### REUBEN, JUNIUS & ROSE LLP

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November 13, 2025

### Delivered Via Messenger and E-Mail (bos.legislation@sfgov.org)

President Rafael Mandelman and Supervisors San Francisco Board of Supervisors 1 Dr. Carlton B. Goodlett Place City Hall, Room 244 San Francisco, CA 94102

Re: 570 Market Street

**Opposition to Appeals of Mitigated Negative Declaration (2019-017622ENV)** 

Board File No. 251034

**Hearing Date: November 18, 2025** 

Dear President Mandelman and Supervisors:

Our office represents Frontier Group, LLC, the sponsor ("**Sponsor**") of a project to construct a new 29-story, 211-room hotel ("**Project**") at 570 Market Stret ("**Property**") in the heart of the City's Financial District.

We write in opposition to appeals of the Project's Final Mitigated Negative Declaration ("**FMND**") filed by the owners of the adjacent 43-story office tower at 44 Montgomery (BCal 44 Montgomery Property, LLC) and 7-story office building at 562-566 Market Street (CPH 564, LP) (collectively, "**Appellants**").

As detailed in the Planning Department's response to the appeal of the Project's Final Mitigated Negative Declaration ("FMND"), Appellants provide no substantial evidence supporting a fair argument that the Project could result in a significant environmental impact. Therefore, the appeals are without merit and should be dismissed.

### A. STANDARD OF REVIEW

In assessing the sufficiency of a FMND, the key question is whether it can be fairly argued based on substantial evidence that a project may have a significant impact on the environment. If not, the Board must affirm the FMND.<sup>2</sup>

<sup>&</sup>lt;sup>1</sup> Cal. Pub. Res. Code § 21064.5.

<sup>&</sup>lt;sup>2</sup> San Francisco Admin. Code § 31.16(d)(4).

To constitute substantial evidence, statements must be supported by adequate factual foundation. If the foundation is not established, the agency must disregard the comments.<sup>3</sup>

CEQA Guidelines are clear that <u>not all information rises to the level of substantial evidence.</u> "Argument, speculation, unsubstantiated opinion or narrative, clearly inaccurate or erroneous evidence, and evidence of social or economic impacts that do not contribute to, and are not caused by, physical impacts on the environment..." <u>do not constitute substantial evidence</u>.<sup>4</sup>

Substantial evidence "includes facts, reasonable assumptions predicated on facts, and expert opinion supported by facts." Merely providing conflicting consultant opinions based on speculation or erroneous or misleading information does not meet this standard.

Further, a lead agency's decision to issue a negative declaration for a project is reviewed for "prejudicial abuse of discretion," which can only be established if the agency failed to proceed "in a manner required by law or if the determination or decision is not supported by substantial evidence." In reaching this determination, the reviewing authority must examine the whole record, and must "give the lead agency the benefit of the doubt on any legitimate, disputed issues of credibility."

Appellants' letters and associated materials, which serve as the basis of their appeal, do not meet this standard. They are filled with conjecture, opinion, erroneous statements and speculation unsupported by fact. Statements provided by Appellants' paid consultants regarding noise, vibration, and cultural resources are inaccurate and misleading. Because these materials do not contain *substantial evidence* as required by CEQA, the appeals must be rejected.

### **B.** PROJECT CONTEXT

The Property is a 7,000 sf through-lot, fronting on Market and Sutter Streets between Sansome and Montgomery, in the Financial District.

The Project will replace an underutilized and partially-vacant commercial building at the Property with a vibrant new 29-story (300'tall), 211-room hotel including neighborhood-serving retail at the ground and 15<sup>th</sup> floors. No on-site parking or loading are proposed. Approved plans are attached (**Exhibit A**).

The Project is ideally situated with direct frontage onto San Francisco's primary commercial corridor, with immediate access to multiple forms of local and regional public transportation and within walking distance of numerous tourist and visitor attractions. It will provide numerous public benefits, including reactivation of ground floor Market and Sutter Street

<sup>&</sup>lt;sup>3</sup> Gabric v. City of Rancho Palo Verdes, 73 Cal.App.3rd 183, 199 (1977).

<sup>&</sup>lt;sup>4</sup> Cal. Pub. Res. Code § 21082.2(c).

<sup>&</sup>lt;sup>5</sup> Id

<sup>&</sup>lt;sup>6</sup> Cal. Pub. Res. Code § 21168.5; Clews Land & Livestock, LLC v. City of San Diego, 19 Cal.App.5th 161, 192 (2017)).

<sup>&</sup>lt;sup>7</sup> *Id*. at 193.

frontages; high-quality design; publicly accessible open space via a 15<sup>th</sup> Floor view terrace; job creation; and payment of substantial development impact fee and ongoing tax revenues to the city.

The Sponsor is pleased to have earned the support of Downtown SF; the San Francisco Building and Construction Trades Counsel; Unite Here Local 2; and the SF Carpenter's Union.

### C. PROJECT BACKGROUND

On October 30, 2024, following nearly 5 years of review, the Planning Department published a Preliminary Mitigated Negative Declaration ("**PMND**") for the Project: a 130-page document supported by several detailed technical studies.

The PMND analyzed – in depth – all potential Project impacts related to land use; population and housing; cultural resources; transportation and circulation; noise; air quality; greenhouse gas emissions; wind shadow; recreation; utilities; public services; biological resources; geology and soils; hydrology; hazardous materials; and energy. A supplemental study also fully evaluated potential for air quality hazards, incorporating new standards adopted during the project's lengthy review period. The PMND included several mitigation measures that effectively address all potential impacts to cultural resources; noise and vibration; and air quality.

On November 20, 2024, Appellants appealed the PMND to the Planning Commission.

On May 1, 2025, the Planning Commission heard and denied the PMND appeal under Motion No. 21730 (**Exhibit B**) and continued the hearing of Project entitlements to a future date. The Sponsor's brief submitted to the Planning Commission in opposition to the PMND appeal are attached as **Exhibit C**.

In upholding the PMND, the Commission correctly determined that, in light of all information in the record, the Project could not have a significant impact on the environment.

On September 11, 2025, the Planning Commission heard and unanimously approved Project entitlements including a Downtown Project Authorization and Conditional Use Authorization.

On October 1, 2025, Appellants submitted separate appeals of the Project's FMND to the Board of Supervisors. The current appeals advance substantially the same concerns and materials considered and rejected by the Planning Commission in May.

### D. THE FMND APPEALS ARE WITHOUT MERIT AND SHOULD BE DENIED

Appellants fail to provide substantial evidence supporting a fair argument that the Project may result in significant environmental impacts. Accordingly, the appeals are without merit and should be denied.

### 1. Construction Noise

Appellants allege that the FMND did not accurately analyze construction noise impacts on nearby office workers. However - as thoroughly detailed in the Planning Department's November 10<sup>th</sup> FMND appeal response - Appellants' arguments and supporting materials do not constitute substantial evidence because they speculative, misleading, and unsupported by facts in the record.

Notably, a letter from Wilson Ihrig, a consultant retained by BCal 44 Montgomery Property, claims that the FMND noise analysis improperly applied criteria from the Federal Transit Administration Transit Noise and Assessment Manual ("FTA Manual").

The Wilson Ihrig letter is inaccurate and misleading. It speculates regarding impacts that supplemental analysis confirms will not apply and conflates differing assessment methodologies to generate an unrealistic forecast. Accordingly, it does not constitute substantial evidence under CEQA.

First, Wilson Ihrig claims the noise analysis errs by not applying a "usage factor" of 1 (assuming the two noisiest pieces of construction equipment per phase are in use 100% of the time).

While the FTA Manual's general assessment methodology does recommend a usage factor of 1, the FMND applied varied usage factors consistent with information provided by the Federal Highway Administration ("FHA"). This was done to achieve a more nuanced analysis, reflective of real-world conditions. The FMND's noise analysis methodology is already conservative, as it assumes that no acoustic shielding would occur from adjacent building walls, windows, or other features.

Regardless, for informational purposes, the Project's noise analysis was updated after publication of the FMND to apply a usage factor of 1, which is consistent with the FTA general assessment methodology. The updated analysis also reduces the assumed 100-foot distance between construction equipment and noise receptors (consistent with the city's noise ordinance) to 20 feet (the actual distance to closest commercial receiver). This is an even more conservative approach, reflecting worst-case noise levels for each major phase of construction.

The updated analysis shows that <u>even with these modifications</u>, <u>Project construction noise</u> <u>would not exceed the allowable thresholds for residential or commercial uses</u>. Accordingly, Appellants' allegations of potential impact due to usage factor are unfounded.

Table 1: 0	Calculated Noise Levels	at Nearest Off-Site	Sensitive Use from	n Daytime Construction
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Phase	Loudest Two Noise Sources	Estimated Construction Noise Level (dBA) at Nearest Residential Receiver (450 feet)	Exceeds 90 dBA Residential Standard?	Estimated Construction Noise Level (dBA) at Nearest Commercial Receiver (20 feet)	Exceeds 100 dBA Commercial Standard?
1	CSM Rig, Jackhammer	68	No	95	No
2	Concrete Saws, Jackhammer	72	No	99	No
3	Concrete Pump, Excavator	65	No	92	No
4	Drill Rig, Cranes	67	No	94	No
5	Pressure Washer, Cranes	67	No	94	No

Secondly, Wilson Ihrig claims that the FMND should have assumed a reduced sound doubling distance "such as 3 db...". It is unclear how Wilson Ihrig arrived at this specific figure, – it is unsupported by the text of their letter. Further, applying a reduced sound doubling distance would be inconsistent with the FTA general assessment methodology applied to the Project, which directs use of a 6 db doubling distance. Put simply, there is no factual basis supporting this deviation.

Finally, the alternative noise analysis provided in Wilson Ihrig's letter is misleading because it cherry-picks between differing methodologies to generate an unrealistic forecast of potential impact.

The typical methodology for noise analysis entails a multi-step process. First, Planning uses the FTA general assessment methodology. This is a conservative method of analysis that uses broad assumptions (i.e. a usage factor of 1). If the general assessment methodology results in potential impacts at the nearest receptor, then a secondary detailed analysis process is employed that considers more nuanced factors (i.e. varied usage factors by equipment type; potential modification to sound doubling distance assumptions; etc.).

The FMND appropriately analyzed Project construction noise impacts using the FTA Manual general assessment methodology. Because this conservative methodology did not result in potential impact, a secondary detailed analysis was not required.

Wilson Ihrig's noise calculations improperly combine the conservative usage factor employed in general assessment methodology with an arbitrarily reduced 3 db sound doubling distance assumption, eschewing any other nuanced criteria that may apply under a detailed analysis. This results in speculative and unrealistic impact assumptions, which are not substantial evidence under CEQA.

### 2. Vibration

Appellants provide no substantial evidence to support their claims that the Project could result in significant vibration impacts, despite applied mitigations.

The FMND properly identifies that adjacent buildings may be susceptible to ground-borne vibration from Project demolition and construction but finds that application of well-established monitoring and vibratory protections under Mitigation Measure M-NO-2 would reduce potential impacts to less-than-significant.

Measure M-NO-2 will ensure that construction vibration does not significantly damage nearby structures. It will require a pre-construction survey to document the existing condition of adjacent buildings; preparation of a vibration monitoring plan by a qualified consultant establishing maximum allowable vibration levels and methods for monitoring vibration during construction, subject to approval by the Planning Department; submittal of monthly reports of any vibration exceedances and actions to reduce vibration; and periodic inspections by a qualified engineer and/or historic consultant. Any building damage would be repaired to its preconstruction state, with remediation overseen by a qualified preservation professional.

Appellants argue, without support, that the Project's vibration analysis erred by classifying 44 Montgomery as a "modern industrial, commercial building" as opposed to a "historic resource" for purposes of establishing vibration monitoring levels. However, Caltrans guidance establishing vibration monitoring levels by building type does not define these terms or tie them to local preservation status, and Appellants provide no other source in support of their contention. Further, when a pre-construction vibration monitoring plan is prepared as directed Mitigation Measure M-NO-2, the Project's structural engineer and city environmental review officer will have discretion to reclassify adjacent buildings and/or assign stricter vibration standards if appropriate. Thus, there is no evidence that 44 Montgomery's designation as "modern industrial" in the vibration analysis will result in significant impacts.

Appellants also argue that Measure M-N0-2 is ineffective because it will not prevent vibration from exceeding the established monitoring levels. This is incorrect. Caltrans vibration standards are only guidelines to assess potential for vibration damage – they are not brightline CEQA significance thresholds. Should Project vibration exceed Caltrans monitoring levels, that would not automatically constitute a significant impact.

Appellants also baselessly assert that buffer distances required by Measure M-NO-2 cannot be implemented but provide no evidence or support for this contention. Buffer distances are a portion of the vibration monitoring plan and will be identified and maintained. Appellants' contention is unsupported opinion and does not arise to substantial evidence under CEQA.

### 3. Historic Resources

Appellants provide no substantial evidence to support their contention that the Project could have significant impacts on historic resources.

A letter provided by Katy Petrin Consulting ("**KPC Letter**") – a consultant retained by the owners of the adjacent 43-story building at 44 Montgomery, constructed in 1967 and employing "Miesian International/Corporate Modern style"- does not contain substantial evidence under CEQA.

First, the KPC Letter falsely claims that the Project's historic review did not identify all nearby historic structures. In fact, pages 15-17 of the FMND identify all designated historic buildings on the Project's block and notes proximity to nearby designated historic districts. In addition, the Project's Historic Resource Evaluation ("HRE")<sup>8</sup> provides a detailed summary of adjacent historic structures and the surrounding context, and the Historic Resource Evaluation Response ("HRER") prepared by the Planning Department further identifies adjacent historic resources, including 44 Montgomery.

The KPC letter next alleges that the FMND should have evaluated the potential for creating a new historic district encompassing the Project's block. This is inaccurate and misleading. First, the HRER did review potential for historic designation of the subject block but found that "the subject property does not appear to be part of a significant concentration of historically or architecturally unified buildings such that it would rise to the level of an eligible historic district." Secondly, CEQA does not require review of theoretical resources. CEQA Guidelines 15064.5 defines the forms of historical resource subject to review as those listed in local or state registered, identified as significant in an existing historic resource survey, or otherwise deemed historically significant by the local agency. Appellants' speculation that adjacent buildings may constitute a district is meritless. There is no existing or potentially eligible historic district on this block.

Finally, the KPC letter provides *no evidence, let alone substantial evidence*, suggesting the Project may have a physical impact on nearby historic resources.

CEQA Guidelines provide that development would have a significant impact on an historic resource if it causes a "substantial adverse change" in significance of the resource. A "substantial adverse change" is defined as the "physical demolition, destruction, relocation, or alteration of the resource or its immediate surroundings such that the *significance of an historical resource would be materially impaired*." Further, "materially impaired" is defined as work that "demolishes or materially alters, in an adverse manner, those physical characteristics that convey the historical resource's historical significance…"

The KPC letter provides no factual basis to support its contention that the project's scale or massing could impact adjacent resources. The architectural cohesion of Market Street is not relevant here because the Property and block are not part of an historic district. Likewise, Project shadow would not affect historic character-defining features of nearby resources. Appellants'

<sup>&</sup>lt;sup>8</sup> Brewster Historic Preservation, *Historic Resource Evaluation Report (Draft) for 570 Market Street* (October 2019), pgs. 3-5.

<sup>&</sup>lt;sup>9</sup> CEQA Guidelines § 15064.5(b).

statements to this effect are entirely speculative, and do not rise to the level of substantial evidence required by CEQA.

By contrast, the FMND does provide substantial evidence that no physical impacts to historic resources would occur. In addition to properly determining that the Property contains no historic resources, the FMND provides accurate and thorough analysis of all other potential physical impacts to adjacent resources related Project construction (including those associated with geology, soils, noise and vibration) and imposes appropriate mitigation measures reducing potential impacts to less-than-significant.

Appellants also argue that actions "that visibly alter a historic resource should also be analyzed for potential aesthetic impacts." However, this rule is only relevant within a historic district. As the Project is not located within a historic district, the compatibility with nearby historic resources is not relevant.

### 4. Shadow

Appellants speculate that the Project would have adverse shadow impacts on privately owned public open space (POPOS) in the area but provide no evidence to support this contention.

Under CEQA, a project would result in a significant impact if it would create new shadow that would adversely affect the use and enjoyment of publicly accessible open spaces. The FMND clearly states this threshold and appropriately analyzes shadow impacts on pages 66-68. The FMND notes that the Project would not create new shadow on public parks subject to Prop K or Planning Code Section 295 but would cast new shadow on select POPOS. Quantitative and qualitative analysis of potential new shadow revealed that they would be intermittent and limited in duration and would not substantially affect the use and enjoyment of these POPOS. Appellants provide no substantial evidence to the contrary.

### 5. Hazardous Materials

Appellants claim that the Project may result in significant air quality impacts, despite applied mitigations. No substantial evidence is provided in support of this contention.

Contrary to Appellants' statements, the FMND adequately evaluated Project air quality impacts to sensitive receptors, beginning on pg. 57. Following publication, a more detailed health risk assessment ("HRA") was prepared to evaluate construction and operational health risk impacts to receptors in the immediate area, including nearby workers.

Thus, Appellants' claim that no HRA was prepared for the Project is incorrect.

The HRA determined that, with implementation of adopted mitigation measure M-AQ-4a: Clean Off-Road Construction Equipment, the Project would not exceed the air district's or city's health risk thresholds for chronic index, cancer risk, or particulate matter. The HRA further determined that project operations would result in less-than-significant impacts to residential or

worker sensitive-receptors, with implantation of adopted mitigation measure M-AQ-4b: Clean Diesel Generators for Building Operations. On the basis of this information, the FMND properly concludes that the Project would result in less-than-significant air quality impacts to nearby residents and office workers.

### 6. *Geology and Soils*

Appellants claim that the FMND does not adequately evaluate geotechnical impacts on adjacent buildings, including potential impacts from soil settlement, dewatering, and liquefaction. This is incorrect.

Rather, the FMND appropriately accounts for the existence of stringent local and state building code requirements and mandated review process related to building foundation and structural design, which the Project will be required to implement as a matter of law.

During environmental review, the local agency considers whether Project construction could have a substantial adverse effect on soils or geologic features, and if it can be feasibly constructed and supported by underlying soils conditions. This information is provided via a preliminary geotechnical report prepared by a licensed professional which includes preliminary investigation and description of site, soil, geologic and groundwater conditions at the Property as well as recommendations regarding future grading, seismic design, foundation types, shoring and protection of adjacent buildings. Appellants provide no evidence to suggest the FMND's analysis of this preliminary information is inadequate.

Following environmental review and entitlement, projects must undergo detailed, design-level geotechnical and structural review by the San Francisco Department of Building Inspection ("**DBI**"). Recommendations from the preliminary geotechnical report must be incorporated into construction-level drawings and documents. DBI then reviews these materials to ensure a structure can be safely constructed *in accordance with all applicable state and local codes*. For example, the California Building Code includes specific provisions for protection of adjoining properties, <sup>10</sup> which must be addressed during structural plan review. Further, DBI Administrative Bulletin 082 provides mandatory procedures for structural design review including guidelines for independent structural system review.

The FMND properly determined that Project was feasible from a geotechnical standpoint, and that compliance with all mandatory provisions of state and local building codes would ensure that it will not result in significant geology or soils impacts. Appellants provide no substantial evidence to the contrary.

### E. PROJECT MITIGATIONS ARE FEASIBLE AND MEET CEQA STANDARDS

Appellants allege the FMND improperly defers mitigation of potential impacts related to geology and soils, noise and vibration, historic resources and hazardous materials by requiring

<sup>&</sup>lt;sup>10</sup> California Building Code § 3307.

preparation of future reports and associated recommendations without specifying final performance standards. These claims are incorrect and disregard both the content of Project mitigations and well-established CEQA review standards.

CEQA generally requires lead agencies to identify potentially significant environmental impacts and formulate mitigation measures before project approval.

However, CEOA Guidelines expressly allow the specific details of a mitigation measure to "be developed after project approval when it is impractical or infeasible to include those details during the project's environmental review" so long as the agency "(1) commits itself to the mitigation, (2) adopts specific performance standards the mitigation will achieve, and (3) identifies the type(s) of potential action(s) that can feasibly achieve that performance standard and that will considered, analyzed, and potentially incorporated in the mitigation measure." This concept is also confirmed in caselaw. 12

Mitigation measures provided in the FMND meet these requirements by committing the sponsor to clear mitigation actions; providing detailed performance standards for each measure to ensure their effectiveness; and specifying the timing of all required actions. Compliance with adopted mitigation measures was made a condition of Project approval by the Planning Commission.

CEQA Guidelines are also clear that compliance "with a regulatory permit or other similar process may be identified as appropriate mitigation if compliance would result in implementation of measures that would be reasonably expected, based on substantial evidence in the record, to reduce the significant impact to the specified performance standards."<sup>13</sup>

As applied to potential geology and soils impacts, the FMND appropriately determines that state and local regulations uniformly applied to all development projects in the city would ensure that the Project will not result in significant impacts. Appellants provide no evidence that compliance with these standards cannot be reasonably expected to reasonably reduce potential environmental impacts.

Appellants' claims regarding insufficiency of Project mitigations measures are speculative and unsupported by substantial evidence in the record.

<sup>&</sup>lt;sup>11</sup> *Id*.

<sup>&</sup>lt;sup>12</sup> See e.g. Center for Biological Diversity v. Department of Fish & Wildlife (2015) 234 Cal.App.4th 214, 248 (concluding an EIR did not improperly defer formulation of mitigation measures); East Oakland Stadium Alliance v. City of Oakland (2023) 89 Cal. App.5th 1226, 1254-1259 (holding a proposed mitigation measure satisfied the requirements of CEQA Guidelines § 15126.4); Oakland Heritage Alliance v. City of Oakland (2011) 195 Cal.App.4th 884, 907 (concluding "the City did not improperly defer mitigation"); Ocean Street Extension Neighborhood Assn. v. City of Santa Cruz (2021) 73 Cal.App.5th 985, 1009 (holding mitigation measures were "neither vague nor deferred").

