, but is recognized for its natural beauty, abundant recreational activities, and stable commercial core. Accordingly, lodging facilities capture a significant amount of "getaway" leisure demand from other cities throughout the San Francisco Bay Area. Furthermore, the lodging facilities throughout Marin County are an attractive and convenient location for corporate meeting demand originating from the greater Bay Area.

In addition, PKF stated that, as San Francisco's lodging market has benefit from extremely strong levels of demand and has achieved occupancy levels well above 80 percent in each of the last three years, surrounding markets throughout the Bay Area, including in Marin County, have benefitted from a significant amount of overflow demand. This overflow demand, coupled with improving local demand, has resulted in record levels of performance for many of these submarkets over the last few years.

Looking at eight hotels that would be considered competitive with the proposed project in the region, PKF found that:

1. Supply has been unchanged over the historical period, as the newest property in the potentially competitive hotels opened in 1999; and
2. Occupancy has been steadily rebounding from the recession of 2009, having increased from 60.5 percent that year to more than 80 percent currently.
3. Additionally, based on discussions with city officials, local developers, and general managers of lodging facilities in the area, PKF was not able to identify any new hotels that are projected to enter the Marin County lodging market over the foreseeable future.

PKF concluded by noting that the 110-room Corte Madera Inn has enjoyed an occupancy market penetration above its fair share and outmoded condition (105 percent in 2012) due largely to a favorable location. Based on this and other factors and on the recent performance of the local market, PKF recommended the development of two approximately 100-room hotels on the site--one to satisfy demand currently served by the Corte Madera Inn and a second one to satisfy demand for extended-stay hotel rooms. In any case, PKF concluded that sufficient demand exists for approximately 200 rooms in a dual-branded hotel.

D. Current conditions

The majority of the Inn was constructed in 1956 and is now fifty years old. Many elements of the hotel are dilapidated or are not in conformance with federal and state codes. As an example of the former, the foundation rests in many cases on redwood piles. For the latter, the hotel does not meet ADA standards and any, even minor renovation, would trigger a relatively expensive rebuild simply to meet those requirements.

Generally, hotels go through major to minor renovations every five to eight years with complete rebuilds every 30 to 50 years; the Corte Madera Inn is at the outside edge of the rebuild parameters. As noted by Rushmore (2004):

> “You're driving down a street and you notice two hotels. Both appear neat, clean and orderly. One has exterior corridors, a flat roof that reveals the air-conditioning fan units, a plain, square swimming pool, and a small guestroom converted to a fitness room. The other has interior corridors, a mansard roof that conceals the air-conditioning equipment, a free-form swimming pool, and a well-designed health club. It shouldn't surprise you that the modern hotel captures more than its fair share of occupancy and operates at a higher Average Daily Rate than the older property.”

Aside from aesthetic and financial incentives, the physical plant of a typical retail/commercial structure has a shelf life of 30 to 50 years; hotels tend to wear down more quickly due to the high levels of use (ibid). Rushmore notes that a hotel’s economic life averages only about 40 years.

Caterino (2014) notes that “Today’s [luxury] guests expect four fixtures, including a freestanding shower and a tub, while most older luxury properties were built with just three fixtures in smaller facilities.” Or regulatory changes may drive reconstruction as with ADA requirements. Finally, hotels have an incentive to rebuild to operate greener, the EPA reports that U.S. hotels spend nearly $4 billion on energy annually. Reducing these costs by 10 percent is the equivalent to a $0.62 ADR increase for limited-service hotels and a $1.35 ADR increase for full-service hotels (Caterino 2014).

In short, the Corte Madera Inn has served its expected life span and requires reconstruction (or “rebuilding” as its described here) to meet current demand.

III. Alternatives

A. Criteria

The on-site alternatives analysis evaluates whether there are practicable alternative site designs to the proposed project that would reduce impacts to wetlands and other environmental resources in light of the overall project purpose. This alternatives analysis evaluates alternatives against the following criteria: (1) Ability to achieve the Project basic purpose; (2) Protection of waters of the United States and other environmental resources; and (3) Practicability.

Ability to Achieve the Project Basic Purpose

Alternatives to the proposed project must be measured in light of the applicant's overall project purpose, which is "develop a viable hotel facility capable of capitalizing on the demand for central Marin hotel space". As noted above, a viable hotel facility will incorporate elements, such as dual branding, and physical features that will result in an economically viable project. These issues are touched on in more detail below in the description of the alternatives.

Impacts to Waters, Wetlands and Other Environmental Resources

The Corps and RWQCB require alternatives to be analyzed to assess their capability to avoid adverse effects on the aquatic ecosystem.[1] An alternative that results in a greater loss of waters of the United States in acres or habitat functions and values than the proposed project will fail this criterion.

Additionally, no fill of waters of the United States is permitted if there is a practicable alternative to the proposed project that would have a less adverse effect on the aquatic system, "so long as the alternative does not have other significant adverse environmental consequences."[2] Other environmental consequences considered include those that relate to biological resources, including special status species. An alternative that results in comparatively less impacts to wetlands and waters of the United States, but has other significant adverse environmental consequences will fail this criterion. Other potential environmental effects are described in the project Environmental Impact Report (EIR) and supporting documents found at http://www.townofcortemadera.org/531/Corte-Madera-Inn-Rebuild-Project.

Practicability

Under 40 C.F.R. § 230.10(a), a potential project alternative is "practicable" if it "is available and capable of being done after taking into consideration cost, existing technology and logistics in light of overall project purpose." As one example, the alternative must provide a project design that can be approved by the local government through its standard entitlement process. Alternatives that would require exceeding local planning standards and for which variances would not be approved are not considered practicable.

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[1] 40 C.F.R. § 230.10(a).
[2] 40 C.F.R. § 230.10(a).

B. Identification of On-Site Alternatives

Four alternatives involving different development scenarios were evaluated.

- Alternative 1 is the proposed project, including 174 rooms in a dual-branded hotel.
- Alternative 2 is a 147-room single branded Residence Inn hotel including preservation of the Pond but without dual-branding and with heights that exceed Town limits.
- Alternative 3 is a 187-room, dual-branded hotel that includes preserving the Pond but increases the height of the hotel to provide the requisite number of rooms.
- Alternative 4 is a 148-room single branded Residence Inn hotel that preserves half of the Pond but without dual-branding and without exceeding the Town height limits.

C. Alternative 1

1. Description

Alternative 1 consists of construction of the proposed hotel facility (Figure 1) and is based on practicability studies of hotel demand in the local area (see PKF, 2014, at Attachment B for the most recent such analysis) and local planning reviews and approvals. The project includes a dual-branded hotel facility with both short-term and extended-stay hotel accommodations affiliated with Marriott, a top-tier hotel brand. As a dual-branded facility, the project can serve the multiple markets in central Marin while offering operational efficiencies including shared public spaces, meeting rooms, recreational facilities, and back-of-the-house operations that reduce per room costs.

The limited-service, short-term accommodations would include 71 rooms as a SpringHill Suites by Marriott. These rooms would meet the demand currently met by the Corte Madera Inn. This is a mid/upper price range, all-suites limited service hotel and does not include a dedicated, revenue-producing food and beverage component.

The extended-stay accommodations would include 103 rooms as a Residence Inn by Marriott. The Residence Inn brand targets the upper tier of the extended-stay market and will include self-serve laundry facilities, offer discounts for extended stays, have guestrooms (or "suites") with kitchens.

Other overall project elements will: improve the safety conditions of the vehicular entrance at Madera Boulevard; minimize noise and traffic impacts by not extending vehicular access to/from Tamal Vista Boulevard; minimize the visual impact on the adjacent residential neighborhood by breaking up the building massing and limiting the building height along Tamal Vista Boulevard; minimize the number of rooms facing east (toward U.S. Highway 101 noise); provide 3,000 to 4,000 square feet of conference space in a quiet and attractive setting as replacement for the 3,000 square feet provided by the Corte Madera Inn; and provide recreational facilities (e.g., swimming pool, whirlpool, sport court, barbeque area, fire pits) in an attractive and quiet setting.

As noted above, the number of rooms has been reduced from 187 to 174 through the local planning process (see Town March 22, 2016, staff report at http://www.townofcortemadera.org/531/Corte-Madera-Inn-Rebuild-Project). The reduction in room numbers was the result of a series of Planning Commission hearings from February 15, 2015 through March 8, 2016. At these meetings, the Town Planning Commission required the applicant to reduce the building heights facing Tamal Vista (and the adjoining neighborhood) from three stories to two stories to reduce building massing on this side of the property (see the Town staff reports noted above for additional changes required over the course of the year-long review). This position was later codified by a zoning change to the hotel's parcel and other parcels fronting Tamal Vista. The new zoning limits the building height for all structures within 125' of Tamal Vista to 28' (Corte Madera Municipal Code, Title 18- Zoning, Chapter 18.13.165).

2. Analysis

Alternative 1 can achieve the project basic purpose. It will build a hotel facility capable of meeting the demand for central Marin hotel space and will include the applicant's other objectives in terms of improving safety conditions at the vehicle entrance, etc. The hotel in this configuration is smaller than the original proposal by the applicant (174 rooms as opposed to the 187 originally proposed) but this is large enough to create a dual-branded facility. Alternative 1 will result in the fill of the Pond. Alternative 1 will not result in any impacts to Federal- or State-listed species as noted in the project EIR (see above for reference citation). The project includes other environmental impacts but the EIR concludes that this can be mitigated to a level less than significant.

Alternative 1 is practicable. Table 1 shows the results of the feasibility analysis completed for the originally proposed, 187-room, dual-branded hotel. See PKF 2014 (Attachment B) for more detail and background on the genesis of these figures).

Table 1
Alternative 1
Revenue/Value and Development Costs comparison

Revenues and Values	Two, branded hotels with 187 rooms
5 yr average daily rate	$167.00-$208.00
10 yr range of total revenue (2017-2026)	$8.9 md-$12.3 md
10 yr range of net operating income (NOI)	$3.5 md-$5.1 md
Present value based on NOI	$21.1 md + 30.5 md= $51.6 md
Development Costs	
Land	$11 md

Building and Improvements	$24.2 md
Other costs (see Attachment A)	$9.7 md
Current Total	$44.9 md
Inflated total (to reach 2017 values)	$49.1 md
Results	
Value less Development Costs	$51.6 md - $49.1 md = $2.5 md

A 174-room hotel provides for a 7% reduction in the number of rooms, compared to the 187-room hotel assessed above. This reduces revenue and value by a corresponding amount, to about $48 md ($47.988 md). Development costs are also reduced but by a much lower percentage as the fixed costs will remain static; thus, development costs are reduced to about $47.9 md ($47.873 md). Based on these factors, the current valuation of a 174-room hotel is essentially equal to its developments costs

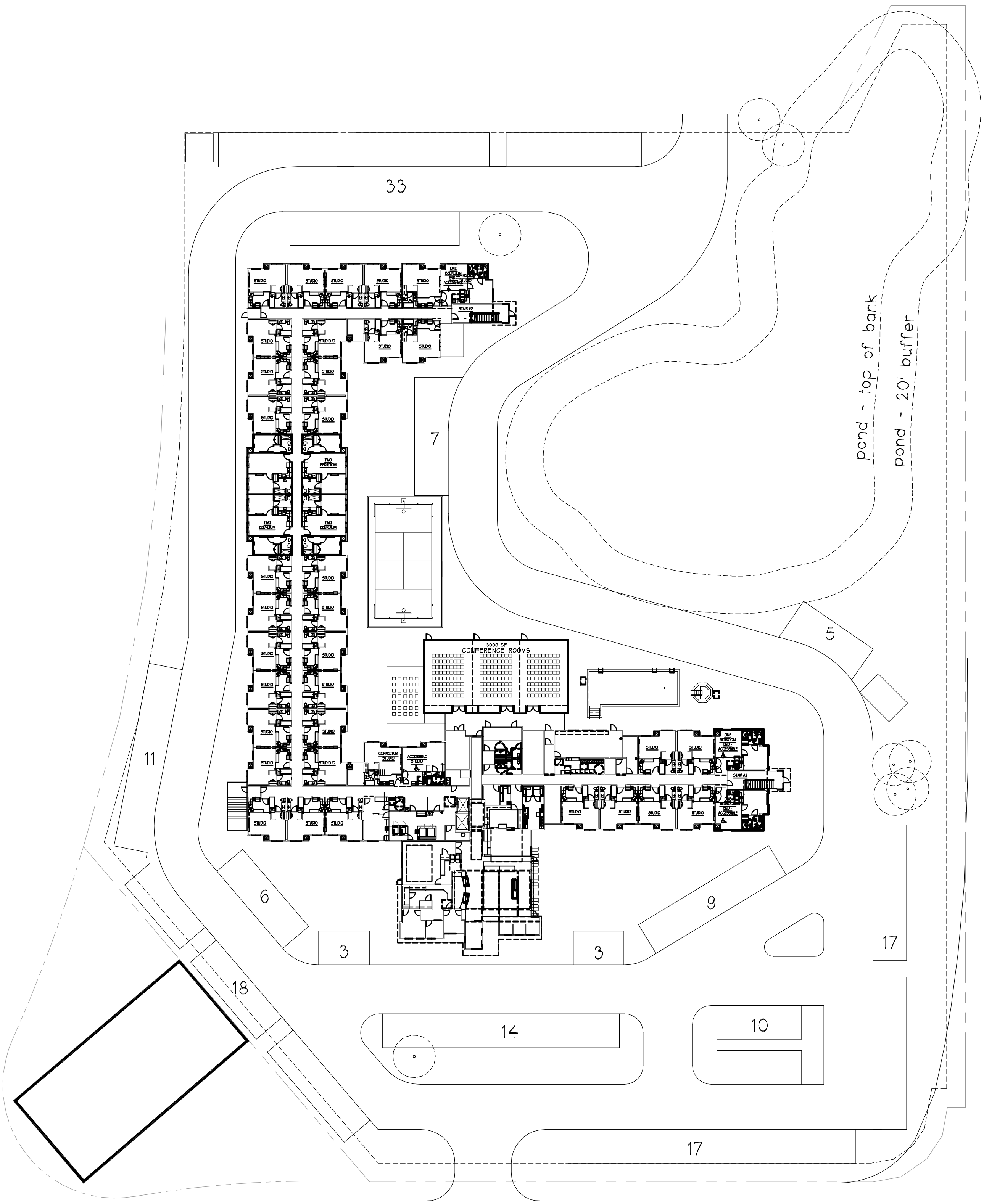
D. Alternative 2

1. Description

Alternative 2 consists of a 147-room, Residence Inn hotel, located on the property in an improved configuration relative to the current hotel (**Figure 2**). This would provide for preservation of the Inn Pond and an increase in the number of rooms compared to the current hotel, which has 110 rooms.

As well as the Pond, this option preserves a 20-ft wide structural buffer around the Pond as a result of Town and geotechnical requirements. According to the site geotechnical analysis (Miller Pacific 2015), the site is generally covered with 5 to 10 feet of medium stiff/dense fill over 20 to 30 feet of soft compressible Bay mud. Fifteen to 30 feet of very stiff/ dense alluvium underlies the Bay mud followed by bedrock at depths ranging from 50 to 80 feet below the ground surface. Groundwater levels are generally high, typically found 5 to 10 feet below the ground surface. Miller-Pacific concluded the groundwater would be expected in on-site excavations deeper than about 4-feet below grade, and may be shallower during the winter months or following periods of heavy rain.

The site is mapped by the Association of Bay Area Governments (ABAG) as lying in a zone of "very high" liquefaction. Liquefaction refers to the sudden, temporary loss of soil shear strength during strong ground shaking. This occurs where there are saturated, loose, granular (sandy) deposits subjected to seismic shaking. Liquefaction-related phenomena include settlement, flow failure, and lateral spreading. Bay mud commonly contains lenses of granular materials (typically representative of historic stream channels) which may be susceptible to liquefaction. "Lurching" and associated ground cracking can occur during strong ground shaking along the tops of slopes where stiff soils are underlain by soft deposits or along steep channel banks. Lateral spreading generally occurs where liquefiable deposits flow towards a 'free face", such as channel banks, during an earthquake.



site = 238,273 sf
pond + 20' buffer = 43,469 sf

3-story building with 147 rooms

hotel parking 1/1 rooms @ 147 rooms = 147
conference parking 1/900 sf @ 3,600 sf = 4
total required parking = 151 spaces
total parking provided = 153 spaces

FIGURE 2

Differential settlements are also possible due to variations in the thickness of compressible Bay mud, variations in new long-term loads (fill thickness or foundation loads) and variations in historic use of the land, i.e. old channels or low points through the site that may have required thicker fills, or previous "surcharges", such as old structures or fill mounds. Miller Pacific concluded, therefore, that the risk of total and differential settlements at the site is high. Placement of new surface loads will induce consolidation and cause settlement at the ground surface due to the underlying soft Bay mud.

The area around the Pond contains the only slopes on-site and it is underlain by an old channel. Although these slopes are generally shallow, there is some likelihood of damage to improvements at the site due to lurching, lateral spreading or differential settlement. Accordingly, Miller-Pacific stated that, if the lagoon or any portion is left in its current condition, new structures should be set back 20-feet from the top of bank.

Additionally, as with Alternative 1, other project elements will improve the safety conditions of the vehicular entrance at Madera Boulevard and minimize noise and traffic impacts by not extending vehicular access to/from Tamal Vista Boulevard. However, this alternative will not minimize the visual impact on the adjacent residential neighborhood by breaking up the building massing and limiting the building height along Tamal Vista Boulevard or minimize the number of rooms facing east (toward U.S. Highway 101 noise). Recreational facilities to be provided would be limited as well.

2. Analysis

Alternative 2 does not achieve the project basic purpose. The guest room count is too low to allow for a dual-branded facility. The Residence Inn would capture the extended stay demand in the market but would not capture the short-term transient business previously being satisfied by the Corte Madera Inn (see description above under Demand and Attachment A for a more detailed explanation). In addition, it would not meet the Town's requirement of limiting development along the western exposure of the property fronting Tamal Vista. As noted above, the Town will not allow a 3-story structure fronting Tamal Vista. Retaining the pond forces the hotel building to be placed nearer Tamal Vista and within the area the Town has defined for lower elevation buildings. Reducing the building to 2-stories in this area would reduce the room count to 121 rooms.

Alternative 2 will not result in the fill and loss of the 0.64-acre Inn Pond. Like Alternative 1, it will not result in any impacts to Federal- or State-listed species. The environmental impacts are slightly reduced.

Alternative 2 is not feasible from a cost perspective; the project's development costs exceed its value. Table 2 below summarizes the results of the feasibility study; again see Attachment B for more detail.

Table 2
Alternative 2
Revenue/Value and Development Costs comparison

Revenues and Values	
5 yr average daily rate	\$178.00-\$208.00
10 yr range of total revenue (2017-2026)	\$7.2 md-\$9.9 md
10 yr range of net operating income (NOI)	\$2.5 md-\$3.7 md
Present value based on NOI	\$37.3 md
Development Costs	
Land	\$11 md
Building and Improvements	\$20 md
Other costs (see Attachment A)	\$8.6 md
Current Total	\$39.7 md
Inflated total (to reach 2017 values)	\$43.4 md
Results	
Value less Development Costs	\$37.3 md – \$43.4 md = \$(6.1 md)

Because the 10-yr range of total revenue and 10-yr net operating income are higher for Alternative 1 than Alternative 2, the present value of Alternative 1 (\$51.6 md) is higher than Alternative 2 (\$37.3 md). Independently the two hotels built under Alternative 1 have a lower present values than the single hotel assessed for Alternative 2 but the combined values of the two hotels are significantly higher, by a bit more than 38%.

Alternative 2's development costs are lower than Alternative 1 (\$43.4 md vs \$49.1 md) but only by about 12%. Accordingly, a single-branded hotel (with more rooms than the current hotel) is slightly cheaper to build than two hotels but does not generate sufficient revenue to overcome the development costs. A two-hotel, double-branded system generates significantly more revenue and the costs of development are proportionally (per room) lower, due to the shared facilities, and thus the shared construction costs.

Finally, Alternative 2 would not receive Town approval due to the 3-story building height adjacent to Tamal Vista. Reducing this portion of the building to 2-stories would reduce the room count to 121. Lowering the room count would reduce the feasibility even further.

E. Alternative 3

1. Description

Alternative 3 includes a 187-room, dual-branded hotel with the same number of rooms as the originally proposed project and retention of the Pond along with a 20-ft buffer around the Pond (**Figure 3**).

The hotel would be a two- to four-story building with the primary entrance off Madera Boulevard. The two-story sections would front Madera Boulevard, on the south side of the property. The four-story sections would adjoin these two-story segments along the south side and parts of the west side, and would also be located at the north end of the site. The three-story segment would be in the center of the building fronting on Tamal Vista Boulevard.

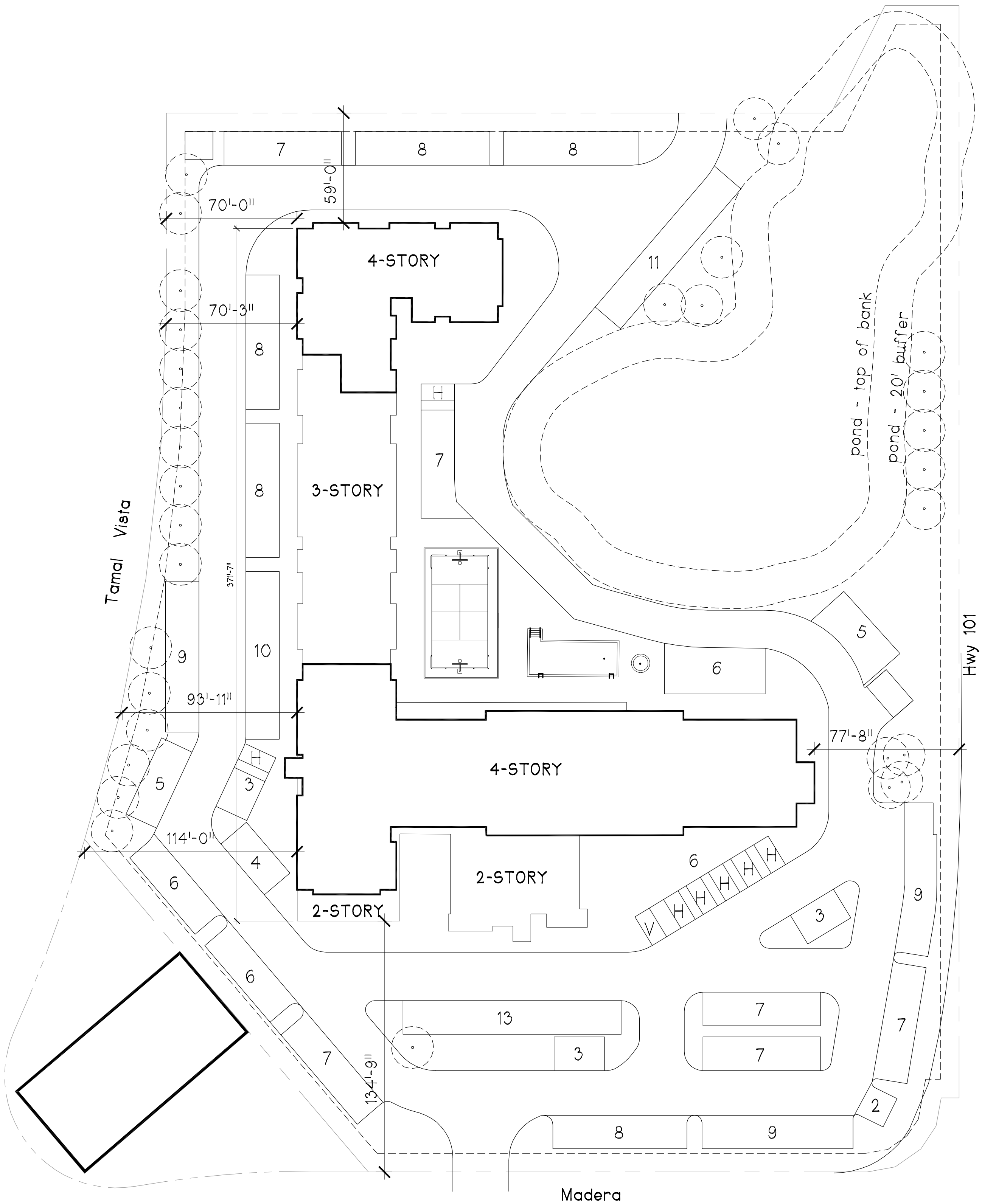
The limited-service portion of the hotel would have 79 rooms while the extended-stay portion would have 108 rooms. As with the preferred project, under this alternative the limited-service hotel would be a SpringHill Suites by Marriott while the extended-stay hotel would be a Residence Inn by Marriott.

Recreational facilities such as a pool and spa would be added as well as new landscaping along the perimeter of the site. However, alternative 3 would have much less open space for these facilities, compared to the proposed project, due to the retention of the pond.

This alternative was evaluated as part of the project EIR and a fuller description of it and the impacts are found at the reference noted above. The project EIR notes that this alternative will have significant impacts, especially as related to height limits, aesthetics, and view. Building heights would be 47 to 49 feet along Tamal Vista and other locations, greatly exceeding the 35-ft height limit. As well, the Tamal Vista side of the building,

> "would be three stories or four stories in height, resulting in a stronger visual contrast to the single-story homes to the east. With the proposed project, the western edge of the new building would be two and three stories in height and there would be a significant gap between northern and southern building segments breaking up the building's massing. From Tamal Vista Boulevard, looking both northeast and southeast, the increased height of this alternative compared to the proposed project would result in an increased building mass as compared to the proposed project. Trees planted along Tamal Vista Boulevard at the western edge of the site may partially screen the building from view, but this screening is not expected to be as effective."

As a result, the Planning Commission rejected this alternative on a 4-1 vote at the meeting of March 22, 2016



4-story structure @ 47 ft. - 49 ft. high with towers @ 52 ft. - 58 ft. high
site = 238,273 sf
pond + 20' buffer = 43,469 sf

hotel parking 1/1 rooms @ 187 rooms = 187
conference parking 1/900 sf @ 3,600 sf = 4
total required parking = 191 spaces
total parking provided = 192 spaces

FIGURE 3

2. Analysis

Alternative 3 could theoretically achieve the project basic purpose if it were practicable (see below). This option does provide the requisite amount of rooms in a dual-branded hotel complex. There are issues with the extent and character of the project open space that would impinge on value, however.

Alternative 3 will not result in the fill and loss of the Pond. Like Alternative 1, it will not result in any impacts to Federal- or State-listed species. This alternative does have other impacts, though, as noted above and below.

Alternative 3 is not practicable. Under Alternative 3, building heights would exceed the limits specified for the C-3 district as noted in the project EIR. Building heights under this alternative would be 47 feet to 49 feet in certain locations, which would exceed the 35-foot height limit of the C-3 district. Moreover, as noted above, the Planning Commission specifically rejected the provision of taller buildings along Tamal Vista (Town Staff report, March 22, 2016). As a result, this specific alternative is not approvable by the Town. An alternative that cannot be approved due to local planning and zoning controls is not a practicable alternative.

F. Alternative 4

1. Description

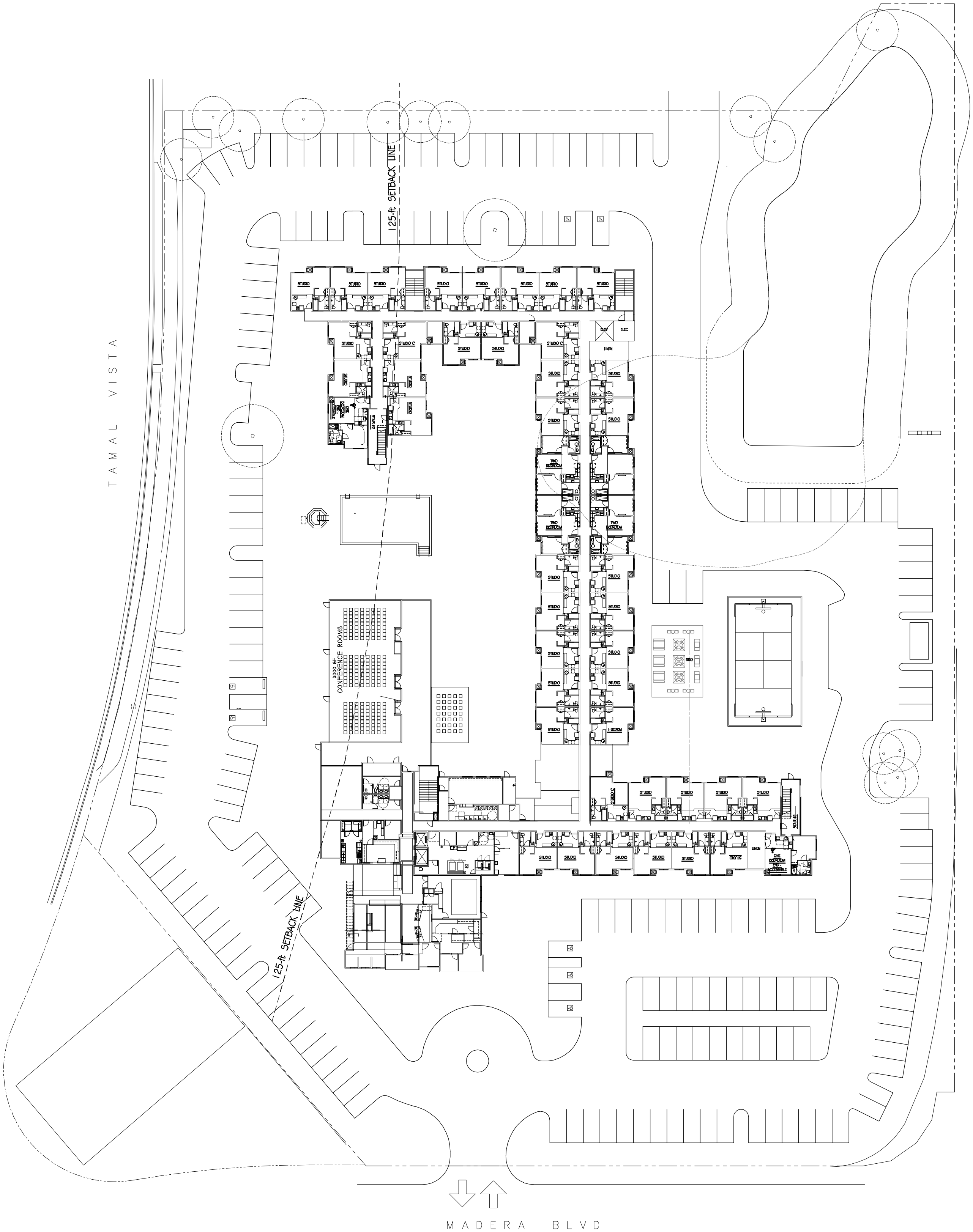
Alternative 4 consists of the preservation of approximately 50% of the Pond and construction of a hotel around the remainder of the Pond. **Figure 4** shows this option. Note that this alternative conforms to the Town's 28-ft height limit along Tamal Vista discussed above. Given the physical limitations imposed by these conditions, the hotel will be only 148 rooms.

As described at Alternative 2, this option preserves a 20-ft wide structural buffer around the Pond as a result of Town and geotechnical requirements. As noted above, the area around the Pond contains the only slopes on-site and it is underlain by an old channel. Although these slopes are generally shallow, there is some likelihood of damage to improvements at the site due to lurching, lateral spreading or differential settlement. Accordingly, Miller-Pacific (2015) stated that, if the lagoon or any portion is left in its current condition, new structures should be set back 20-feet from the top of bank.

2. Analysis

Alternative 4 does not achieve the project basic purpose. It will not develop a viable hotel facility as the size is too limited and it will not allow for a dual-branded hotel project. Like Alternative 2, it would simply build a larger, more modern version of the current hotel.

Alternative 4 will result in the fill of approximately half of the 0.64-acre Inn Pond and restoration of a 20-ft wide buffer around the Pond. Like Alternative 1, it will not result in any impacts to Federal- or State-listed species.



site = 238,273 sf

50% pond + 20' buffer = 25,132 sf

Partial 2- & 3-story with 148 rooms

Portion within 125' of Tamal Vista is 2-story

hotel parking 1/1 rooms @ 148 rooms = 148
conference parking 1/900 sf @ 3,600 sf = 4
total required parking = 152 spaces
total parking provided = 163 spaces

FIGURE 4

The financial analysis prepared for Alternative 2 applies to Alternative 4 due to the similar room count and single hotel brand design. Alternative 2 is not financially feasible. Therefore, Alternative 4 is not practicable.

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PKF Consulting USA. October 2014. Market demand and financial feasibility analysis; proposed hotel Corte Madera CA. Prepared for Reneson Hotels, Inc.

Rushmore, Stephen MAI. 2004. Hotel life expectancy. In US/Canadian Lodging Outlook.

Zentner and Zentner. 2014. Off-site Alternatives analyses for the Corte Madera Inn Rebuild Project. October, 2014.

Attachment A

PKF Consulting USA. March 2013. Phase 1 Study: Proposed Hotel Corte Madera CA.

Phase I Market Demand Analysis

Proposed Hotel
Corte Madera, California

Prepared For:
Mr. Garrett Grialou
Reneson Hotels, Inc.
215 Alameda del Prado
Novato, California 94949

Prepared By:
PKF Consulting USA
San Francisco, California

Date of the Report
March 4, 2013

91463

PKF CONSULTING USA
www.pkfc.com

March 4, 2013

Mr. Garrett Grialou
Reneson Hotels, Inc.
215 Alameda del Prado
Novato, California 94949

Re: Phase I – Potential Market Demand Analysis
Proposed Hotel – Corte Madera, California

Dear Mr. Grialou:

In accordance with your request, we have completed Phase I of our engagement contract, which is a study of the potential market demand and recommendation for the proposed redevelopment of the existing 110-room Best Western Plus Corte Madera Inn located at 56 Madera Boulevard in Corte Madera, California. As we understand it, you control the existing property and intend to raze the improvements and redevelop the site. At this time, you are contemplating two options for this project. The first option is to develop the site with just one transient or extended-stay hotel, which will likely be affiliated with a nationally-recognized lodging chain (Hilton or Marriott). The second option is two develop two properties on the site, one transient hotel and one extended-stay hotel (such as the two hotel brands mentioned previously). Pursuant to our engagement, we have prepared a brief letter report summarizing our findings as to the most appropriate development scenario.

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 February 2013. Due to the abbreviated nature of this report, it is intended for your internal management use in determining the potential market demand for the proposed Hotel(s).

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 field work. 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 Hotel(s)'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.

It has been a pleasure to work with you on this interesting project. If we can be of any further assistance in the interpretation of our findings, please feel free to contact us.

Yours sincerely,

PKF Consulting

By: Christopher A. Kraus, MAI
Senior Vice President
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Elle Patterson

By: Elle Patterson
Consultant
elle.patterson@pkfc.com I 415.288.7845

I. INTRODUCTION

A. Overview of the Market Study

PKF Consulting USA ("PKF Consulting") was formally retained on February 4, 2013, by representatives of Reneson Hotels, Inc. to conduct a study of the potential market demand for one or two hotels to be located in Corte Madera, California. As we understand it, the project will most likely include the development of one or two nationally-affiliated hotels (Hilton or Marriott). As a component of this analysis, we first determined the market potential for both a transient and an extended-stay hotel in the local market and subsequently made a recommendation as to which of these hotel options (if not both) would be best supported on the site. We then provided our projections of the occupancy and average daily room rates ("ADR") the recommended Hotel(s) could achieve for its first five years of operation. For the purpose of this analysis, we have assumed that the proposed Hotel(s) would be open and available for occupancy by January 1, 2015.

B. Methodology

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 Hotel(s);*

- *Researched and analyzed current economic and demographic trends to determine their impact on future lodging demand in the market;*

- *Performed a preliminary analysis of the current and future supply and demand for hotel facilities in the Corte Madera area;*

- *Identified the competitive supply of lodging facilities in the greater Corte Madera market and reviewed their historical performance levels;*

- *Made a recommendation as to the optimal brand, size, and positioning for the hotel; and,*

- *Developed a forecast of the likely occupancy levels and average daily room rates the Hotel(s) could reasonably achieve over its first five years of operation, under our recommended brand scenario.*

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 managers of local hotels, data provided by sources in the lodging chains with which the competitive properties are affiliated, and data from various local government agencies.

II. SUMMARY OF FINDINGS

Based on the preceding work program, we have made a determination of the market viability for the proposed Hotel(s) on the identified subject site. The results of our research and analysis are summarized in the following paragraphs.

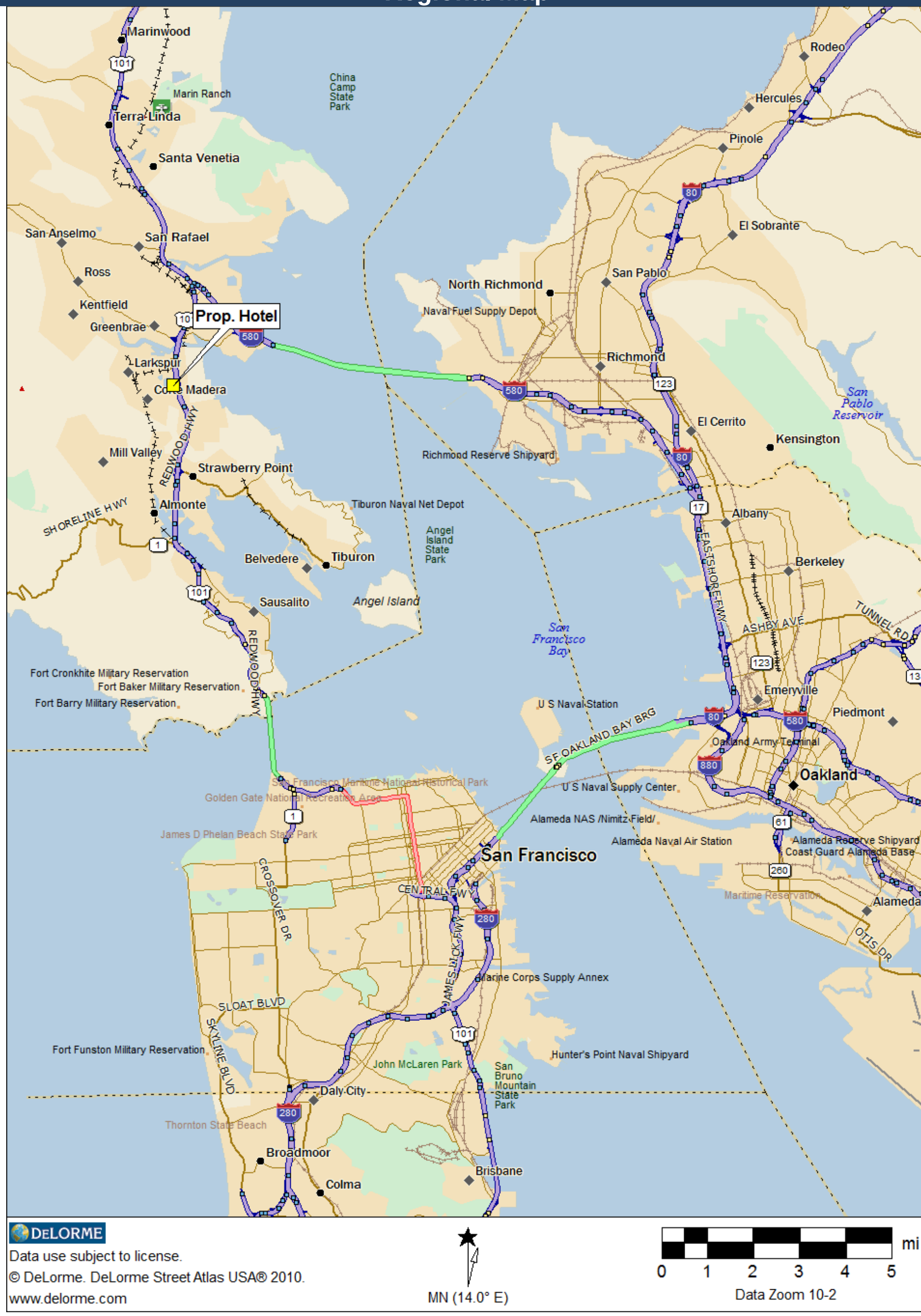
A. Site Description

As we understand it, the proposed development will be located in Corte Madera, California, approximately ten miles north of San Francisco in Marin County. The site is located in the northwestern quadrant of the intersection formed by Madera Boulevard and U.S. Route 101 (El Camino Real), approximately one mile west of the San Francisco Bay and proximate to a variety of shopping, office, and residential establishments. As previously mentioned, the site is currently improved with the 110-room Best Western Plus Corte Madera. Surrounding developments include the following:

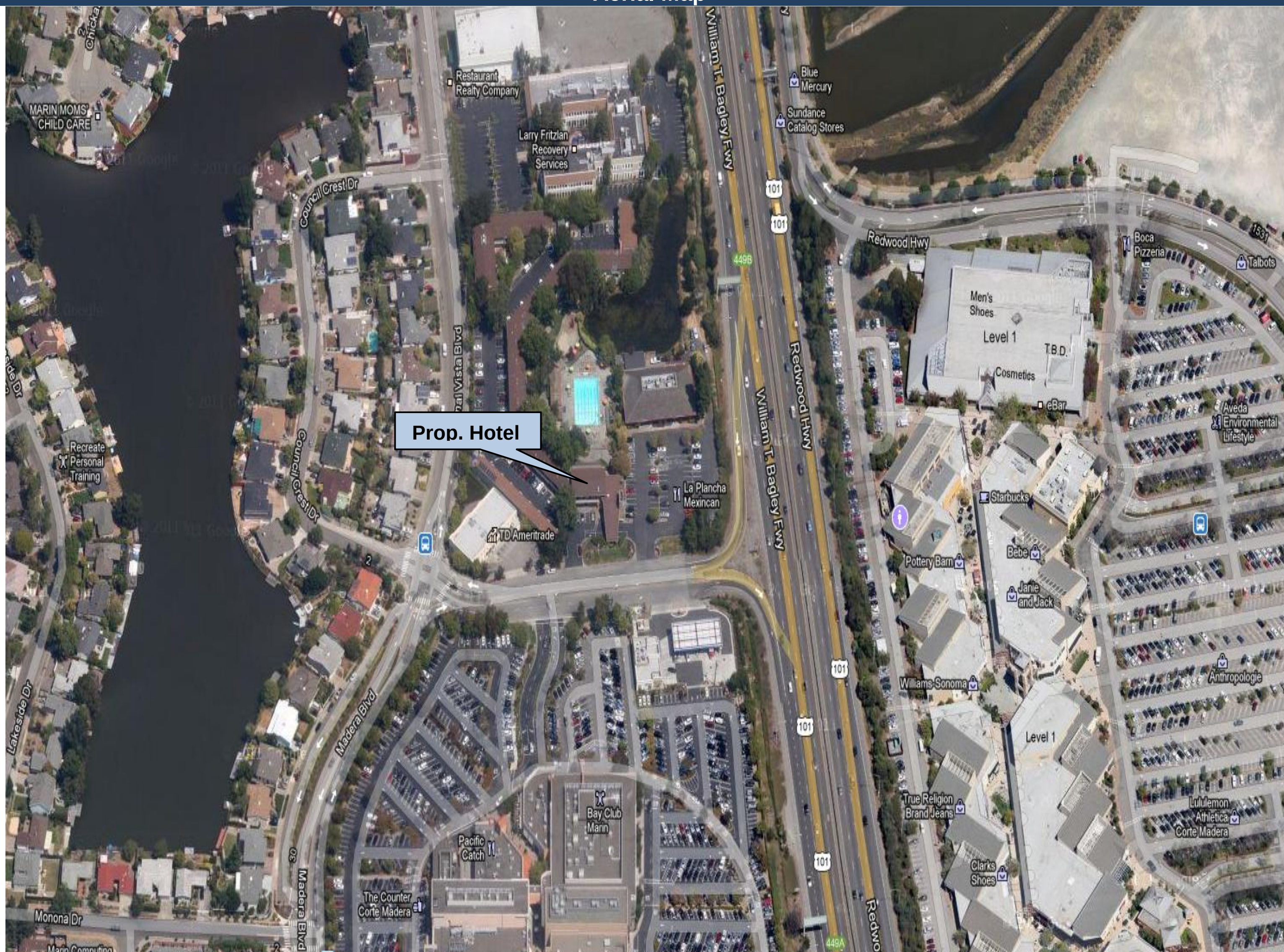
North:	La Plancha Mexican Restaurant, Madera Village Suites, Century Cinema Theaters, Marin Suites, various retail and office establishments
East	US 101, The Village at Corte Madera shopping mall, undeveloped land
South:	Towne Center at Corte Madera shopping mall
West:	Residential developments, lake

The site is easily visible and accessible from U.S. Route 101 ("US 101"), located to the immediate east. US 101 is a 2,500 mile north-south highway that runs through the states of California, Oregon, and Washington, extending from Tumwater, Washington in the north to Los Angeles in the south. In California, US 101 connects the cities of Los Angeles, Santa Barbara, and San Francisco, and serves as the primary coastal route throughout the San Francisco Bay Area. It is also the main commuter route between San Francisco and the North Bay, extending across the Golden Gate Bridge. Travelers driving along US 101 from San Francisco would exit onto Tamalpais Drive and turn right onto Madera Boulevard to arrive at the site on the left. Provided on the following pages are regional maps indicating the location of the site, photographs of the site's current improvements, and views of the surrounding developments.

Regional Map



Aerial Map


Prop. Hotel
Restaurant Realty Company
Larry Fritzlan Recovery Services
MARIN MOMS CHILD CARE
Council Crest Dr
William T Bagley Fwy
Redwood Hwy
Blue Mercury
Sundance Catalog Stores
Boca Pizzeria
Talbots
Men's Shoes
Level 1
T.B.D.
Cosmetics
eBar
Aveda Environmental Lifestyle
Recreate Personal Training
La Plancha Mexican
TD Ameritrade
Starbucks
Pottery Barn
Bebe
Janie and Jack
Williams Sonoma
Anthropologie
Madera Blvd
Lakeside Dr
Bay Club Marin
Pacific Catch
The Counter Corte Madera
True Religion Brand Jeans
Clarks Shoes
Lululemon Athletica Corte Madera
Monona Dr
Marin Computing

Photographs of the Site and Surrounding Area


Site's Current Developments


Site's Current Developments


Site's Current Developments


View from Site to the Northeast (La Plancha)


View from Site to the East (The Village at Corte Madera)


View from Site to the South (Towne Center at Corte Madera)

Overall, the location of the site is considered to be very good to excellent, as outlined in the following table. The site enjoys prominent visibility and easy accessibility from U.S. Route 101, one of the west coast's most notable highways, and is located proximate to a variety of business and leisure demand generators in the Northern San Francisco Bay Area.

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

B. Area Review

Overview: The Hotel(s) will be located in Corte Madera, one of eleven cities and towns within Marin County in California. Marin County is situated in the Northern San Francisco Bay Area across the Golden Gate Bridge from San Francisco, bordering Sonoma County to the north and northeast, the San Pablo and San Rafael Bays to the east, Alameda County to the southeast, San Francisco County to the south, and the Pacific Ocean to the west. Marin County is renowned for its scenic landscape, liberal politics, and affluence. Its many beautiful natural sites include the famous Muir Woods redwood forest, the Marin Headlands, Stinson Beach, Point Reyes National Seashore, and Mount Tamalpais.

Population: According to the United States Census Bureau, Marin County had a population of approximately 255,000 as of 2011. The population has grown at a compound annual growth rate ("CAGR") of 0.3 percent over the past twelve years, slower than the statewide growth rate of 1.0 percent over the same period. San Rafael is the county seat and largest city, with a population of roundly 57,700. Corte Madera had a population of approximately 9,300, making it the county's sixth smallest city.

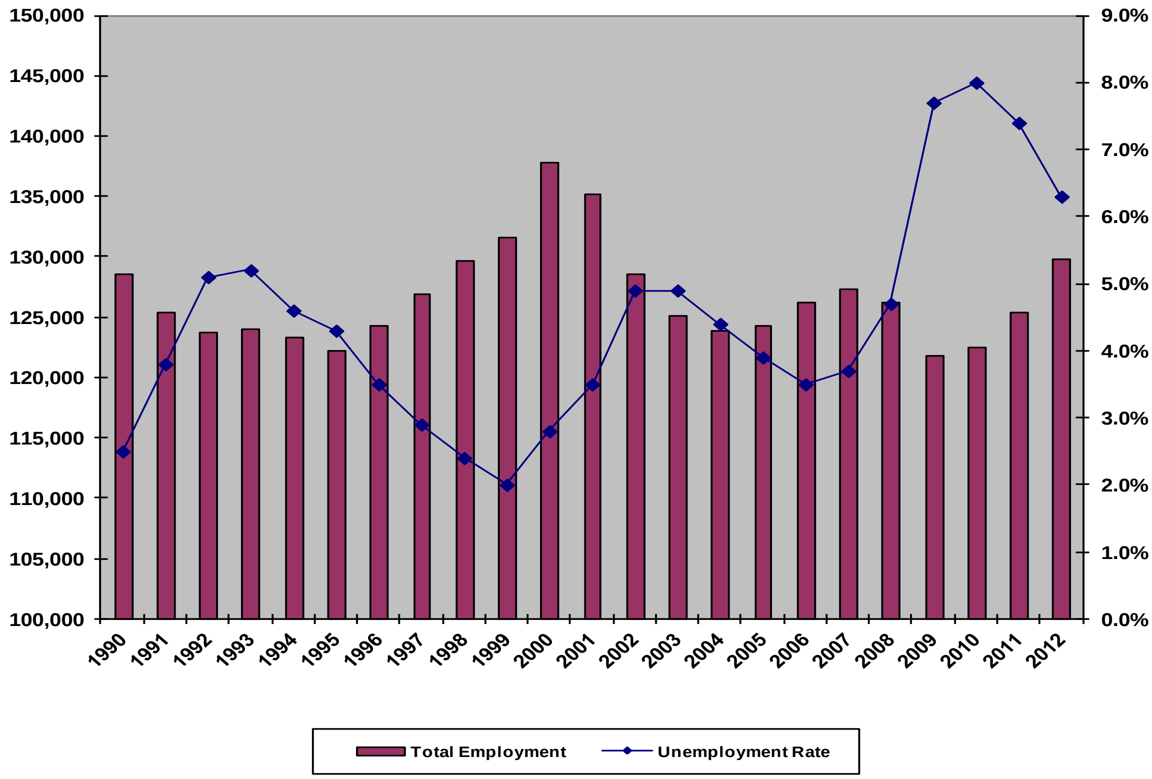
Employment: Marin County is a wealthy area with a median household income of $89,605 (compared to $61,632 for California and $52,762 for the United States). The county's employment is largely contained within the Trade, Transportation & Utilities (16.6 percent); Professional & Business Services (17.7 percent); Educational & Health Services (15.8 percent); and Government (15.6 percent) sectors. As summarized in the following table, significant employers include the Kaiser Permanente Medical Center, San Quentin Corrections Department, Main General Hospital, Fireman's Fund Insurance Company, and Autodesk (the publisher of AutoCAD). Only one of the county's major employers (Macy's) is located in Corte Madera.