<sup>&</sup>lt;sup>13</sup> CEOA Guidelines § 15126.4(a)(1)(B); see also Tracy First v. City of Tracy (2009) 177 Cal.App.4th (holding "the City did not fail to proceed in the manner required by law when it relied on the California Building Energy Efficiency Standards in determining that the project would not have a significant energy impact")

### F. CONCLUSION

Appellants have not met the standard required to overturn the FMND. Their appeal letters and associated materials are filled with conjecture, opinion, erroneous statements and speculation unsupported by fact. Because they provide no substantial evidence supporting a fair argument of significant environmental impacts, the FMND must be upheld and no further environmental review required.

Very truly yours,

REUBEN, JUNIUS & ROSE, LLP

Melinda A. Sarjapur

### Enclosures:

Exhibit A – Approved Project Plans

Exhibit B - Planning Commission Motion No. 21730

Exhibit C - Sponsor's brief submitted to the Planning Commission

cc: Supervisor Connie Chan

Supervisor Stephen Sherrill

Supervisor Danny Sauter

Supervisor Beya Alcaraz

Supervisor Bilal Mahmood

Supervisor Matt Dorsey

Supervisor Myrna Melgar

Supervisor Jackie Fielder

Supervisor Shamann Walton

Supervisor Chyanne Chen

Angela Calvillo, Clerk of the Board

Lisa Gibson, Environmental Review Officer, Planning Department

## **EXHIBIT A**



# 570 MARKET ST

570 Market Street San Francisco, CA 94104

## CONFORMANCE SET 05/10/2024

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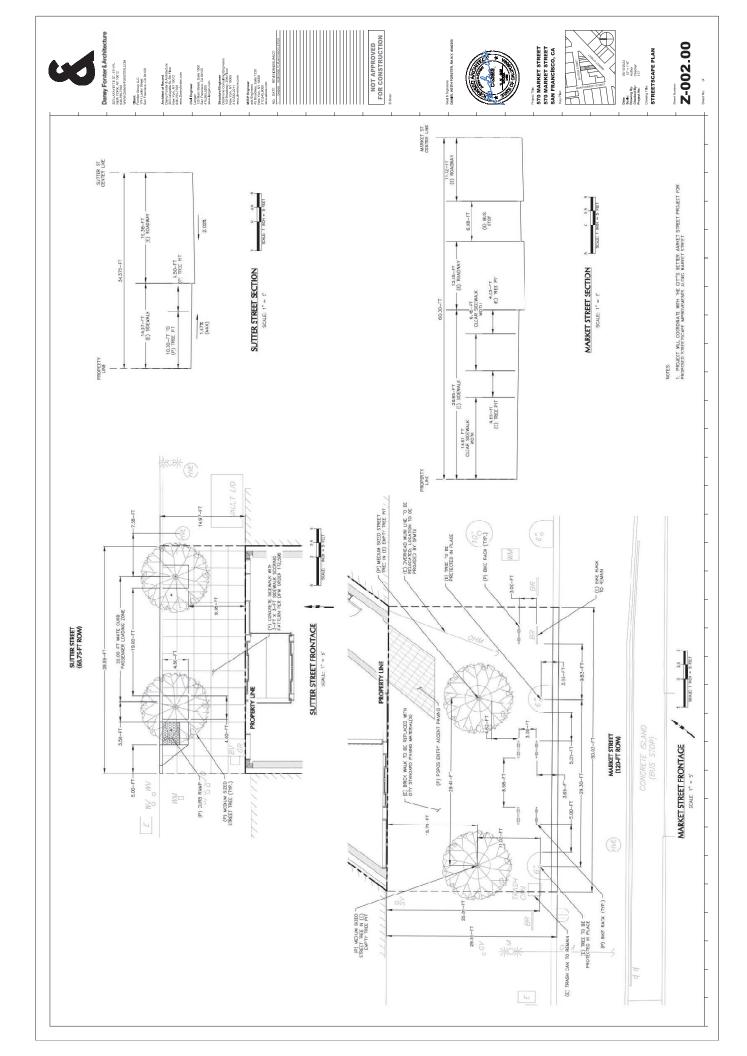
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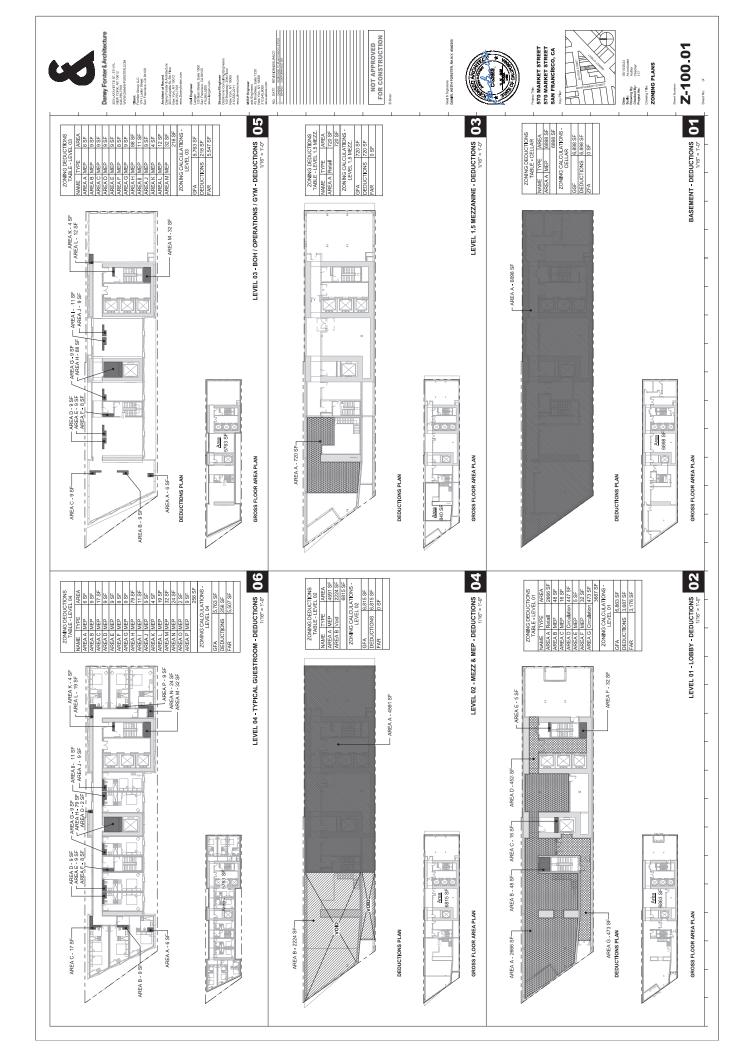
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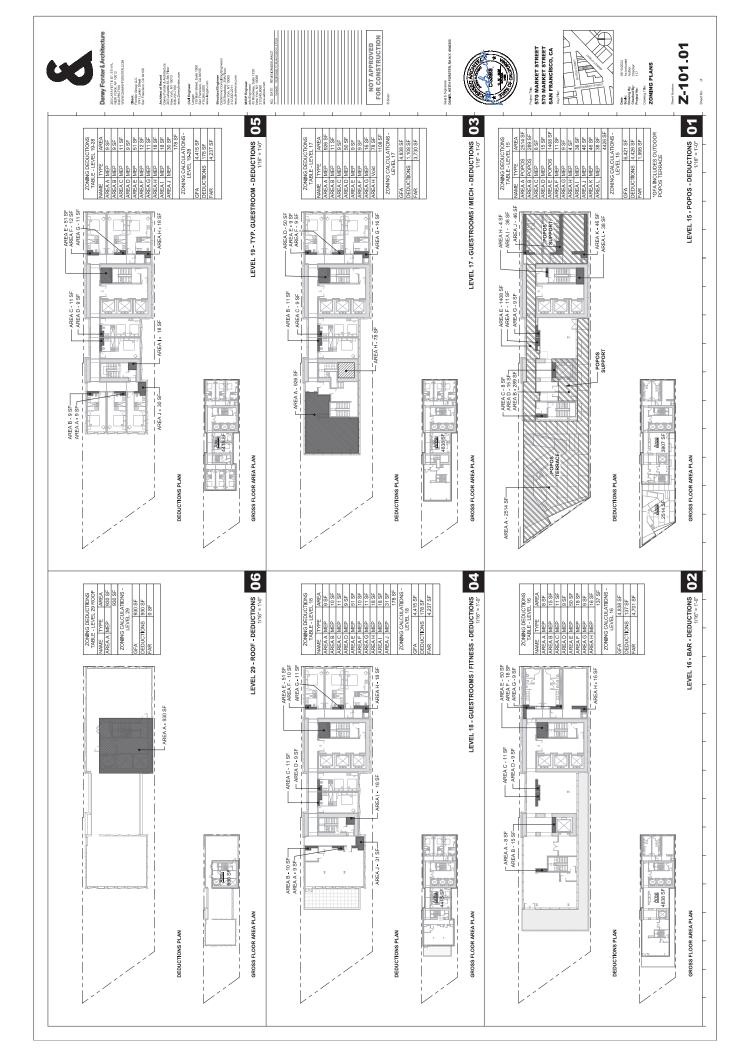


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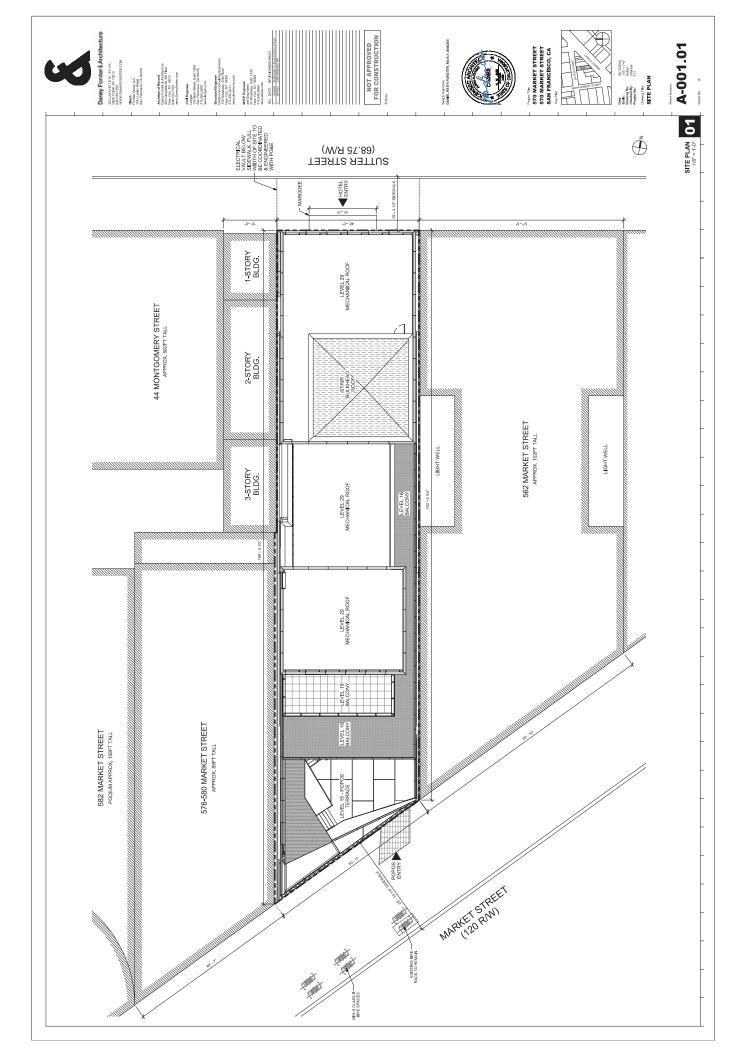
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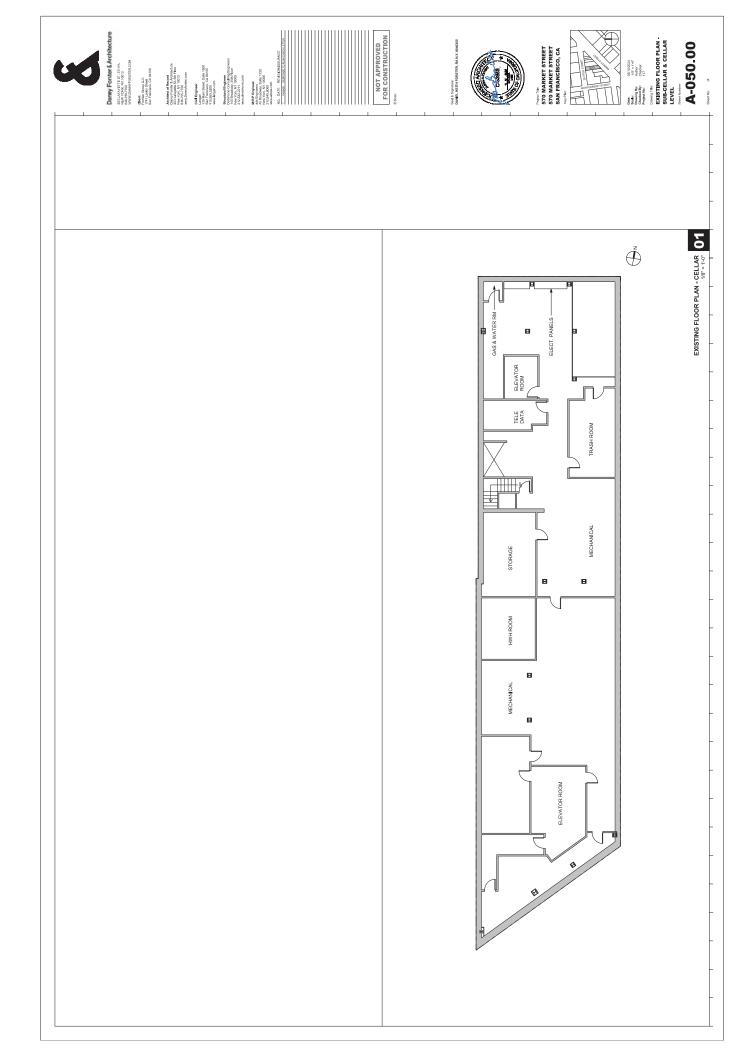
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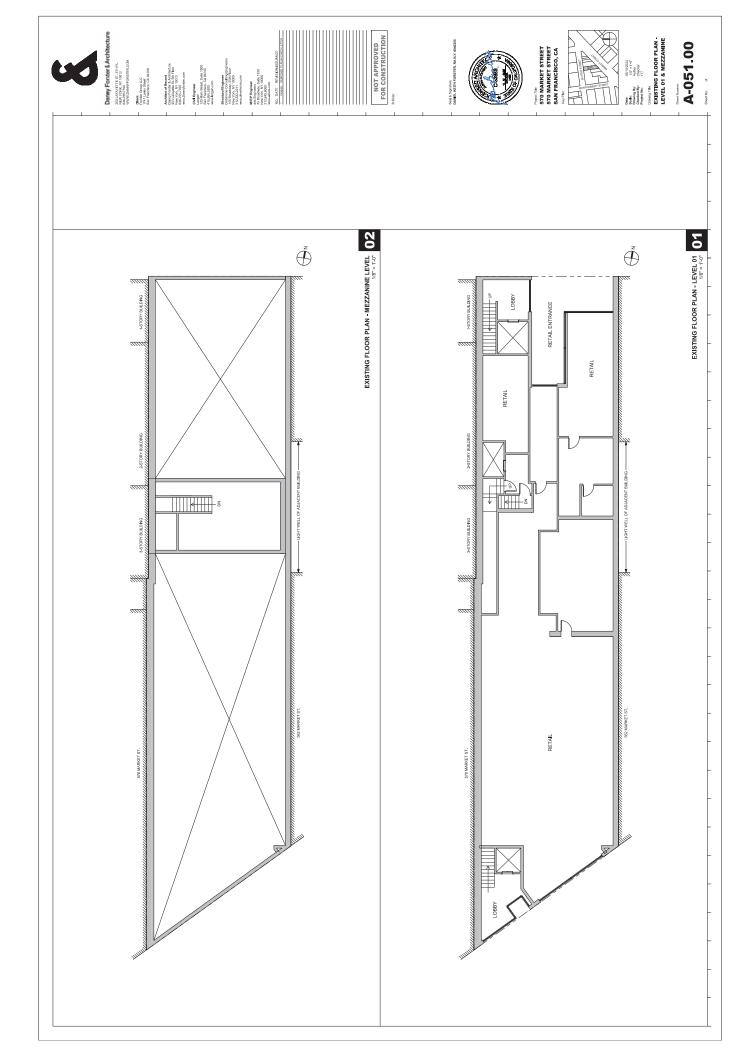
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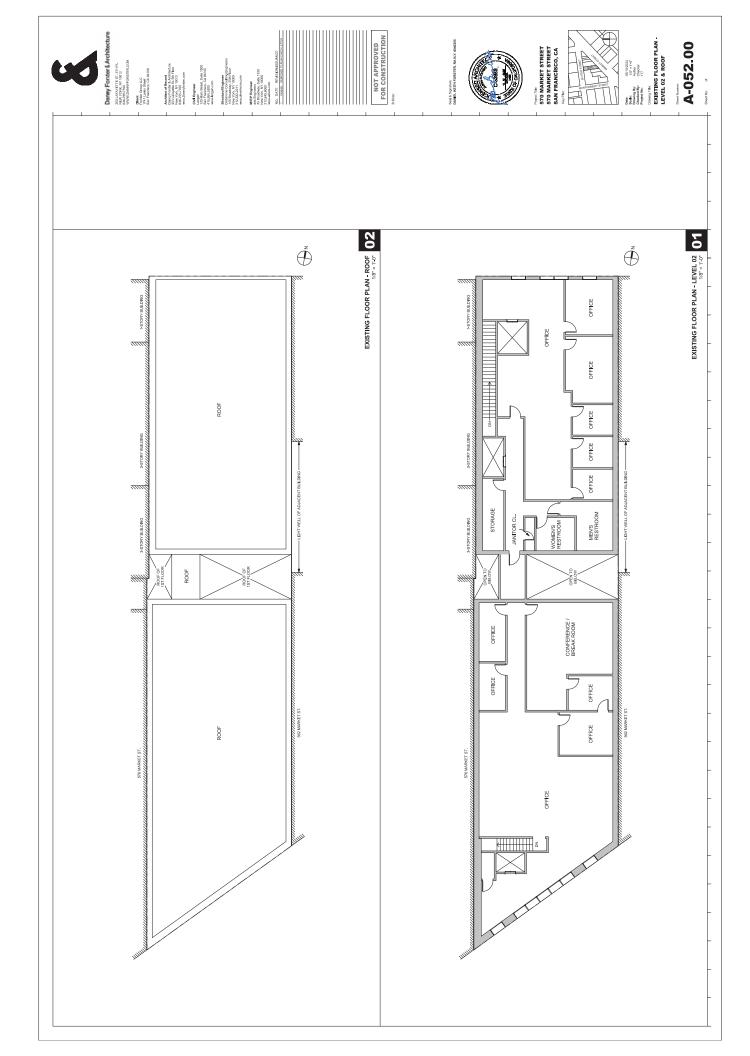
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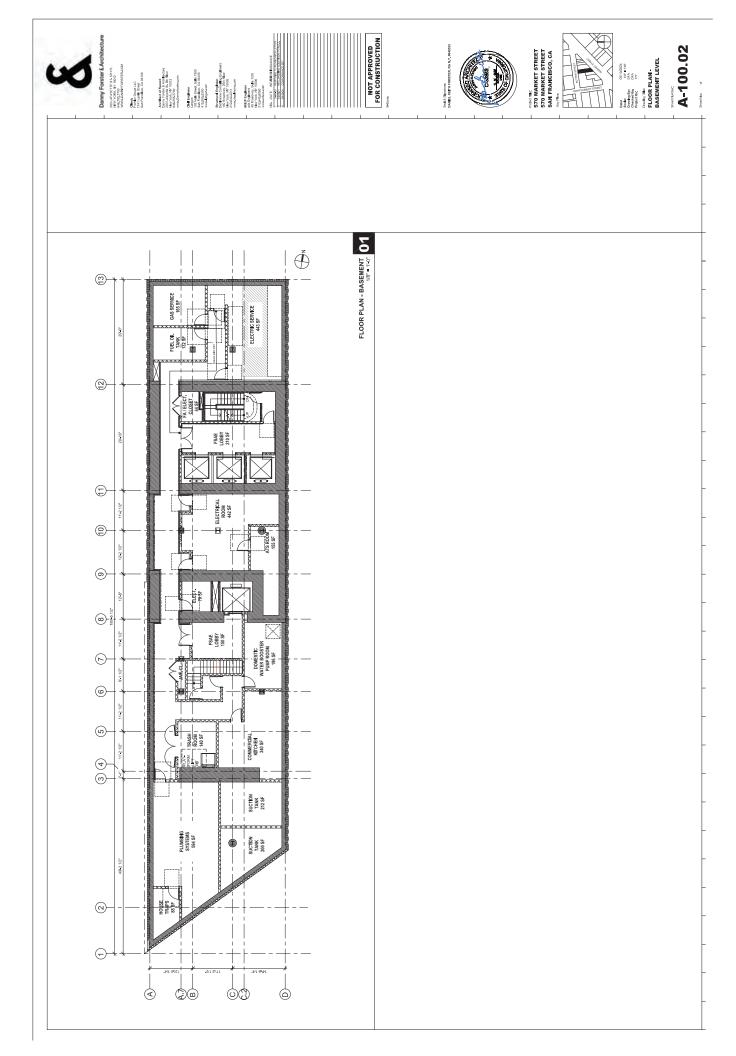
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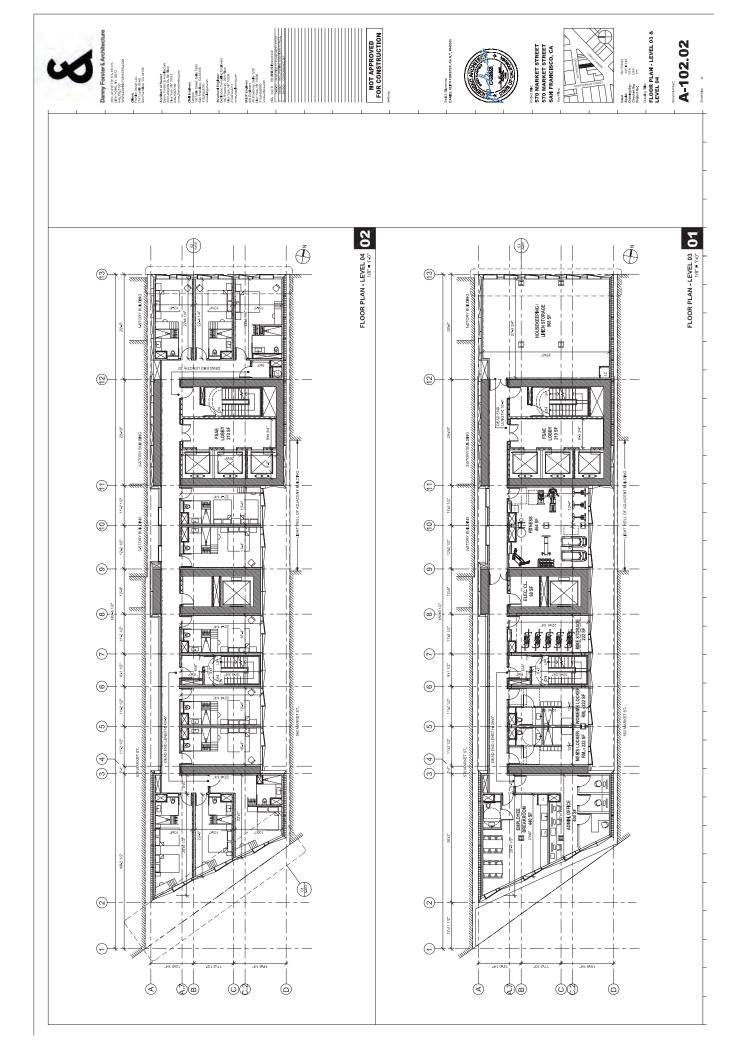