Major Employers in Marin County			
Employer	**Location**	**Industry**	**Employed**
Kaiser Permanente Medical Center	San Rafael	Hospitals	1,803
San Quentin Corrections Department	San Quentin	Government/Correctional Facilities	1,718
Main General Hospital	Greenbrae	Hospitals	1,100
Fireman's Fund Insurance Company	Novato	Insurance	950
Autodesk	San Rafael	Software	878
BioMarin Pharmaceutical	Novato	Biotechnology	871
Safeway Inc.	Various	Grocery	841
Comcast	Various	Telecommunications	620
Macy's	Corte Madera	Department Stores	380
Bradley Real Estate	Various	Real Estate	376
Managed Health Network, Inc.	San Rafael	Health Plans	350
Dominican University of CA	San Rafael	Education	346
Wells Fargo	Various	Banking	332
Kentfield Rehabilitation Hospital	Kentfield	Hospitals	315
Community Action Marin	San Rafael	Non-Profit Organization	268

Source: State of California Employment Development Department

According to the State of California Employment Development Department, Marin County's employment base has ranged from a low of roundly 121,800 in 2009 to a high of 137,800 in 2000. Unemployment rates have also fluctuated widely. Rates rose in the mid-1990s, declined through the late 1990s to reach a low of 2.0 percent in 2000, rose steadily in the early 2000s, decreased mid-decade, and jumped significantly in 2009 and 2010 with the national recession. Unemployment rates have decreased since, ending 2012 at 6.3 percent. Marin County's unemployment rates have historically been lower than statewide and national rates; its 2012 figure, for instance, was lower than the national rate of 7.8 percent and the statewide rate of 9.8 percent that year.

**Marin County Employment and Unemployment Statistics
1990 – 2012**



Source: State of California Employment Development Department

Commercial Office Market: According to the *Marin County Office Market Snapshot – Fourth Quarter 2012* prepared by Cassidy Turley Commercial Real Estate Services, office vacancy within the county was 16.9 percent in the fourth quarter of 2012, higher than last quarter's posting of 16.3 percent. This increase reflects the return of 53,000 square feet of space to the marketplace; it also represents the second consecutive quarter of vacancy increases. While this is a reversal of 2011's high performance, 2012's vacancy increases were largely fueled by just two companies. For instance, Fireman's Fund Insurance Co. subleased 272,000 square feet of office space that year, and Autodesk returned 40,000 square feet of space in the fourth quarter. Positive news is that the current average asking rent of $2.32 per square foot reflects a slight increase from last year's $2.29. Additionally, business confidence is now on the upswing, and will likely translate into increased office demand in 2013. Likewise, demand is high for large spaces (i.e. 10,000 square feet or greater) in Marin County. Thus, the large blocks of space vacated in 2012 will likely be filled in 2013.

The subject site is located in Corte Madera. This submarket fared better than county averages in the fourth quarter, with a lower vacancy rate of 10.3 percent and an average asking rent of $2.92 per square foot, higher than the county's average of $2.49. Presented in the table on the following page are the fourth quarter 2012 highlights for the Marin County office market.

Transportation: The major north/south thoroughfare serving Mill Valley and Marin County is Highway 101, the most direct route to San Francisco and other Bay Area cities. Marin County is also serviced by Highway 1 and Highway 131. Highway 1 is a scenic state highway which runs along a large length of the Pacific Coast. Highway 131 (Tiburon Boulevard) is a short route that connects Highway 101 with the town of Tiburon in southeastern Marin County. The route follows the northern and eastern shorelines of Richardson Bay, an inlet of San Francisco Bay north of Sausalito. Beyond its western terminus at Highway 101, Tiburon Boulevard becomes East Blithedale Avenue, which leads into Mill Valley.

Most airline passengers visiting Marin County fly into San Francisco International Airport ("SFO"), located approximately 45 miles south, and then drive north on Highway 101. An alternate airport is the Oakland International Airport ("OAK"), which is also located approximately 50 miles southeast. Additionally, the Sonoma County Airport, a general service airport located northwest of Santa Rosa in Sonoma County, is also utilized by visitors to the area. This airport provides nonstop flight service from Sonoma County to Los Angeles and Seattle and is currently undergoing an $84.0 million expansion project.

Tourism: Marin County offers an abundance of activities well-suited for the leisure traveler. Additionally, its proximity to San Francisco, which is only a three-mile drive south across the Golden Gate Bridge, benefits the area greatly. Provided below is a brief description of some of Marin County's major attractions.

- ***Marin Headlands*** *is known as one of the most unique parks in the Golden Gate National Recreation Area, which includes historic Fort Barry and Fort Cronkhite, the NIKE Missile site, and the 150-year-old Point Bonita lighthouse. Other attractions include numerous hiking trails, dog-friendly Rodeo Beach, and views of the coast and the city. The blooming of wildflowers in the spring and raptor migration in the fall fills the Headlands with year-round excitement. The Marin Headlands is an example of one of the last open spaces still available in the Bay Area for visitors to enjoy.*

- ***Mount Tamalpais State Park*** *is comprised of 6,300 acres of redwood groves, oak woodlands, grassland slopes, and rocky ridges. The park offers spectacular views of the nearby Pacific Ocean and the surrounding San Francisco Bay Area from its ridges, slopes, and the 2,571-foot high East Peak.*

Marin County Office Market Snapshot								
Submarket	**Inventory**	**Sublet Vacant**	**Direct Vacant**	**Vacancy Rate**	**Current Net Absorption**	**YTD Net Absorption**	**Average Asking Rent (All Classes)**	**Average Asking Rent (Class A)**
Sausalito/Tiburon	734,979	0	53,236	7.2%	(4,178)	23,633	$2.71	$3.01
Mill Valley	427,299	0	108,937	25.5%	4,926	(45,331)	$3.59	$3.61
Southern Marin County	1,162,278	0	162,173	14.0%	748	(21,698)	$3.30	$3.51
Corte Madera	459,901	14,960	32,756	10.4%	221	(6,286)	$2.92	$3.60
Greenbrae/Larkspur	864,759	0	66,592	7.7%	1,104	(3,386)	$3.96	$4.19
Central Marin County	1,324,660	14,960	99,348	8.6%	1,325	(9,672)	$3.52	$4.05
San Rafael	4,075,390	84,498	517,733	14.8%	(21,156)	(73,254)	$2.47	$2.46
Novato	3,287,583	351,785	430,984	23.8%	(33,861)	(215,354)	$2.18	$2.28
Northern Marin County	7,362,973	436,293	948,717	18.8%	(55,017)	(288,608)	$2.30	$2.35
Office Class Breakdown								
Class A	4,876,701	392,112	852,528	25.9%	(25,279)	(280,860)	$2.51	-
Class B	3,552,392	32,926	280,474	8.8%	(28,112)	(11,317)	$2.45	-
Total	**9,849,911**	**451,243**	**1,210,238**	**16.9%**	**(52,944)**	**(319,978)**	**$2.49**	**$2.51**

Source: Cassidy Turley, Office Market Snapshot Marin County Fourth Quarter 2012

- ***Muir Woods National Monument*** *is a unit of the National Park Service in Marin County. It protects 554 acres of forested area populated by Coast Redwood trees, one of the last remaining strands in the immediate San Francisco Bay Area. The Monument is an old-growth coastal redwood forest and attracts more than 800,000 visitors annually.*

- ***Point Reyes*** *is a prominent cape on the Pacific Coast of Northern California, bounded by Tomales Bay on the northeast and Bolinas Lagoon on the southeast. It is protected as part of Point Reyes National Seashore, and is a popular recreational destination from the nearby San Francisco Bay Area, especially for activities such as hiking and sea kayaking. Additionally, the attraction contains over 1,000 species of plants and animals, as well as several popular oyster farms.*

In addition to these attractions, the county draws visitors for the Dipsea Race, the nation's oldest cross country running event, and the Marin County Civic Center, designed by Frank Lloyd Wright.

In summary, Marin enjoys a well-established location in the San Francisco Bay Area. The region has grown over the past several decades to become both a highly desirable place to live within the Bay Area as well as a growing commercial region. Furthermore, its proximity to San Francisco and its warm climate make it a desirable leisure destination. The combination of these factors is expected to continue to facilitate demand for lodging facilities in the future.

C. Hotel Market Analysis

1. National Lodging Market Overview

In addition to PKF Consulting, our Firm contains a research division, PKF Hospitality Research. PKF Hospitality Research owns the database for *Trends® in the Hotel Industry*, the statistical review of U.S. hotel operations which first appeared in 1935 and has been published every year since. Beginning in 2007, PKF unveiled its powerful *Hotel Horizons®*, an economics-based hotel forecasting model that projects five years of supply, demand, occupancy, ADR, and RevPAR for the U.S. lodging industry with a high degree of accuracy. *Hotel Horizons®* reports are published on a quarterly basis for 50 markets and six national chain-scales.

Based on the *December 2012 – February 2013 National Edition* of *Hotel Horizons®*, in 2010 and 2011 the U.S. lodging market experienced an increase in revenue per available room ("RevPAR") of 5.3 and 8.2 percent, respectively. As a point of comparison, RevPAR for the U.S. lodging market declined by 16.7 percent in 2009, the largest percentage decline since PKF Research began tracking lodging performance in 1935. This significant drop was a direct result of the severe national and global recession which began in the fall of 2007 and lasted well into 2009. Further, it resulted in a 40.0 percent decrease in hotels' net operating income ("NOI"), subsequently impacting hotel values throughout the nation. PKF Hospitality Research estimates that RevPAR grew by 6.8 percent in 2012 due to gains in both occupancy (2.6 percent) and ADR (4.2 percent). For the next three years, the overall U.S. lodging market is projected to achieve similar RevPAR growth rates of 6.1 percent, 8.4 percent, and 7.3 percent, respectively, with ADR gains leading these increases. Beginning in 2016, RevPAR growth is anticipated to taper to inflationary rates.

The proposed Hotel(s) would most likely represent either an upper midscale or an upscale property. After witnessing double-digit decreases in 2009, RevPAR for these segments grew at rates of approximately 5.0 percent in 2010, 8.0 percent in 2011, and 6.0 percent in 2012, in line with national averages. RevPAR is projected to grow approximately 6.0 to 7.0 percent per year over the next three years, led primarily by ADR gains, before tapering to long-term averages.

2. Marin County Lodging Market Overview

The Marin County lodging market incorporates a wide variety of lodging facilities located primarily along Highway 101, in the cities of Sausalito, Mill Valley, Corte Madera, Larkspur, San Rafael, and Novato. Additionally, the market includes properties located along Highway 131 in towns such as Tiburon. Lodging facilities in the market include upper upscale, full-service hotels such as the Embassy Suites in San Rafael; upscale, focus-service hotels such as the Courtyard by Marriott in Larkspur; and luxury boutique hotels such as the Casa Madrona Hotel and Spa in Sausalito, in addition to a variety of economy lodging facilities.

Marin County is a secondary tourist destination to San Francisco, but is recognized for its natural beauty, abundant recreational activities, and stable commercial core. Accordingly, lodging facilities capture a significant amount of "getaway" leisure demand from throughout the San Francisco Bay Area. Additionally, the lodging facilities throughout Marin County are an attractive and convenient location for corporate meeting demand originating from the greater Bay Area.

3. Demand Generators

Based on our knowledge of the market and on conversations with local hotel managers and business owners, we understand that travelers visit Marin County for a variety of both business and leisure purposes. We have provided a summary of the primary demand drivers in the local market below, as based on our research and on conversations with local hotel managers.

- *Leisure guests visiting the region's numerous attractions and recreational activities (strongest June through October);*

- *Businesspersons visiting local companies such as Autodesk (San Rafael), Biomarin Pharmaceutical (Novato), Fireman's Fund Insurance Co. (Novato), Buck Institute (Novato), Heath Ceramics (Sausalito), Tymphany (Sausalito), Sage Designs (Mill Valley), Marine Mammal Center (Sausalito), and Modern Sailing Company (Sausalito);*

- *Businesspersons associated with national companies such as Xerox and Chevron who are working on projects in the area;*

- *Independent sales people; and,*

- *Corporate group meetings; social, military, educational, religious, and fraternal groups ("SMERF"); and special events such as weddings.*

We understand that most of the region's business emanates from the commercial and leisure transient segment. In the summer months of June through October, transient demand is fairly evenly divided between leisure and corporate guests. In other seasons, transient demand is dominated by commercial sources. Group business is generally low for the region, due primarily to its limited amount of large-scale commercial and leisure demand generators. However, a variety of smaller companies drive occupancy throughout the year. We understand that several companies (for instance, Xerox and the Fireman's Fund) do have a need for extended-stay amenities. While demand does exist for such a product, few properties have the ability to accommodate it. Thus, most extended-stay business in the local market is captured by the Marin Suites Hotel, just 0.3 miles from the subject site, or the Extended Stay America San Rafael Francisco Boulevard East, 3.7 miles east.

4. Competitive Lodging Market

For the purpose of this analysis, we have chosen eight hotels which we deem to be the most comparable to the proposed Hotel(s) in terms of quality and market orientation. As can be seen in the table on the following page, these properties represent midscale and upscale hotels, five of which have national brand affiliations. They are older properties, ranging in age from 14 to 50 years, and in size from 49 to 235 rooms. As previously stated, the Best Western Plus Corte Madera lies on the subject site, and thus will no longer exist upon construction of the proposed Hotel(s).

Summary of Competitive Lodging Facilities			
Property Name	**Size**	**Year Opened**	**Distance from the Prop. Hotel**
Best Western Plus Corte Madera	110	1976	-
Holiday Inn Express Mill Valley San Francisco Area	100	1970	3.9
Four Points by Sheraton San Rafael	235	1970	7.3
Marin Suites Hotel	100	1963	0.3
The Lodge at Tiburon	103	1977	6.7
Embassy Suites San Rafael – Marin County	235	1990	7.1
The Acqua Hotel	49	1999	3.0
Courtyard San Francisco Larkspur Landing	146	1987	1.7
Total	**934**	**-**	

5. New Additions to Supply

According to discussions with city officials, local developers, and general managers of lodging facilities in the area, we have not identified any new supply that is projected to enter the Marin County lodging market over the forecast period. While a few hotel developments have been proposed, their likelihood of being developed is very speculative at this time. As such, we have not included any additions in our future projections of supply and demand.

6. Historical Performance of the Competitive Market

The table below summarizes the historical performance of the eight hotels comprising the competitive market from 2009 to 2012. We have provided a brief summary of market's performance following the table.

Proposed Hotel - Corte Madera, CA Historical Performance of the Competitive Market									
Year	**Annual Supply**	**Percent Change**	**Occupied Rooms**	**Percent Change**	**Market Occupancy**	**ADR**	**Percent Change**	**RevPAR**	**Percent Change**
2009	393,470	-	237,897	-	60.5%	$117.62	-	$71.12	-
2010	393,470	0.0%	262,152	10.2%	66.6%	$117.89	0.2%	$78.55	10.4%
2011	393,470	0.0%	277,843	6.0%	70.6%	$124.37	5.5%	$87.82	11.8%
2012	393,470	0.0%	293,505	5.6%	74.4%	$127.88	2.8%	$95.20	8.4%
CAGR	**0.0%**	**-**	**7.3%**	**-**	**-**	**2.8%**	**-**	**10.2%**	**-**

Source: PKF Consulting USA

<u>Supply</u>

- *Supply has been unchanged since 2009, as the newest property in the competitive set opened in 1999.*

Demand and Occupancy

- *Occupancy has been steadily rebounding from the recession of 2009, with strong demand growth experienced over the past three years and occupancy levels reaching the mid-70 percent range in 2012.*

- *Due to the minimal amount of meeting space at most of these properties, the majority of demand accommodated by the competitive hotels is from the transient leisure and commercial segment (approximately 86 percent) with the remainder of demand from the group market segment. With 13,000 square feet of meeting space and 235 guestrooms, the Embassy Suites San Rafael captures the most amount of group demand.*

- *In 2012, the strongest occupancy figures in the competitive market were achieved by the Marin Suites Hotel and the Courtyard San Francisco Larkspur Landing. The Best Western Plus Corte Madera, which lies on the site of the proposed Hotel(s), earned an occupancy penetration of 105 percent, also above its fair share of demand.*

ADR

- *Despite continual growth since 2009, ADR has increased at a much lower rate than demand over the past historical period. This is a rate sensitive market, with strong price competition amongst the similarly-positioned hotels.*

- *The strongest rates in the competitive market have historically been achieved by the Lodge at Tiburon and the Acqua Hotel, the two highest-quality properties in the identified competitive market. The Embassy Suites San Rafael and the Courtyard San Francisco Larkspur Landing also receive an ADR premium. The Best Western Plus Corte Madera has achieved an ADR penetration ranging from 100 to 104 percent of its fair share.*

RevPAR

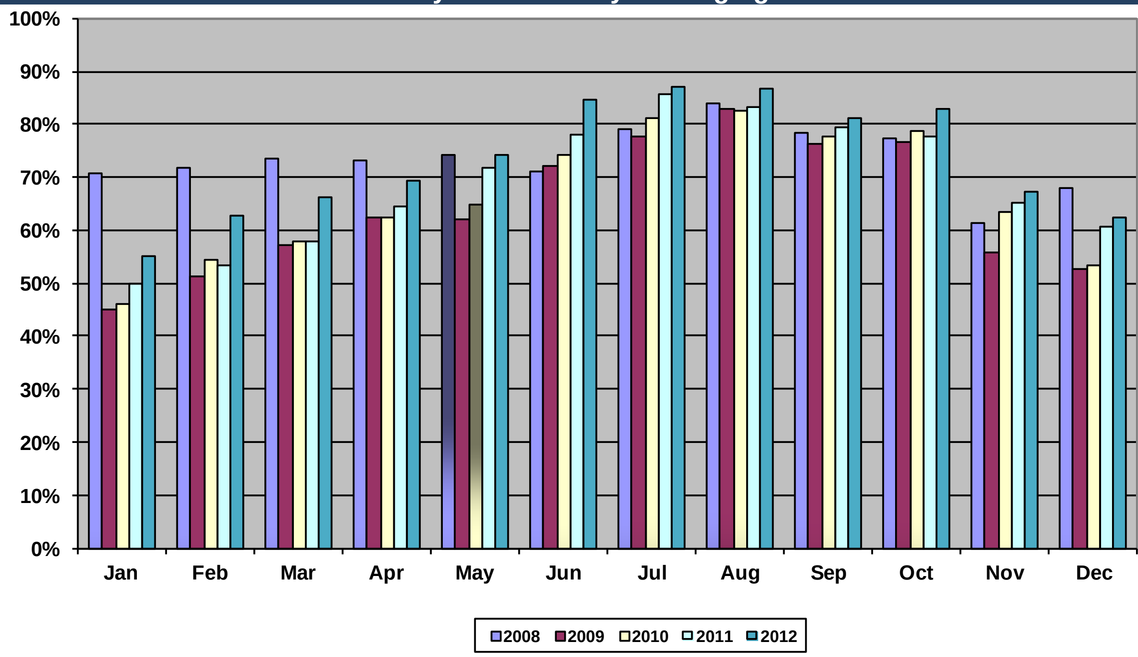
- *RevPAR growth outpaced national averages in 2010, 2011, and 2012. However, it underperformed the overall City of San Francisco lodging market.*

- *Due to gains in both occupancy and ADR, RevPAR for the competitive market has increased at a CAGR of 10.2 percent over the last four years.*

7. Seasonality of Demand

As the market is comprised of a significant amount of leisure demand, occupancy fluctuates significantly between seasons. The following graph summarizes monthly occupancy trends for the Marin County lodging market over the past five years.

Marin County – Seasonality of Lodging Demand



Source: PKF Consulting USA

As noted, the peak period lasts between June and October, when hotels run at or near capacity with occupancy levels nearing 90 percent. The months of November through February are typically slow as travel declines during the winter months and holiday season. Additionally, it should be noted that demand during these months is also dependent on weather conditions in the Sierra Nevada Mountain Range, in destinations such as Lake Tahoe. Given a recent shortage of snowfall in the mountain regions, leisure demand has increased in the Marin County area as visitors search for alternative recreational activities.

D. Re-Development Recommendation

As previously indicated, the subject site is currently improved with a 110-room hotel. Although it is an older property which may be reaching the end of its economic life, it has recently achieved a RevPAR penetration above its fair share, indicating the strength of the site's location. In conducting our research to support our recommendation, we have reviewed the individual performance levels of each of the hotels in the identified competitive market along with information gained from interviews with managers of the same hotels. We have also taken into consideration that, as a component of the redevelopment, the existing 110-room Best Western Plus will be removed from inventory in the local market.

Based on these factors and the recent performance of the local market, we are of the opinion that the local market could not only absorb the replacement of the lost Best Western rooms, but could also accommodate another 90 to 100 rooms.

Assuming the loss of the 110-room Best Western, this would result in the addition of approximately 200 new rooms into the market. Based on this, we recommend the development of two +/- 100 room hotels on the subject site.

Specifically, we recommend an upscale, nationally affiliated extended-stay hotel as being most appropriate to cater to local lodging demand. Examples of this type of hotel would include the Homewood Suites brand licensed by Hilton Hotels Corporation ("Hilton") or the Residence Inn brand licensed by Marriott International, Inc. ("Marriott"). Both brands would offer the benefit of a national marketing effort and popular frequent guest program. In addition, as an extended-stay hotel, the property would enjoy the competitive advantage of filling a lodging segment need that is not currently met in the local market, and which is equally popular for both transient commercial and leisure travelers. As we project that the local market could absorb 200 new rooms, we recommend the aforementioned extended-stay hotel to include +/- 100 rooms.

In addition to the recommended extended-stay hotel, we also recommend the development of a midscale, nationally affiliated hotel such as a Hampton Inn & Suites (Hilton) or SpringHill Suites (Marriott) with +/- 100 rooms.

Assuming a pre-development timeline of 9 months and a construction timeline of 12 months (including razing the existing improvements), we assume that both hotels could be open and available for occupancy by January 1, 2015.

As an example of the type of hotels we have recommended, we have provided a summary of each of the two Hilton brands recommended: the Homewood Suites and the Hampton Inn & Suites. While we have focused our projections on the Hilton brand, we are of the opinion that two Marriott branded hotels would also be successful on the site. However, the remaining pages of this report are based on the assumed development of a 100 room Homewood Suites and a 100 room Hampton Inn & Suites.

The table below summarizes the main facts and attributes pertaining to each of these two Hilton hotel brands. In the paragraphs that follow, we provide a more detailed description of each brand.

Homewood Suites vs. Hampton Inn & Suites		
Criteria	**Homewood Suites**	**Hampton Inn & Suites**
Chain Scale	Upscale	Upper Midscale
Number of Properties Open Worldwide	317	1,916 (inc. Hampton Inn)
Number of Properties Open in California	20	91
Number of Properties under Construction	22	32
Number of Properties in the Pipeline	93	N/A
Typical Prototype Size (Number of Rooms)	109	101
Typical Prototype Stories	4	4
Typical Prototype Size (Gross Building Sq. Ft.)	77,784	60,845
Gross Building Area per Key (Sq. Ft.)	713.6	602.4
Land Required (Acres)	2.36	2.11
Performance of Each Brand in 2012 (Northern CA)		
Occupancy	77.8%	70.3%
ADR	$114.17	$107.30
RevPAR	$88.86	$75.39
Amenity Comparison		
Complimentary Breakfast	Yes	Yes
Food and Beverage Facility	Complimentary dinner/drinks (Mon-Thurs)	No
Pool and/or Whirlpool	Pool	Varies
Fitness Center	Yes	Varies
Guest Laundry Room	Yes	Yes
Sundry Shop	Yes	Yes
Complimentary Internet	Yes	Yes
Business Center	Yes	Yes

1. Homewood Suites

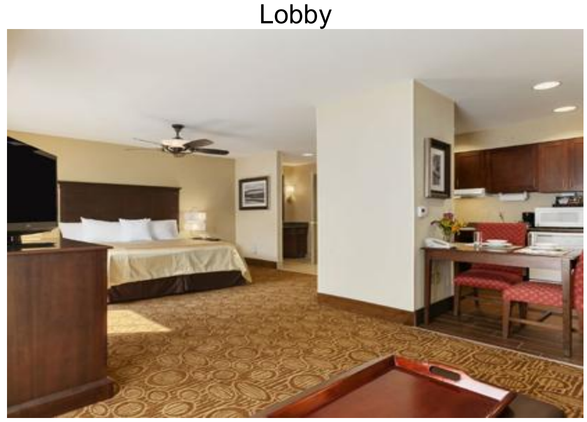
Homewood Suites guestrooms consist of studio and suite (one or two-bedroom) configurations. Amenities include fully-equipped kitchens with a refrigerator, microwave, dishwasher, twin-burner stove, toaster, utensils, and place settings for four. Rooms feature ample work space and a dining table, and suites offer separate living and sleeping areas. Twenty Homewood Suites properties exist in California; the closest hotels to the subject site are located in Oakland and Brisbane. Photographs of representative Homewood Suites properties are presented below.

Photographs of a Representative Homewood Suites


Exterior


Lobby


Guestroom


Guestroom


Dining Area

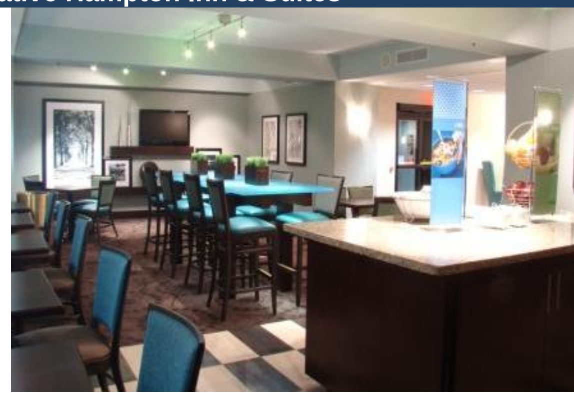

Pool

2. Hampton Inn & Suites

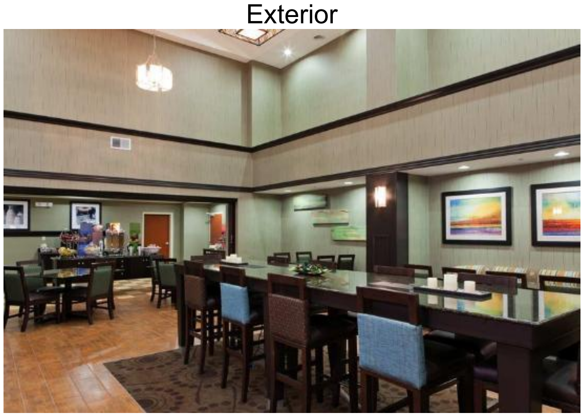
By comparison, Hampton Inn & Suites is not extended-stay brand; as such, its guestrooms do not include kitchens. As summarized in the table on page seven, these hotels include such amenities as complimentary breakfast and Internet, a convenience store, a business center, and guest laundry facilities; some hotels feature an exercise room or pool. As per the most recent Hampton Inn & Suites prototype, hotels must include the Perfect Mix Lobby, designed to facilitate guest socialization. This area features a focal wall with artwork and a flat-screen television, a community table, soft seating, and dining seating. Ninety-one Hampton Inn & Suites hotels are located in California; the closest properties to the subject site are located in Rohnert Park, South San Francisco, and Oakland. Photographs of representative Hampton Inn & Suites hotels are presented below.

Photographs of a Representative Hampton Inn & Suites

Exterior



Perfect Mix Lobby



Perfect Mix Lobby

Guestroom

If only one hotel was constructed, or if the phasing of the project were to include the development of one hotel first, we are of the opinion that an extended stay product would be the best suited to maximize the income potential offered by the site. Our reasons for this are as follows:

- *Only one extended-stay product, the Marin Suites Hotel, exists in the competitive market. This hotel is also the most proximate to the subject site. It has historically achieved amongst the highest occupancy levels in the competitive set, with a penetration of 107 percent in 2011 and 112 percent in 2012. Furthermore, this property is unbranded, is the oldest in the competitive market, and does not offer air conditioning in guestrooms. Therefore, it is reasonable to assume that a newer, higher-quality extended-stay product would achieve an occupancy at least as high as this hotel.*

- *Extended-stay demand is reported within the competitive market, particularly from companies such as Xerox and Fireman's Fund Insurance Co. For instance, between 20 and 30 percent of guests of the Embassy Suites San Rafael stay for five or more nights, despite the fact that that this is not an extended-stay property and does not offer amenities such as in-room kitchens. Other properties in the competitive set only receive a small amount of extended-stay business; however, this is due primarily to their inability to accommodate such demand, as managers report a high volume of requests for extended-stay accommodations. Currently, most of this business goes to the Marin Suites Hotel and the Extended Stay America San Rafael, 3.7 miles from the subject site. As previously mentioned, the Marin Suites Hotel would be an inferior product to the proposed Hotel(s), and the Extended Stay America property lies in an inferior location and is a lower quality product than an upscale, nationally affiliated extended-stay product.*

- *Of the two Hilton brands being considered, Homewood Suites properties tend to perform better than Hampton Inn & Suites hotels in terms of both occupancy and ADR. Nationally, Homewood Suites earn an occupancy premium of approximately 11 percent and an ADR premium of 15 percent. As outlined on page 20, Homewood Suites properties in Northern California outperformed regional Hampton Inn & Suites hotels by 11 percent in occupancy and 6 percent in ADR.*

- *We have obtained year-end 2012 occupancy and ADR information pertaining to 11 Homewood Suites properties located in Northern California. These properties earned an average occupancy of 78.7 percent with an ADR of $116.44, in line with the performance of all Homewood Suites properties nationally. However, the two properties located within 25 miles of the subject site achieved a much stronger 2012 occupancy of 80.8 percent with an ADR of $124.51.*

However, we still believe that two hotels with 100 rooms each would maximize the site's income potential and would best justify the cost razing the existing 100 room hotel. Thus, for the purposes of this analysis, we have assumed the construction of two hotels.

E. Projected Performance of Competitive Market

The following table summarizes our projections of the competitive market's performance for years 2012 through 2019, coinciding with the first five years of operation for the two Hotels.

Proposed Hotel - Corte Madera, CA Projected Performance of the Competitive Market									
Year	**Annual Supply**	**Percent Change**	**Occupied Rooms**	**Percent Change**	**Market Occupancy**	**ADR**	**Percent Change**	**RevPAR**	**Percent Change**
2012	393,470	0.0%	293,505	5.6%	74%	$127.88	2.8%	$95.20	8.4%
2013	393,470	0%	291,100	-1%	74%	$136.00	6%	$100.62	5.7%
2014	353,320	-10%	272,100	-7%	77%	$143.00	5%	$110.13	9.5%
2015	426,320	21%	311,600	15%	73%	$149.00	4%	$108.91	-1.1%
2016	426,320	0%	315,500	1%	74%	$153.00	3%	$113.23	4.0%
2017	426,320	0%	315,500	0%	74%	$158.00	3%	$116.93	3.3%
2018	426,320	0%	315,500	0%	74%	$163.00	3%	$120.63	3.2%
2019	426,320	0%	315,500	0%	74%	$168.00	3%	$124.33	3.1%
CAGR	**1.3%**	**-**	**1.4%**	**-**	**-**	**3.6%**		**3.6%**	

Source: PKF Consulting USA

Supply

- *We assume that the 110-room Best Western Plus Corte Madera will cease operations by year-end 2013 in order to begin redevelopment of the site. We also assume that the two 100-room proposed Hotels will open in the first quarter of 2015, as one transient and one extended stay product. In total, these projects will result in an 8.3 percent increase in rooms in the competitive market.*

Demand and Occupancy

- *Despite the decline in available supply with the closing of the Best Western, the remaining hotels in the market are projected to only capture a portion of this hotel's demand due to segmentation and seasonality restraints. However, while accommodated demand is projected to decline by approximately 7 percent, the overall market occupancy is projected to increase to 77 percent.*

- *We anticipate a 19 percent demand increase in 2015 with the addition of the Hotels which will be able to accommodate the demand which had previously been unsatisfied during peak times. Furthermore, the proposed Homewood Suites will be one of the few hotels in the area to offer extended-stay amenities; thus, demand will increase as guests who would normally have stayed at an extended-stay property outside of the competitive set will now have an option within the local area.*

- *Due to supply growth outpacing demand growth in 2015, we expect occupancy to decrease slightly to 73 percent in 2015 before increasing to and stabilizing at 74 percent beginning in 2016. This estimate is in line with the market's performance in 2011 and 2012 as it recovered from the recession.*

ADR

- *As hotels will be operating at capacity during peak seasons, managers will be able to drive ADR growth over the next few years. Based on conversations with hotel managers, and in keeping pace with the economic recovery, we anticipate ADR growth of 6.0 percent in 2013, similar to the market's growth rate in 2011.*

- *We anticipate ADR growth to taper to 5.0 percent in 2014, 4.0 percent in 2015, and 3.0 percent in 2016, after which point it will stabilize at inflationary growth rates. While these are lower than the growth rates projected for hotels nationwide, they reflect the high rate sensitivity amongst the similarly-positioned hotels in the market.*

RevPAR

- *We anticipate RevPAR to grow at a CAGR of 3.4 percent over the projection period, led primarily by ADR gains. This growth is lower than that anticipated for hotels nationally due to the market's stabilized occupancy levels and price sensitivity.*

F. Projected Performance of the Proposed Hotels

In our analysis of the proposed Hotels' future market performance, we have taken into consideration the performance trends of the competitive market, the occupancy and ADR figures achieved by Homewood Suites and Hampton Inn & Suites properties nationally and regionally, and the competitive advantages and disadvantages of the Hotels' location and amenities relative to nearby properties. We have also considered the competitive advantage associated with the Hotels' affiliations with Hampton Inn & Suites, a well-established brand in Northern California, and Homewood Suites, which would make it the only branded extended-stay property in the market and one of just three in Marin County. In the following paragraphs, we have presented our projections of market performance for the 100-room Homewood Suites followed by our projections for the 100-room Hampton Inn & Suites.

1. Homewood Suites

In order to project the future performance of the proposed 100-room Homewood Suites, we have first estimated the hypothetical ADR it could achieve if it were open and stabilized today ($2013). Taking the aforementioned into consideration, we have determined that the Hotel could achieve a hypothetical average daily rate of **$140**, stated in 2013 value dollars, if opened today. This rate is closely aligned with the 2012 ADR achieved by Homewood Suites properties located in the San Francisco Bay Area, as well as with the Embassy Suites San Rafael, Courtyard San Francisco Larkspur Landing, and Best Western Plus Corte Madera. These properties are considered to be the most comparable to the Hotel with regard to quality and brand affiliation.

Assuming the Hotel were open today, we project ADR to grow at rates comparable to those projected for the competitive market. Due to strong price competition within the market, this results in ADR growth of 5.0 percent in 2014, 4.0 percent in 2015, and 3.0 percent thereafter. It should be noted that we have included an introductory discount for the Hotel's first year of operation, which is typical as hotels offer discounts and promotions to create awareness in the local market. This results in an ADR of $150 upon opening in January of 2015.

We anticipate the proposed Homewood Suites to achieve an occupancy of 74 percent for its first year of operation as it is introduced into the local marketplace. We then project occupancy to increase to **77 percent** in 2016, where it will stabilize for the remainder of the projection period. This occupancy level is in line with that of the Best Western Plus Corte Madera (on which site the Hotel will be located), and is above the 74 percent figure anticipated for the competitive market due to the Hotel's newness and quality. Additionally, our estimate takes into consideration the long-term nature of extended-stay demand, as well as the 2012 performance of Homewood Suites properties in Northern California. While the property may achieve an occupancy above or below our stabilized level, 77 percent represents the long term average performance of the Hotels over the holding period. Due to the nature of extended-stay demand, which is transient in nature, and to the limited amount of meeting space anticipated for the Hotel, we estimate that demand will be generated predominately by the transient market segment.

Our projections of occupancy and rate for the Hotel's first five years of operation are presented in the following table.

Proposed Homewood Suites - Corte Madera, CA
Projected Performance

Year	Hypothetical ADR	Market Growth	Introductory Discount	Actual ADR	Percent Change	Occupancy	RevPAR	Percent Change
2013	$140.00	-	-	-	-	-	-	-
2014	$147.00	5.0%	-	-	-	-	-	-
2015	$153.00	4.0%	2.0%	$150.00	-	74%	$110.55	-
2016	$158.00	3.0%	0.0%	$158.00	5.3%	77%	$122.07	10.4%
2017	$163.00	3.0%	0.0%	$163.00	3.2%	77%	$125.93	3.2%
2018	$168.00	3.0%	0.0%	$168.00	3.1%	77%	$129.80	3.1%
2019	$173.00	3.0%	0.0%	$173.00	3.0%	77%	$133.66	3.0%

Source: PKF Consulting USA

2. Hampton Inn & Suites

Similar to our projections for the Homewood Suites, we have first estimated the hypothetical ADR the 100-room Hampton Inn & Suites property could achieve if it were open and stabilized today ($2013). We have determined that the proposed Hotel could achieve a hypothetical average daily rate of **$130**, stated in 2013 value dollars, if opened today. This rate is lower than the $140 assumed for the Homewood

Suites to take into account the Homewood's enhanced amenities, larger guestrooms, and status as a higher-tier product. Furthermore, a rate of $130 for the Hampton Inn & Suites positions it near the average achieved by similarly-branded properties throughout Northern California.

Assuming the Hampton Inn & Suites were open today, we project its ADR to grow at the same rates as listed previously; we have also included an introductory discount for this property in its first year of operation. This results in an ADR of $139 upon opening in January of 2015.

We anticipate the Hampton Inn & Suites to achieve an occupancy of 72 percent for its first year of operation, increasing to **75 percent** in 2016, where it will stabilize for the remainder of the projection period. This estimate is closely aligned to the brand's recent regional performance, and reflects the shorter length of stays reported by transient hotels relative to extended-stay products.

Our projections of occupancy and rate for the Hampton Inn & Suites' first five years of operation are presented in the following table.

Proposed Hampton Inn & Suites - Corte Madera, CA
Projected Performance

Year	Hypothetical ADR	Market Growth	Introductory Discount	Actual ADR	Percent Change	Occupancy	RevPAR	Percent Change
2013	$130.00	-	-	-	-	-	-	-
2014	$137.00	5.0%	-	-	-	-	-	-
2015	$142.00	4.0%	2.0%	$139.00	-	72%	$100.16	-
2016	$146.00	3.0%	0.0%	$146.00	5.0%	75%	$110.00	9.8%
2017	$150.00	3.0%	0.0%	$150.00	2.7%	75%	$113.01	2.7%
2018	$155.00	3.0%	0.0%	$155.00	3.3%	75%	$116.78	3.3%
2019	$160.00	3.0%	0.0%	$160.00	3.2%	75%	$120.55	3.2%

Source: PKF Consulting USA

Although it is possible that the proposed Hotels will experience growth in occupancy and ADR above that 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 Hotels over the projection period based on our analysis of the market as of the date of this report.

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This completes Phase I of our analysis of the potential market demand for the proposed Hotels. After you have had an opportunity to review this letter, please feel free to contact us with any questions or comments. Upon your authorization, we will commence Phase II of our study which would include an analysis of the economic viability for the proposed Hotels. We look forward to continue working with you on this interesting engagement.

Yours sincerely,

PKF Consulting

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Elle Patterson

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ADDENDA

**A.	CERTIFICATION OF CONSULTANTS**

**B.	STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS**

ADDENDUM A

CERTIFICATION OF CONSULTANTS

CERTIFICATION OF THE CONSULTANTS

We, Christopher A. Kraus, 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, unbiased professional analyses, opinions, and conclusions.

- 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 have performed no (or the specified) services, as appraisers or in any other capacity 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.

- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

- Elle K. Patterson has 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.

- 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, Christopher A. Kraus has completed the requirements of the continuing education program of the Appraisal Institute.

- Christopher A. Kraus is a Certified General Real Estate Appraiser in the State of California.

Yours sincerely,

PKF Consulting

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Elle Patterson

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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.

Attachment B

PKF Consulting USA. October 2014. Market demand and financial feasibility analysis; proposed hotel Corte Madera CA.

Market Demand and Financial Feasibility Analysis

Proposed Hotel
Corte Madera, California

Prepared For:
Mr. Garrett Grialou
Reneson Hotels, Inc.
215 Alameda del Prado
Novato, California 94949

Prepared By:
PKF Consulting USA
San Francisco, California

Date of the Report
October 2, 2014

91687

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A CBRE Company

October 2, 2014

Mr. Garrett Grialou
Reneson Hotels, Inc.
215 Alameda del Prado
Novato, California 94949

Re: Market Demand and Financial Feasibility Analysis
Proposed Hotel – Corte Madera, California

Dear Mr. Grialou:

In accordance with your request, we have completed a study of the potential market demand and financial feasibility for the redevelopment of the existing 110-room Best Western Plus located at 56 Madera Boulevard in Corte Madera, California.

We understand that you control the existing property and intend to raze the improvements and redevelop the site. It is your project objective to build a 108-room Residence Inn and a 79-room SpringHill Suites, both of which are Marriott brands though will have separate franchise agreements. The site is 5.47 acres including a 0.64 acre pond, which would have to be razed for construction of these two properties. As such, you have requested that we prepare a feasibility study also examining an alternative project that includes the retention of the pond. This alternative analysis is required by certain state and federal agencies and is part of the process you have undertaken to satisfy the California Environmental Quality Act ("CEQA"). The site could support a 147-acre hotel with the retention of the pond, taking into account the town's height and setback requirements and other mandatory building standards (see the site plan in Addendum C). It should be noted that Marriott maintains certain requirements with regard to the minimum number of rooms for each franchise, likely due to the fact that smaller properties typically have higher fixed costs and lower investment returns. As such, Marriott's requirements would dictate that the site is too small to support two brands, and that the Residence Inn franchise would be the preferred brand for this market (see the letter from Marriott in Addendum D).

In this study, we have performed a study to evaluate the feasibility of both options: 1) the development of both a Residence Inn and SpringHill Suites hotel (totaling 187 rooms), or 2) the development of just one 147-room Residence Inn hotel.

The process we undertook to develop our conclusions is set forth in Section A of this report. In our analysis, we have used specific industry benchmarks to determine the worthiness of each alternative. As a result of the various risks associated with hotel investments, project investments with less than benchmark returns are not likely to attract sufficient capital (both equity, construction and mortgage debt) to undertake the project. In the current market environment, equity capital for hotel investments requires a return ranging between 15 and 20 percent (see Addendum J for further verification of such return).

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 field work. 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 future performance of the proposed Hotel(s) 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.

It has been a pleasure to work with you on this interesting project. If we can be of any further assistance in the interpretation of our findings, please feel free to contact us.

Yours sincerely,

PKF Consulting

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Elle Patterson

By: Elle Patterson
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A. INTRODUCTION

PKF Consulting USA ("PKF Consulting") was formally retained on July 7, 2014 by representatives of Reneson Hotels, Inc. to conduct a study of the potential market demand for one or two hotels to be located in Corte Madera, California. It should be noted that we were previously retained on February 4, 2013 by Reneson Hotels, Inc. to conduct a study of potential market demand and financial feasibility for either one hotel or two nationally-affiliated hotels to be developed on the same site.

Our work program in completing this assignment included the following:

- *We evaluated the appropriateness of the Subject site for two different scenarios: 1) for the development of one 147-room Residence Inn hotel, or 2) for the development of a 108-room Residence Inn and a 79-room SpringHill Suites hotel.*

- *We researched and analyzed current economic and demographic trends to determine their impact on future lodging demand in the market.*

- *We researched the competitive lodging supply in Marin County, with a particular focus on the hotels that would compete most directly with the proposed properties. We evaluated their historical performance and projected the occupancy and ADR they could likely achieve over the near-term.*

- *We then provided our projections of the occupancy and average daily room rates ("ADR") that a 147-room Residence Inn, 108-room Residence Inn, and 79-room SpringHill Suites could achieve for their first five years of operation.*

- *After evaluating the financial statements of comparable hotels, we prepared a ten-year pro-forma for each property. We have assumed that the proposed Hotel(s) would be open and available for occupancy by January 1, 2017.*

- *Based on these cash flow forecasts, we then developed an estimate of prospective market value for the two development options via the Discounted Cash Flow valuation method.*

- *After we developed the above cash flow forecast and valuation, we then determined the economic viability of the project. Working with you and your consultants, we developed an estimate of the total development cost of the project under both the one and two-hotel scenarios, as well as a recommended financing plan. We then calculated the project's return on total invested capital as well as the return on the assumed equity investment.*

- *We reviewed our IRR conclusion and compared the prospective value of each Hotel option with the estimated development cost to determine the viability of both development scenarios.*

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 managers of local hotels, data provided by sources in the lodging chains with which the competitive properties are affiliated, and data from various local government agencies.

B. SUMMARY OF FINDINGS

A summary of our valuation, development cost, and internal rate of return ("IRR") conclusions under both the one-hotel and two-hotel scenarios is presented in the following table.

Summary of Findings			
	Valuation (January 1, 2017)	**Development Cost**	**IRR**
Scenario 1			
147-Room Residence Inn	**$37,300,000**	**$43,400,000**	**9.7%**
Scenario 2			
108-Room Residence Inn	$30,500,000	-	-
79-Room SpringHill Suites	$21,100,000	-	-
Total	**$51,600,000**	**$49,100,000**	**16.0%**

As will be discussed in further detail later in this report, we project that the market value, upon completion, of the one 147-room Residence Inn hotel would be $37,300,000 upon opening in 2017. We further estimate that the total construction cost of this single hotel would be $43,400,000. Said another way, the hotel would cost approximately $6,100,000 more to build than it would be worth upon completion in 2017, resulting in a project that is not economically feasible. In addition, based on an assumed market rate financing structure, the resulting IRR of the one hotel would only be 9.7 percent, considerably below the necessary hurdle rate of 15 to 20 percent to attract private investment in the project.

As a point of comparison, the combined market value of the 108-room Residence Inn and the 79-room SpringHill Suites is estimated to be approximately $51,500,000 upon opening in 2017. The combined construction cost of these two hotels, built simultaneously, is estimated at approximately $49,100,000. Therefore, due mainly to the efficiencies of construction and operations due to the higher room count, the two hotels would be worth approximately $2,400,000 more than their cost of construction, indicating that the two hotel scenario is economically feasible. Furthermore, the construction of two properties would provide an IRR of 16.0

percent, much greater than the IRR yield of 9.7 percent projected for the development of just one hotel.

Since Scenario 2 is the only option in which value exceeds costs, and in which the IRR will exceed 15.0 percent (which is the minimum threshold required by most institutional investors), we are of the opinion that this is the only development option which will be viable for the site.

C. LOCAL AREA OVERVIEW

Presented in the following section is an overview of the site and its local market.