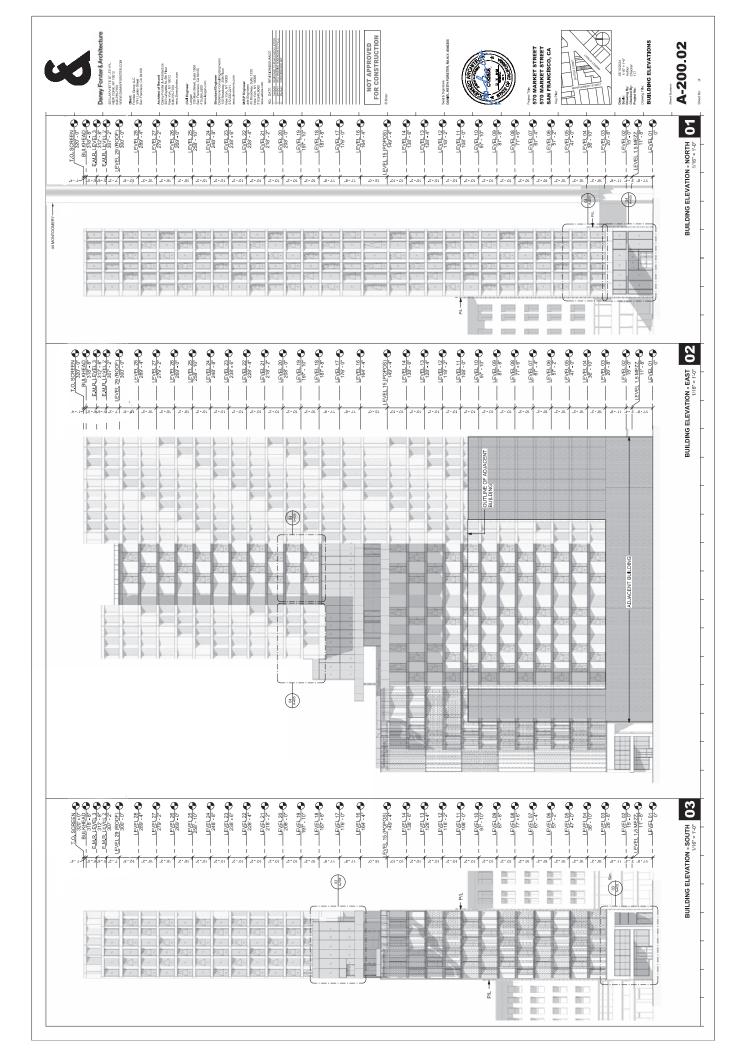


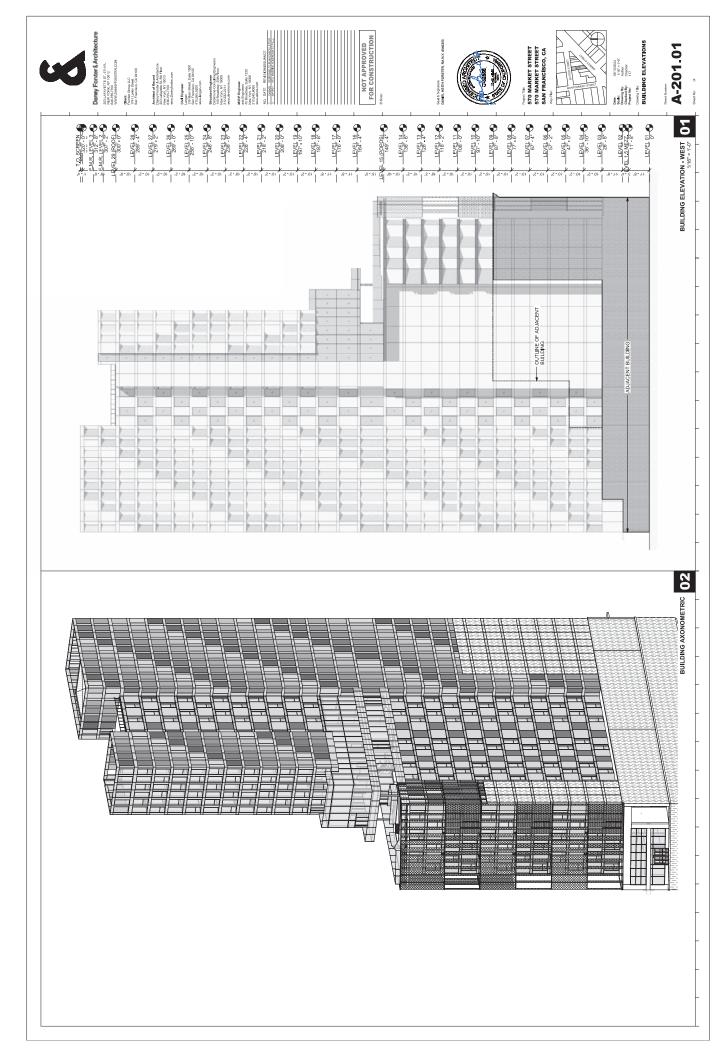


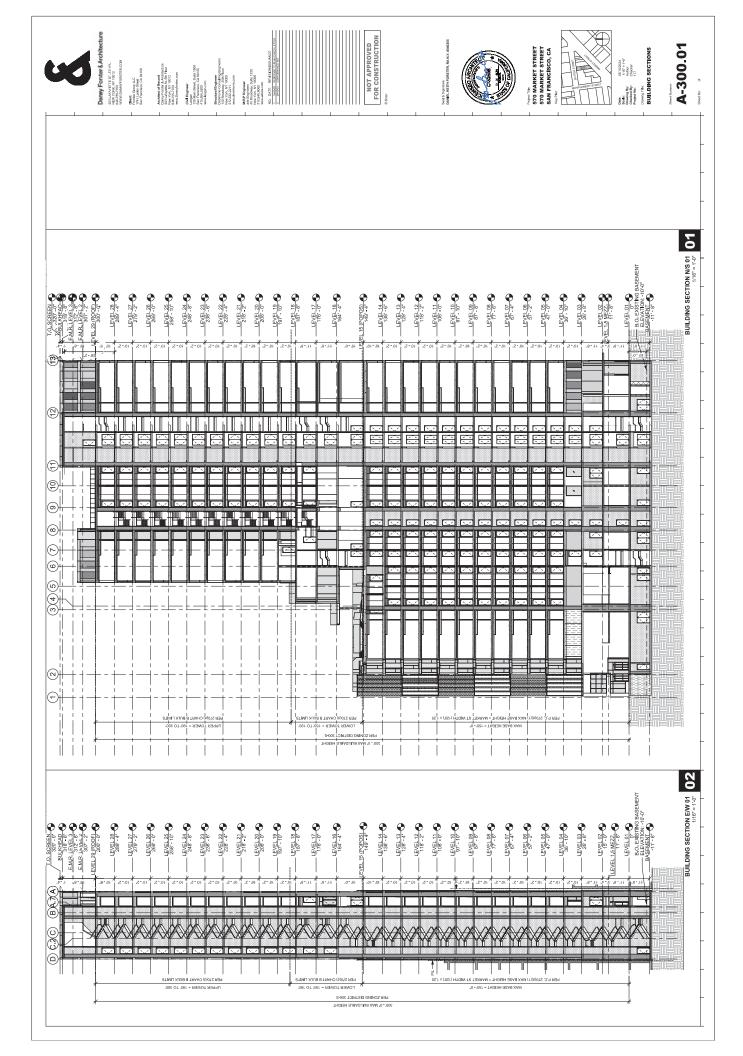


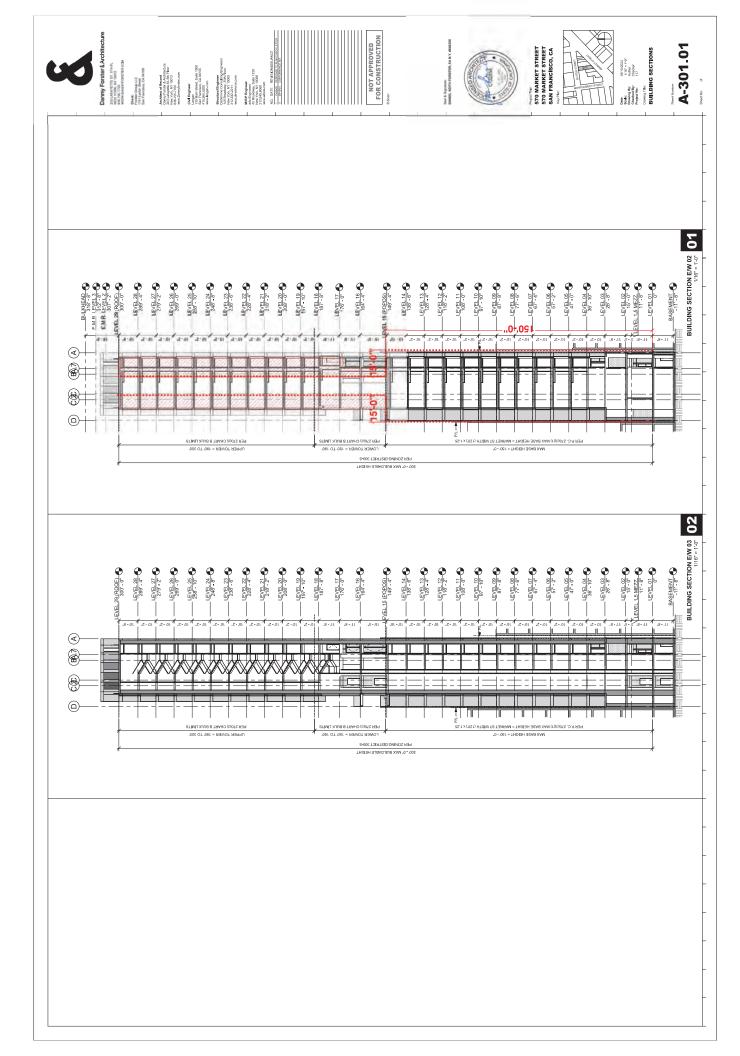


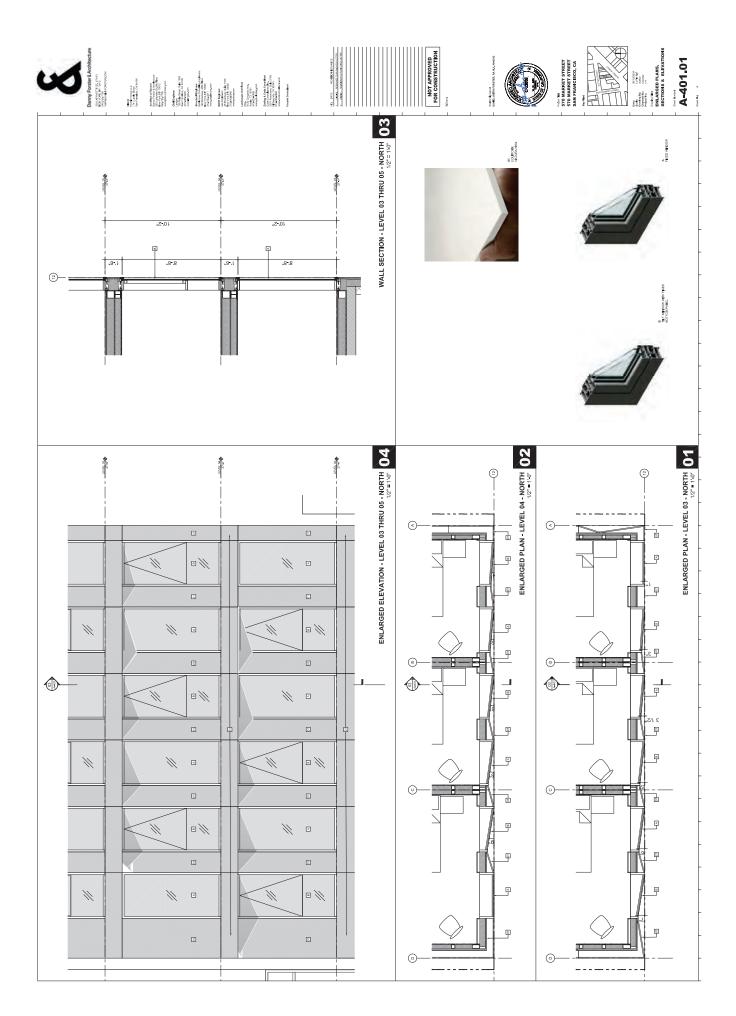


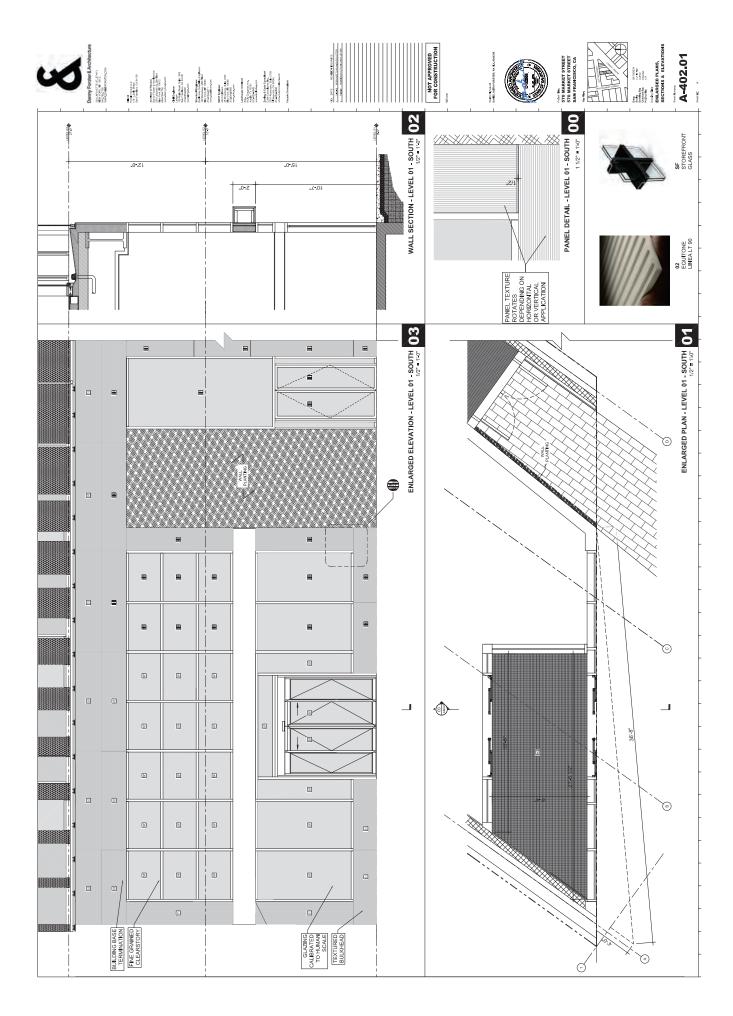


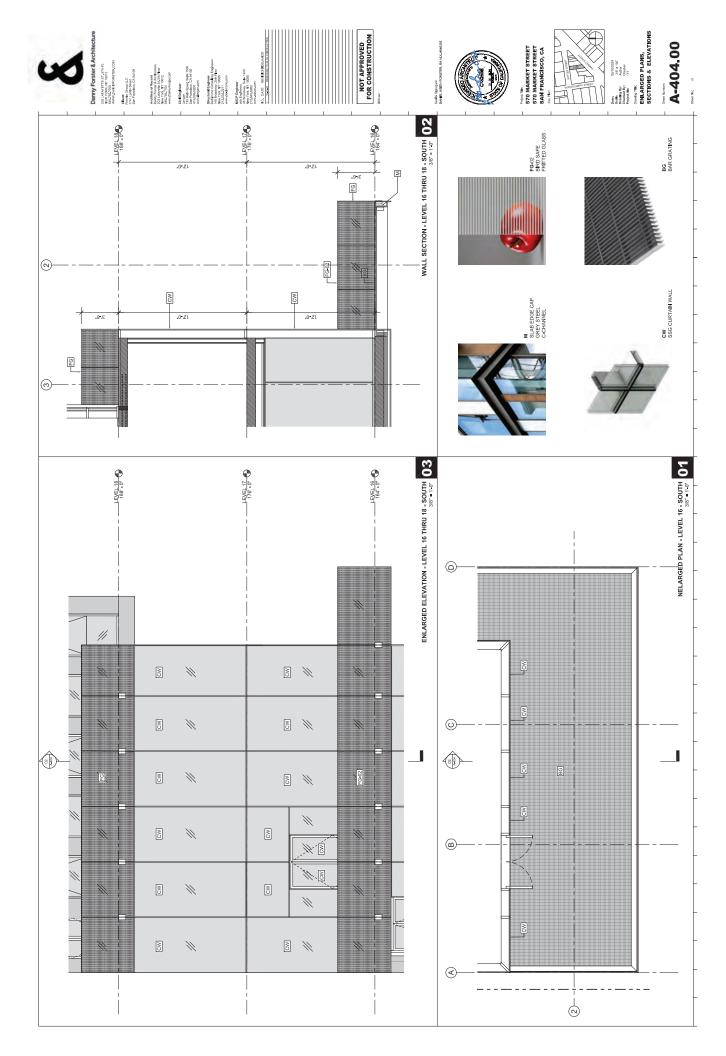




















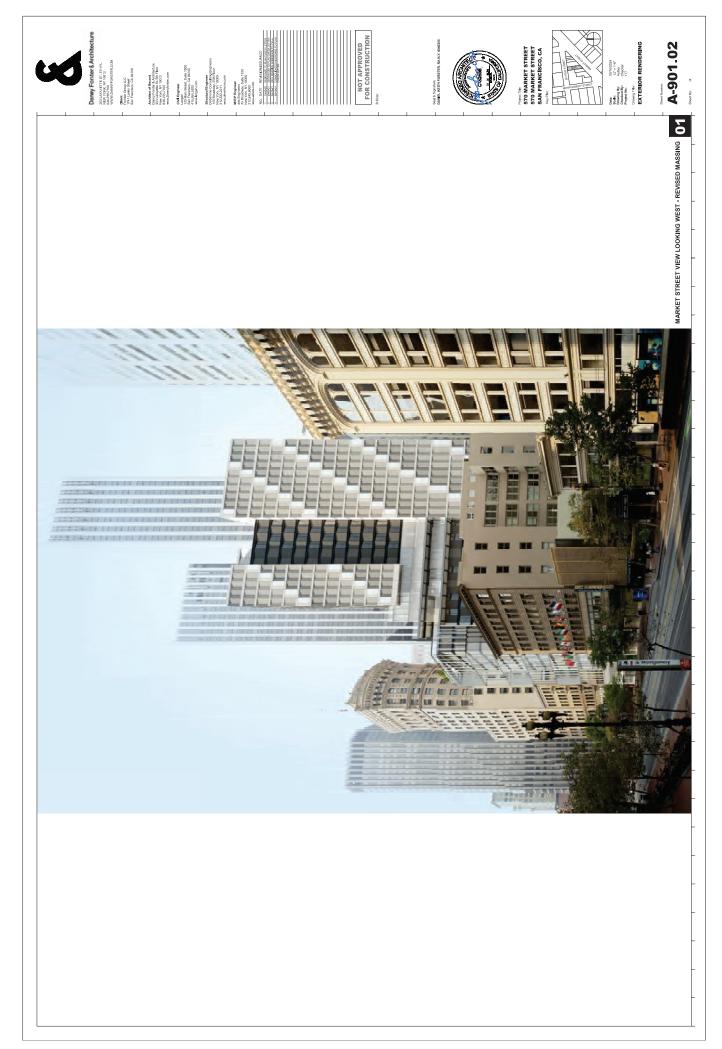




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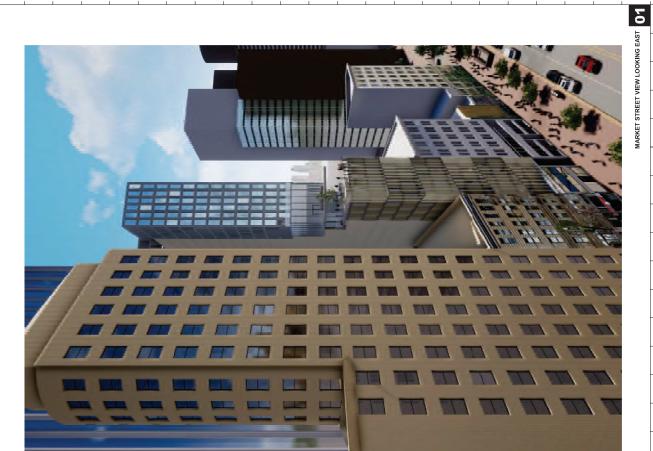
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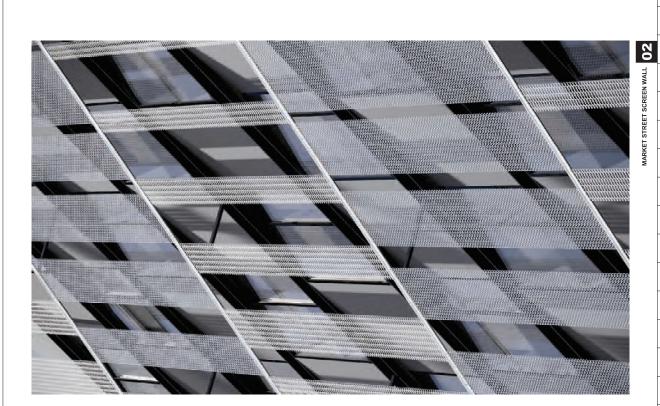
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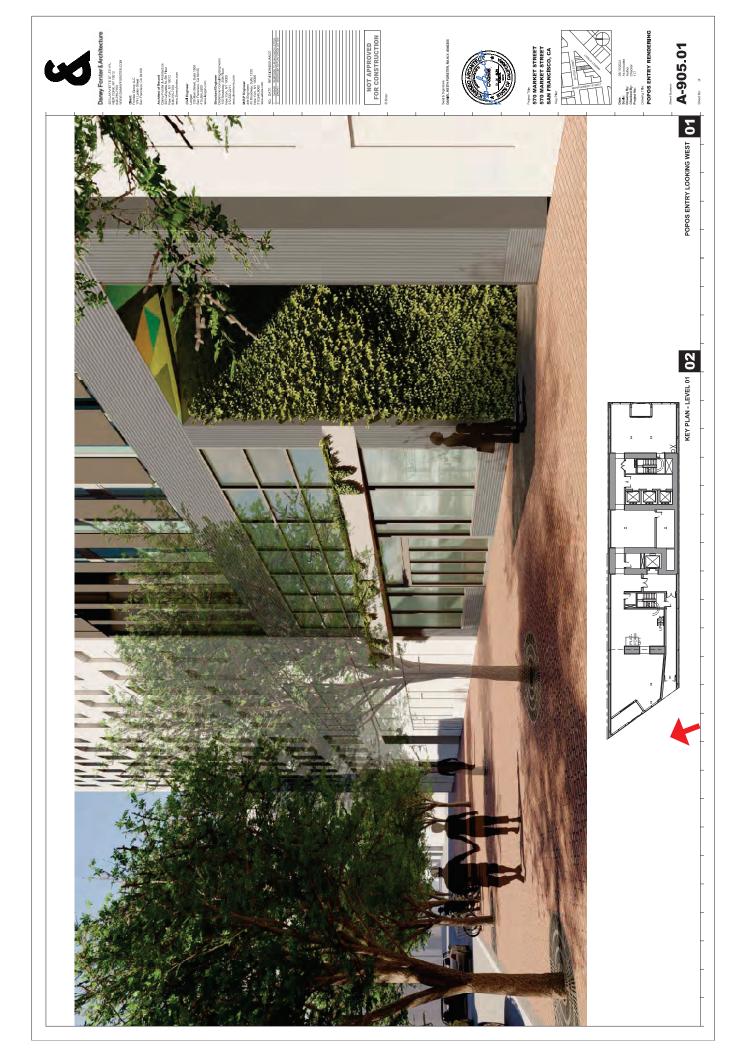


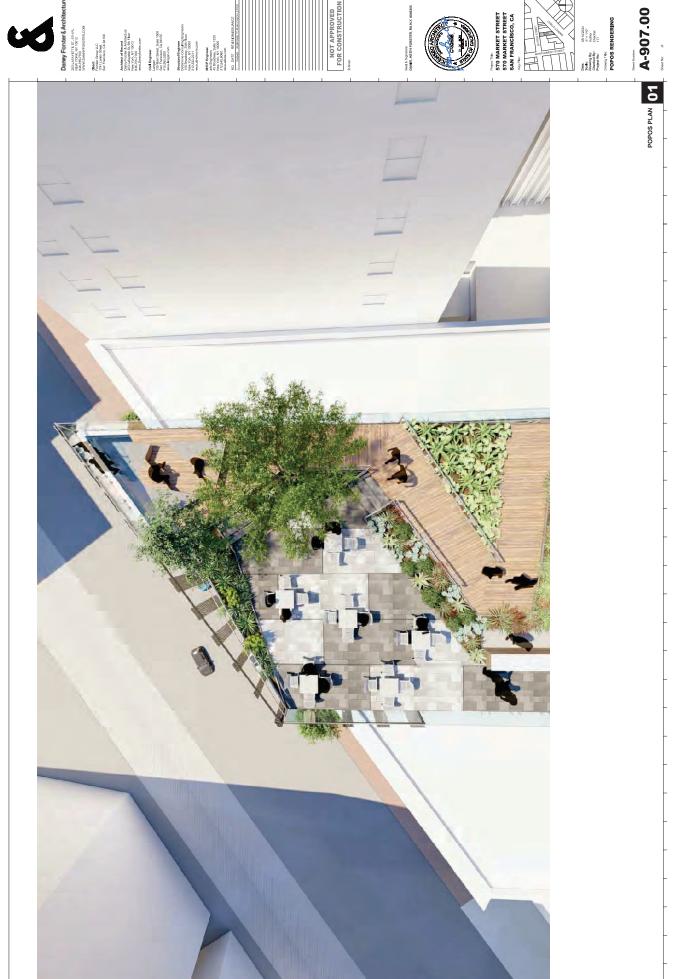






























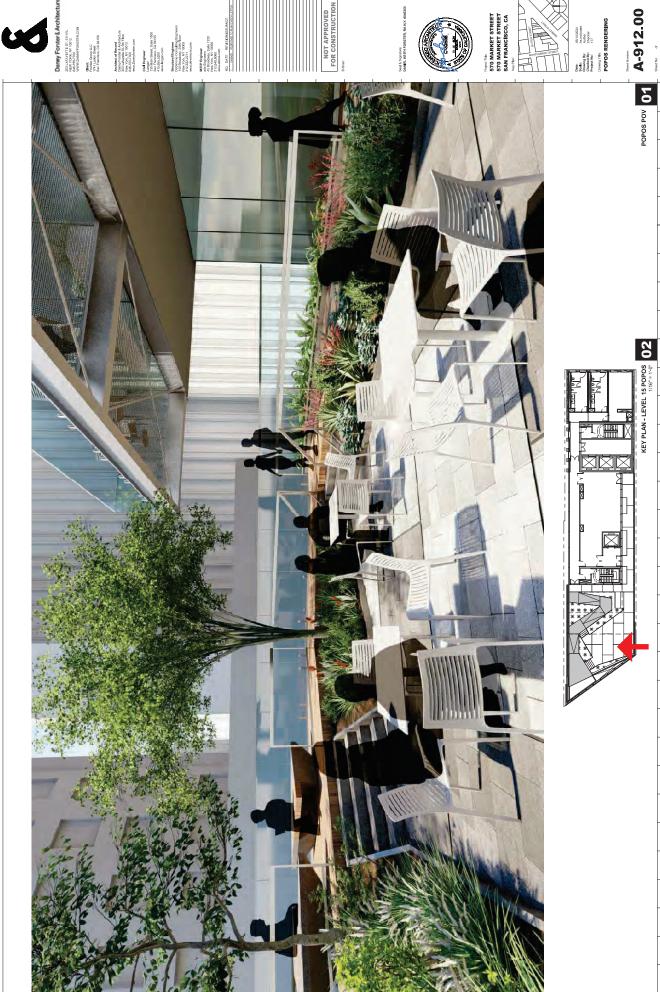








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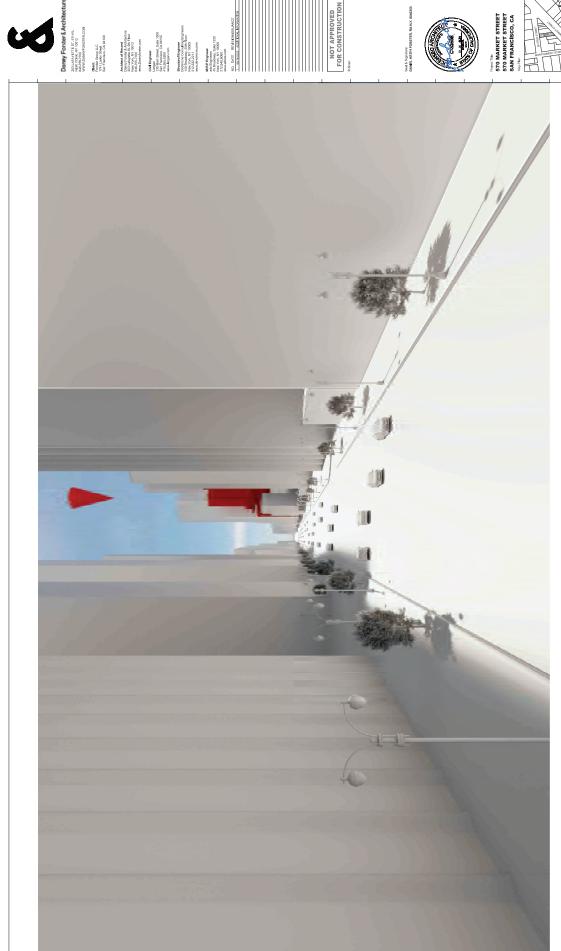
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## **EXHIBIT B**



### PLANNING COMMISSION MOTION NO. 21730

**HEARING DATE: May 1, 2025** 

Case No.: 2019-017622ENV Project Title: **570 Market Street** 

Zoning: C-3-O - Downtown Office

300-S Height and Bulk District

Block/Lot: 0291/013

Lot Size: 7,059 square feet

Project Sponsor: Melinda Sarjapur, msarjapur@reubenlaw.com, (415) 567-9000

Staff Contact: Ryan Shum, ryan.shum@sfgov.org, (628) 652-7542

ADOPTING FINDINGS RELATED TO THE APPEAL OF THE PRELIMINARY MITIGATED NEGATIVE DECLARATION, FILE NUMBER 2019-017622ENV, FOR THE PROPOSED DEVELOPMENT ("PROJECT") AT 570 MARKET STREET.

MOVED, that the San Francisco Planning Commission (hereinafter "Commission") hereby AFFIRMS the decision to issue a mitigated negative declaration, based on the following findings:

- 1. On October 1, 2019, pursuant to the provisions of the California Environmental Quality Act ("CEQA"), the State CEQA Guidelines, and Chapter 31 of the San Francisco Administrative Code, the Planning Department ("Department") received an environmental evaluation application for the project, in order that it might conduct an initial evaluation to determine whether the project might have a significant impact on the environment.
- 2. On October 30, 2024, the Department determined that the project, as proposed, could not have a significant effect on the environment.
- 3. On October 30, 2024, a notice of availability that a mitigated negative declaration would be issued for the project was duly published in a newspaper of general circulation in the City, and the preliminary mitigated negative declaration posted in the Department offices and distributed all in accordance with law.
- 4. On November 20, 2024, two appeals of the decision to issue a mitigated negative declaration were timely filed by Brian Flynn, on behalf of BCal 44 Montgomery Property LLC, and Edward Shaffer, on behalf of Chelsea Pacific Group, LLC (appellants).
- 5. A staff memorandum, dated April 18, 2025, addresses and responds to all points raised by the appellants in the appeal letter. That memorandum is attached as Exhibit A and staff's findings as to those points are incorporated by reference herein as the Commission's own findings. Copies of that memorandum have been delivered to the Planning Commission, and a copy of that memorandum is

on file and available for public review at the San Francisco Planning Department, 49 South Van Ness, Suite 1400.

- 6. On May 1, 2025 the Commission held a duly noticed and advertised public hearing on the appeal of the preliminary mitigated negative declaration, at which testimony on the merits of the appeal, both in favor of and in opposition to, was received.
- 7. All points raised in the appeal of the preliminary mitigated negative declaration at the May 1, 2025 Planning Commission hearing have been responded to either in the memorandum or orally at the public hearing.
- 8. After consideration of the points raised by the appellants, both in writing and at the May 1, 2025 hearing, the San Francisco Planning Department reaffirms its conclusion that the proposed project could not have a significant effect upon the environment.
- 9. In reviewing the preliminary mitigated negative declaration issued for the project, the Planning Commission has had available for its review and consideration all information pertaining to the project in the Planning Department's case file.
- 10. The Planning Commission finds that the Planning Department determination on the mitigated negative declaration reflects the Department's independent judgement and analysis.

The San Francisco Planning Commission HEREBY DOES FIND that the project could not have a significant effect on the environment, as shown in the analysis of the mitigated negative declaration, and HEREBY DOES AFFIRM the decision to issue a mitigated negative declaration, as prepared by the San Francisco Planning Department.

I hereby certify that the foregoing Motion was ADOPTED by the Planning Commission on May 1, 2025.

Jonas P. Ionin

**Commission Secretary** 

AYES: Campbell, McGarry, Williams, Braun, So

NAYS: Imperial, Moore

ABSENT: None

ADOPTED: May 1, 2025

# EXHIBIT A PLANNING DEPARTMENT RESPONSE TO THE PMND APPEALS



## **EXHIBIT A TO DRAFT MOTION** PLANNING DEPARTMENT RESPONSE TO APPEAL OF PRELIMINARY MITIGATED NEGATIVE DECLARATION

#### **570 MARKET STREET**

April 18, 2025 Date:

San Francisco Planning Commission To:

From: Ryan Shum, Senior Planner - ryan.shum@sfgov.org, (628) 652-7542

RE: Appeal of Preliminary Mitigated Negative Declaration of 570 Market Street

Planning Case No. 2019-017622ENV and 2019-017622APL

Hearing Date: May 1, 2025 (Continued from the December 12, 2024 hearing)

Project Sponsor: Melinda Sarjapur, msarjapur@reubenlaw.com, (415) 567-9000

Appellants: Brian Flynn, Lozeau Drury LLP on behalf of BCal 44 Montgomery Property LLC and

Edward L. Shaffer, Burke, Williams & Sorensen, LLP on behalf of Chelsea Pacific Group, LLC

Attachment A - Health Risk Assessment Attachments:

Attachment B - Updated Construction Noise Tables

#### Introduction

This memorandum is in response to two letters of appeal to the board of supervisors (the board) filed on November 20, 2024 regarding the planning department's (the department) issuance of a preliminary mitigated negative declaration (PMND) under the California Environmental Quality Act (CEQA) for the proposed 570 Market Street project. This memorandum also responds to supplemental letters of appeal filed by the same appellants, as further described below. Copies of all the appeal letters are included with this appeal response packet as Exhibit B.

The department, pursuant to section 21064.5 of the CEQA Statute, issued a mitigated negative declaration for the proposed project on October 30, 2024, finding that the project would not result in a significant effect on the environment.

The decision before the board is whether to uphold the department's decision to issue a PMND and deny the appeal, or to overturn the department's decision to issue a PMND and return the project to department staff for additional environmental review.