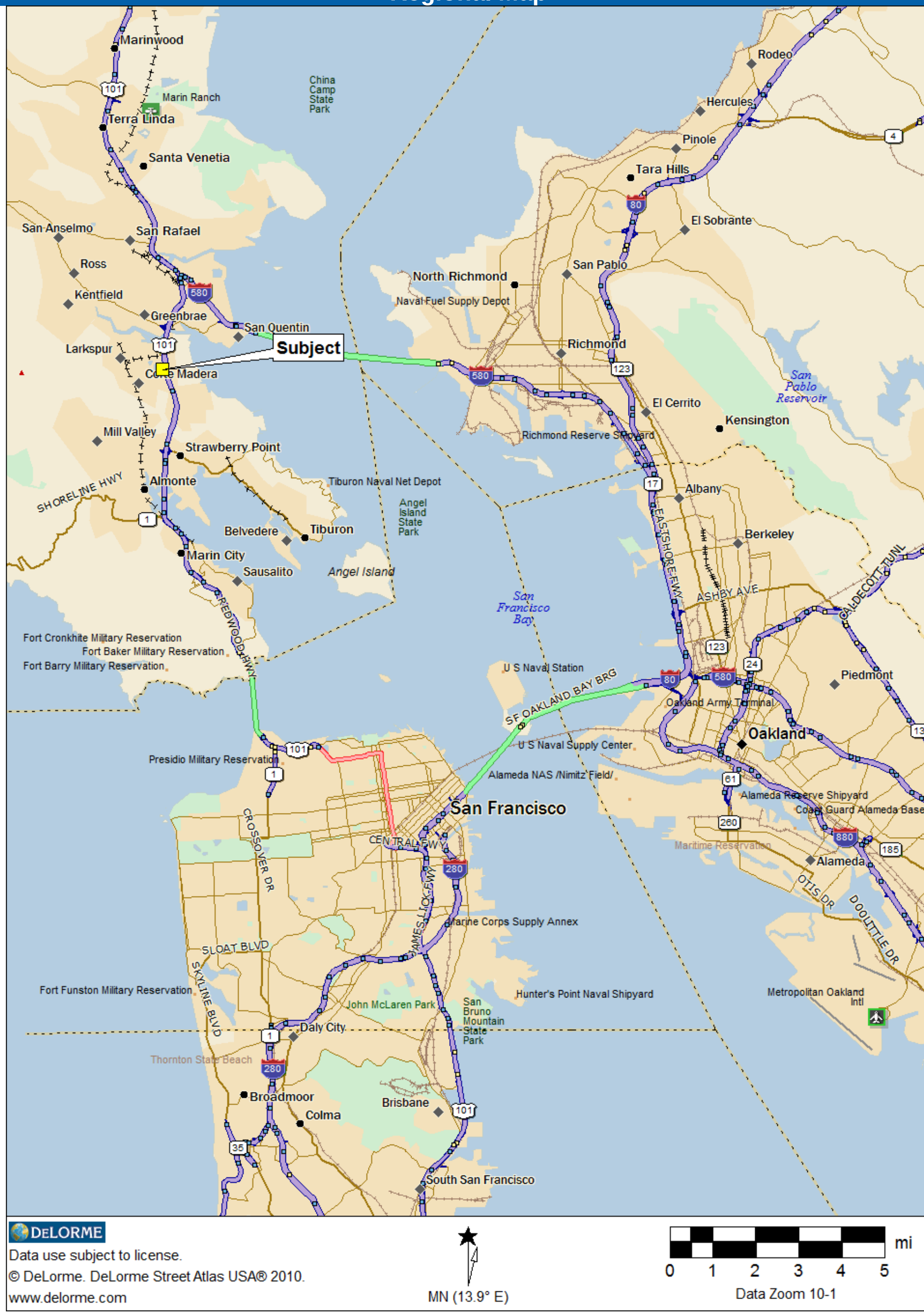
1. Site Description

The proposed development will be located in Corte Madera, California, approximately ten miles north of San Francisco and one mile west of the San Francisco Bay. The site is located in the northwestern quadrant of the intersection formed by Madera Boulevard and U.S. Route 101 (El Camino Real), proximate to a variety of shopping, office, and residential developments. As previously mentioned, the site is currently improved with the 110-room Best Western Plus Corte Madera. Surrounding developments include the following:

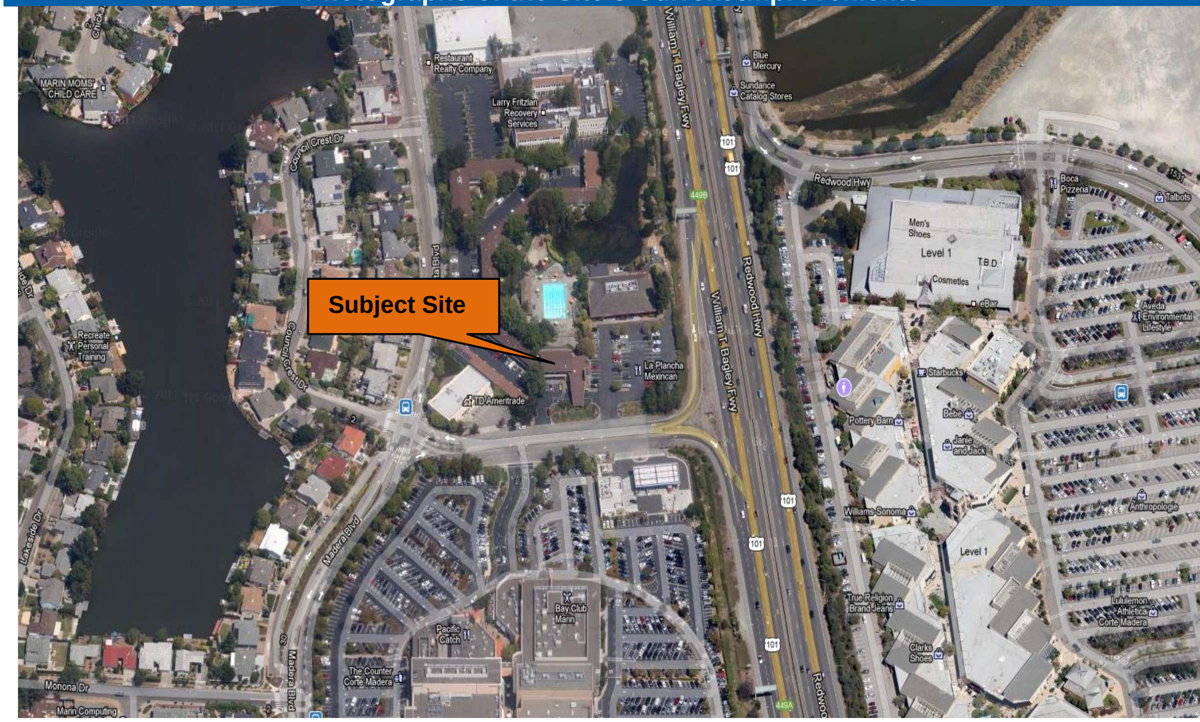
North:	Madera Village Suites, Century Cinema Theaters, Marin Suites, various retail and office establishments
East	US 101, The Village at Corte Madera shopping mall, undeveloped land
South:	Towne Center at Corte Madera shopping mall
West:	Residential developments, lagoon

The site benefits significantly from easy visibility and accessibility from U.S. Route 101 (“US 101”), located to the immediate east. US 101 is a 2,500 mile north-south highway that runs through the states of California, Oregon, and Washington, extending from Tumwater, Washington in the north to Los Angeles in the south. In California, US 101 connects the cities of Los Angeles, Santa Barbara, and San Francisco, and serves as the primary coastal route throughout the San Francisco Bay Area. It is also the main commuter route between San Francisco and the North Bay (where the Subject site is located), extending across the Golden Gate Bridge. Travelers driving along US 101 from San Francisco would exit onto Tamalpais Drive and turn right onto Madera Boulevard to arrive at the site on the left. Provided on the following pages are regional maps indicating the location of the site and photographs of the site’s current improvements.

Regional Map



Photographs of the Site's Current Improvements



Aerial View

Best Western Plus Corte Madera

Best Western Plus Corte Madera

Overall, the location of the site is considered to be very good to excellent, as outlined in the following table. The site enjoys prominent visibility and easy accessibility from U.S. Route 101, one of the west coast's most notable highways, and is located proximate to a variety of business and leisure demand generators in the Northern San Francisco Bay Area.

Subject Site Analysis

	Excellent	Very Good	Good	Fair	Poor
Accessibility	X				
Visibility	X				
Proximity to Demand		X			
Long-term Strategic Potential		X			

2. Area Review

Overview: The Hotel(s) will be located in Corte Madera, one of eleven cities and towns within Marin County in California. Marin County is situated in the Northern San Francisco Bay Area across the Golden Gate Bridge from San Francisco, bordering Sonoma County to the north and northeast, the San Pablo and San Rafael Bays to the east, Alameda County to the southeast, San Francisco County to the south, and the Pacific Ocean to the west. Marin County is renowned for its scenic landscape and for such sites as the famous Muir Woods redwood forest, the Marin Headlands, Stinson Beach, Point Reyes National Seashore, and Mount Tamalpais.

Population: According to the United States Census Bureau, Marin County had a population of approximately 256,100 as of 2012. The population has grown at a compound annual growth rate ("CAGR") of 0.3 percent since 2000, slower than the statewide growth rate of 0.9 percent over the same period. San Rafael is the county seat and largest city with a population of approximately 58,500, whereas Corte Madera is the county's sixth smallest city with a population of just 9,400.

Employment: Marin County is a wealthy area with a median household income of $89,605 (compared to $61,632 for California and $52,762 for the United States). Employment is largely contained within the Trade, Transportation & Utilities (16.6 percent); Professional & Business Services (17.7 percent); Educational & Health Services (15.8 percent); and Government (15.6 percent) sectors. As summarized in the following table, significant employers include the Kaiser Permanente Medical Center, San Quentin Corrections Department, Main General Hospital, Fireman's Fund Insurance Company, and Autodesk (the publisher of AutoCAD). Only one of the county's major employers (Macy's) is located in Corte Madera.

Major Employers in Marin County

Employer	Location	Industry	Employed
Kaiser Permanente Medical Center	San Rafael	Hospitals	1,803
San Quentin Corrections Department	San Quentin	Government/Correctional Facilities	1,718
Main General Hospital	Greenbrae	Hospitals	1,100
Fireman's Fund Insurance Company	Novato	Insurance	950
Autodesk	San Rafael	Software	878
BioMarin Pharmaceutical	Novato	Biotechnology	871
Safeway Inc.	Various	Grocery	841
Comcast	Various	Telecommunications	620
Macy's	Corte Madera	Department Stores	380
Bradley Real Estate	Various	Real Estate	376
Managed Health Network, Inc.	San Rafael	Health Plans	350
Dominican University of CA	San Rafael	Education	346
Wells Fargo	Various	Banking	332
Kentfield Rehabilitation Hospital	Kentfield	Hospitals	315
Community Action Marin	San Rafael	Non-Profit Organization	268

Source: State of California Employment Development Department

According to the State of California Employment Development Department, Marin County's has an employment base of 137,000. Its unemployment rate has decreased consistently after reaching a high of 8.4 percent in March of 2010, and was recorded as 4.0 percent in June of 2014. This rate is much lower than the national rate of 6.1 percent and the statewide rate of 7.4 percent that month.

Commercial Office Market: According to the First Quarter 2014 *Office Market Snapshot* prepared by Cassidy Turley Commercial Real Estate Services for the North Bay area, the region ended the first quarter with a vacancy rate of 15.2 percent, having fallen in five of the last six quarters and reflecting slow but steady occupancy growth. The First Quarter of 2014 was the strongest quarter for net absorption that has been seen in the past 15 months, and demand is projected to continue to outpace supply in the near-term. In the Southern and Central Marin submarkets, where the Subject site is located, much of the quality space has disappeared and asking rates continue to increase. The bio/life science industry is at the forefront of growth, with BioMarin Pharmaceutical (one of the region's largest employers) having built 300,000 square feet of space with plans for an additional 80,000 square foot expansion. Marin County is projected to continue to attract other prestigious life science companies, and rental prices are projected to continue to increase.

Corte Madera is home to 16 buildings totaling 459,901 square feet of space, amongst the lowest in the North Bay. The submarket currently has a vacancy rate of 10.6 percent, lower than the overall average of 15.2 percent. Asking rates were listed as $2.98 per square foot for all space and $3.80 per square foot for Class A space, thus above market averages of $2.00 and $2.44, respectively.

Transportation: The major north/south thoroughfare serving Mill Valley and Marin County is Highway 101, the most direct route to San Francisco and other Bay Area cities. Marin County is also serviced by Highway 1 and Highway 131. Highway 1 is a scenic state highway which runs along a large length of the Pacific Coast, and Highway 131 (Tiburon Boulevard) is a short route that connects Highway 101 with the town of Tiburon in southeastern Marin County. The route follows the northern and eastern shorelines of Richardson Bay, an inlet of San Francisco Bay north of Sausalito. Beyond its western terminus at Highway 101, Tiburon Boulevard becomes East Blithedale Avenue, which leads into Mill Valley.

Most airline passengers visiting Marin County fly into San Francisco International Airport ("SFO"), located approximately 45 miles south, and then drive north on Highway 101. An alternate airport is the Oakland International Airport ("OAK"), which is also located approximately 50 miles southeast. Additionally, the Sonoma County Airport, a general service airport located northwest of Santa Rosa in Sonoma County, is also utilized by visitors to the area. This airport provides nonstop flight service from Sonoma County to Los Angeles and Seattle and is currently undergoing a $53.8 million runway expansion project which is projected to be complete by November 1.

Tourism: Marin County offers an abundance of activities well-suited for the leisure traveler. Additionally, its proximity to San Francisco, which is only a three-mile drive south across the Golden Gate Bridge, benefits the area greatly. Provided below is a brief description of some of Marin County's main attractions.

- ***Marin Headlands*** *is known as one of the most unique parks in the Golden Gate National Recreation Area, which includes historic Fort Barry and Fort Cronkhite, the NIKE Missile site, and the 150-year-old Point Bonita lighthouse. Other attractions include numerous hiking trails, dog-friendly Rodeo Beach, and views of the coast and the city. The blooming of wildflowers in the spring and raptor migration in the fall fills the Headlands with year-round excitement. The Marin Headlands is an example of one of the last open spaces still available in the Bay Area for visitors to enjoy.*

- ***Mount Tamalpais State Park*** *is comprised of 6,300 acres of redwood groves, oak woodlands, grassland slopes, and rocky ridges. The park offers spectacular views of the nearby Pacific Ocean and the surrounding San Francisco Bay Area from its ridges, slopes, and the 2,571-foot high East Peak.*

- ***Muir Woods National Monument*** *is a unit of the National Park Service in Marin County. It protects 554 acres of forested area populated by Coastal Redwood trees, one of the last remaining strands in the immediate San Francisco Bay Area. The Monument is an old-growth coastal redwood forest and attracts more than 800,000 visitors annually.*

- ***Point Reyes*** *is a prominent cape on the Pacific Coast of Northern California, bounded by Tomales Bay on the northeast and Bolinas Lagoon on the southeast. It is protected as part of Point Reyes National Seashore, and is a popular recreational destination from the nearby San Francisco Bay Area, especially for activities such as hiking and sea kayaking. Additionally, it contains over 1,000 species of plants and animals, as well as several popular oyster farms.*

In addition to these attractions, the county draws visitors for various athletic events such as the Dipsea Race, the nation's oldest cross country running event, and the Marin County Civic Center, designed by Frank Lloyd Wright.

In summary, Marin enjoys a well-established location in the San Francisco Bay Area. The region has grown over the past several decades to become both a highly desirable place to live within the Bay Area as well as a growing commercial region. Furthermore, its proximity to San Francisco and its warm climate make it a desirable leisure destination. The combination of these factors is expected to continue to facilitate demand for lodging facilities in the future.

D. HOTEL MARKET ANALYSIS

1. National Lodging Market Overview

In addition to PKF Consulting, our Firm contains a research division, PKF Hospitality Research. PKF Hospitality Research owns the database for *Trends® in the Hotel Industry*, the statistical review of U.S. hotel operations which first appeared in 1935 and has been published every year since. Beginning in 2007, PKF unveiled its powerful *Hotel Horizons®*, an economics-based hotel forecasting model that projects five years of supply, demand, occupancy, ADR, and RevPAR for the U.S. lodging industry with a high degree of accuracy. *Hotel Horizons®* reports are published on a quarterly basis for 50 markets and six national chain-scales.

Based on the June – August 2014 National Edition of *Hotel Horizons®,* RevPAR for the U.S. lodging market grew by 5.4 percent in 2010, 8.1 percent in 2011, 6.7 percent in 2012, and 5.4 percent in 2013. As a point of comparison, RevPAR declined by 16.7 percent in 2009, the largest percentage decline since PKF Research began tracking lodging performance in 1935. This significant drop was a direct result of the severe national and global recession which began in the fall of 2007 and lasted well into 2009. Further, it resulted in a 40.0 percent decrease in hotels' net operating income ("NOI"), subsequently impacting hotel values throughout the nation. For the next three years, the overall U.S. lodging market is projected to achieve RevPAR growth rates of 6.7 percent, 7.1 percent, and 5.0 percent, respectively, with ADR gains leading these increases. Beginning in 2017, RevPAR growth is anticipated to taper to long-term averages.

As mentioned, we understand that the site will be developed with either a Residence Inn hotel or with both a Residence Inn and a SpringHill Suites. Both of these brands, which are affiliated with Marriott International, represent highly desirable, upscale products. After dropping by 16.8 percent in 2009, RevPAR for this segment has grown by 5.3, 7.6, 6.4, and 5.4 percent each year, in line with national levels. RevPAR is projected to grow by 6.6 percent in 2014, tapering to 3.4 percent in 2018, generally in line with projections made for all hotel segments.

2. Marin County Lodging Market Overview

The Marin County lodging market incorporates a wide variety of lodging facilities located primarily along Highway 101, in the cities of Sausalito, Mill Valley, Corte Madera, Larkspur, San Rafael, and Novato. Additionally, the market includes properties located along Highway 131 in towns such as Tiburon. Lodging facilities in the market include upper upscale, full-service hotels such as the Embassy Suites in San Rafael; upscale, focus-service hotels such as the Courtyard by Marriott in Larkspur; and luxury boutique hotels such as the Casa Madrona Hotel and Spa in Sausalito, in addition to a variety of economy lodging facilities.

Marin County is a secondary tourist destination to nearby San Francisco, Napa, and Sonoma Counties, but is recognized for its natural beauty, abundant recreational activities, and stable commercial core. Accordingly, lodging facilities capture a significant amount of "getaway" leisure demand from other cities throughout the San Francisco Bay Area. Furthermore, the lodging facilities throughout Marin County are an attractive and convenient location for corporate meeting demand originating from the greater Bay Area.

In addition, it should be noted that, as San Francisco's lodging market has benefit from extremely strong levels of demand and has achieved occupancy levels well above 80 percent in each of the last three years, surrounding markets throughout the Bay Area, including in Marin County, have benefitted from a significant amount of overflow demand. This overflow demand, coupled with improving local demand, has resulted in record levels of performance for many of these submarkets over the last two years.

3. Demand Generators

Based on our knowledge of the market and on conversations with local hotel managers and business owners, we understand that travelers visit Marin County for a variety of both business and leisure purposes. We have provided a summary of the primary demand drivers in the local market below, as based on our research and on conversations with local hotel managers.

- *Leisure guests visiting the region's numerous attractions and recreational activities (strongest in the months of June through October);*

- *Businesspersons visiting local companies such as Autodesk (San Rafael), Biomarin Pharmaceutical (Novato), Fireman's Fund Insurance Co. (Novato), Buck Institute (Novato), Heath Ceramics (Sausalito), Tymphany (Sausalito), Sage Designs (Mill Valley), Marine Mammal Center (Sausalito), and Modern Sailing Company (Sausalito);*

- *Businesspersons associated with national companies such as Xerox and Chevron who are working on projects in the area;*

- *Independent sales people; and,*

- *Corporate group meetings; social, military, educational, religious, and fraternal groups ("SMERF"); and special events such as weddings.*

We understand that most of the region's business emanates from the commercial and leisure transient segment. In the summer months of June through October, transient demand is fairly evenly divided between leisure and corporate guests. In other seasons, transient demand is dominated by commercial sources. Group business is generally low for the region, due primarily to its limited amount of large-scale commercial and leisure demand generators. However, a variety of smaller companies drive occupancy throughout the year. We understand that several companies (for instance, Xerox and the Fireman's Fund) do have a need for extended-stay amenities. While demand does exist for such a product, few properties have the ability to accommodate it. Thus, most extended-stay business in the local market is captured by the Marin Suites Hotel, just 0.3 miles from the Subject site. While the Extended Stay America San Rafael Francisco Boulevard East, another extended-stay property, is located 3.7 miles east of the Subject, this property commands a room rate well below that of the other competitive properties and thus has not been included in our analysis.

4. Competitive Lodging Market

For the purpose of this analysis, we have chosen eight hotels which we deem to be the most comparable to the proposed Hotel(s) in terms of quality and market orientation. These properties represent midscale and upscale hotels, and five are affiliated with national hotel brands. They are older properties, ranging in age from 14 to 50 years, and in size from 49 to 235 rooms. It should be noted that the Best Western Plus Corte Madera, which lies on the Subject site, will no longer exist upon construction of the proposed Hotel(s). We have summarized these competitive hotels in the following table.

Summary of Competitive Lodging Facilities

Property Name	Size	Year Opened	Distance from the Prop. Hotel
Best Western Plus Corte Madera	110	1976	-
Holiday Inn Express Mill Valley San Francisco Area	100	1970	3.9
Four Points by Sheraton San Rafael	235	1970	7.3
Marin Suites Hotel	100	1963	0.3
The Lodge at Tiburon	103	1977	6.7
Embassy Suites San Rafael – Marin County	235	1990	7.1
The Acqua Hotel	49	1999	3.0
Courtyard San Francisco Larkspur Landing	146	1987	1.7
Total	**1,078**	**-**	

5. New Additions to Supply

According to discussions with city officials, local developers, and general managers of lodging facilities in the area, we have not identified any new supply that is projected to enter the Marin County lodging market over the forecast period. While a few hotel developments have been proposed, their likelihood of being developed is very speculative at this time. As such, we have not included any additions in our future projections of supply and demand.

6. Historical Performance of the Competitive Market

The following table summarizes the historical performance of the eight hotels comprising the competitive market from 2008 to 2013, as well as for year-to-date ("YTD") 2013 and 2014.

Proposed Hotel - Corte Madera, CA Historical Performance of the Competitive Market									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	RevPAR	Percent Change
2008	393,470	-	266,188	-	67.7%	$132.84	-	$89.87	-
2009	393,470	0.0%	237,897	-10.6%	60.5%	$117.62	-11.5%	$71.12	-20.9%
2010	393,470	0.0%	262,152	10.2%	66.6%	$117.89	0.2%	$78.55	10.4%
2011	393,470	0.0%	277,843	6.0%	70.6%	$124.37	5.5%	$87.82	11.8%
2012	393,470	0.0%	293,025	5.5%	74.5%	$127.11	2.2%	$94.66	7.8%
2013	393,470	0.0%	311,214	6.2%	79.1%	$138.66	9.1%	$109.67	15.9%
CAGR	**0.0%**	**-**	**3.2%**	**-**	**-**	**0.9%**	**-**	**4.1%**	**-**
YTD May '13	163,946	-	116,686	-	71.2%	$120.74	-	$85.94	-
YTD May '14	163,946	0.0%	123,632	6.0%	75.4%	$130.89	8.4%	$98.71	14.9%

Source: PKF Consulting USA

- *Supply has been unchanged over the historical period, as the newest property in the competitive set opened in 1999.*

- *Occupancy has been steadily rebounding from the recession of 2009, having increased from 60.5 percent that year to 79.1 percent in 2013. Occupancy is up 4.2 percentage points further year-to-date, suggesting that the market's occupancy may exceed 80 percent in 2014.*

- *ADR has grown by just 0.9 percent over the past six years as a result of a large decline in 2009. However, ADR has exhibited strong gains of 9.1 percent in 2013 and 8.4 percent year-to date.*

- *As with most other Bay Area markets, RevPAR growth has outpaced national averages since 2010 due to the region's very strong economy and to growing demand from both the commercial and leisure sectors. RevPAR has grown by 7.8 to 15.9 percent over the past four years, with growth of 14.9 percent experienced year-to-date. Due to their high quality guestroom products, The Lodge at Tiburon and the Acqua Hotel have historically been the RevPAR leaders within the competitive set.*

E. RE-DEVELOPMENT SCENARIOS

As previously indicated, the Subject site is currently improved with a 110-room Best Western Plus hotel. Although it is an older property which may be reaching the end of its economic life, it has historically achieved a RevPAR penetration at or above its fair share, indicating the strength of the site's location. In conducting research to support our recommendation, we have reviewed the individual performance levels of each of the hotels in the identified competitive market along with information gained from interviews with managers of these properties. As mentioned, we have also taken into consideration that, as a component of the redevelopment, the existing 110-room Best Western Plus will be removed from inventory in the local market.

Based on these factors and on the recent performance of the local market, we are of the opinion that the local market could not only absorb the replacement of the lost Best Western rooms, but could also accommodate an additional hotel on the site. As previously mentioned, we understand that you are considering two development options: for the first, you would construct a 147-room Residence Inn hotel (thereby adding 37 new rooms to the competitive market's current room count); in the second option, you would construct a 108-room Residence Inn as well as a 79-room SpringHill Suites hotel (thus contributing 77 additional rooms to the market).

We are of the opinion that these selected brands are very appropriate to cater to local lodging demand. As mentioned, both the Residence Inn and the SpringHill Suites are affiliated with Marriott International as upscale properties; as such, both brands offer the benefit of a national marketing effort and guest rewards program. However, the SpringHill Suites is a select-service brand whereas the Residence Inn is an extended-stay product, and would enjoy the competitive advantage of filling a lodging segment need that is not currently met in the local market. We have provided a brief summary of both recommended hotel types in the following paragraphs. Assuming a pre-development timeline of 12 to 18 months and a 12-month construction period (including razing the existing improvements), we assume that either one or two hotels could be open and available for occupancy by January 1, 2017.

1. Residence Inn

Residence Inn is an upscale, extended-stay brand licensed by Marriott International. With spacious studio, one bedroom, and two bedroom suites and with fully equipped in-suite kitchens, this brand is designed to cater to families and individuals requiring multi-night accommodations or more space than is typically offered at select-service hotels. Other amenities offered at Residence Inn properties include complimentary breakfast, a sundry shop, an evening social, a fitness center, and oftentimes a pool and one meeting room. No restaurant is offered on-site, as guests staying for extended periods of time often prefer to cook meals in their in-room kitchens.

2. SpringHill Suites

SpringHill Suites is an upscale, select-service brand licensed by Marriott International. With an all-suite guestroom product, this brand caters to frequent business travelers though will also appeal to extended-stay guests and families looking for extra space. Based on the brand's most current prototype, typical amenities include 350 square feet of meeting space, a fitness room, an indoor pool, a sundry shop, and complimentary breakfast. While no restaurant is offered at SpringHill Suites hotels, this is an advantage from a development standpoint as the rate premium generated by full-service hotels in markets such as Corte Madera is seldom sufficient to justify the construction premium required.

F. PROJECTED PERFORMANCE OF THE COMPETITIVE MARKET

In the following paragraphs, we have summarized our projections of future occupancy and ADR performance for the eight hotels comprising the existing competitive market. Our projections are based upon evaluation of the market's historical performance, our economic outlook for the greater Bay Area, and the assumption that the existing Best Western will be razed in 2016 and that either one or two hotels will open on the site in 2017.

- *In line with year-to-date trends, we project continuous demand growth for the remainder of 2014 and for occupancy to rise accordingly to 82.0 percent (from 79.1 percent in 2013).*

- *As managers drive rates, and as demand during peak times is unable to be accommodated, we project occupancy to decrease to approximately 80.0 percent in 2015. However, we project the 110-room Best Western to close in 2016, thereby resulting in a slight occupancy increase that year as demand is dispersed over a smaller amount of supply.*

- *After accounting for the closing of the Best Western in 2016, we project supply within the competitive market to increase by a net amount of approximately 5.0 to 9.0 percent from 2015 to 2017 with the opening of either one 147-room Residence Inn or one 108-room Residence Inn and one 79-room SpringHill Suites. We expect that these additional rooms will be able to accommodate demand which would have previously been unsatisfied due to supply restraints within the competitive market, and thus for occupied rooms within the market to, in fact, increase over prior year levels. However, we still project occupancy to drop to approximately 78.0 percent as supply growth outpaces demand growth.*

- *As the market absorbs this new supply addition, and as rate competition and additional new supply likely enters other Bay Area markets and drives some* *demand from the properties within the competitive market, we project occupancy to stabilize at 75.0 percent beginning in 2018. This figure is in line with levels achieved over the past three years, though is still considerably above historical averages to reflect continued strength projected for the greater Bay Area.*

- *In line with growth rates in 2013 and year-to-date, we project ADR to increase by 8.0 percent in 2014. We project this to taper to 6.0 percent in 2015, 4.0 percent in 2016 and 2017, and to stabilize at 3.0 percent thereafter. This results in overall ADR growth of 3.7 percent between 2014 and 2021, much higher than the 0.9 percent growth rate experienced between 2008 and 2013 to reflect the Bay Area's strong economic outlook and the upward effect that the addition of one or two upper-priced hotels will have on the overall market.*

G. ONE HOTEL SCENARIO – 147-ROOM RESIDENCE INN

In the following paragraphs, we have summarized our projections of occupancy and ADR for a 147-room Residence Inn on the identified site, under the assumption that just one hotel were developed. These projections are followed by our ten-year cash flow forecast for the Hotel, our estimate of the Hotel's prospective market value upon completion, our estimate of development costs and leveraged internal rate of return ("IRR"), and a determination of financial feasibility for the project.