#### **Site Description and Existing Use**

The 7,045-square-foot project site is located on the north side of Market Street within the triangular block bound by Market Street to the southeast, Sutter Street to the north, and Montgomery Street to the west, in the Financial District neighborhood. The project site is currently occupied by two separate two-story commercial buildings over a shared one-story basement level of approximately 16,195-gross-square feet. The project site does not contain any off-street vehicle or bicycle parking. The project site is relatively flat and does not have any curb cuts. There are currently two sidewalk trees on the project's Market Street frontage. The project site is in a C-3-O (Downtown Office) use district and a 300-S height and bulk district.

#### **Project Description**

The proposed project would demolish the two existing two-story-over-basement buildings and construct a 29-story, approximately 300-foot-tall building containing hotel uses. The new building, which would extend over the entire parcel, would provide approximately 3,400 gross square feet of retail space on the ground floor and mezzanine levels fronting Market Street and an approximately 123,000-square-foot hotel space that would accommodate about 211 guest rooms. The project would provide approximately 4,200 gross square feet of privately owned public open space (POPOS), which would include a 2,300-square-foot outdoor terrace and 1,900 square feet of indoor support space for the dedicated public entrance and elevator lobby to the POPOS. The project would be supported on a hybrid foundation that would consist of a four-foot mat slab supporting the approximate southern half of the building. The remaining building portion would be supported by a 6- to 10-foot foundation bearing on 6-foot-diameter piles that would be drilled approximately 40 feet into bedrock, for a total length of around 160 feet under the mat slab.

Project construction is anticipated to last approximately 24 months and would require excavation of the total site footprint (7,045 square feet) to approximately 7 to 13 feet below ground surface (bgs). Overall, excavation of the basement levels would require removal of approximately 3,900 cubic yards of soil.

The project would require the following approvals from the Planning Commission:

- A conditional use authorization from the planning commission under Planning Code section 303 to permit hotel uses.
- A Downtown Project Authorization under Planning Code section 309 for projects within a C-3 zoning district greater than 50,000 square feet in area or 75 feet in height and for granting exceptions to the requirements of certain sections of the Planning Code.



PMND Appeal Case No. 2019-017622APL Hearing Date: May 1, 2025 570 Market Street

#### **Background**

The following bullet points provide a chronological summary of the various actions documented in the record related to the proposed project that have occurred since October 2019, when the project sponsor filed for an application for the proposed project:

On October 1, 2019, the project sponsor filed a project application with the department for the project.

- On October 30, 2024, the department issued a PMND for the project determining that the proposed project could not have a significant impact on the environment.
- On November 20, 2024, Brian Flynn, on behalf of BCal 44 Montgomery Property LLC, and Edward Shaffer, on behalf of Chelsea Pacific Group, LLC, owner of the adjacent 564 Market Street (also known as the Chancery Building) (appellants), filed separate appeals of the PMND.
- On November 20, 2024, the 20-day appeal period ended. However, at the time of PMND publication, two technical appendices were inadvertently not available for public review on the department website. As a result, the comment period was extended by an additional 20 days to December 12, 2024, once the appendices became available.

On December 11, 2024, Mr. Shaffer filed a supplemental appeal letter.

On December 12, 2024, the appeal hearing was continued to February 27, 2025.

On February 27, 2025, the appeal hearing was continued to April 3, 2025.

On March 19, 2025, Mr. Flynn filed another supplemental appeal letter and Mr. Shaffer filed two additional supplemental letters. The subject of one of the Shaffer letters, "Re: Objections to Approval," contains concerns regarding the project's code compliance, with none of the stated concerns being related to environmental effects. Therefore, this appeal response does not address any of the concerns brought up in this particular letter as they are not related to CEQA. This appeal response addresses concerns noted in all other appeal letters filed.

On April 3, 2025, the appeal hearing was continued to May 1, 2025.



PMND Appeal Case No. 2019-017622APL Hearing Date: May 1, 2025 570 Market Street

#### **Planning Department Responses**

The Planning Department's responses to concerns raised in the appeal letters are provided below, organized by topic. The appellants have not met the legal burden of proof of providing substantial evidence supporting a fair argument that the project may have a significant environmental impact in order to support their argument that an environmental impact report is required for the project.

Response 1 (Geology and Soils): The PMND appropriately analyzes the potential environmental effects of the proposed project related to geology and soils, providing substantial evidence that the project would not have a significant impact on surrounding structures.

The appellants contend that the PMND fails to evaluate the geotechnical impacts of project construction on surrounding buildings, including impacts related to soil settlement, dewatering, and liquefaction. This contention is incorrect. The PMND analysis correctly accounts for the city's entire review process, with environmental review being one of the initial steps of that process. During the environmental review process, the department considers whether the construction of a proposed project could have substantial adverse effects on soils or geologic features on the project site, and whether a project could be feasibly constructed and supported by the underlying site conditions. This information is typically summarized in a preliminary geotechnical report. The function of a geotechnical report is to provide recommendations by a licensed geotechnical professional to a project's engineer of record, who must then incorporate those recommendations into building permit-level drawings and construction documents, to ensure that the proposed structure can be supported on the proposed foundation system.

Subsequent to the environmental review process, the building department undertakes structural review to ensure that a building can be safely constructed in accordance with all applicable state and local codes. At this stage, the building department reviews more detailed structural plans, which are typically not available, nor required, during the environmental review phase. Instead, environmental review for a project is generally based on a project's architectural plans.

In compliance with these building requirements, the project sponsor submitted a geotechnical report prepared by a licensed geotechnical engineer to the planning and building departments. This report investigated site, soil, geologic, and groundwater conditions of the subject property, and made geotechnical recommendations pertaining to the project's construction.¹ These recommendations address site preparation and grading, seismic design, foundation types, shoring and protection of adjacent buildings, and more. The California Building Code also includes specific provisions, including Protection of Adjoining Properties (section 3307), which must be addressed in the project's structural plans.²

The preliminary geotechnical report concluded that the proposed development is feasible from a geotechnical standpoint, but also acknowledged the need for a design-level geotechnical investigation once more detailed permit-level project drawings are available. As such, the department addressed the limited

<sup>&</sup>lt;sup>2</sup> Ibid.



<sup>&</sup>lt;sup>1</sup> Langan. Preliminary Geotechnical Evaluation: 570 Market St. August 27, 2019.

PMND Appeal Case No. 2019-017622APL Hearing Date: May 1, 2025 570 Market Street

question before it, and correctly concluded that the project could feasibly be constructed on the project site and would not result in any significant impacts related to geology or soils.

#### Administrative Bulletin 082 and Impacts to Adjacent Structures

Additionally, building department Administrative Bulletin 082 (AB 082), Guidelines and Procedures for Structural Design Review, applies to the proposed project under the San Francisco Building Code and specifies the guidelines and procedures for independent structural and geotechnical design review during the application review process for a building permit. The scope of services for geotechnical engineering review required under AB 082 includes assessment of the project's proposed foundation system and its appropriateness for the structure and ground conditions on the site, the potential effects of construction activities, the predicted foundation settlement, and the project's potential long-term interaction with foundations of existing adjacent and nearby structures.

AB 082 also outlines how the director of the building department would resolve any disputes between the structural design reviewer and the project's structural and geotechnical engineers of record. The building department would review the final building plans (construction plans) for conformance with recommendations of the site-specific, design-level geotechnical evaluation to ensure compliance with state and local building codes, including AB 082. This building permit application review process would occur prior to the issuance of construction permits and would ensure that the proposed project would not result in significant geology and soils impacts, including significant adverse impacts to existing nearby structures.

In summary, the project is required to comply with the city's project review process, which would entail detailed, design-level geotechnical and structural review by the building department. Compliance with all mandatory provisions of the California Building Code and San Francisco Building code would ensure that the project would not result in significant geology or soils impacts. Therefore, no mitigation measures are required. During the environmental review stage, the department addresses the limited question of whether a project can feasibly be constructed on the project site based on the site's underlying soil conditions and site context. Based on the project's preliminary geotechnical report, the department has correctly determined that the project is feasible and would not result in any significant impacts to geology or soils. The appellants have not provided evidence to support a fair argument that the project would result in significant geology and soils impacts.

# Response 2 (Air Quality): Substantial evidence provided in the PMND and additional health risk analysis conducted since then, establishes that the proposed project would not result in any significant impacts related to air quality.

The appellants contend that demolition and construction activities will expose the public to significant adverse levels of air pollution, including from asbestos and lead-based paints and construction dust. Additionally, the appellants contend that construction activities could increase cancer risks for people living and working in the area, and that nearby office workers should be treated as sensitive receptors.



#### **Construction Dust**

With regards to construction dust impacts, studies have shown that the application of best management practices at construction sites significantly control fugitive dust and reduce fugitive dust by up to 98 percent, as described on page 50 of the PMND.<sup>3,4</sup> As such, they are an effective strategy for controlling construction-related fugitive dust. As described on pages 54 and 55 of the PMND, the project would be required to comply with the city's Construction Dust Control Ordinance and implement best management practices to reduce control construction dust. Such measures include wetting down areas around soil improvement operations, placement of upwind and downwind particulate dust monitors, limiting areas subject to excavation, grading, and other demolition or construction activities at any given time, and the like. These measures would be required as a matter of law already applicable to the proposed project. Accordingly, this impact was determined to be less than significant and no mitigation measure is required.

#### Construction and Operational Air Quality Impacts

The project's construction and operational air pollution impacts are discussed under Impact AQ-4, starting on page 57 of the PMND. The PMND evaluated the air quality health risk impact of the project to sensitive receptors near the project site, with the closest analyzed receptor located approximately 395 feet away from the project site. Following the publication of the PMND, a more detailed health risk assessment was prepared to evaluate construction and operational health risk impacts to receptors in the immediate vicinity of the project site, including worker receptors directly adjacent to the project site (see PMND text revisions – Exhibit C).<sup>5</sup> Thus, the revised PMND addresses worker receptors as sensitive receptors and presents results of toxic air pollutants on workers located in office buildings located adjacent to the project site. The health risk assessment modeled project-specific emissions based on the proposed land uses, construction schedule, construction equipment list and construction trip information, as provided by project sponsor.

The health risk assessment determined that, with the implementation of mitigation measure M-AQ-4a: Clean Off-Road Construction Equipment, which would be required as condition of project approval, the construction of the proposed project would not exceed the air district's or city's health risk thresholds for chronic hazard index, cancer risk, or PM<sub>2.5</sub>. As described in the PMND, the use of clean construction equipment can reduce construction emissions by 93 to 96 percent as compared to fleet average. Therefore, as concluded in the PMND and substantiated through additional health risk emissions modeling, the proposed project would result in a less-than-significant impact to nearby sensitive receptors related to construction toxic air contaminants, including the adjacent office building abutting the project site.

The project-specific health risk assessment also determined that operation of the project would result in a less-than-significant impact to residential or worker receptors with the implementation of mitigation

Ramboll. Air Quality Health Risk Assessment Methodology and Results Memo: 570 Market Street, San Francisco, CA. January 2025.



Western Regional Air Partnership. 2006. WRAP Fugitive Dust Handbook. September 7, 2006. This document is available online at https://www.env.nm.gov/wp-content/uploads/sites/2/2017/02/WRAP\_FDHandbook\_Rev\_06.pdf, accessed January 15, 2025.

<sup>&</sup>lt;sup>4</sup> San Francisco Planning Department. *Air Quality and Greenhouse Gas Analysis Guidelines*. February 2025.

measure M-AQ-4b: Clean Diesel Generators for Building Operations, including to receptors adjacent to the project site.

The internal air circulation system of nearby buildings, which one of the appellants brings up in their letter, is not within the purview of the proposed project. The project site is located in the existing air pollutant exposure zone and sensitive receptors within the zone already experience elevated levels of air emissions. However, as described in the PMND and reiterated above, implementation of air quality mitigation measures and best management practices to reduce construction dust would ensure that the proposed project would not make a considerable contribution to existing significant cumulative health risk impacts in the area.

#### Lead and Asbestos

With respect to lead and asbestos, these impacts are described in the hazards and hazardous materials section of the PMND on pages 96 through 98. Lead and asbestos handling and removal are regulated in accordance with local and state regulations, as well as air district, California Department of Toxic Substances Control, Cal/OSHA, and California Department of Health Services requirements. Specifically, California Health and Safety Code section 19827.5, adopted January 1, 1991, requires that local agencies not issue demolition or alteration permits until a project sponsor has demonstrated compliance with the notification requirements under applicable federal regulations regarding hazardous air pollutants, including lead and asbestos.

The California Legislature vests the local air district, in this case the Bay Area Air District, with the authority to regulate airborne pollutants, including asbestos-containing material, through both inspection and law enforcement. The air district is to be notified 10 days in advance of any proposed demolition or abatement work. Any disturbance of asbestos-containing material at the project site would be subject to the requirements of air district Regulation 11, Rule 2, Hazardous Materials—Asbestos Demolition, Renovation, and Manufacturing. The local office of Cal/OSHA must also be notified of asbestos abatement. Asbestos abatement contractors must follow state regulations contained in California Code of Regulations title 8, section 1529 and sections 341.6 through 341.14, when their work involves 100 gross square feet or more of asbestos-containing material. Pursuant to California law, the building department would not issue the required permit until the project sponsors have complied with the requirements described above.

Work that could result in any disturbance of lead-based paint must comply with San Francisco Building Code section 3423, Work Practices for Lead-Based Paint on Pre-1979 Buildings and Steel Structures. Section 3423 identifies prohibited practices that may not be used when removing lead-based paint, as well as notification requirements. Where work would disturb or remove lead-based paint on the exterior of a building, or the interior of occupied buildings built prior to or on December 31, 1978 – such as the existing structure at 570 Market Street – section 3407 requires specific notification and work standards and identifies prohibited work methods and penalties. The demolition would also be subject to the Cal/OSHA lead in construction standard (California Code of Regulations title 8, section 1532.1). This standard requires development and implementation of a lead compliance plan when materials containing lead are disturbed during construction. The plan must describe activities that could emit lead, methods that would be used to comply with the standard, safe work practices, and a plan to protect workers from exposure to lead during construction.



Cal/OSHA would require 24-hour notification if more than 100 square feet of lead-containing material would be disturbed.

Based on mandatory compliance with existing regulatory requirements, as concluded on page 98 of the PMND, the proposed project would not result in a significant hazard to the public or environment from hazardous materials such as bestos and lead-based paint and the proposed project would result in a less-than-significant impact related to these substances.

In summary, the appellants have not provided a fair argument supported by substantial evidence that the proposed project would result in significant air quality impacts. The PMND's analysis of air quality impacts, as supplemented by the additional health risk assessment conducted to support the department's appeal response, are accurate and sufficient. No further analysis is required.

Response 3 (Noise and Vibration): Based on substantial evidence provided in the PMND and additional analysis conducted for informational purposes, the proposed project would not result in significant impacts related to noise and vibration.

The appellants contend that project construction would have significant noise impacts on nearby office workers and would result in significant vibration impacts on nearby historic structures. Their arguments, however, do not meet the legal standard of providing substantial evidence in support of a fair argument that such a significant impact would occur, for the reasons described below.

#### **Construction Noise**

The project's noise impacts during construction are discussed in the PMND beginning on page 37. Consistent with the *Governor's Office of Planning and Research's General Plan Guidelines 2017*, noise sensitive receptors are defined as: residences, hospitals, convalescent homes, schools, churches and sensitive wildlife habitat (e.g., nesting birds, marine mammals, protected fish species). The planning department also considers hotels and motels as noise sensitive receptors, and commercial and industrial uses are considered noise sensitive uses if they are exposed to noise levels of 100 dBA or higher.

Construction noise is regulated by the San Francisco Police Code, article 29, section 2907. Police Code section 2907 requires that noise levels from individual pieces of construction equipment, other than impact tools, not exceed 80 dBA at 100 feet from the source. Impact tools are not subject to the equipment noise limit provided that impact tools and equipment would have intake and exhaust mufflers recommended by the manufacturers and are approved by the Director of Public Works or the Director of Building Inspection as best accomplishing maximum noise attenuation. Table 7 on page 38 of the PMND describes the typical noise levels of construction equipment anticipated to be used at the site. As dictated by the city's noise ordinance, a default reference distance of 100 feet between the construction equipment and noise receptor was used. The planning department also analyzes the construction noise using guidance provided in the Construction Noise Assessment of the Federal Transit Administration Transit Noise and Vibration Assessment Manual (FTA manual). Specifically, the planning department uses the general assessment daytime residential noise limit of 90 dBA at residential receptors or 100 dBA at commercial or industrial receptors as developed by the Federal Transit Administration. This assessment results in a reasonable worst-case scenario because it is based on the



assumption that the two noisiest pieces of equipment would operate simultaneously. If any of the above criteria are exceeded (10 dB increase in ambient noise levels, 90 dBA at noise-sensitive receptors or 100 dBA at commercial and industrial receptors), the planning department would evaluate the temporal frequency, duration, and intensity of the exceedance when determining whether construction noise could result in a substantial temporary increase in ambient noise levels.

For informational purposes and to ascertain potential noise levels on the adjacent office uses (as raised in one of the appeal letters), Table 7 was updated since the publication of the PMND to include typical noise levels of construction equipment at a shorter distance of 20 feet between the equipment and the noise receptor to better simulate the distance between project construction equipment and nearby receptors in adjacent structures (see PMND text revisions – Exhibit C).<sup>6</sup>

At a reference distance of 20 feet, no construction equipment would exceed 100 dbA (see Attachment B to this appeal response, Updated Construction Noise Tables). This calculation takes into account the simultaneous operation of the two noisiest pieces of equipment during a given phase consistent with the FTA manual. As a result, construction noise impacts to commercial uses in the area would be considered less than significant, which is consistent with the findings in the PMND.

Additionally, as discussed in the PMND on page 42, construction noise is generally the most substantial during the initial phases of the project, which include demolition, site preparation, and grading, and generally decreases in the latter phases. Construction equipment noise is also intermittent and would occur in limited intervals at a time. Furthermore, the analysis provided in the PMND and above is conservative because it assumes that no acoustic shielding or attenuation from building walls, windows, or other measures would occur.

In the supplemental appeal letter submitted by Mr. Flynn dated March 19, 2025, the appellant contends that the construction noise analysis is inaccurate because it improperly applied the general assessment methodology provided by the FTA Manual. The appellant contends that the analysis should have employed an equipment usage factor<sup>7</sup> of 1 (i.e., 100 percent), instead of a range between 16 to 50 percent as the PMND did, and a noise attenuation factor of 3 dB per doubling of distance, instead of 6 dB per doubling of distance. The appellant contends that by calculating construction noise levels with those assumptions, there could be potentially significant construction noise impacts at the nearest residential and commercial receptors.

However, the appellant's analysis is inaccurate and misleading because it conflates two different methodologies. While the FTA Manual general assessment methodology does recommend a usage factor of 1, the general assessment guidelines state that a noise attenuation factor equating to a 6 dB reduction per doubling of distance should be used, not 3 dB as the appellant claims. Thus, the appellant's construction noise calculations are misleading.

The usage factor is the percent of time a piece of construction equipment is used throughout the day.



Salter, Alex. "Re: 570 Market Tables." Received by Ryan Shum. 24 January 2025.

Typically, construction noise analysis is a multi-step process that first entails a more conservative analysis with broad assumptions and subsequently a more refined methodology if the initial analysis finds that a project could result in significant impacts. The FTA Manual general assessment methodology also allows for an adjustment of the usage factor based on the amount of time that construction equipment would be used during the day, and based on more refined analysis and project. The usage factor is based on Federal Transit Administration methodology and reflects the fact that most construction equipment is generally used intermittently and is not used throughout the day, thereby reducing its noise levels over the course of a workday. Consequently, the PMND noise analysis used a more refined usage factor of 16 to 50 percent per guidance by the Federal Highway Administration (FHA) to better reflect the frequency of use of the construction equipment. This more refined methodology determined that project construction would not result in significant noise impacts to nearby residential and commercial receptors, as described above.

For informational purposes, supplemental noise analysis was conducted in accordance with the FTA Manual general assessment methodology (i.e., with an equipment usage factor of 1 and a noise attenuation factor equating to a 6 dB reduction per doubling of distance). This supplemental analysis conservatively evaluated if construction equipment would be operating with 100 percent usage factor. As shown in Table 1 below, construction noise levels still would not exceed construction noise thresholds at the nearest residential and commercial receivers when using recommended assumptions of the FTA general assessment methodology.

Table 1: Calculated Noise Levels at Nearest Off-Site Sensitive Use from Daytime Construction

Phase	Loudest Two Noise Sources	Estimated Construction Noise Level (dBA) at Nearest Residential Receiver (450 feet)	Exceeds 90 dBA Residential Standard?	Estimated Construction Noise Level (dBA) at Nearest Commercial Receiver (20 feet)	Exceeds 100 dBA Commercial Standard?
1	CSM Rig, Jackhammer	68	No	95	No
2	Concrete Saws, Jackhammer	72	No	99	No
3	Concrete Pump, Excavator	65	No	92	No
4	Drill Rig, Cranes	67	No	94	No
5	Pressure Washer, Cranes	67	No	94	No

Salter, Inc. 570 Market Street Acoustical Response to Appeal of Preliminary MND. April 4, 2025.



<sup>8</sup> Ibid., p. 12-3.

Based on the US EPA document, "Noise from Construction Equipment and Operations, Building Equipment and Home Appliances" 1971, noise data from Federal Highway Administration (FHWA) Roadway Construction Noise Model User's Guide, 2006, and data from other Salter Projects.

In summary, the PMND noise analysis employed a multi-step process and properly calculated the project's construction noise impacts to the nearest sensitive receptor (i.e., residences at 333 Bush Street approximately 450 feet away) and properly evaluated ambient noise levels at nearby commercial receptors. The supplemental analysis evaluated construction noise levels against the FTA criteria of 100 dBA for commercial and industrial receptors and confirmed that projects construction noise would not exceed those levels. The appellant's contention that the PMND noise analysis is inaccurate because it should have used the more generalized FTA guidance is misleading, and the appellant's noise calculation is also misleading because it does not use a 6 dB per doubling of distance noise attenuation factor as provided by the FTA general assessment methodology. Supplemental noise analysis using the more conservative FTA general assessment methodology, shown in Table 1 above, further supports the PMND conclusion that the project would not result in significant construction noise impacts.

#### **Construction Vibration**

The project's vibration impacts during construction are discussed in the PMND beginning on page 44. With regards to construction vibration impacts, the PMND identified that the 566 Market Street, 576 Market Street, and 44 Montgomery Street buildings could be susceptible to ground-borne vibration from demolition and construction activities of the proposed project. Therefore, the PMND determined that Mitigation Measure M-NO-2 will be required before and during construction. The project sponsors have agreed to implement this measure.

The primary purpose of the mitigation measure is to prevent damage to nearby structures and requires that all feasible means to avoid damage to potentially affected buildings be identified in the project's Vibration Management and Monitoring Plan (Monitoring Plan) and employed. Examples of avoidance measures that could be employed include using alternative pieces of construction equipment or techniques and adjusting the buffer zones of equipment. The Monitoring Plan would also include procedures to actively monitor vibration levels at the construction site to ensure that they do not exceed the established standards identified in the plan. As described in the mitigation measure, the project would be required to retain a qualified structural engineer and historic preservation professional to conduct periodic inspections of adjacent buildings for signs of vibration-induced damage during vibration-generating construction activities, and to immediately notify the planning department if any damage is visible and incorporate alternative construction techniques to reduce further effects. At the time that the Monitoring Plan is prepared, the structural engineer and planning department would also have the discretion to reclassify nearby buildings to meet stricter vibration standards based on additional information on structural conditions of the building, as appropriate; for example, 44 Montgomery Street may be reclassified from "modern industrial/commercial buildings" to "historic and some older buildings," as appropriate.<sup>11</sup>

It is important to note that the Caltrans vibration standards are guidelines for assessing potential vibration damage and not brightline thresholds as the appellant contends. The Caltrans standards are guidelines because all buildings are constructed in slightly different ways using different construction techniques and materials, and with different underlying soil conditions and surroundings. As a result, construction-induced

This classification is for the purposes of construction vibration monitoring only, and how a building is classified is independent of a building's actual historic status.



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vibration interacts with buildings in varying degrees and there is no brightline threshold upon which vibration impacts are certain to occur. The Caltrans standards are a reflection of this and offer guidance of when vibration impacts *may* start to occur, and an exceedance does not guarantee that an adverse impact would occur, nor does it automatically constitute a significant impact. Therefore, the appellant's contention is incorrect.

As a final protective measure, in the event that all feasible avoidance measures are employed and damage does occur, the damage would be detected early due to active monitoring requirements per the Monitoring Plan. Furthermore, the project sponsor would be required to implement additional measures to minimize vibration impacts and repair any damage to its preconstruction state. Any damage to a historic building would require the remediation to be overseen by a qualified preservation professional and planning department preservation staff.

Mitigation measure M-NO-2 outlines clear steps and performance measures for the monitoring and potential repair of any vibration-induced damage. Construction-level details are often not determined yet at the time of environmental and architectural review, and minor changes often occur at the time of structural building permit review and once construction starts; the vibration monitoring plan and mitigation measures are adaptable to the conditions of the project site at the time of construction. The project would be required to implement the measures described in mitigation measure M-NO-2. The PMND, therefore, is not deferring any mitigation or analysis of vibration impacts. With implementation of this mitigation measure, the PMND determined that the impacts from construction vibration would reduce any potential damage to adjacent structures from construction to a less-than-significant level.

The appellants have not offered any evidence to support their contention that construction vibration could result in significant adverse impacts to historic buildings.

## Response 4 (Historic Resources): Based on substantial evidence provided in the PMND, the proposed project would not result in a significant impact to historic resources.

The appellants contend that the project could have potentially significant impacts on nearby historic buildings due to the mass and scale of the proposed building, vibration from demolition and construction, ground settlement from dewatering and increased soil stresses, and increased lateral loads. The appellants also contend that the project block should be evaluated as a historic district. The appellants have not offered any evidence to support these assertions. By contrast, the PMND provides substantial evidence to support the conclusion that significant impacts of this nature would not occur. As discussed on pages 15 through 17 of the PMND, the project site is not within a designated historic district and construction of the proposed project would not affect the historic significance of nearby historic buildings:(44 Montgomery Street, Chancery Building located at 562-566 Market Street, Finance Building at 576-580 Market Street, Hobart Building at 582-590 Market Street, Flatiron Building at 540-548 Market Street, Crocker Bank Building; three commercial buildings at 550, 554 and 560 Market Street which are located on the subject block (Block 0291); and Crocker Bank Building located at 1 Sansome Street located at the north confronting block (Block 0289). As described in the department-prepared Historic Resources Evaluation Report (HRER) for the project, "the subject property does not appear to be part of a significant concentration of historically or architecturally unified buildings such



that it would rise to the level of an eligible historic district." As such, the potential of the project block to be designated as a historic district and the subject property to be included in said district was already evaluated in the project HRER. The architectural cohesion of Market Street is not relevant in the context of the project's historic resource evaluation because the subject property is not part of a historic district. Likewise, new shadows caused by the project would not affect historic character defining features of nearby properties.