1. Occupancy and ADR Projections

In order to project the future performance of one 147-room Residence Inn on the identified site, we have first estimated the hypothetical ADR it could achieve if it were open and stabilized today (2014). Based on our evaluation of the merits of the site and of the Residence Inn hotel product, we have determined that the Hotel could achieve a hypothetical **2014 ADR of $160** if opened today. This rate is approximately $10 above the projected performance of the Best Western Plus Corte Madera, which currently exists on the site, while positioning the property in line with the Embassy Suites San Rafael (a full-service hotel with superior amenities though an inferior location) and below the Courtyard Larkspur Landing, another Marriott branded hotel, which benefits from a prime location and has historically achieved one of the highest ADRs of the competitive set. Further, this ADR positions the Hotel in line with the 2013 performance of ten Residence Inn hotels located in comparable cities within the Bay Area, which achieved an average ADR of $150 that year.

Assuming the Hotel were open today, we project ADR to grow at rates comparable to those projected for the competitive market due to strong price competition in the area. This results in ADR growth of 6.0 percent in 2015, 4.0 percent in 2016 and 2017, and 3.0 percent thereafter. It should be noted that we have included an introductory discount of 3.0 percent for the Hotel's first year of operation, which is typical as new hotels often offer discounts and promotions to create awareness in the local market. This results in an ADR of $178 upon opening in 2017.

We anticipate the proposed Residence Inn to achieve an occupancy of 74 percent for its first year of operation as it is introduced into the local marketplace. We then project occupancy to increase to **76 percent** in 2018, where it will stabilize for the remainder of the projection period. This occupancy level is slightly above that projected for the overall competitive market to reflect the Hotel's newness and extended-stay guestroom product, which appeals guests requiring multi-night accommodations. While the property may achieve an occupancy above or below this stabilized level, 76 percent represents the Hotel's anticipated long term average performance over the holding period. Due to the nature of extended-stay business, demand will be generated predominately by the transient (business and leisure) market segment.

Our projections of occupancy and rate for the Hotel's first five years of operation (2017 to 2021) are presented in the following table.

Prop. 147-Room Residence Inn
Projected Performance

Year	Hypothetical ADR	Market Growth	Introductory Discount	Actual ADR	Percent Change	Occupancy	RevPAR	Percent Change
2014	**$160.00**	-	-	-	-	-	-	-
2015	$170.00	6.0%	-	-	-	-	-	-
2016	$177.00	4.0%	-	-	-	-	-	-
2017	$184.00	4.0%	3.0%	**$178.00**	-	**74.0%**	$131.72	-
2018	$190.00	3.0%	0.0%	$190.00	6.7%	**76.0%**	$144.40	9.6%
2019	$196.00	3.0%	0.0%	$196.00	3.2%	**76.0%**	$148.96	3.2%
2020	$202.00	3.0%	0.0%	$202.00	3.1%	**76.0%**	$153.52	3.1%
2021	$208.00	3.0%	0.0%	$208.00	3.0%	**76.0%**	$158.08	3.0%

Source: PKF Consulting

2. Ten-Year Cash Flow Forecast

We have based our projections of revenues and expenses likely achievable by a 147-room Residence Inn on its anticipated occupancy and ADR levels as outlined previously, as well as on the actual 2013 operating performance of five Residence Inn hotels located in the highly comparable Bay Area locations of South San Francisco, San Jose, Pleasant Hill, San Ramon, Oyster Point, and San Mateo. These properties range in size from 107 to 160 rooms and earned a 2013 RevPAR of approximately $106 to $150. This is in line with the Subject's room count of 147, and with its anticipated RevPAR of $131.04 upon opening in 2017.

We have used these properties' 2013 income statements to develop our own projections of income and expenses for the 147-room Residence Inn's first ten years of operation, modifying each line item accordingly to reflect the relative merits of the Subject's location and product. A summary of our revenue and net operating income ("NOI") projections is provided below, with the full ten-year profit and loss statements presented in the Addenda. It should be noted that we have also provided the financial performance of the comparable hotels in the Addenda.

Summary of Estimated Annual Operating Results			
Year	Total Revenue	Net Operating Income[1]	Ratio to Total Revenues
2017	$7,154,000	$2,470,000	34.5%
2018	7,840,000	2,883,000	36.8%
2019	8,088,000	2,981,000	36.9%
2020	8,335,000	3,083,000	37.0%
2021	8,582,000	3,178,000	37.0%
2022	8,830,000	3,271,000	37.0%
2023	9,078,000	3,359,000	37.0%
2024	9,367,000	3,477,000	37.1%
2025	9,656,000	3,594,000	37.2%
2026	9,944,000	3,705,000	37.3%

[1] Income before the deduction of depreciation, interest, amortization, and income taxes, but after the deduction of a reserve for capital replacement.

We then used these projections to determine a value estimate for the Hotel via the discounted cash flow method of the Income Capitalization Approach. In this method, the value of a property is the present value of the net operating income in each year of the holding period (here assumed to be ten years) and the value of the property when sold at the end of the holding period (the reversion). The present value of these elements is obtained by applying a market-derived discount rate. The value of the reversion is obtained through the capitalization of the adjusted income at the end of the holding period, which should be a normalized or typical year, with a deduction for the costs of sale.

The table on the following page shows the present value of the Subject's projected net operating income over a ten-year holding period, along with the present value of the reversion, deriving a value estimate. As can be noted, we are of the opinion that a reversionary capitalization rate of 8.0 percent and a discount rate of 10.0 percent are appropriate to use in valuing the Subject under this approach. These reversionary capitalization and discount rates were based on our estimate of an appropriate "going-in" or overall rate of 7.5 percent, adjusted to reflect the expected impact of inflation and appreciation on the property over the holding period.

This overall capitalization rate is supported by both recent sales of comparable hotels in the Bay Area as well as data provided by several national investor surveys that collect data on current capitalization rates for select-service hotels. We have identified 13 such sales of comparable properties (presented in the Addenda) which indicated going-in capitalization rates ranging from 4.9 to 9.8 percent with an average of 6.5 percent. However, we believe that a capitalization rate above this weighted average is appropriate to account for the fact that the Subject is a proposed project. However, this estimate is near the average rate of 7.2 to 8.8

percent indicated by the following investor surveys for 2014: PKF Consulting's *Hospitality Investor Survey*, PricewaterhouseCooper's *Real Estate Investor Survey*, and Real Estate Research Corporation's *Real Estate Report*. Our selected discount rate of 10.0 percent, which is 250 basis points above our overall capitalization rate, is also supported by the aforementioned surveys, which indicated an average of 9.5 to 11.0 percent.

A summary of projected value for the 147-room Residence Inn is presented below.

Discounted Cash Flow Analysis			
Year	**Cash Flow From Operations**	**Present Value Factor**	**Present Value 10.0%**
2017	$2,470,000	0.9091	$2,245,500
2018	2,883,000	0.8264	2,382,600
2019	2,981,000	0.7513	2,239,700
2020	3,083,000	0.6830	2,105,700
2021	3,178,000	0.6209	1,973,300
2022	3,271,000	0.5645	1,846,400
2023	3,359,000	0.5132	1,723,700
2024	3,477,000	0.4665	1,622,000
2025	3,594,000	0.4241	1,524,200
2026	3,705,000	0.3855	1,428,400
Reversion	$47,265,000	0.3855	$18,222,800
Total Present Value			$37,314,300
Value (Rounded)			**$37,300,000**
Calculation of Reversion			
Year 11 NOI			$4,358,000
Terminal Capitalization Rate			9.12820%
Indicated Value at Reversion			$47,742,000
Less: Selling Costs (1.0%)			($477,000)
Net Cash Flow upon Sale			$47,265,000

Note: Present value figures may not foot due to rounding.
Source: PKF Consulting USA

As shown, our value under the discounted cash flow approach to value is estimated to be **$37,300,000** for the 147-room Residence Inn, if sold upon opening in 2017. This equates to a value of approximately $254,000 per room, which is also supported by our knowledge of the sales of comparable hotels throughout the San Francisco Bay Area.

3. Development Cost Estimate

Next, we have determined the projected development cost of the 147-room Hotel based on the construction budget provided to us by Reneson Hotels, Inc. and tested by utilizing the Marshall & Swift costing service and our general knowledge of hotel construction costs in the Bay Area. In addition, we have added to this budget an estimated $250,000 to raze the existing Best Western hotel. Finally, we have included a land value of $11,000,000, consistent with the land value estimated by the developer. A summary of this development cost estimate is presented below.

Development Cost - Prop. 147-Room Residence Inn				
Line Item	**Notes**	**$**	**$/room**	**$/sq. ft.[1]**
Land [2]		$11,000,000	$74,830	-
Building and Improvements	101,769 GSF x $197.21/sq. ft.	$20,069,864	$136,530	$197
Cost to Raze Improvements	60,500 square foot building	$250,000	$1,701	$2
FF&E	$24,000 per room	$3,528,000	$24,000	$35
Pre-Opening Expenses	$5,000 per room	$735,000	$5,000	$7
Working Capital	$1,701 per room	$250,000	$1,701	$2
Legal, Taxes, Insurance & Fees	$5,753 per room	$845,724	$5,753	$8
Architect and Engineering Fees	$3,912 per room	$575,000	$3,912	$6
Developer Fees	4.0% of Hard Costs	$813,000	$5,531	$8
Financing Points [3]	1.5% bps on 1 LTV	$336,000	$2,286	$3
Construction Period Interest [4]	5.5% Interest Rate	$615,000	$4,184	$6
Contingency	2.5% of Costs	$700,000	$4,762	$7
Total		$39,700,000	$270,068	$390
Inflated Total Cost		**$43,400,000**	**$295,238**	**$426**
Sources:				
Equity	-	$21,020,000	$142,993	$207
Debt [5]	60.0% LTC (b/f Financing Costs)	$22,380,000	$152,245	$220
Total		**$43,400,000**	**$295,238**	**$426**

[1] Based on total size of building and improvements (101,769 sq. ft.)
[2] 147-room hotel
[3] Assumes 60.0% or $22,380,000 loan
[4] Assumes 5.5% interest rate, 60.0% LTV, 12-month construction period, 50.0% utilization
[5] Based on proposed hotel value of $37,300,000

As shown, development costs are projected to total **$43,400,000** for the 147-room Residence Inn, inflated from current value estimates to 2017 dollars (consistent with the date of opening). This is $6,100,000 above the Hotel's anticipated value upon opening. In other words, the Hotel will cost approximately $43,400,000 to build, but will only be worth $37,300,000 the day it opens, indicating that the project is economically infeasible.

4. IRR Calculation

After estimating the Hotel's value and construction costs, we then calculated the property's leveraged internal rate of return ("IRR") in order to perform a final test of feasibility for this project. The IRR is the most common measure of investment performance used in the market today to evaluate an asset such as the Subject. It is defined in The Dictionary of Real Estate Appraisal, Fifth Edition (Appraisal Institute, 2010) as:

> *The annualized yield rate or rate of return on capital that is generated or capable of being generated within an investment or portfolio over a period of*

ownership. The IRR is the rate of discount that makes the net present value of the investment equal to zero. The IRR discounts all returns from the investment, including returns from its reversion, to equal the original capital outlay. This rate is similar to the equity yield rate. As a measure of investment performance, the IRR is the rate of discount that produces a profitability index of one and a net present value of zero.

Most hotel investors typically require a return of approximately 15.0 to 20.0 percent on their equity investment, or they will take their funds elsewhere.

Based on discussions with hotel lenders, we have concluded that the terms for a quality, newly-constructed hotel such as the Subject would be for financing based on a 60 percent loan to cost ratio with an interest rate between 550 and 650 basis points above three month LIBOR. Accordingly, we believe that a loan with an interest rate of 5.5 percent could be obtained for the Subject. The amortization period for this loan is assumed to be 25 years with a ten-year term.

Based on these financing terms as well as our assumption of $32,400,000 in construction costs, $11,000,000 in land value, and the net operating income figures and reversionary value presented earlier, we have determined the equity yield on the required equity investment of $21,020,000 to be **9.7 percent**. As stated above, the resulting equity yield of 9.7 percent is well below the market rate of 15 to 20 percent that is typically required to attract an equity investment in this project. A summary of our IRR calculation for the Hotel is presented in Addendum G.

H. TWO HOTEL SCENARIO – 108-ROOM RESIDENCE INN AND 79 ROOM SPRINGHILL SUITES

After determining the feasibility of one 147-room Residence Inn on the identified site, we have next evaluated the feasibility of instead developing one 108-room Residence Inn and a 79-room SpringHill Suites. As with our previous analysis, we have first summarized our projections of occupancy and ADR for each hotel, then provided our ten-year cash flow forecast for each property, our estimate of value and total construction costs, and an IRR calculation to determine the project's financial feasibility.

1. Occupancy and ADR Projections

Our occupancy and ADR projections for each hotel are provided below.

a. Residence Inn

Our ADR projections for a 108-room Residence Inn are the same as those presented previously for a 147-room Residence Inn; i.e. we project a **2014 ADR of $160**, increasing to $178 upon opening in 2017. We also project an occupancy of 74.0

percent upon opening, increasing to 76.0 percent in 2018. Although this hotel would be smaller in size than the 147-room Residence Inn, which would help it drive occupancy year-round, it will also lie adjacent to a 79-room SpringHill Suites, another Marriott licensed hotel. As this adjacent property will likely dilute some of the Residence Inn's market share, we do not believe that this smaller property will be able to achieve higher occupancy levels than a larger hotel. A summary of these projections is presented below.

Prop. 108-Room Residence Inn Projected Performance								
Year	Hypothetical ADR	Market Growth	Introductory Discount	Actual ADR	Percent Change	Occupancy	RevPAR	Percent Change
2014	**$160.00**	-	-	-	-	-	-	-
2015	$170.00	6.0%	-	-	-	-	-	-
2016	$177.00	4.0%	-	-	-	-	-	-
2017	$184.00	4.0%	3.0%	**$178.00**	-	**74.0%**	$131.72	-
2018	$190.00	3.0%	0.0%	$190.00	6.7%	**76.0%**	$144.40	9.6%
2019	$196.00	3.0%	0.0%	$196.00	3.2%	**76.0%**	$148.96	3.2%
2020	$202.00	3.0%	0.0%	$202.00	3.1%	**76.0%**	$153.52	3.1%
2021	$208.00	3.0%	0.0%	$208.00	3.0%	**76.0%**	$158.08	3.0%

Source: PKF Consulting

b. SpringHill Suites

Similar to our projections for the Residence Inn properties, we have first estimated the hypothetical ADR a 79-room SpringHill Suites property could achieve if it were open and stabilized in 2014. We have determined that the proposed Hotel could achieve a **2014 ADR of $150** if opened today. This rate is lower than the $160 assumed for a Residence Inn hotel to take into account the smaller guestrooms offered at SpringHill Suites properties. Furthermore, a rate of $150 for the proposed SpringHill Suites positions it in line with the projected performance of the Best Western Plus Corte Madera, which currently occupies the site, and the SpringHill Suites Napa Valley, which benefits from a superior location in a less rate-sensitive market and from expanded amenities such as an outdoor pool and 6,200 square feet of event space. Notably, this ADR is also similar to that which we project for the competitive market in 2014. Assuming ADR growth rates in line with those projected for the competitive market, and after factoring in an introductory discount, we project the Hotel to achieve an ADR of $167 upon opening in 2017.

We anticipate the SpringHill Suites to achieve an occupancy of 74 percent for its first year of operation, increasing to its stabilized level of **76 percent** in 2018. This estimate is in line with that projected for the adjacent 108-room Residence Inn. Although the SpringHill Suites will be smaller at 79 rooms (thus allowing it to maintain higher occupancy levels year-round), our stabilized occupancy projection reflects the shorter length of stays reported by transient hotels and the fact that it is projected to open in conjunction with the Residence Inn, thereby resulting in the addition of 187-room on the site.

Our projections of occupancy and rate for the SpringHill Suites' first five years of operation (2017 to 2021) are presented in the following table.

Prop. 79-Room SpringHill Suites Projected Performance								
Year	Hypothetical ADR	Market Growth	Introductory Discount	Actual ADR	Percent Change	Occupancy	RevPAR	Percent Change
2014	**$150.00**	-	-	-	-	-	-	-
2015	$159.00	6.0%	-	-	-	-	-	-
2016	$165.00	4.0%	-	-	-	-	-	-
2017	$172.00	4.0%	3.0%	**$167.00**	-	**74.0%**	$123.58	-
2018	$177.00	3.0%	0.0%	$177.00	6.0%	**76.0%**	$134.52	8.9%
2019	$182.00	3.0%	0.0%	$182.00	2.8%	**76.0%**	$138.32	2.8%
2020	$187.00	3.0%	0.0%	$187.00	2.7%	**76.0%**	$142.12	2.7%
2021	$193.00	3.0%	0.0%	$193.00	3.2%	**76.0%**	$146.68	3.2%

Source: PKF Consulting

2. Ten-Year Cash Flow Forecast

After determining occupancy and ADR projections for both the 108-room Residence Inn and the 79-room SpringHill Suites, we have then prepared a ten-year cash flow forecast for each Hotel's first ten years of operation.

a. Residence Inn

We have based our income and expense projections for the 108-room Residence Inn on the profit and loss statements of the same five comparable Residence Inn hotels presented previously under the 147-room scenario. However, we have assumed that the 108-room Hotel would be able to achieve some operational efficiencies with the adjacent SpringHill Suites; i.e. that the two properties could share some administrative staff as well as some supplies and grounds maintenance costs. As such, we have assumed that some expenses will be lower for this Hotel on a per available room basis. A summary of our revenue and net operating income ("NOI") projections for a 108-room Residence Inn is provided below, with the full ten-year profit and loss statements presented in the Addenda.

Summary of Estimated Annual Operating Results			
Year	**Total Revenue**	**Net Operating Income[1]**	**Ratio to Total Revenues**
2017	$5,256,000	$2,043,000	38.9%
2018	5,759,000	2,353,000	40.9%
2019	5,941,000	2,432,000	40.9%
2020	6,124,000	2,513,000	41.0%
2021	6,306,000	2,592,000	41.1%
2022	6,487,000	2,667,000	41.1%
2023	6,669,000	2,739,000	41.1%
2024	6,882,000	2,839,000	41.3%
2025	7,094,000	2,930,000	41.3%
2026	7,305,000	3,023,000	41.4%

[1] Income before the deduction of depreciation, interest, amortization, and income taxes, but after the deduction of a reserve for capital replacement.

We then used these projections to determine a value estimate for the Hotel. As with our previous analysis, we have used the discounted cash flow method with the same reversionary capitalization and discount rates (8.5 and 10.0 percent, respectively) as used previously. A summary of our valuation with these assumptions is presented below.

Discounted Cash Flow Analysis			
Year	**Cash Flow From Operations**	**Present Value Factor**	**Present Value 10.0%**
2017	$2,043,000	0.9091	$1,857,300
2018	2,353,000	0.8264	1,944,600
2019	2,432,000	0.7513	1,827,200
2020	2,513,000	0.6830	1,716,400
2021	2,592,000	0.6209	1,609,400
2022	2,667,000	0.5645	1,505,500
2023	2,739,000	0.5132	1,405,500
2024	2,839,000	0.4665	1,324,400
2025	2,930,000	0.4241	1,242,600
2026	3,023,000	0.3855	1,165,500
Reversion	$38,566,000	0.3855	$14,868,900
Total Present Value			$30,467,400
Value (Rounded)			**$30,500,000**
Calculation of Reversion			
Year 11 NOI			$3,556,000
Terminal Capitalization Rate			9.12820%
Indicated Value at Reversion			$38,956,000
Less: Selling Costs	(1.0%)		($390,000)
Net Cash Flow upon Sale			$38,566,000

Note: Present value figures may not foot due to rounding.
Source: PKF Consulting USA

As shown, our value estimated under the discounted cash flow approach to value is estimated to be **$30,500,000** for the 108-room Residence Inn, if sold upon opening in 2017. This equates to a value of approximately $282,000 per room.

b. SpringHill Suites

We have based our projections of revenues and expenses likely achievable by a 79-room SpringHill Suites on its anticipated occupancy and ADR levels as outlined previously, as well as the actual 2013 operating performance (or the 2013 budget) of four comparable SpringHill Suites hotels located in Irvine, Modesto, Fresno, and Napa. In addition, we evaluated the 2013 composite performance of 100 SpringHill Suites hotels located throughout the United States. The financial performance of these comparable hotels is also presented in the Addenda of this report.

We have used these properties' 2013 income statements to craft our own ten-year projections of income and expenses for the 79-room SpringHill Suites, modifying each item accordingly to reflect the relative merits of the Hotel's location and product. A summary of our revenue and net operating income ("NOI") projections is provided below, with the full ten-year profit and loss statements presented in the Addenda.

Summary of Estimated Annual Operating Results

Year	Total Revenue	Net Operating Income[1]	Ratio to Total Revenues
2017	$3,669,000	$1,463,000	39.9%
2018	3,989,000	1,653,000	41.4%
2019	4,102,000	1,702,000	41.5%
2020	4,215,000	1,746,000	41.4%
2021	4,350,000	1,810,000	41.6%
2022	4,427,000	1,828,000	41.3%
2023	4,561,000	1,888,000	41.4%
2024	4,695,000	1,944,000	41.4%
2025	4,829,000	2,002,000	41.5%
2026	4,984,000	2,073,000	41.6%

[1] Income before the deduction of depreciation, interest, amortization, and income taxes, but after the deduction of a reserve for capital replacement.

As with our other scenarios, we then used these projections to determine a value estimate for the Hotel under the discounted cash flow method. As with the other properties, we are of the opinion that a reversionary capitalization rate of 8.0 percent and a discount rate of 10.0 percent are appropriate to value the Hotel using this approach. These reversionary capitalization and discount rates were based on our estimate of an appropriate "going-in" or overall rate of 7.5 percent, adjusted to reflect the expected impact of inflation and appreciation on the property.

Discounted Cash Flow Analysis			
Year	**Cash Flow From Operations**	**Present Value Factor**	**Present Value 10.0%**
2017	$1,463,000	0.9091	$1,330,000
2018	1,653,000	0.8264	1,366,100
2019	1,702,000	0.7513	1,278,700
2020	1,746,000	0.6830	1,192,500
2021	1,810,000	0.6209	1,123,900
2022	1,828,000	0.5645	1,031,900
2023	1,888,000	0.5132	968,800
2024	1,944,000	0.4665	906,900
2025	2,002,000	0.4241	849,000
2026	2,073,000	0.3855	799,200
Reversion	$26,550,000	0.3855	$10,236,200
Total Present Value			$21,083,300
Value (Rounded)			**$21,100,000**
Calculation of Reversion			
Year 11 NOI			$2,448,000
Terminal Capitalization Rate			9.12820%
Indicated Value at Reversion			$26,818,000
Less: Selling Costs (1.0%)			($268,000)
Net Cash Flow upon Sale			$26,550,000

Note: Present value figures may not foot due to rounding.
Source: PKF Consulting USA

As shown, our value estimated under the discounted cash flow approach to value is estimated to be **$21,100,000** for the 79-room SpringHill Suites, if sold upon opening in 2017. This equates to a value of approximately $252,000 per room.

In total, the combined value of the 108-room Residence Inn and 79- room SpringHill Suites is **$51,600,000**, or $276,000 per guestroom (based on 187 guestrooms). This value of $276,000 on a per guestroom basis is higher than the figure of $254,000 per room of the 147-room Residence Inn alone, due primarily to the operating efficiencies realized due to the higher room density. Essentially, the two-hotel scenario affords cost savings for labor positions in the rooms, administration and general, and marketing departments, as many of the fixed costs can be spread between the higher room base (i.e., one General Manager for both hotels).

3. Development Cost Estimate

Our development cost estimate is based on the budget provided to us by the developer, which includes construction costs for both the 108-room Residence Inn and the 79-room SpringHill Suites. As with our cost estimate for the 147-room Residence Inn, we have also added an estimated $250,000 to raze the existing Hotel and $11,000,000 for land value. A summary of our development cost estimate is provided below.

Prop. SpringHill Suites and Residence Inn				
Line Item	**Notes**	**$**	**$/room**	**$/sq. ft. [1]**
Land [2]	-	$11,000,000	$58,824	-
Building and Improvements	131,093 GSF x $184.54/sq. ft.	$24,191,902	$129,368	$185
Cost to Raze Improvements	60,500 square foot building	$250,000	$1,337	$2
FF&E	$20,620 per room	$3,856,000	$20,620	$29
Pre-Opening Expenses	$4,000 per room	$748,000	$4,000	$6
Working Capital	$1,337 per room	$250,000	$1,337	$2
Legal, Taxes, Insurance & Fees	$5,218 per room	$975,741	$5,218	$7
Architect and Engineering Fees	$3,316 per room	$620,000	$3,316	$5
Developer Fees	4.0% of Hard Costs	$978,000	$5,230	$7
Financing Points [3]	1.5% bps on 1 LTV	$442,000	$2,364	$3
Construction Period Interest [4]	5.5% Interest Rate	$810,000	$4,332	$6
Contingency	2.5% of Costs	$828,000	$4,428	$6
Total		$44,900,000	$240,107	$343
Inflated Total Cost		**$49,100,000**	**$262,567**	**$375**
Sources:				
Equity	-	$19,640,000	$105,027	$150
Debt [5]	60.0% LTC (b/f Financing Costs)	$29,460,000	$157,540	$225
Total		**$49,100,000**	**$262,567**	**$375**

[1] Based on total size of building and improvements (131,093 sq. ft.)
[2] 187-room hotel
[3] Assumes 60.0% or $29,460,000 loan
[4] Assumes 5.5% interest rate, 60.0% LTV, 12-month construction period, 50.0% utilization
[5] Based on proposed hotel value of $49,800,000

As shown, development costs are projected to total **$49,100,000** for the 108-room Residence Inn and the 79-room SpringHill Suites, inflated forward to 2017 value dollars. This results in costs of approximately $263,000 per room, assuming a combined room count of 187. This is below our estimate of $295,000 per room under the one-hotel scenario to reflect efficiencies incurred in constructing additional rooms. Further, this development cost estimate is approximately $2,400,000 below our combined value estimate for both properties. In other words, the Hotels will be worth $2,400,000 more on the day they open than they cost to construct, indicating that the two hotel scenario, and subsequently 40 more rooms, is economically feasible.

4. IRR Calculation

After determining value and development costs for both Hotels, we then calculated the project's combined leveraged IRR in order to perform a final test of feasibility for this project. A summary of our IRR calculation for the Hotel is presented in Addendum G. Assuming the same terms as presented earlier as well as our estimate of $38,100,000 in construction costs, $11,000,000 in land value, and the net operating income figures presented earlier, we have determined the equity yield on the required equity investment of $19,640,000 to be **16.0 percent**. This is in line with the 15.0 to 20.0 percent figure typically required by investors.

I. CONCLUSION

Based upon the analysis contained herein, we are of the opinion that one 108-room Residence Inn and one 79-room SpringHill Suites provide a return on invested equity sufficient to generate investor interest in the project. As mentioned, this two-hotel development scenario would be worth $2,400,000 more the day the properties open than they would cost to construct. Further, the project yields an IRR of 16.0 percent, which is in line with the IRR range typically required by investors. Meanwhile, one 147-room Residence Inn would cost $6,100,000 more to build than it would be worth upon opening, and would only yield an IRR of 9.7 percent, which is below the required range. Since costs outweigh value by such a sizeable margin, and since the developer would likely encounter difficulties in acquiring capital for the construction of just one hotel, we are of the opinion that the construction of two hotels totaling 187 rooms is the only financially viable option for the site. A summary of our findings is presented in the following table.

Summary of Findings

	Valuation (January 1, 2017)	Development Cost	IRR
Scenario 1			
147-Room Residence Inn	**$37,300,000**	**$43,400,000**	**9.7%**
Scenario 2			
108-Room Residence Inn	$30,500,000	-	-
79-Room SpringHill Suites	$21,100,000	-	-
Total	**$51,600,000**	**$49,100,000**	**16.0%**

This completes our analysis of the potential market demand and financial feasibility for the construction of either one or two hotels on the identified site. 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.

ADDENDA

A. CERTIFICATION OF THE CONSULTANTS

B. STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

C. SITE PLAN – 147-ROOM HOTEL

D. MARRIOTT LETTER

E. FINANCIAL STATEMENTS OF COMPARABLE HOTELS

F. TEN-YEAR CASH FLOW FORECASTS

G. IRR CALCULATIONS

H. RECENT COMPARABLE HOTEL SALES

I. DEFINITIONS OF RELEVANT TERMS

J. HOTEL INVESTMENT CRITERIA

ADDENDUM A

CERTIFICATION OF THE CONSULTANTS

CERTIFICATION OF THE CONSULTANTS

We, Chris Kraus, 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, unbiased professional analyses, opinions, and conclusions.

- 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 by Reneson Hotels, Inc. on February 4, 2013 to perform a Phase I study of potential market demand for a hotel to be located on the site that is the subject of this report. Our report for that assignment was issued on March 4, 2013. We have performed no other services, as appraisers or in any other capacity 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.

- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

- Elle K. Patterson has 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.

- 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, Chris Kraus has completed the requirements of the continuing education program of the Appraisal Institute.

- Chris Kraus is a Certified General Real Estate Appraiser in the State of California.

Yours sincerely,

PKF Consulting

By: Chris Kraus, MAI
Senior Vice President
chris.kraus@pkfc.com | 406.582.8189
State of California Certified General
Real Estate Appraiser #AG029222

By: Elle Patterson
Consultant
elle.patterson@pkfc.com I 415.288.7845

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.

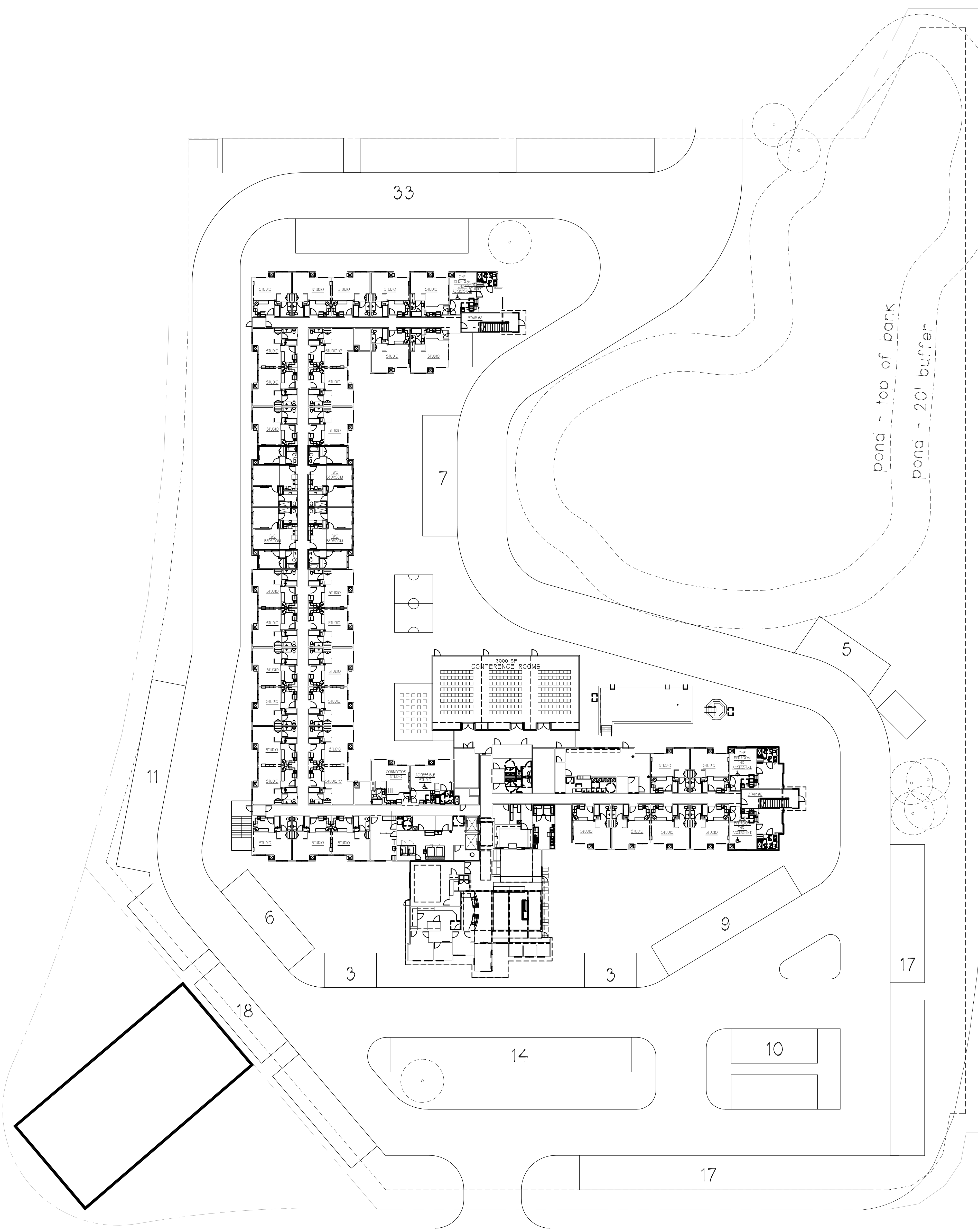
Use in Offering Materials - This report, including all cash flow forecasts, market surveys and related data, conclusions, exhibits and supporting documentation may not be reproduced or references made to the report or to PKF Consulting in any sale offering, prospectus, public or private placement memorandum, 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.

ADDENDUM C

SITE PLAN – 147-ROOM HOTEL



31,272 s.f. guestrooms
x 3 floors + 7,953 s.f. public space = 101,769 s.f.

site = 238,273 sf
pond + 20' buffer = 43,469 sf

F.A.R. = 101,769/(238273-43469)= 0.522

hotel parking 1/1 rooms @ 147 rooms	= 147
conference parking 1/900 sf @ 3,600 sf	= 4
total required parking	= 151 spaces
total parking provided	= 153 spaces

ADDENDUM D

MARRIOTT LETTER

Marriott

Marriott International, Inc.
Lodging Development

915 Highland Pointe Drive
Suite 250
Roseville, CA 95678

Robert A. Sanger
Area Vice President
916-724-5234
714-464-5498 Fax

July 30, 2014

Garrett Grialou
Reneson Hotels, Inc.
215 Alameda del Prado
Novato, CA 94949

Dear Garrett:

Thank you for providing me with an update on your approved Residence Inn/SpringHill Suites project. I certainly understand the challenges of developing in Marin County.

My design team and I have reviewed the revised site plan for a proposed 147-room Residence Inn for the existing Best Western hotel site in Corte Madera, which assumes that the existing pond onsite is retained. Given the local municipality's height restriction, setback requirements, and other mandatory building standards, we think that your new site plan is not of sufficient size to accommodate two brands. Marriott, therefore, would not approve the site for a dual-branded hotel project if the pond is retained. However, we think that the development of a standalone 147-room Residence Inn is appropriate assuming that it is financially feasible.

Please let me know if I can be of further assistance.

Sincerely,

Robert A. Sanger

Robert A. Sanger
Area Vice President Lodging Development

ADDENDUM E

FINANCIAL STATEMENTS OF COMPARABLE HOTELS

Prop. Residence Inn
Operating Results of Comparable Hotels

	Hotel A			Hotel B			Hotel C		
	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.
Revenues									
Rooms	98.9%	$38,591	$135.64	98.7%	$41,409	$136.93	99.0%	$41,956	$140.49
Other Operated Departments	1.1%	438	1.54	1.3%	550	1.82	1.0%	434	1.45
Total Revenues	100.0%	39,029	137.18	100.0%	41,959	138.75	100.0%	42,391	141.94
Departmental Expenses									
Rooms	14.9%	5,753	20.22	23.6%	9,793	32.38	21.9%	9,180	30.74
Other Operated Departments	49.1%	215	0.75	26.9%	148	0.49	34.2%	149	0.50
Total Departmental Expenses	15.3%	5,968	20.98	23.7%	9,940	32.87	22.0%	9,329	31.24
Departmental Profit	84.7%	33,061	116.20	76.3%	32,019	105.88	78.0%	33,062	110.71
Undistributed Expenses									
Administrative & General	8.3%	3,233	11.36	8.2%	3,428	11.34	8.1%	3,437	11.51
Marketing (Including Franchise Fees)	15.3%	5,989	21.05	5.9%	2,492	8.24	5.4%	2,291	7.67
Property Operation and Maintenance	4.2%	1,647	5.79	3.6%	1,505	4.98	4.2%	1,787	5.98
Utility Costs	2.8%	1,111	3.90	3.7%	1,558	5.15	3.3%	1,399	4.68
Total Undistributed Operating Expenses	30.7%	11,980	42.11	21.4%	8,983	29.70	21.0%	8,915	29.85
Gross Operating Profit	54.0%	21,081	74.09	54.9%	23,036	76.17	57.0%	24,147	80.86
Base Management Fee	2.0%	781	2.74	8.0%	3,361	11.11	8.0%	3,395	11.37
Fixed Expenses									
Property Taxes	4.1%	1,588	5.58	4.0%	1,669	5.52	4.2%	1,797	6.02
Insurance	0.6%	216	0.76	2.0%	856	2.83	1.6%	663	2.22
Total Fixed Expenses	4.6%	1,804	6.34	6.0%	2,525	8.35	5.8%	2,460	8.24
Net Operating Income	47.4%	18,496	65.01	40.9%	17,150	56.71	43.2%	18,292	61.25
FF&E Reserve/Capital Expenditures	4.0%	1,561	5.49	4.0%	1,678	5.55	4.0%	1,696	5.68
Net Operating Income After Reserve	43.4%	$16,935	$59.52	36.9%	$15,472	$51.16	39.2%	$16,596	$55.57

Source: **PKF Consulting USA**

Prop. Residence Inn
Operating Results of Comparable Hotels

	Hotel D			Hotel E			Weighted Average		
	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.
Revenues									
Rooms	97.9%	$48,560	$165.31	99.2%	$54,830	$173.60	98.7%	$45,527	$152.22
Other Operated Departments	2.1%	1,060	3.61	0.8%	419	1.33	1.3%	590	1.97
Total Revenues	100.0%	49,620	168.92	100.0%	55,249	174.93	100.0%	46,117	154.19
Departmental Expenses									
Rooms	24.2%	11,775	40.09	13.6%	7,460	23.62	19.2%	8,727	29.18
Other Operated Departments	10.3%	109	0.37	90.8%	381	1.20	35.1%	207	0.69
Total Departmental Expenses	23.9%	11,884	40.46	14.2%	7,840	24.82	19.4%	8,934	29.87
Departmental Profit	76.1%	37,736	128.47	85.8%	47,409	150.11	80.6%	37,183	124.32
Undistributed Expenses									
Administrative & General	8.4%	4,179	14.23	6.6%	3,629	11.49	7.8%	3,598	12.03
Marketing (Including Franchise Fees)	5.5%	2,737	9.32	11.3%	6,261	19.82	9.0%	4,132	13.82
Property Operation and Maintenance	4.3%	2,125	7.23	4.4%	2,448	7.75	4.2%	1,931	6.46
Utility Costs	2.3%	1,121	3.82	2.8%	1,548	4.90	2.9%	1,339	4.48
Total Undistributed Operating Expenses	20.5%	10,163	34.60	25.1%	13,886	43.97	23.9%	10,999	36.78
Gross Operating Profit	55.6%	27,573	93.87	60.7%	33,523	106.14	56.8%	26,183	87.54
Base Management Fee	4.9%	2,428	8.27	2.0%	1,105	3.50	4.5%	2,088	6.98
Fixed Expenses									
Property Taxes	3.0%	1,509	5.14	4.0%	2,185	6.92	3.8%	1,754	5.86
Insurance	1.5%	738	2.51	0.4%	242	0.77	1.1%	522	1.74
Total Fixed Expenses	4.5%	2,247	7.65	4.4%	2,427	7.68	4.9%	2,276	7.61
Net Operating Income	46.1%	22,899	77.95	54.3%	29,991	94.96	47.3%	21,820	72.95
FF&E Reserve/Capital Expenditures	4.0%	1,985	6.76	4.0%	2,210	7.00	4.0%	1,845	6.17
Net Operating Income After Reserve	42.1%	$20,914	$71.20	50.3%	$27,781	$87.96	43.3%	$19,975	$66.79

Source: PKF Consulting USA

Prop. SpringHill Suites
Operating Results of Comparable Hotels

	Hotel A			Hotel B			Hotel C		
	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.
Revenues									
Rooms	97.5%	$36,244	$119.85	97.7%	$28,282	$106.60	89.9%	$38,211	$139.11
Other Operated Departments	2.5%	948	3.13	2.3%	667	2.52	10.1%	4,289	15.62
Total Revenues	100.0%	37,192	122.98	100.0%	28,949	109.12	100.0%	42,501	154.73
Departmental Expenses									
Rooms	17.6%	6,385	21.11	29.5%	8,346	31.46	25.9%	9,913	36.09
Other Operated Departments	59.6%	565	1.87	31.7%	212	0.80	70.4%	3,022	11.00
Total Departmental Expenses	18.7%	6,950	22.98	29.6%	8,558	32.26	30.4%	12,934	47.09
Departmental Profit	81.3%	30,242	100.00	70.4%	20,391	76.86	69.6%	29,566	107.64
Undistributed Expenses									
Administrative & General	9.7%	3,602	11.91	7.8%	2,254	8.50	7.6%	3,231	11.76
Marketing (Including Franchise Fees)	11.0%	4,087	13.52	11.9%	3,456	13.03	13.0%	5,520	20.09
Property Operation and Maintenance	2.5%	944	3.12	4.0%	1,168	4.40	3.8%	1,615	5.88
Utility Costs	3.1%	1,169	3.86	4.0%	1,152	4.34	3.6%	1,545	5.62
Total Undistributed Operating Expenses	26.4%	9,802	32.41	27.7%	8,030	30.27	28.0%	11,910	43.36
Gross Operating Profit	55.0%	20,440	67.59	42.7%	12,361	46.59	41.5%	17,656	64.28
Base Management Fee	3.0%	1,114	3.68	2.8%	803	3.03	4.0%	1,700	6.19
Fixed Expenses									
Incentive Management Fee	0.0%	0	0.00	0.0%	0	0.00			
Property Taxes	2.9%	1,068	3.53	3.0%	863	3.25	4.2%	1,772	6.45
Insurance	0.6%	236	0.78	0.9%	258	0.97	0.4%	183	0.67
Total Fixed Expenses	3.5%	1,304	4.31	3.9%	1,120	4.22	4.6%	1,955	7.12
Net Operating Income	48.5%	18,022	59.59	36.1%	10,437	39.34	32.9%	14,001	50.97
FF&E Reserve/Capital Expenditures	4.0%	1,488	4.92	4.0%	1,158	4.36	4.0%	1,700	6.19
Net Operating Income After Reserve	44.5%	$16,534	$54.67	32.1%	$9,280	$34.98	28.9%	$12,301	$44.78

Source: **PKF Consulting USA**

Prop. SpringHill Suites
Operating Results of Comparable Hotels

	Hotel D			Hotel E			Weighted Average		
	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.
Revenues									
Rooms	98.0%	$37,639	$126.51	96.2%	$28,975	$108.86	95.8%	$33,805	$120.02
Other Operated Departments	2.0%	761	2.56	3.8%	1,151	4.33	4.2%	1,465	5.20
Total Revenues	100.0%	38,400	129.07	100.0%	30,126	113.18	100.0%	35,269	125.22
Departmental Expenses									
Rooms	18.3%	6,901	23.20	26.3%	7,629	28.66	22.9%	7,737	27.47
Other Operated Departments	54.1%	412	1.38	47.2%	543	2.04	59.8%	877	3.11
Total Departmental Expenses	19.0%	7,313	24.58	27.1%	8,172	30.70	24.4%	8,613	30.58
Departmental Profit	81.0%	31,087	104.49	72.9%	21,954	82.48	75.6%	26,656	94.64
Undistributed Expenses									
Administrative & General	8.1%	3,105	10.44	8.8%	2,664	10.01	8.4%	2,969	10.54
Marketing (Including Franchise Fees)	10.3%	3,948	13.27	10.1%	3,055	11.48	11.2%	3,956	14.05
Property Operation and Maintenance	1.9%	717	2.41	4.5%	1,363	5.12	3.2%	1,140	4.05
Utility Costs	2.5%	978	3.29	4.1%	1,240	4.66	3.4%	1,202	4.27
Total Undistributed Operating Expenses	22.8%	8,747	29.40	27.6%	8,323	31.27	26.3%	9,266	32.90
Gross Operating Profit	58.2%	22,340	75.09	45.2%	13,632	51.21	49.3%	17,390	61.75
Base Management Fee	3.0%	1,151	3.87	4.5%	1,358	5.10	3.4%	1,216	4.32
Fixed Expenses									
Incentive Management Fee	0.0%	0	0.00	0.1%	43	0.16	0.0%	43	0.16
Property Taxes	5.0%	1,921	6.46	3.9%	1,182	4.44	3.9%	1,365	4.84
Insurance	1.6%	613	2.06	1.0%	289	1.09	0.9%	327	1.16
Total Fixed Expenses	6.6%	2,535	8.52	5.0%	1,514	5.69	4.8%	1,692	6.01
Net Operating Income	48.6%	18,654	62.70	35.7%	10,760	40.42	41.1%	14,483	51.42
FF&E Reserve/Capital Expenditures	4.0%	1,536	5.16	4.0%	1,205	4.53	4.0%	1,411	5.01
Net Operating Income After Reserve	44.6%	$17,118	$57.54	31.7%	$9,555	$35.90	37.1%	$13,072	$46.41

Source: PKF Consulting USA

ADDENDUM F

TEN-YEAR CASH FLOW FORECASTS

Scenario 1: 147-Room Residence Inn

Prop. 147-Room Residence Inn
Projected Operating Results
Calendar Years

	2017		2018		2019		2020		2021	
Number of Units:	147		147		147		147		147	
Number of Annual Rooms Available:	53,655		53,655		53,655		53,655		53,655	
Number of Rooms Occupied:	39,700		40,780		40,780		40,780		40,780	
Annual Occupancy:	74.0%		76.0%		76.0%		76.0%		76.0%	
Average Daily Rate:	$178.00		$190.00		$196.00		$202.00		$208.00	
Revenue Per Available Room:	$131.72		$144.40		$148.96		$153.52		$158.08	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	$7,067,000	98.8%	$7,748,000	98.8%	$7,993,000	98.8%	$8,238,000	98.8%	$8,482,000	98.8%
Other Operated Departments	87,000	1.2%	92,000	1.2%	95,000	1.2%	97,000	1.2%	100,000	1.2%
Total Revenues	7,154,000	100.0%	7,840,000	100.0%	8,088,000	100.0%	8,335,000	100.0%	8,582,000	100.0%
Departmental Expenses										
Rooms	1,539,000	21.8%	1,606,000	20.7%	1,655,000	20.7%	1,704,000	20.7%	1,755,000	20.7%
Other Operated Departments	30,000	34.5%	32,000	34.8%	33,000	34.7%	34,000	35.1%	35,000	35.0%
Total Departmental Expenses	1,569,000	21.9%	1,638,000	20.9%	1,688,000	20.9%	1,738,000	20.9%	1,790,000	20.9%
Departmental Profit	5,585,000	78.1%	6,202,000	79.1%	6,400,000	79.1%	6,597,000	79.1%	6,792,000	79.1%
Undistributed Expenses										
Administrative & General	599,000	8.4%	628,000	8.0%	648,000	8.0%	667,000	8.0%	687,000	8.0%
Marketing (Including Franchise Fees)	806,000	11.3%	868,000	11.1%	895,000	11.1%	922,000	11.1%	950,000	11.1%
Property Operation and Maintenance	321,000	4.5%	331,000	4.2%	341,000	4.2%	351,000	4.2%	362,000	4.2%
Utility Costs	241,000	3.4%	248,000	3.2%	256,000	3.2%	263,000	3.2%	271,000	3.2%
Total Undistributed Operating Expenses	1,967,000	27.5%	2,075,000	26.5%	2,140,000	26.5%	2,203,000	26.4%	2,270,000	26.5%
Gross Operating Profit	3,618,000	50.6%	4,127,000	52.6%	4,260,000	52.7%	4,394,000	52.7%	4,522,000	52.7%
Base Management Fee	286,000	4.0%	314,000	4.0%	324,000	4.0%	333,000	4.0%	343,000	4.0%
Fixed Expenses										
Property Taxes	421,000	5.9%	456,000	5.8%	465,000	5.7%	474,000	5.7%	483,000	5.6%
Direct Assessments	67,000	0.9%	69,000	0.9%	72,000	0.9%	74,000	0.9%	76,000	0.9%
Insurance	88,000	1.2%	91,000	1.2%	94,000	1.2%	97,000	1.2%	99,000	1.2%
Total Fixed Expenses	576,000	8.1%	616,000	7.9%	631,000	7.8%	645,000	7.7%	658,000	7.7%
Net Operating Income	2,756,000	38.5%	3,197,000	40.8%	3,305,000	40.9%	3,416,000	41.0%	3,521,000	41.0%
FF&E Reserve	286,000	4.0%	314,000	4.0%	324,000	4.0%	333,000	4.0%	343,000	4.0%
Net Operating Income After Reserve	$2,470,000	34.5%	$2,883,000	36.8%	$2,981,000	36.9%	$3,083,000	37.0%	$3,178,000	37.0%
Source: **PKF Consulting USA**	Full Year of Operation									

Scenario 1: 147-Room Residence Inn (Continued)