Additionally, the appellant is incorrect in their assertion that 44 Montgomery Street was not classified as a historic resource and evaluated accordingly in the PMND. Contrary to the appellant's contentions, 44 Montgomery Street was evaluated as a historic resource in the project's cultural resource analysis as evidenced by its inclusion in the list of adjacent historic resources in the HRER. The proposed project would not affect the physical features that convey the historical significance of nearby historic resources, including 44 Montgomery Street.

The project's geology and soils and vibration impacts are discussed thoroughly in the PMND and are summarized in the responses 1 and 3 above. Furthermore, the project sponsor has committed to implementing mitigation measure M-NO-2, Protection of Adjacent Buildings/Structures and Vibration Monitoring During Construction, which aims to avoid potential vibration impacts, and would be required to implement the recommendations from the design-level geotechnical investigation process as outlined above, which would ensure that there are no impacts to nearby properties related to ground settlement, dewatering, or lateral loads.

#### Response 5 (Freight Loading): As discussed in the PMND, the proposed project would not result in any significant impacts related to transportation, including secondary impacts resulting from insufficient loading facilities.

The appellants contend that the project's freight loading impacts were not properly evaluated and that the project may have adverse secondary impacts resulting from insufficient loading facilities. The PMND mistakenly included a description of an off-site loading space on page 3 of the PMND based on an earlier iteration of the proposed project (see PMND text revisions – Exhibit C). However, the loading analysis did not assume the project would include an off-street loading space, and is therefore accurate.

As discussed on page 30 of the PMND, the project relies entirely on on-street loading facilities and the loading analysis does not reference any off-street loading spaces. The project is anticipated to average 12 daily freight loading occurrences spread throughout the day, and average approximately two loading occurrences during the peak hour of loading activity. Freight deliveries would primarily be comprised of smaller vehicles such as light trucks and panel vans. Given the length of the existing on-street loading zones, there would be sufficient loading space to accommodate the project's peak hour loading demand of two trucks. Therefore, no secondary transportation impacts resulting from inadequate loading supply are expected. The appellants have not offered any evidence to support their contention that the project could result in significant transportation impacts resulting from inadequate freight loading supply and, no additional analysis is required.



## Response 6 (Shadow): As discussed in the PMND, the proposed project would not result in any significant impacts related to shadow.

The appellants contend that the project would have adverse shadow impacts on privately owned public open space (POPOS) in the area, but do not offer any substantial evidence supporting a fair argument of how the project would result in significant shadow impacts. As discussed on page 67 of the PMND, the project would cast some new shadow on POPOS in the area, including the One Sansome Street courtyard, One Bush Plaza, the plaza at 333 Market Street, and the plazas at 425 and 525 Market Street. However, these shadows would be intermittent, and the net new shadow would not substantially affect the use and enjoyment of these POPOS . Furthermore, POPOS are not protected open spaces under Planning Code section 295, and the appellants have provided no evidence that the proposed project would increase shadow to any open space protected under Planning Code section 295. The shadow impact analysis on nearby POPOS provided in the PMND is provided for informational purposes only, and is not a requirement to be analyzed under CEQA or the Planning Code. Therefore, no additional analysis is required.

## Response 7 (Wind): As discussed in the PMND, the proposed project would not result in any significant impacts related to wind.

The appellants contend that the project would have adverse wind impacts. However, the appellants do not specify what wind impacts would occur that were not already disclosed and analyzed in the PMND, and offer no substantial evidence to support their assertion. As discussed on page 66 of the PMND, the project would generally improve wind conditions compared to existing conditions with respect to the applicable wind hazard criterion. The PMND provided adequate and accurate analysis of wind impacts, and no additional analysis is required.

## Response 8 (Feasible Mitigation Measures): The PMND identifies feasible mitigation measures with performance standards that satisfy CEQA requirements.

The appellant claims that the PMND inappropriately defers mitigation of potential impacts to historic resources, geology and soils, and hazardous materials by relying on future reports and recommendations from those reports without specifying performance standards. However, the appellants' statements are not consistent with the analysis or mitigation measures contained in the PMND, or CEQA's requirements.

CEQA Guidelines section 15126.4(a)(1)(B) permits the department to further refine the details of mitigation measures after the project's approval if the environmental document (1) commits the project sponsor to the mitigation, (2) adopts specific performance standards the mitigation will achieve, and (3) identifies the type(s) of potential action(s) that can feasibly achieve that performance standard and that will be considered, analyzed, and potentially incorporated in the mitigation measure. The mitigation measures cited by the appellant meet all of these requirements and are, therefore, legally adequate in the context of CEQA review.

The PMND does not, as appellant claims, defer "formulation of mitigation measures." All of the mitigation measures contained in the PMND contain detailed performance standards that ensure their effectiveness and specify the timing of any required actions. For example, mitigation measure M-NO-2 requires the project sponsor to avoid or reduce project-related construction vibration damage to adjacent buildings and/or



structures and to ensure that any damage is documented and repaired. The mitigation measure also establishes quantified maximum vibration levels that may not be exceeded and for which the project site will be monitored. Thus, the mitigation measure specifies the components for a monitoring plan, timing, guidelines, approval process, and responsible professionals who may determine corrective measures based on construction activity and the character of adjacent buildings.

Similarly, mitigation measure M-AQ-4a requires the project to use clean off-road construction equipment and provides specific details related to engine eligibility requirements, the use of waivers, and detailed requirements for the preparation of a construction emission minimization plan. Specifically, this mitigation measure states that "[A]ll off-road equipment greater than 25 horsepower (hp) and operating for more than 20 total hours over the entire duration of construction activities shall have engines that meet or exceed U.S. Environmental Protection Agency (EPA) Tier 4 Interim or Tier 4 Final off-road emission standards." Similarly, requirements regarding the construction emission minimization plan state that "[the]plan shall include estimates of the construction timeline by phase, with a description of each piece of off-road equipment required for every construction phase. As reasonably available, the description may include, but is not limited to: equipment type, equipment manufacturer, equipment identification number, engine model year, engine certification (Tier rating), horsepower, engine serial number, and expected fuel use and hours of operation. For off-road equipment using alternative fuels, the description shall also specify the type of alternative fuel being used." These specific requirements ensure that this mitigation measure would be implementable, measurable, and would reduce impacts to a less-than-significant level as concluded in the PMND on page 58.

The project sponsor has committed to implementing the mitigation measures outlined in the project's Mitigation Monitoring and Reporting Program (MMRP), and the MMRP would be made a condition of approval of the project by the Planning Commission.

With regards to the PMND analysis of geology and soils and hazardous materials, as discussed in Response 1, above, the department relies on compliance with state and local regulations that are uniformly applied to all projects and with which the project sponsor would be required to comply. Compliance with state and local regulations would require the project to meet standards that would ensure that the project would not result in a significant impact. For these types of impacts – where existing regulations ensure that no significant impacts would result - no additional mitigation measures are required.

The appellants have not provided any substantial evidence to support their assertion that the mitigation measures inappropriately defer mitigation or do not specify performance standards or implementation timing requirements.

# Response 9 (Cumulative Projects): The cumulative project list is accurate, and the cumulative analysis was properly conducted.

The appellants contend that the cumulative project list is outdated and that, as a result, the cumulative analysis is flawed. A project's cumulative project list is typically developed at the beginning of the analysis period, which in this case was 2019. For longer periods of environmental review, the cumulative project list may be reviewed again to ensure that it is still accurate. The original cumulative project list was reviewed



when analysis resumed following the COVID-19 pandemic, but no new cumulative projects were identified at that time. For informational purposes, the department reviewed the list again in January 2025 and identified only minor projects and permits in the vicinity of the project site that would generally not be added onto cumulative project lists due to their minor nature and likelihood that they would not interact with the proposed project to generate cumulative impacts. Examples of such minor projects include antennae and sign installations, minor building modifications and repairs, and repainting, as well as minor utility projects such as sewer replacements or utility pole replacements due to the limited construction duration and scope. For these reasons, the cumulative project list remains the same as the list that was originally prepared and is considered to be accurate and adequate for purposes of CEQA review. The appellants do not offer any evidence to support their contention that the cumulative analysis is flawed, and thus there is no fair argument presented that the department has failed to identify a significant cumulative impact to which the proposed project would have a cumulatively considerable contribution. No further analysis is required.

#### Response 10 (Public Notice): The department complied with state and local notice requirements for publication of the PMND and appropriately remedied administrative errors.

The appellants contend that the department did not provide adequate notice of the publication of the PMND because, although the notice was properly sent to the owner of 564 Market Street, their legal representative claims to not have received notice of the PMND publication. The appellants also note that at least two technical studies were not made publicly available at the time of the publication of the PMND.

The department issued the PMND for the project on October 30, 2024, and sent a Notice of Availability of Intent to Adopt a Mitigated Negative Declaration (Notice of Availability) to interested parties and property owners and tenants within a 300-foot radius of the project site, including to the property owners of 564 Market Street (The Chancery Building) and 44 Montgomery Street. The department provided a 20-day appeal period that ended on November 20, 2024. During the public review period, the department determined that some of the technical background documents were inadvertently not made publicly available for review on the department website at the start of the initial 20-day appeal period. At the request of an individual who had not received the Notice of Availability, and to afford adequate time for the public to review all technical documents, the department extended the PMND comment period by 20 days to December 12, 2024.

In accordance with state and local laws, physical posters of the Notice of Availability were also publicly posted at the project site between October 30, 2024 and November 20, 2024, in accordance with Administrative Code section 31.11(4). The department verified that multiple weather-protected 11-by-17-inch notices were posted in prominent locations at the project site for the duration of the appeal noticing period. Photographs of the posted notices were taken on November 21, 2024, and are on file with the department.

Additionally, a newspaper notice was published in the San Francisco Examiner on October 30, 2024, and the Notice of Availability was also posted at the San Francisco Office of the County Clerk for the 20-day review period on the day of PMND publication.



In conclusion, the department provided sufficient notice and opportunity for review of the PMND in accordance with state and local laws.

#### **Conclusion**

For the reasons provided in this appeal response, the department has determined, based on substantial evidence in the record, that the proposed project would not have significant impacts with implementation of the feasible mitigation measure identified in the PMND; an environmental impact report is not required. The department also complied with state and local noticing requirements for the PMND and extended the initial notice period by 20 days in order to ensure that all members of the public received adequate time to submit their comments. The appellants have not provided substantial evidence supporting a fair argument that the proposed project would have significant impacts on the environment, nor have they demonstrated that the department failed to provide adequate notice of the PMND or access to records. The department therefore respectfully recommends that the Commission uphold the PMND and deny the appeals.



# **EXHIBIT C**

## REUBEN, JUNIUS & ROSE, LLP

#### Melinda Sarjapur

msarjapur@reubenlaw.com

April 23, 2025

#### **Delivered Via Email**

Re: 570 Market Street – MND Appeal & Entitlement Approvals

Planning Dept. Case No. 2019-017622

Hearing Date: May 1, 2025

Dear President So and Commissioners:

Our office represents Frontier Group, LLC, which proposes construction of a new 29-story, 211-room hotel including 4,211 gsf of neighborhood-serving retail (the "**Project**") at 570 Market Street (the "**Property**").

#### **Entitlements**

The Project requires Commission approval of a Conditional Use Authorization for hotel use in the C-3-0 District, and a Downtown Project Authorization for new construction exceeding 85' in height. The Project also requires Zoning Administrator approval of a height exception for elevator penthouse overrun.

The entitlements should be approved, as the Project will provide numerous benefits:

- **Revitalizing Downtown Core**. Replacing an underutilized two-story building and vacant storefront with vibrant new hotel and neighborhood-serving retail, drawing visitor and consumer foot traffic to the area.
- *High-Quality Design*. Featuring high-quality materials; innovative curtain wall design; articulated façade; and varied setbacks that respect the pattern of adjacent development and preserve views of nearby historic resources.
- *Publicly Accessible Open Space*. Providing a 2,300 square-foot landscaped terrace at its 15<sup>th</sup> floor, featuring stunning views of Market Street and the Financial District. This area will be open to the public, increasing access to greenery and open space in the urban environment.
- *Creating Good Jobs*. Anticipated to employ more than 230 workers and to create many more good jobs during construction. Employers will participate in the First Source Hiring Program, encouraging hiring of local workers. The Project has earned the support of Unite Here Local 2; the Nor Cal Carpenters Union; and the San Francisco Building and Construction Trades Council.

• Substantial Impact Fee and Tax Revenue for the City. Anticipated to generate more than \$5 million dollars in development impact fees, and substantial ongoing real estate and sales tax income.

#### Environmental Appeal

After nearly 5 years of review, the Planning Department published a Preliminary Mitigated Negative Declaration ("MND") for the Project: a 130-page document supported by several detailed technical studies.

The MND was subsequently appealed by two neighbors: CPH 564, LP (owner of the 7-story building at 564 Market Street) and BCal 44 Montgomery Property, LLC (owner of the 43-story building at 44 Montgomery Street) (collectively, "**Appellants**").

The MND should be upheld, and no further environmental review required.

The MND analyzes -in depth – all potential Project impacts related to land use; population and housing; cultural resources; transportation and circulation; noise; air quality; greenhouse gas emissions; wind shadow; recreation; utilities; public services; biological resources; geology and soils; hydrology; hazardous materials; and energy. A supplemental study also fully evaluated potential for air quality hazards, incorporating new standards adopted during the project's lengthy review period. The final document includes several mitigation measures that effectively address all potential impacts to cultural resources; noise and vibration; and air quality.

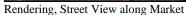
Further, Appellants have not met their legal burden on appeal, to provide substantial evidence supporting a fair argument of significant impacts.

#### A. PROJECT OVERVIEW

The Property is a 7,000 sf through-lot, fronting on Market and Sutter Streets between Sansome and Montgomery, in the Financial District. It currently contains a non-historic, two-story commercial building that has been partially vacant since the former occupant (Daiso Japan) closed during the pandemic.

The Project will replace this underutilized commercial building with a vibrant new 29-story, 211-room hotel including 4,211 gsf of neighborhood-serving retail at the ground and 15<sup>th</sup> floors. Project plans are attached (**Exhibit A**).







Rendering, view north along Market

The Project will reach a maximum of 300 feet, consistent with the scale of development in the city's downtown core. Above the 15<sup>th</sup> floor, the building will be set back 71'10" Market Street, reducing visible massing and preserving views to the landmarked Hobart Building at 582-590 Market Street. From the second to the 15<sup>th</sup> floors, the building will also incorporate an approximately 7'6" deep, 80'wide lightwell along its north façade, partially overlapping and complementing an existing lightwell on the adjacent 7-story Chancery Building.

The building will feature a 2,300 sf landscaped terrace at its 15th floor, with stunning views of Market Street and the Financial District. This area will be open to the public, creating new opportunities to access greenery and open space in the dense urban environment, and will be served by on-site retail. This POPOS will have a dedicated entrance and elevator access along Market Street, with clear signage and a dynamic living wall feature to attract visitors.



Rendering of proposed 15th floor POPOS.



Rendering of POPOS entrance with living wall and adjacent retail entrance along Market.

The Project has no on-site parking or loading – it is conveniently located in the downtown core with immediate access to multiple BART and MUNI lines. It is ideally situated, within easy walking distance of downtown tourist destinations including the Embarcadero; Union Square; Moscone Center; and Civic Center.

#### **B.** ENTITLEMENTS

The Project seeks the following approvals:

- Conditional Use Authorization ("CU") for a hotel within the C-3-0 zoning district;
- Downtown Project Authorization ("**DNX**"), required for all development exceeding 50,000 gsf or 85' in height within the Downtown area;
- A Zoning Administrator approval of a height exception for elevator penthouse overrun.

As part of the DNX, the Project seeks exception from off-street freight loading, tour bus loading, and interior lot line setbacks for the upper tower (above 150').

Modification of off-street loading requirements is appropriate, as the building will not include parking area and is located within the downtown core with ample access to on-street loading. Modification from interior lot line setbacks at the upper tower is also justified. The Property is a narrow lot (40' wide) – incorporating the default 15' setbacks above a height of 150' at this site would effectively preclude development. Further, such interior setbacks are unnecessary. There is little practical potential for development above a height of 150' on neighboring sites, as existing buildings either exceed allowable FAR and /or contain designated historic resources.

The limited number and scope of requested exceptions reflects the sponsor's commitment to achieve a high-quality design, complying with all feasible Planning Code requirements.

#### C. HOTEL DEMAND

As required by Planning Code Section 303, the sponsor engaged CBRE, Inc. to prepare a Hotel Market Demand Study in 2021. Due to the lengthy review process, this study was subsequently updated in January of 2024 and again via an addendum in February 2025 (**Exhibit B1 & B2**) to provide current and accurate analysis of hotel demand levels post-pandemic.

CBRE anticipates continued recovery in hotel demand over the next seven years, with demand anticipated to recover pre-pandemic levels by 2032. The Project is well-poised to meet this demand.

CBRE's findings are consistent with the recent uptick in San Francisco convention attendance and hotel occupancy noted in media. An April 16, 2025 SF Examiner Article reports that *local convention attendance was up 52.5% in the first quarter of 2025*, as compared to the same period of 2024, translating to more than \$174 million of economic impact (**Exhibit C**). Further, according to San Francisco Travel, hotel occupancy increased 3.1%, to 60.6% year over year, from Jan. 1 through March 29.

#### D. OUTREACH AND SUPPORT

Over the past five years, the Sponsor has engaged with local community organizations and interested parties regarding the Project. In addition to city environmental notices issued in September 2021 and October 2024, the sponsor attempted to contact neighboring owners during environmental review inform geotechnical design. Attempts were also made to meet with the owners of 44 Montgomery following notice of MND publication, but the appellant was not responsive.

As a result of these efforts, the Project is pleased to have earned the support of:

- Unite Here Local 2;
- San Francisco Building and Construction Trades Council;
- Nor Cal Carpenters Union; and
- Downtown SF Partnership

#### E. THE MND APPEAL SHOULD BE DENIED

#### 1. Appellants Have Not Met the Legal Standard for MND Appeal

In assessing the sufficiency of a MND, the key question is whether it can be fairly argued based on *substantial evidence* that a project may have a significant impact on the environment.<sup>i</sup> If not, the Planning Commission must affirm the MND.<sup>ii</sup>

To constitute substantial evidence, statements must be supported by adequate factual foundation. If the foundation is not established, the agency must disregard the comments. iii

CEQA Guidelines are clear that *not all information rises to the level of substantial evidence*. "Argument, speculation, unsubstantiated opinion or narrative, clearly inaccurate or erroneous evidence, and evidence of social or economic impacts that do not contribute to, and are not caused by, physical impacts on the environment..." do not constitute substantial evidence. iv

Further, a lead agency's decision to issue a negative declaration for a project is reviewed for "prejudicial abuse of discretion," which can only be established if the agency failed to proceed "in a manner required by law or if the determination or decision is not supported by substantial evidence." In reaching this determination, the reviewing authority must examine the whole record, and must "give the lead agency the benefit of the doubt on any legitimate, disputed issues of credibility." Vi

Appellants' letters, which serve as the basis of their appeal, do not meet this standard. They are filled with conjecture, opinion, erroneous statements and speculation unsupported by fact. Statements provided by Appellants' paid consultants regarding noise and cultural resources are inaccurate and misleading. Because these materials do not contain *substantial evidence* as required by CEQA, the appeals must be rejected.

#### 2. Response to Appellants' Claims

Below we provide a brief rebuttal to select claims raised in Appellants' letters.

#### a. Construction Noise

Appellants allege that the MND did not accurately analyze construction noise impacts on nearby office workers. A letter from Wilson Ihrig, a consultant retained by BCal 44 Montgomery Property, claims that the MND noise analysis improperly applied criteria from the Federal Transit Administration Transit Noise and Assessment Manual ("FTA Manual").

The Wilson Ihrig letter is inaccurate and misleading. It speculates regarding impacts that supplemental analysis confirms will not apply and conflates differing assessment methodologies to generate an unrealistic forecast. Accordingly, it does not constitute substantial evidence under CEOA.

First, Wilson Ihrig claims the noise analysis errs by not applying a "usage factor" of 1 (assuming the two noisiest pieces of construction equipment per phase are in use 100% of the time).

While the FTA Manual's general assessment methodology does recommend a usage factor of 1, the MND applied varied usage factors consistent with information provided by the Federal Highway Administration ("FHA"). This was done to achieve a more nuanced analysis, reflective of real-world conditions. The MND's noise analysis methodology is already conservative, as it assumes that no acoustic shielding would occur from adjacent building walls, windows, or other features.

Regardless, for informational purposes, the Project's noise analysis was updated after publication of the MND to apply a usage factor of 1, which is consistent with the FTA general assessment methodology (**Exhibit D**). The updated analysis also reduces the assumed 100-foot distance between construction equipment and noise receptors (consistent with the city's noise ordinance) to 20 feet (the actual distance to closest commercial receiver). This is a more conservative approach, reflecting worst-case noise levels for each major phase of construction.

The updated analysis shows that even with these modifications, <u>Project construction noise</u> would not exceed the allowable thresholds for residential or commercial uses. Accordingly, Appellants' allegations of potential impact due to usage factor are unfounded.

Table 1: Calculated Noise Levels at Nearest Off-Site Sensitive Use from Daytime Construction

Phase	Loudest Two Noise Sources	Estimated Construction Noise Level (dBA) at Nearest Residential Receiver (450 feet)	Exceeds 90 dBA Residential Standard?	Estimated Construction Noise Level (dBA) at Nearest Commercial Receiver (20 feet)	Exceeds 100 dBA Commercial Standard?
1	CSM Rig, Jackhammer	68	No	95	No
2	Concrete Saws, Jackhammer	72	No	99	No
3	Concrete Pump, Excavator	65	No	92	No
4	Drill Rig, Cranes	67	No	94	No
5	Pressure Washer, Cranes	67	No	94	No

Secondly, Wilson Ihrig claims that the MND should have assumed a reduced sound doubling distance "such as 3 db...". It is unclear how Wilson Ihrig arrived at this specific figure, – it is unsupported by the text of their letter. Further, applying a reduced sound doubling distance would be inconsistent with the FTA general assessment methodology applied to the Project, which directs use of a 6 db doubling distance. There is no factual basis supporting this deviation.

Finally, the alternative noise analysis provided in Wilson Ihrig's letter is misleading because it cherry-picks between differing methodologies to generate an unrealistic forecast of potential impact.

The typical methodology for noise analysis entails a multi-step process. First, Planning uses the FTA general assessment methodology. This is a conservative method of analysis that uses broad assumptions (i.e. a usage factor of 1). If the general assessment methodology results in potential impacts at the nearest receptor, then a secondary detailed analysis process is employed that considers more nuanced factors (i.e. varied usage factors by equipment type; potential modification to sound doubling distance assumptions; etc.).

The MND appropriately analyzed Project construction noise impacts using the FTA Manual general assessment methodology. Because this conservative methodology did not result in potential impact, a secondary detailed analysis was not required.

Wilson Ihrig's noise calculations improperly combine the conservative usage factor employed in general assessment methodology with an arbitrarily reduced 3 db sound doubling distance assumption, eschewing any other nuanced criteria that may apply under a detailed analysis. This results in speculative and unrealistic impact assumptions, which are not substantial evidence under CEQA.

#### b. Vibration

Appellants provide no substantial evidence to support their claims that the Project could result in significant vibration impacts, despite applied mitigations.

The MND properly identifies that adjacent buildings may be susceptible to ground-borne vibration from Project demolition and construction but finds that application of well-established monitoring and vibratory protections under Mitigation Measure M-NO-2 would reduce potential impacts to less-than-significant.

Measure M-NO-2 will ensure that construction vibration does not significantly damage nearby structures. It will require a pre-construction survey to document the existing condition of adjacent buildings; preparation of a vibration monitoring plan by a qualified consultant establishing maximum allowable vibration levels and methods for monitoring vibration during construction, subject to approval by the Planning Department; submittal of monthly reports of any vibration exceedances and actions to reduce vibration; and periodic inspections by a qualified engineer and/or historic consultant. Any building damage would be repaired to its preconstruction state, with remediation overseen by a qualified preservation professional.

Appellants' argue, without support, that the Project's vibration analysis erred by classifying 44 Montgomery as a "modern industrial, commercial building" as opposed to a "historic resource" for purposes of establishing vibration monitoring levels. However, Caltrans guidance vii establishing vibration monitoring levels by building type does not define these terms or tie them to local preservation status, and Appellants provide no other source in support of their contention. Further, when a pre-construction vibration monitoring plan is prepared as directed Mitigation Measure M-NO-2, the Project's structural engineer and city environmental review officer will have discretion to reclassify adjacent buildings and/or assign stricter vibration standards if appropriate. Thus, there is no evidence that 44 Montgomery's designation as "modern industrial" in the vibration analysis will result in significant impacts.

Appellants also argue that Measure M-N0-2 is ineffective because it will not prevent vibration from exceeding the established monitoring levels. This is incorrect. Caltrans vibration standards are only guidelines to assess potential for vibration damage – they are not brightline CEQA significance thresholds. Should Project vibration exceed Caltrans monitoring levels, that would not automatically constitute a significant impact.

#### c. Historic Resources

Appellants provide no substantial evidence to support their contention that the Project could have significant impacts on historic resources.

A letter provided by Katy Petrin Consulting ("**KPC Letter**") – a consultant retained by the owners of the adjacent 43-story building at 44 Montgomery, constructed in 1967 and employing "Miesian International/Corporate Modern style"- does not contain substantial evidence under CEQA.

First, the KPC Letter falsely claims that the Project's historic review did not identify all nearby historic structures. In fact, pages 15-17 of the MND identify all designated historic buildings on the Project's block and notes proximity to nearby designated historic districts. In addition, the Project's Historic Resource Evaluation ("HRE")<sup>viii</sup> provides a detailed summary of adjacent historic structures and the surrounding context, and the Historic Resource Evaluation Response ("HRER") prepared by the Planning Department further identifies adjacent historic resources, including 44 Montgomery.

The KPC letter next alleges that the MND should have evaluated the potential for creating a new historic district encompassing the Project's block. This is inaccurate and misleading. First, the HRER did review potential for historic designation of the subject block but found that "the subject property does not appear to be part of a significant concentration of historically or architecturally unified buildings such that it would rise to the level of an eligible historic district." Secondly, CEQA does not require review of theoretical resources. CEQA Guidelines 15064.5 defines the forms of historical resource subject to review as those listed in local or state registered, identified as significant in an existing historic resource survey, or otherwise deemed historically significant by the local agency. Appellants' speculation that adjacent buildings may constitute a district is meritless. There is no existing or potentially eligible historic district on this block.

Finally, the KPC letter provides *no evidence, let alone substantial evidence*, suggesting the Project may have a physical impact on nearby historic resources.

CEQA Guidelines provide that development would have a significant impact on an historic resource if it causes a "substantial adverse change" in significance of the resource. A "substantial adverse change" is defined as the "physical demolition, destruction, relocation, or alteration of the resource or its immediate surroundings such that the *significance of an historical resource would be materially impaired*." Further, "materially impaired" is defined as work that "demolishes or materially alters, in an adverse manner, those physical characteristics that convey the historical resource's historical significance…"

The KPC letter provides no factual basis to support its contention that the project's scale or massing could impact adjacent resources. The architectural cohesion of Market Street is not relevant here because the Property and block are not part of an historic district. Likewise, Project shadow would not affect historic character-defining features of nearby resources. Appellants' statements to this effect are entirely speculative, and do not rise to the level of substantial evidence required by CEQA.

By contrast, the MND does provide substantial evidence that no physical impacts to historic resources would occur. In addition to properly determining that the Property contains no historic resources, the MND provides accurate and thorough analysis of all other potential physical impacts to adjacent resources related Project construction (including those associated with geology, soils, noise and vibration), and imposes appropriate mitigation measures reducing potential impacts to less-than-significant.

#### d. Shadow

Appellants speculate that the Project would have adverse shadow impacts on privately owned public open space (POPOS) in the area but provide no evidence to support this contention.

Under CEQA, a project would result in a significant impact if it would create new shadow that would adversely affect the use and enjoyment of publicly accessible open spaces. The MND clearly states this threshold and appropriately analyzes shadow impacts on pages 66-68. The MND notes that the Project would not create new shadow on public parks subject to Prop K or Planning Code Section 295 but would cast new shadow on select POPOS. Quantitative and qualitative analysis of potential new shadow revealed that they would be intermittent and limited in duration, and would not substantially affect the use and enjoyment of these POPOS. Appellants provide no substantial evidence to the contrary.

#### e. Hazardous Materials

Appellants claim that the Project may result in significant air quality impacts, despite applied mitigations. No substantial evidence is provided in support of this contention.

Contrary to Appellants' statements, the MND adequately evaluated Project air quality impacts to sensitive receptors, beginning on pg. 57. Following publication, a more detailed health risk assessment ("HRA") was prepared to evaluate construction and operational health risk impacts to receptors in the immediate area, including nearby workers.

Thus, Appellants' claim that no HRA was prepared for the Project is incorrect.

The HRA determined that, with implementation of adopted mitigation measure M-AQ-4a: Clean Off-Road Construction Equipment, the Project would not exceed the air district's or city's health risk thresholds for chronic index, cancer risk, or particulate matter. The HRA further determined that project operations would result in less-than-significant impacts to residential or worker sensitive-receptors, with implantation of adopted mitigation measure M-AQ-4b: Clean Diesel Generators for Building Operations. On the basis of this information, the MND properly concludes that the Project would result in less-than-significant air quality impacts to nearby residents and office workers.

#### f. Geology and Soils

Appellants claim that the MND does not adequately evaluate geotechnical impacts on adjacent buildings, including potential impacts from soil settlement, dewatering, and liquefaction. This is incorrect.

Rather, the MND appropriately accounts for the existence of stringent local and state building code requirements and mandated review process related to building foundation and structural design, which the Project will be required to implement as a matter of law.

During environmental review, the local agency considers whether Project construction could have a substantial adverse effect on soils or geologic features, and if it can be feasibly constructed and supported by underlying soils conditions. This information is provided via a preliminary geotechnical report prepared by a licensed professional which includes preliminary investigation and description of site, soil, geologic and groundwater conditions at the Property as well as recommendations regarding future grading, seismic design, foundation types, shoring and protection of adjacent buildings. Appellants provide no evidence to suggest the MND's analysis of this preliminary information is inadequate.

Following environmental review and entitlement, projects must undergo detailed, design-level geotechnical and structural review by the San Francisco Department of Building Inspection ("**DBI**"). Recommendations from the preliminary geotechnical report must be incorporated into construction-level drawings and documents. DBI then reviews these materials to ensure a structure can be safely constructed *in accordance with all applicable state and local codes*. For example, the California Building Code includes specific provisions for protection of adjoining properties, which must be addressed during structural plan review. Further, DBI Administrative Bulletin 082 provides mandatory procedures for structural design review including guidelines for independent structural system review.

The MND properly determined that Project was feasible from a geotechnical standpoint, and that compliance with all mandatory provisions of state and local building codes would ensure that it will not result in significant geology or soils impacts. Appellants provide no substantial evidence to the contrary.

#### F. CONCLUSION

Appellants have not met the standard required to overturn the MND. Their appeal letters and associated materials are filled with conjecture, opinion, erroneous statements and speculation unsupported by fact. Because they provide no substantial evidence supporting a fair argument of significant environmental impacts, the MND must be upheld and no further environmental review required.

Further, the Project entitlements should be granted as they will facilitate a desirable new building containing hotel and neighborhood-serving retail. The Project requests limited exceptions from local code requirements and will provide numerous benefits including development that contributes to revitalization of the downtown core; creation of good jobs; provision of new POPOS; strong community support; and substantial new impact fee and tax revenue for the city.

Very truly yours,

REUBEN, JUNIUS & ROSE, LLP

Kelvin Am Sugar

Melinda A. Sarjapur

#### **Enclosures:**

cc: Katherin Moore, Vice President Derek W. Braun, Commissioner Amy Campbell, Commissioner Theresa Imperial, Commissioner Sean McGarry, Commissioner Gilbert Williams, Commissioner Jonathan Vimr, Project Planner

<sup>&</sup>lt;sup>i</sup> Cal. Pub. Res. Code § 21064.5.

ii San Francisco Admin. Code § 31.11(g)

iii Gabric v. City of Rancho Palo Verdes, 73 Cal.App.3rd 183, 199 (1977).

iv Cal. Pub. Res. Code § 21082.2(c).

<sup>&</sup>lt;sup>v</sup> Cal. Pub. Res. Code § 21168.5; *Clews Land & Livestock, LLC v. City of San Diego*, 19 Cal.App.5<sup>th</sup> 161, 192 (2017)).

vi Id. at 193.

vii MND Appendix A, *Technical Noise and Vibration Results* (December 15, 2022), Table 9; Caltrans, *Transportation and Construction Vibration Guidance Manual* (Table 19), September 2013.

viii Brewster Historic Preservation, *Historic Resource Evaluation Report (Draft) for 570 Market Street* (October 2019), pgs. 3-5.

ix CEQA Guidelines § 15064.5(b).

<sup>&</sup>lt;sup>x</sup> California Building Code § 3307.

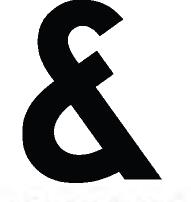
### **EXHIBIT A**



# 570 MARKET ST.

570 Market Street San Francisco, CA 94104

CONFORMANCE SET 05/10/2024



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Zoning & Code Consultant Code Consultants, Inc. 2301 Rosecrans, Suite 2155 213-622-5880 El Segundo, CA 90245 www.codeconsultants.com

Facade Consultant dwg. 912B Congress Ave Austin, TX 78701 512-320-0668 www.studiodwg.com

VT Consult

PROJECT INFORMATION	VOLUMETRIC MODULAR BUILDING APPROACH	DRAWING INDEX	
ADDRESS: 570 MARKET STREET SAN FRANCISCO, CA 94104  BLOCK: 0291	DF&A, THE NEW ARCHITECT OF RECORD ON 570 MARKET STREET, IS A WORLD EXPERT ON VOLUMETRIC HIGH-RISE MODULAR CONSTRUCTION. WE HAVE LARGE-SCALE MODULAR PROJECTS UNDERWAY IN MANHATTAN (AN AC BY MARRIOTT), BROOKLYN, FLORIDA, AND THE ISLAND OF NEVIS. WE HAVE DEVELOPED PROPRIETARY TECHNOLOGY TO CAPITALIZE ON THE	DRAWING INDEX  O U T O U	
LOT: 013 LOT AREA: 7,045 SQ.FT. (GROSS)  ZONING DISTRICT: C-3-0 - DOWNTOWN-OFFICE	ADVANTAGES OF MODULAR CONSTRUCTION AND MITIGATE THE DIFFICULTIES; DESIGNED MODULAR STANDARDS AND FIRE TESTS THAT WERE OTHERWISE NONEXISTENT; AND CONTINUE TO TRY TO IMPROVE EVERY STEP OF THE MODULAR PROCESS, FROM LENDING TO MANUFACTURING TO BUILDING MANAGEMENT.	SHEET NO SHEET NA ISSUANCE ISSUANCE ISSUANCE ISSUANCE	
HEIGHT AND BULK DISTRICTS PROPOSED BUILDING HEIGHT ZONING MAP:  C-3-0 - DOWNTOWN-OFFICE 300-S 300-S 300-S 2N1	MANUFACTURING TO BUILDING MANAGEMENT.	01 GENERAL  T-002 DRAWING INDEX AND PROJECT INFORMATION  • • •	
HEIGHT DISTRICT MAP SPECIAL USE DISTRICT: WITHIN 1/4 MILE OF AN EXISTING FRINGE FINANCIAL SERVICE HISTORIC RESOURCE STATUS: C		02 ZONING         Z-001       EXISTING SURVEY       ●       ●         Z-002       STREETSCAPE PLAN       ●       ●	
PROJECT DESCRIPTION	SUSTAINABLE PRINCIPLES AND PRACTICES IN BUILDING DESIGN	Z-100       ZONING PLANS         Z-101       ZONING PLANS         03 CODE ANALYSIS	
THE PROPOSED PROJECT WILL DEMOLISH AN EXISTING 2-STORY, 14,000 SF RETAIL BUILDING AND	THE FOLLOWING ARE STRATEGIES FOR INTEGRATING SUSTAINABLE PRINCIPLES AND PRACTICE	G-100 EXISTING PHOTOS  05 ARCHITECTURAL  A-001 SITE PLAN	
CONSTRUCT A NEW, 29 STORY HOTEL WITH APPROXIMATELY 222 GUESTROOMS AND 2 BASEMENT LEVELS.  THE SITE IS A LEVEL THROUGH LOT WITH 50'-0" OF FRONTAGE ALONG MARKET STREET AND 40'-0" OF FRONTAGE ALONG SUTTER STREET. THE SITE IS LOCATED WITH CLOSE PROXIMITY TO TRANSIT HUBS	IN BUILDING DESIGN FOR THE PROJECT:  THE PLANTING STRATEGY DEVELOPED IN CONJUNCTION WITH THE LANDSCAPE ARCHITECT DWG EMPLOYS NATIVE FOLIAGE AT THE GROUND FLOOR AND POPOS.	A-050 EXISTING FLOOR PLAN - SUB-CELLAR & CELLAR LEVEL  A-051 EXISTING FLOOR PLAN - LEVEL 01 & MEZZANINE  A-052 EXISTING FLOOR PLAN - LEVEL 02 & ROOF  • •	
THE PROPOSED HOTEL WILL BE APPROXIMATELY 300'-0" IN HEIGHT AND 126,333 IN F.A.R. AREA.	BY EMPLOYING MODULAR CONSTRUCTION RATHER THAN CONVENTIONAL, WE ARE ABLE TO TRACK, QUANTIFY AND LIMIT THE AMOUNT OF MATERIAL WASTE THROUGHOUT THE	A-100 FLOOR PLAN - SUB-CELLAR & BASEMENT LEVELS  A-101 FLOOR PLAN - LEVEL 01 & LEVEL 02  • • •	
REQUIRED POPOS WILL BE PROVIDED ON THE 15TH FLOOR WHICH WILL BE OPEN TO THE AIR WITH A DEDICATED ELEVATOR.  THE PROJECT PROPOSES APPROXIMATELY 15 FEET OF EXCAVATION FOR A FULL LOT BASEMENT LEVEL.	CONSTRUCTION PROCESS.	A-103 FLOOR PLAN - LEVEL 15 & LEVEL 16 • • • • • A-104 FLOOR PLAN - LEVEL 17 & LEVEL 18 • • • •	
	DIDD CAFE DUU DING DEGUEDENENTO	A-105       FLOOR PLAN - LEVEL 19 & ROOF       ●       ●       ●         A-200       BUILDING ELEVATIONS       ●       ●       ●         A-201       BUILDING ELEVATIONS       ●       ●       ●	
EXISTING USE:	THE FOLLOWING ARE STRATEGIES FOR COMPLYING WITH BIRD SAFE BUILDING REQUIREMENTS:	A-300 BUILDING SECTIONS  A-301 BUILDING SECTIONS  BUILDING SECTIONS  ENLARGED PLANS, SECTIONS & ELEVATIONS  • • • •	
COMMERCIAL/RETAIL SALES AND SERVICES  PROPOSED USE: COMMERCIAL/RETAIL SALES AND SERVICES	THE PROJECT COMPLIES WITH ALL FEATURE RELATED BIRD SAFE BUILDING STANDARDS PER PC SECTION 139. AT ALL GUARDRAILS ON THE 15TH FLOOR POPOS, 16TH FLOOR TERRACE, AND 18TH	A-401 ENLARGED PLANS, SECTIONS & ELEVATIONS  A-402 ENLARGED PLANS, SECTIONS & ELEVATIONS  A-403 ENLARGED PLANS, SECTIONS & ELEVATIONS  • • • •	
COMMERCIAL/RETAIL SALES AND SERVICES  CONSTRUCTION CLASSIFICATION: (TABLE 601)  TYPE 1A - FIREPROOFED	FLOOR YOGA TERRACE GLASS WITH A HORIZONTAL CERAMIC FRIT 1/8" WIDE SPACED EQUALLY 2" APART.	A-404 ENLARGED PLANS, SECTIONS & ELEVATIONS  A-405 ENLARGED PLANS, SECTIONS & ELEVATIONS  A-406 ENLARGED PLANS, SECTIONS & ELEVATIONS  • • • • • •	
FIRE RATED SEPARATION AND ENCLOSURES:		A-900 EXTERIOR RENDERING  A-901 EXTERIOR RENDERING  • • • • • • • • • • • • • • • • • • •	
PRIMARY STRUCTURAL FRAME - 3 HRS BEARING WALLS AND PARTITIONS: (TABLE 602) EXTERIOR - 2 HRS, #1 PC 403.2.1.1 INTERIOR - 2 HRS, #1 PC 403.2.1.1 NON BEARING WALLS AND PARTITIONS: EXTERIOR LESS THAN 5 FEET - 1 HR INTERIOR - 0 HRS		A-902 EXTERIOR RENDERING  A-903 EXTERIOR RENDERING  A-904 DETAIL RENDERINGS  A-905 POPOS ENTRY RENDERING  A-906 POPOS ENTRY RENDERING  A-907 POPOS RENDERING  • • • • • • • • • • • • • • • • • • •	
FLOOR CONSTRUCTION: 2 HRS ROOF CONSTRUCTION: 1.5 HRS	ZONING CALCULATIONS	A-908       POPOS RENDERING         A-909       POPOS RENDERING         A-910       POPOS RENDERING         •       •	
ENERGY CODE INFORMATION	PARCEL AREA 7,045 ALLOWABLE FAR 18 BUILDABLE FLOOR AREA 126,810	A-911 POPOS RENDERING  A-912 POPOS RENDERING  A-913 POPOS RENDERING  A-914 POPOS RENDERING  A-915 POPOS RENDERING  A-915 POPOS RENDERING  A-916 POPOS RENDERING	
THE PROPOSED PROJECT WILL COMPLY WITH THE CALIFORNIA 2019 BUILDING ENERGY EFFICIENCY STANDARDS FOR RESIDENTIAL AND NONRESIDENTIAL BUILDINGS	LEVEL USE  SQUARE DEDUCTIONS  GROSS FLOOR OF SUPPORT SUPPORT RETAIL AREA	KEYS  A-916  POPOS RENDERING  VICINITY MAP	
CLIMATE ZONE: 3 (APPENDIX JA2) SUB-TYPE: C	29       ROOF - MECHANICAL       930       930       -       -       -       -       -       -       -       4,248         28       GUESTROOMS       4,415       178       -       -       -       4,248         27       GUESTROOMS       4,415       178       -       -       -       4,248	- 8 8	
PRIVATELY-OWNED PUBLIC OPEN SPACE (POPOS) REQUIREMENTS (TABLE 138)	26     GUESTROOMS     4,415     178     -     -     -     4,248       25     GUESTROOMS     4,415     178     -     -     -     4,248       24     GUESTROOMS     4,415     178     -     -     -     4,248	8 8 8	
RATIO OF SQUARE FEET OF OPEN SPACE TO GROSS FLOOR AREA IN C-3-O DISTRICTS IS 1:50 PROPOSED FLOOR AREA: 156,044 SF	23     GUESTROOMS     4,415     178     -     -     -     4,248       22     GUESTROOMS     4,415     178     -     -     -     4,248	8 8 8 Bush street S	
REQUIRED POPOS AREA (1:50 FEET): 3,120.88 SF PROVIDED POPOS AREA (INCLUDING SUPPORT SPACES):	21       GUESTROOMS       4,415       178       -       -       -       4,248         20       GUESTROOMS       4,415       178       -       -       -       4,248         19       GUESTROOMS       4,415       178       -       -       -       4,248	8 8 8 8 8 8	
POPOS OUTDOOR TERRACE: 2,364 SF POPOS INDOOR SUPPORT SPACE: 1,702 SF TOTAL POPOS AREA: 4,066 SF	18       GUESTROOMS / FITNESS       4,415       178       -       -       4,248         17       GUESTROOMS / MECH.       4,838       1,030       78       -       -       3,730         16       AMENITY       4,838       137       -       -       -       4,701	5 5 5 7 8 7 8 7 8 7 8 7 8 7 8 7 8 7 8 7	
THE POPOS WILL BE LOCATED ON THE 15TH FLOOR OPEN AIR TERRACE GIVEN THE LIMITED GRADE LEVEL OPPORTUNITIES.	15     POPOS / BAR     6,421     215     -     4,211     -     2,205       14     GUESTROOMS     5,763     256     -     -     -     5,507	SUTTER STREET  SUTTER STREET  STREET	
PARKING REQUIREMENTS	13       GUESTROOMS       5,763       256       -       -       -       5,507         12       GUESTROOMS       5,763       256       -       -       -       5,507         11       GUESTROOMS       5,763       256       -       -       -       5,507	11 11 11	
REQUIRED PARKING IN C-3-O DISTRICT: 0 SPACES PROVIDED PARKING: 0 SPACES	10       GUESTROOMS       5,763       256       -       -       -       5,507         9       GUESTROOMS       5,763       256       -       -       -       5,507         8       GUESTROOMS       5,763       256       -       -       -       5,507	11 11 POST STREET PROSECULAR SILENGERS	
BICYCLE PARKING REQUIREMENTS	7 GUESTROOMS 5,763 256 5,507 6 GUESTROOMS 5,763 256 5,507 5 GUESTROOMS 5,763 256 5,507		

5,763

5,763

6,815

6,863

6,898

156,044

720

256

216

2,224

3,222

4,591

GUESTROOMS

MECHANICAL

TOTAL

RETAIL MEZZANINE

RETAIL / LOBBY

BOH / OPERATIONS / GYM

BASEMENT - MECHNICAL

CLASS I: ONE PARKING SPOT PER 30 GUESTROOMS

PROPOSED PARKING: 8 CLASS I SPOTS AT LEVEL 03

PROPOSED PARKING: 8 CLASS II SPOTS AT GRADE LEVEL

PER EVERY 5,000 SF OF G.S.F. MEETING ROOMS.