Prop. 147-Room Residence Inn
Projected Operating Results
Calendar Years

	2022		2023		2024		2025		2026	
Number of Units:	147		147		147		147		147	
Number of Annual Rooms Available:	53,655		53,655		53,655		53,655		53,655	
Number of Rooms Occupied:	40,780		40,780		40,780		40,780		40,780	
Annual Occupancy:	76.0%		76.0%		76.0%		76.0%		76.0%	
Average Daily Rate:	$214.00		$220.00		$227.00		$234.00		$241.00	
Revenue Per Available Room:	$162.64		$167.20		$172.52		$177.84		$183.16	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	$8,727,000	98.8%	$8,972,000	98.8%	$9,257,000	98.8%	$9,543,000	98.8%	$9,828,000	98.8%
Other Operated Departments	103,000	1.2%	106,000	1.2%	110,000	1.2%	113,000	1.2%	116,000	1.2%
Total Revenues	8,830,000	100.0%	9,078,000	100.0%	9,367,000	100.0%	9,656,000	100.0%	9,944,000	100.0%
Departmental Expenses										
Rooms	1,808,000	20.7%	1,862,000	20.8%	1,918,000	20.7%	1,976,000	20.7%	2,035,000	20.7%
Other Operated Departments	36,000	35.0%	37,000	34.9%	38,000	34.5%	40,000	35.4%	41,000	35.3%
Total Departmental Expenses	1,844,000	20.9%	1,899,000	20.9%	1,956,000	20.9%	2,016,000	20.9%	2,076,000	20.9%
Departmental Profit	6,986,000	79.1%	7,179,000	79.1%	7,411,000	79.1%	7,640,000	79.1%	7,868,000	79.1%
Undistributed Expenses										
Administrative & General	708,000	8.0%	728,000	8.0%	751,000	8.0%	773,000	8.0%	796,000	8.0%
Marketing (Including Franchise Fees)	977,000	11.1%	1,005,000	11.1%	1,037,000	11.1%	1,069,000	11.1%	1,101,000	11.1%
Property Operation and Maintenance	372,000	4.2%	384,000	4.2%	395,000	4.2%	407,000	4.2%	419,000	4.2%
Utility Costs	279,000	3.2%	288,000	3.2%	296,000	3.2%	305,000	3.2%	314,000	3.2%
Total Undistributed Operating Expenses	2,336,000	26.5%	2,405,000	26.5%	2,479,000	26.5%	2,554,000	26.4%	2,630,000	26.4%
Gross Operating Profit	4,650,000	52.7%	4,774,000	52.6%	4,932,000	52.7%	5,086,000	52.7%	5,238,000	52.7%
Base Management Fee	353,000	4.0%	363,000	4.0%	375,000	4.0%	386,000	4.0%	398,000	4.0%
Fixed Expenses										
Property Taxes	493,000	5.6%	503,000	5.5%	513,000	5.5%	523,000	5.4%	534,000	5.4%
Direct Assessments	78,000	0.9%	81,000	0.9%	83,000	0.9%	85,000	0.9%	88,000	0.9%
Insurance	102,000	1.2%	105,000	1.2%	109,000	1.2%	112,000	1.2%	115,000	1.2%
Total Fixed Expenses	673,000	7.6%	689,000	7.6%	705,000	7.5%	720,000	7.5%	737,000	7.4%
Net Operating Income	3,624,000	41.0%	3,722,000	41.0%	3,852,000	41.1%	3,980,000	41.2%	4,103,000	41.3%
FF&E Reserve	353,000	4.0%	363,000	4.0%	375,000	4.0%	386,000	4.0%	398,000	4.0%
Net Operating Income After Reserve	$3,271,000	37.0%	$3,359,000	37.0%	$3,477,000	37.1%	$3,594,000	37.2%	$3,705,000	37.3%

Source: **PKF Consulting USA**

Scenario 2: 108-Room Residence Inn

Prop. 108-Room Residence Inn
Projected Operating Results
Calendar Years

	2017		2018		2019		2020		2021	
Number of Units:	108		108		108		108		108	
Number of Annual Rooms Available:	39,420		39,420		39,420		39,420		39,420	
Number of Rooms Occupied:	29,170		29,960		29,960		29,960		29,960	
Annual Occupancy:	74.0%		76.0%		76.0%		76.0%		76.0%	
Average Daily Rate:	$178.00		$190.00		$196.00		$202.00		$208.00	
Revenue Per Available Room:	$131.72		$144.40		$148.96		$153.52		$158.08	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	$5,192,000	98.8%	$5,692,000	98.8%	$5,872,000	98.8%	$6,052,000	98.8%	$6,232,000	98.8%
Other Operated Departments	64,000	1.2%	67,000	1.2%	69,000	1.2%	72,000	1.2%	74,000	1.2%
Total Revenues	5,256,000	100.0%	5,759,000	100.0%	5,941,000	100.0%	6,124,000	100.0%	6,306,000	100.0%
Departmental Expenses										
Rooms	1,001,000	19.3%	1,045,000	18.4%	1,077,000	18.3%	1,109,000	18.3%	1,142,000	18.3%
Other Operated Departments	22,000	34.4%	24,000	35.8%	24,000	34.8%	25,000	34.7%	26,000	35.1%
Total Departmental Expenses	1,023,000	19.5%	1,069,000	18.6%	1,101,000	18.5%	1,134,000	18.5%	1,168,000	18.5%
Departmental Profit	4,233,000	80.5%	4,690,000	81.4%	4,840,000	81.5%	4,990,000	81.5%	5,138,000	81.5%
Undistributed Expenses										
Administrative & General	391,000	7.4%	411,000	7.1%	424,000	7.1%	437,000	7.1%	450,000	7.1%
Marketing (Including Franchise Fees)	536,000	10.2%	580,000	10.1%	598,000	10.1%	616,000	10.1%	635,000	10.1%
Property Operation and Maintenance	230,000	4.4%	237,000	4.1%	244,000	4.1%	251,000	4.1%	259,000	4.1%
Utility Costs	165,000	3.1%	170,000	3.0%	175,000	2.9%	181,000	3.0%	186,000	2.9%
Total Undistributed Operating Expenses	1,322,000	25.2%	1,398,000	24.3%	1,441,000	24.3%	1,485,000	24.2%	1,530,000	24.3%
Gross Operating Profit	2,911,000	55.4%	3,292,000	57.2%	3,399,000	57.2%	3,505,000	57.2%	3,608,000	57.2%
Base Management Fee	210,000	4.0%	230,000	4.0%	238,000	4.0%	245,000	4.0%	252,000	4.0%
Fixed Expenses										
Property Taxes	344,000	6.5%	372,000	6.5%	380,000	6.4%	388,000	6.3%	395,000	6.3%
Direct Assessments	39,000	0.7%	40,000	0.7%	42,000	0.7%	43,000	0.7%	44,000	0.7%
Insurance	65,000	1.2%	67,000	1.2%	69,000	1.2%	71,000	1.2%	73,000	1.2%
Total Fixed Expenses	448,000	8.5%	479,000	8.3%	491,000	8.3%	502,000	8.2%	512,000	8.1%
Net Operating Income	2,253,000	42.9%	2,583,000	44.9%	2,670,000	44.9%	2,758,000	45.0%	2,844,000	45.1%
FF&E Reserve	210,000	4.0%	230,000	4.0%	238,000	4.0%	245,000	4.0%	252,000	4.0%
Net Operating Income After Reserve	$2,043,000	38.9%	$2,353,000	40.9%	$2,432,000	40.9%	$2,513,000	41.0%	$2,592,000	41.1%

Source: **PKF Consulting USA**

Full Year of Operation

Scenario 2: 108-Room Residence Inn (Continued)

Prop. 108-Room Residence Inn
Projected Operating Results
Calendar Years

	2022		2023		2024		2025		2026	
Number of Units:	108		108		108		108		108	
Number of Annual Rooms Available:	39,420		39,420		39,420		39,420		39,420	
Number of Rooms Occupied:	29,960		29,960		29,960		29,960		29,960	
Annual Occupancy:	76.0%		76.0%		76.0%		76.0%		76.0%	
Average Daily Rate:	$214.00		$220.00		$227.00		$234.00		$241.00	
Revenue Per Available Room:	$162.64		$167.20		$172.52		$177.84		$183.16	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	$6,411,000	98.8%	$6,591,000	98.8%	$6,801,000	98.8%	$7,011,000	98.8%	$7,220,000	98.8%
Other Operated Departments	76,000	1.2%	78,000	1.2%	81,000	1.2%	83,000	1.2%	85,000	1.2%
Total Revenues	6,487,000	100.0%	6,669,000	100.0%	6,882,000	100.0%	7,094,000	100.0%	7,305,000	100.0%
Departmental Expenses										
Rooms	1,177,000	18.4%	1,212,000	18.4%	1,248,000	18.4%	1,286,000	18.3%	1,324,000	18.3%
Other Operated Departments	27,000	35.5%	27,000	34.6%	28,000	34.6%	29,000	34.9%	30,000	35.3%
Total Departmental Expenses	1,204,000	18.6%	1,239,000	18.6%	1,276,000	18.5%	1,315,000	18.5%	1,354,000	18.5%
Departmental Profit	5,283,000	81.4%	5,430,000	81.4%	5,606,000	81.5%	5,779,000	81.5%	5,951,000	81.5%
Undistributed Expenses										
Administrative & General	463,000	7.1%	477,000	7.2%	491,000	7.1%	506,000	7.1%	521,000	7.1%
Marketing (Including Franchise Fees)	653,000	10.1%	672,000	10.1%	693,000	10.1%	714,000	10.1%	735,000	10.1%
Property Operation and Maintenance	267,000	4.1%	275,000	4.1%	283,000	4.1%	292,000	4.1%	300,000	4.1%
Utility Costs	192,000	3.0%	197,000	3.0%	203,000	2.9%	209,000	2.9%	216,000	3.0%
Total Undistributed Operating Expenses	1,575,000	24.3%	1,621,000	24.3%	1,670,000	24.3%	1,721,000	24.3%	1,772,000	24.3%
Gross Operating Profit	3,708,000	57.2%	3,809,000	57.1%	3,936,000	57.2%	4,058,000	57.2%	4,179,000	57.2%
Base Management Fee	259,000	4.0%	267,000	4.0%	275,000	4.0%	284,000	4.0%	292,000	4.0%
Fixed Expenses										
Property Taxes	403,000	6.2%	411,000	6.2%	419,000	6.1%	428,000	6.0%	436,000	6.0%
Direct Assessments	45,000	0.7%	47,000	0.7%	48,000	0.7%	50,000	0.7%	51,000	0.7%
Insurance	75,000	1.2%	78,000	1.2%	80,000	1.2%	82,000	1.2%	85,000	1.2%
Total Fixed Expenses	523,000	8.1%	536,000	8.0%	547,000	7.9%	560,000	7.9%	572,000	7.8%
Net Operating Income	2,926,000	45.1%	3,006,000	45.1%	3,114,000	45.2%	3,214,000	45.3%	3,315,000	45.4%
FF&E Reserve	259,000	4.0%	267,000	4.0%	275,000	4.0%	284,000	4.0%	292,000	4.0%
Net Operating Income After Reserve	$2,667,000	41.1%	$2,739,000	41.1%	$2,839,000	41.3%	$2,930,000	41.3%	$3,023,000	41.4%

Source: **PKF Consulting USA**

Scenario 2: 79-Room SpringHill Suites

Prop. 79-Room SpringHill Suites
Projected Operating Results
Calendar Years

	2017		2018		2019		2020		2021	
Number of Units:	79		79		79		79		79	
Number of Annual Rooms Available:	28,835		28,835		28,835		28,835		28,835	
Number of Rooms Occupied:	21,340		21,910		21,910		21,910		21,910	
Annual Occupancy:	74.0%		76.0%		76.0%		76.0%		76.0%	
Average Daily Rate:	$167.00		$177.00		$182.00		$187.00		$193.00	
Revenue Per Available Room:	$123.58		$134.52		$138.32		$142.12		$146.68	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	$3,564,000	97.1%	$3,878,000	97.2%	$3,988,000	97.2%	$4,097,000	97.2%	$4,229,000	97.2%
Other Operated Departments	105,000	2.9%	111,000	2.8%	114,000	2.8%	118,000	2.8%	121,000	2.8%
Total Revenues	3,669,000	100.0%	3,989,000	100.0%	4,102,000	100.0%	4,215,000	100.0%	4,350,000	100.0%
Departmental Expenses										
Rooms	704,000	19.8%	735,000	19.0%	757,000	19.0%	780,000	19.0%	803,000	19.0%
Other Operated Departments	52,000	49.5%	55,000	49.5%	57,000	50.0%	59,000	50.0%	61,000	50.4%
Total Departmental Expenses	756,000	20.6%	790,000	19.8%	814,000	19.8%	839,000	19.9%	864,000	19.9%
Departmental Profit	2,913,000	79.4%	3,199,000	80.2%	3,288,000	80.2%	3,376,000	80.1%	3,486,000	80.1%
Undistributed Expenses										
Administrative & General	264,000	7.2%	278,000	7.0%	286,000	7.0%	294,000	7.0%	303,000	7.0%
Marketing (Including Franchise Fees)	362,000	9.9%	389,000	9.8%	400,000	9.8%	411,000	9.8%	424,000	9.7%
Property Operation and Maintenance	112,000	3.1%	116,000	2.9%	119,000	2.9%	123,000	2.9%	126,000	2.9%
Utility Costs	121,000	3.3%	124,000	3.1%	128,000	3.1%	132,000	3.1%	136,000	3.1%
Total Undistributed Operating Expenses	859,000	23.4%	907,000	22.7%	933,000	22.7%	960,000	22.8%	989,000	22.7%
Gross Operating Profit	2,054,000	56.0%	2,292,000	57.5%	2,355,000	57.4%	2,416,000	57.3%	2,497,000	57.4%
Base Management Fee	147,000	4.0%	160,000	4.0%	164,000	4.0%	169,000	4.0%	174,000	4.0%
Fixed Expenses										
Property Taxes	238,000	6.5%	258,000	6.5%	263,000	6.4%	268,000	6.4%	273,000	6.3%
Direct Assessments	29,000	0.8%	30,000	0.8%	30,000	0.7%	31,000	0.7%	32,000	0.7%
Insurance	30,000	0.8%	31,000	0.8%	32,000	0.8%	33,000	0.8%	34,000	0.8%
Total Fixed Expenses	297,000	8.1%	319,000	8.0%	325,000	7.9%	332,000	7.9%	339,000	7.8%
Net Operating Income	1,610,000	43.9%	1,813,000	45.4%	1,866,000	45.5%	1,915,000	45.4%	1,984,000	45.6%
FF&E Reserve	147,000	4.0%	160,000	4.0%	164,000	4.0%	169,000	4.0%	174,000	4.0%
Net Operating Income After Reserve	$1,463,000	39.9%	$1,653,000	41.4%	$1,702,000	41.5%	$1,746,000	41.4%	$1,810,000	41.6%

Source: **PKF Consulting USA**

Full Year of Operation

Scenario 2: 79-Room SpringHill Suites

Prop. 79-Room SpringHill Suites
Projected Operating Results
Calendar Years

	2022		2023		2024		2025		2026	
Number of Units:	79		79		79		79		79	
Number of Annual Rooms Available:	28,835		28,835		28,835		28,835		28,835	
Number of Rooms Occupied:	21,630		21,630		21,630		21,630		21,630	
Annual Occupancy:	75.0%		75.0%		75.0%		75.0%		75.0%	
Average Daily Rate:	$199.00		$205.00		$211.00		$217.00		$224.00	
Revenue Per Available Room:	$149.25		$153.75		$158.25		$162.75		$168.00	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	$4,304,000	97.2%	$4,434,000	97.2%	$4,564,000	97.2%	$4,694,000	97.2%	$4,845,000	97.2%
Other Operated Departments	123,000	2.8%	127,000	2.8%	131,000	2.8%	135,000	2.8%	139,000	2.8%
Total Revenues	4,427,000	100.0%	4,561,000	100.0%	4,695,000	100.0%	4,829,000	100.0%	4,984,000	100.0%
Departmental Expenses										
Rooms	822,000	19.1%	847,000	19.1%	872,000	19.1%	898,000	19.1%	925,000	19.1%
Other Operated Departments	62,000	50.4%	64,000	50.4%	65,000	49.6%	67,000	49.6%	69,000	49.6%
Total Departmental Expenses	884,000	20.0%	911,000	20.0%	937,000	20.0%	965,000	20.0%	994,000	19.9%
Departmental Profit	3,543,000	80.0%	3,650,000	80.0%	3,758,000	80.0%	3,864,000	80.0%	3,990,000	80.1%
Undistributed Expenses										
Administrative & General	311,000	7.0%	320,000	7.0%	330,000	7.0%	339,000	7.0%	350,000	7.0%
Marketing (Including Franchise Fees)	433,000	9.8%	446,000	9.8%	459,000	9.8%	472,000	9.8%	487,000	9.8%
Property Operation and Maintenance	130,000	2.9%	134,000	2.9%	138,000	2.9%	142,000	2.9%	146,000	2.9%
Utility Costs	140,000	3.2%	144,000	3.2%	149,000	3.2%	153,000	3.2%	158,000	3.2%
Total Undistributed Operating Expenses	1,014,000	22.9%	1,044,000	22.9%	1,076,000	22.9%	1,106,000	22.9%	1,141,000	22.9%
Gross Operating Profit	2,529,000	57.1%	2,606,000	57.1%	2,682,000	57.1%	2,758,000	57.1%	2,849,000	57.2%
Base Management Fee	177,000	4.0%	182,000	4.0%	188,000	4.0%	193,000	4.0%	199,000	4.0%
Fixed Expenses										
Property Taxes	279,000	6.3%	284,000	6.2%	290,000	6.2%	296,000	6.1%	302,000	6.1%
Direct Assessments	33,000	0.7%	34,000	0.7%	35,000	0.7%	36,000	0.7%	37,000	0.7%
Insurance	35,000	0.8%	36,000	0.8%	37,000	0.8%	38,000	0.8%	39,000	0.8%
Total Fixed Expenses	347,000	7.8%	354,000	7.8%	362,000	7.7%	370,000	7.7%	378,000	7.6%
Net Operating Income	2,005,000	45.3%	2,070,000	45.4%	2,132,000	45.4%	2,195,000	45.5%	2,272,000	45.6%
FF&E Reserve	177,000	4.0%	182,000	4.0%	188,000	4.0%	193,000	4.0%	199,000	4.0%
Net Operating Income After Reserve	$1,828,000	41.3%	$1,888,000	41.4%	$1,944,000	41.4%	$2,002,000	41.5%	$2,073,000	41.6%

Source: **PKF Consulting USA**

ADDENDUM G

IRR CALCULATIONS

SCENARIO I - 147-Room Residence Inn

Estiamted Construction Costs	
Total Construction Costs	$43,400,000
Land Value	$11,000,000
Total Construction Costs	$32,400,000

Assumed Financing Structure	
Total Construction Costs	$43,400,000
Value	$37,300,000
LTV	60.0%
Loan Amount	$22,380,000
Interest Rate	5.5%
Term	25

Equity Required	
Total Construction Costs	$43,400,000
Less: Loan Amount	$22,380,000
Equity Required	$21,020,000

	2017	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Equity	($21,020,000)										
NOI - Operation		$2,470,000	$2,883,000	$2,981,000	$3,083,000	$3,178,000	$3,271,000	$3,359,000	$3,477,000	$3,594,000	$3,705,000
Annual Debt Service		($1,668,415)	($1,668,415)	($1,668,415)	($1,668,415)	($1,668,415)	($1,668,415)	($1,668,415)	($1,668,415)	($1,668,415)	($1,668,415)
Net Reversion											$47,265,162
Less: Loan Principal											($16,746,846)
Net Cash Flow	($21,020,000)	$801,585	$1,214,585	$1,312,585	$1,414,585	$1,509,585	$1,602,585	$1,690,585	$1,808,585	$1,925,585	$32,554,901
Cash on Cash Return		3.8%	5.8%	6.2%	6.7%	7.2%	7.6%	8.0%	8.6%	9.2%	154.9%

IRR	9.7%

SCENARIO 2 - 108-Room Residence Inn and 79-Room SpringHill Suites

Estiamted Construction Costs	
Total Construction Costs	$49,100,000
Land Value	$11,000,000
Total Construction Costs	$38,100,000

Assumed Financing Structure	
Total Construction Costs	$49,100,000
Value	$51,600,000
LTC	60.0%
Loan Amount	$29,460,000
Interest Rate	5.5%
Term	25

Equity Required	
Total Construction Costs	$49,100,000
Less: Loan Amount	$29,460,000
Equity Required	$19,640,000

	2017	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Equity	($19,640,000)										
NOI - 108-Room Residence Inn		$2,043,000	$2,353,000	$2,432,000	$2,513,000	$2,592,000	$2,667,000	$2,739,000	$2,839,000	$2,930,000	$3,023,000
NOI - 79-Room SpringHill Suites		$1,463,000	$1,653,000	$1,702,000	$1,746,000	$1,810,000	$1,828,000	$1,888,000	$1,944,000	$2,002,000	$2,073,000
Annual Debt Service		($2,196,224)	($2,196,224)	($2,196,224)	($2,196,224)	($2,196,224)	($2,196,224)	($2,196,224)	($2,196,224)	($2,196,224)	($2,196,224)
Net Reversion											$38,566,000
reversion											$26,550,000
Less: Loan Principal											($22,044,776)
Net Cash Flow	($19,640,000)	$1,309,776	$1,809,776	$1,937,776	$2,062,776	$2,205,776	$2,298,776	$2,430,776	$2,586,776	$2,735,776	$45,971,001
Cash on Cash Return		6.7%	9.2%	9.9%	10.5%	11.2%	11.7%	12.4%	13.2%	13.9%	234.1%

IRR	16.0%

ADDENDUM H

RECENT COMPARABLE HOTEL SALES

Comparable Hotel Sales						
Sale No.	Hotel	Location	Sale Date	Year Built	Rooms	OAR
1	Marriott	Fremont	U/C	1999	357	5.3%
2	TownePlace Suites	Newark	6/14	2000	127	N/A
3	Holiday Inn Express & Suites	Santa Cruz	4/14	2009	100	N/A
4	Four Points	San Rafael	3/13	1968	235	6.8%
5	Doubletree	Brisbane	3/14	2000	210	N/A
6	Four Points	South SF	1/14	2001	101	9.8%
7	Best Western Plus	Pacifica	11/13	1972	97	N/A
8	Doubletree	Livermore	11/13	1970	125	N/A
9	Aloft	Millbrae	10/13	1959	252	4.9%
10	Courtyard	Santa Rosa	2/13	1989	138	9.0%
11	Residence Inn	Sacramento	9/12	1992	126	N/A
12	Hilton Garden Inn	Emeryville	6/12	1971	278	6.3%
13	Hilton Garden Inn	Monterey	5/12	1972	204	6.9%
Avg.	**-**	**-**	**-**	**-**	**181**	**6.5%**

Source: PKF Consulting USA

ADDENDUM I

DEFINITIONS OF RELEVANT TERMS

Average Daily Rate ("ADR"): Total guestroom revenue for a given period divided by the total number of paid occupied rooms during the same period

Occupancy: The number of paid guestrooms occupied for a given period divided by the number of rooms available for the same period

Revenue per Available Room ("RevPAR"): Rooms revenue divided by the number of available rooms.

Net operating income ("NOI"): A company's operating income after operating expenses are deducted, but before income taxes and interest are deducted

Internal Rate of Return ("IRR"): The interest rate at which the net present value of all the cash flows (both positive and negative) from a project or investment equal zero

Present Value: The current worth of a future sum of money or stream of cash flows given a specified rate of return

Present Value Interest Factor ("PVIF"): A factor that can be used to simplify the calculation for finding the present value of a series of values

Reversion: The value of a property when sold at the end of the holding period

Terminal Capitalization Rate: A rate used to estimate the resale value of a property at the end of the holding period

ADDENDUM J

HOTEL INVESTMENT CRITERIA

Hotel Investment Criteria, 2014

Investment Criteria	Average	Low	High	2013 Average
Capitalization Rates* Trailing 12 Months NOI				
Full-Service	7.94%	4.50%	11.00%	8.15%
Limited-Service	8.69%	7.00%	11.00%	8.81%
All Properties	8.28%			8.38%
Capitalization Rates* Next 12 Months NOI				
Full-Service	8.36%	6.00%	12.00%	8.39%
Limited-Service	8.84%	7.00%	12.00%	9.05%
All Properties	8.68%			8.67%
Terminal Capitalization*				
Full-Service	8.56%	7.00%	12.00%	8.35%
Limited-Service	8.88%	7.00%	14.00%	8.92%
All Properties	8.71%			8.57%
Internal Rate of Return / Discount Rate				
Full-Service	11.20%	8.00%	12.00%	10.90%
Limited-Service	10.97%	8.50%	15.00%	11.19%
All Properties	11.09%			11.05%
Equity Yield				
Full-Service	16.99%	9.60%	22.00%	16.45%
Limited-Service	17.06%	9.00%	23.00%	16.58%
All Properties	17.03%			16.51%
Cash-on-Cash Return				
Full-Service	10.81%	6.00%	15.00%	10.05%
Limited-Service	11.34%	8.00%	15.00%	10.15%
All Properties	11.06%			10.10%
Holding Period (years)				
Full-Service	7.12	3.00	15.00	6.70
Limited-Service	6.18	3.00	15.00	5.80
All Properties	6.75			6.30

*After fees and reserves

Source: PKF Hospitality Research, LLC, the research affiliate of PKF Consulting USA, LLC