CLASS II: MINIMUM OF TWO SPACES, ONE PARKING SPOTS PER 30 ROOMS, ONE PARKING SPACE

REQUIRED PARKING: 8 CLASS I SPOTS

REQUIRED PARKING: 8 CLASS II SPOTS

5,507

5,547

3,176

126,333

477

GEARY STREET

720

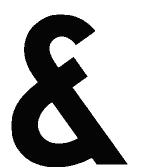
2,666

3,386

29,711

4,211

REMAINING BUILDABLE FLOOR AREA



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New York, NY 10005
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www.de-simone.com

M/E/P Engineer ads Engineers 45 Broadway, Suite 1220 New York, NY 10006 212.645.6060 www.adsce.com

 NO.
 DATE
 REVISION/ISSUANCE

 1
 10-30-20
 RESPONSE TO PLAN CHECK LETTER

 4
 05-10-24
 CONFORMANCE SET

NOT APPROVED FOR CONSTRUCTION

ican:

Seal & Signature:

DANIEL KEITH FORSTER, RA N.Y. #040355



Project Title:
570 MARKET STREET
570 MARKET STREET
SAN FRANCISCO, CA

SUTTER STREET

SUTTER STREET

NAME OF THE PROPERTY STREET

NAME OF THE PRO

 ate:
 05/10/20

 3cale:
 1" = 20

 Drawing By:
 Author

 Checked By:
 Checked

 Project No:
 177

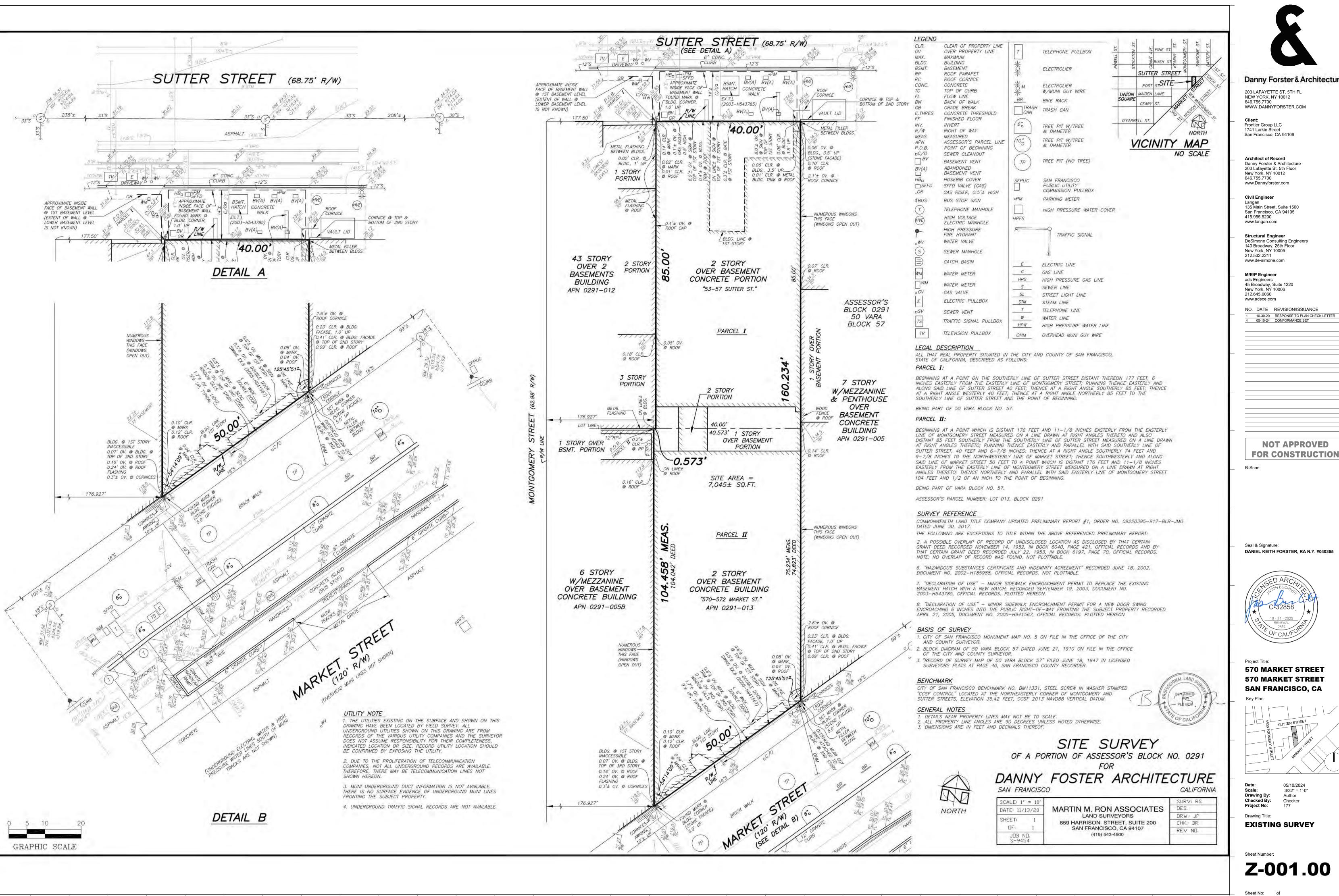
1" = 200'-0" Author Checker 177

DRAWING INDEX AND
PROJECT INFORMATION

T-002.01

Sheet No: of

Sheet Number:



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Langan 135 Main Street, Suite 1500 San Francisco, CA 94105

Structural Engineer DeSimone Consulting Engineers 140 Broadway, 25th Floor New York, NY 10005

45 Broadway, Suite 1220 New York, NY 10006

NO. DATE REVISION/ISSUANCE 10-30-20 RESPONSE TO PLAN CHECK LETTER

4 05-10-24 CONFORMANCE SET

**NOT APPROVED** 

Seal & Signature:

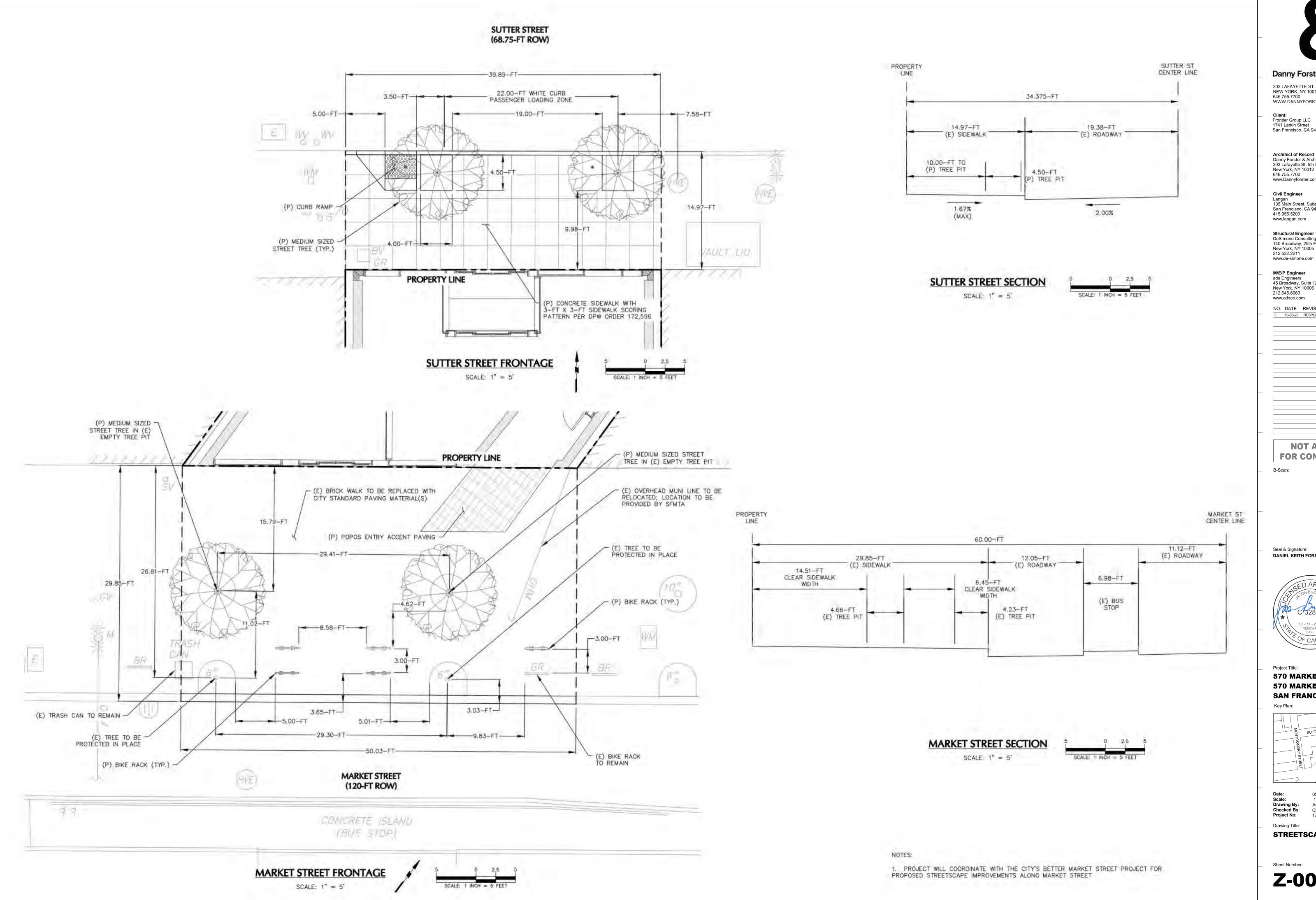


**570 MARKET STREET 570 MARKET STREET** 

05/10/2024 3/32" = 1'-0" Checker

**EXISTING SURVEY** 

**Z-001.00** 



Danny Forster & Architecture

203 LAFAYETTE ST. 5TH FL NEW YORK, NY 10012 646.755.7700 WWW.DANNYFORSTER.COM

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New York, NY 10005

M/E/P Engineer ads Engineers 45 Broadway, Suite 1220 New York, NY 10006 212.645.6060

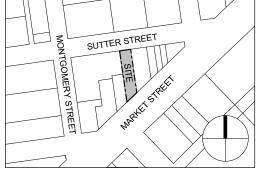
NO. DATE REVISION/ISSUANCE 1 10-30-20 RESPONSE TO PLAN CHECK LETTER

> **NOT APPROVED** FOR CONSTRUCTION

Seal & Signature: DANIEL KEITH FORSTER, RA N.Y. #040355



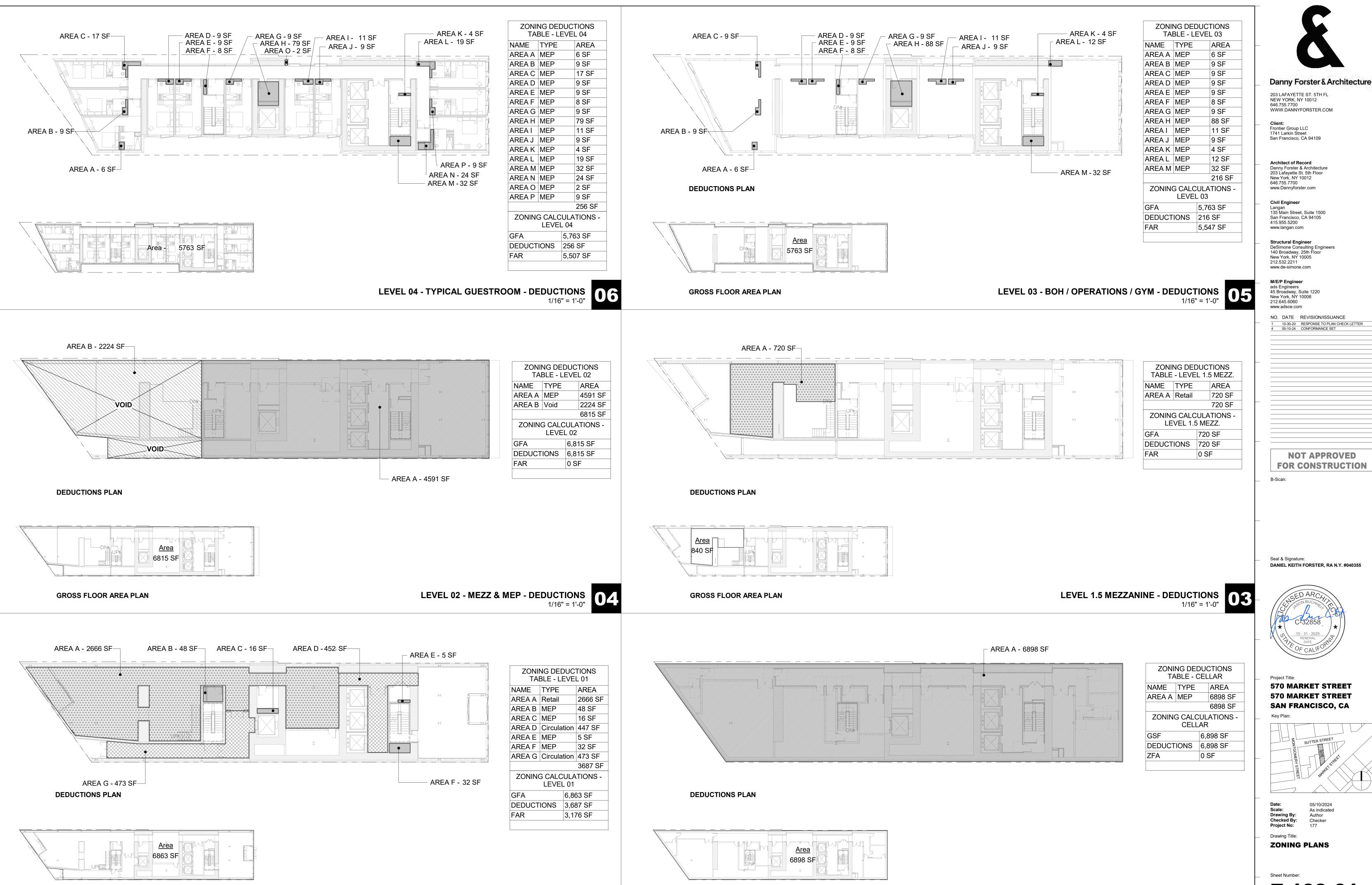
**570 MARKET STREET 570 MARKET STREET** SAN FRANCISCO, CA



12" = 1'-0"

STREETSCAPE PLAN

**Z-002.00** 



**GROSS FLOOR AREA PLAN** 

**LEVEL 01 - LOBBY - DEDUCTIONS**1/16" = 1'-0"

**GROSS FLOOR AREA PLAN** 

BASEMENT - DEDUCTIONS
1/16" = 1'-0"

**Z-100.01** 



LEVEL 16 - BAR - DEDUCTIONS

**GROSS FLOOR AREA PLAN** 

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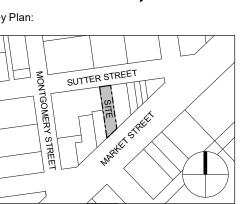
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**570 MARKET STREET 570 MARKET STREET** 

SAN FRANCISCO, CA



As indicated Checker 177

Date: Scale: Drawing By: Checked By: Project No: Drawing Title:

**ZONING PLANS** 

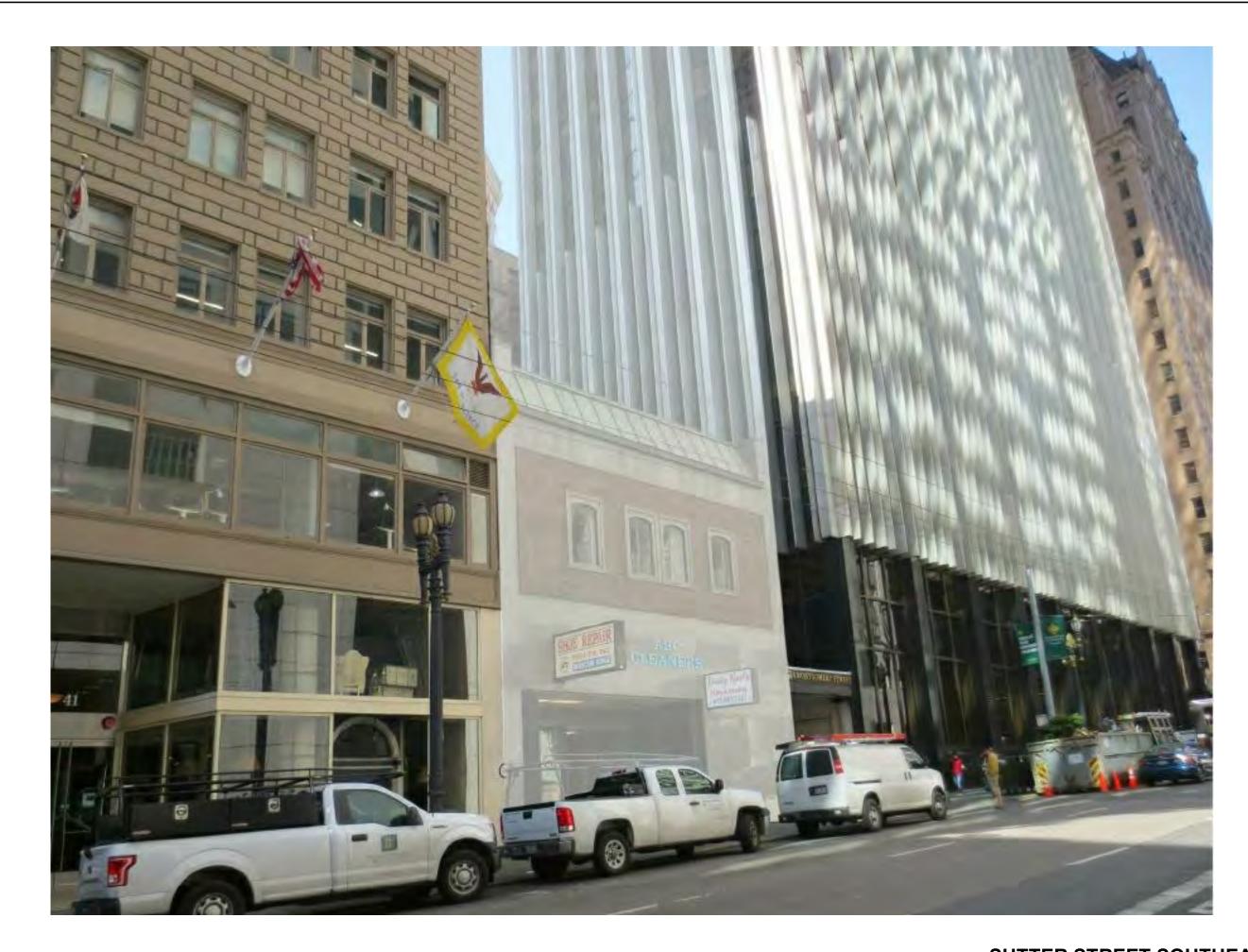
**Z-101.01** 

**GROSS FLOOR AREA PLAN** 

**LEVEL 15 - POPOS - DEDUCTIONS**1/16" = 1'-0"







SUTTER STREET SOUTHEAST 03



FOR CONSTRUCTION

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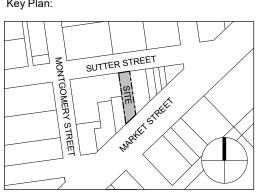
Civil Engineer

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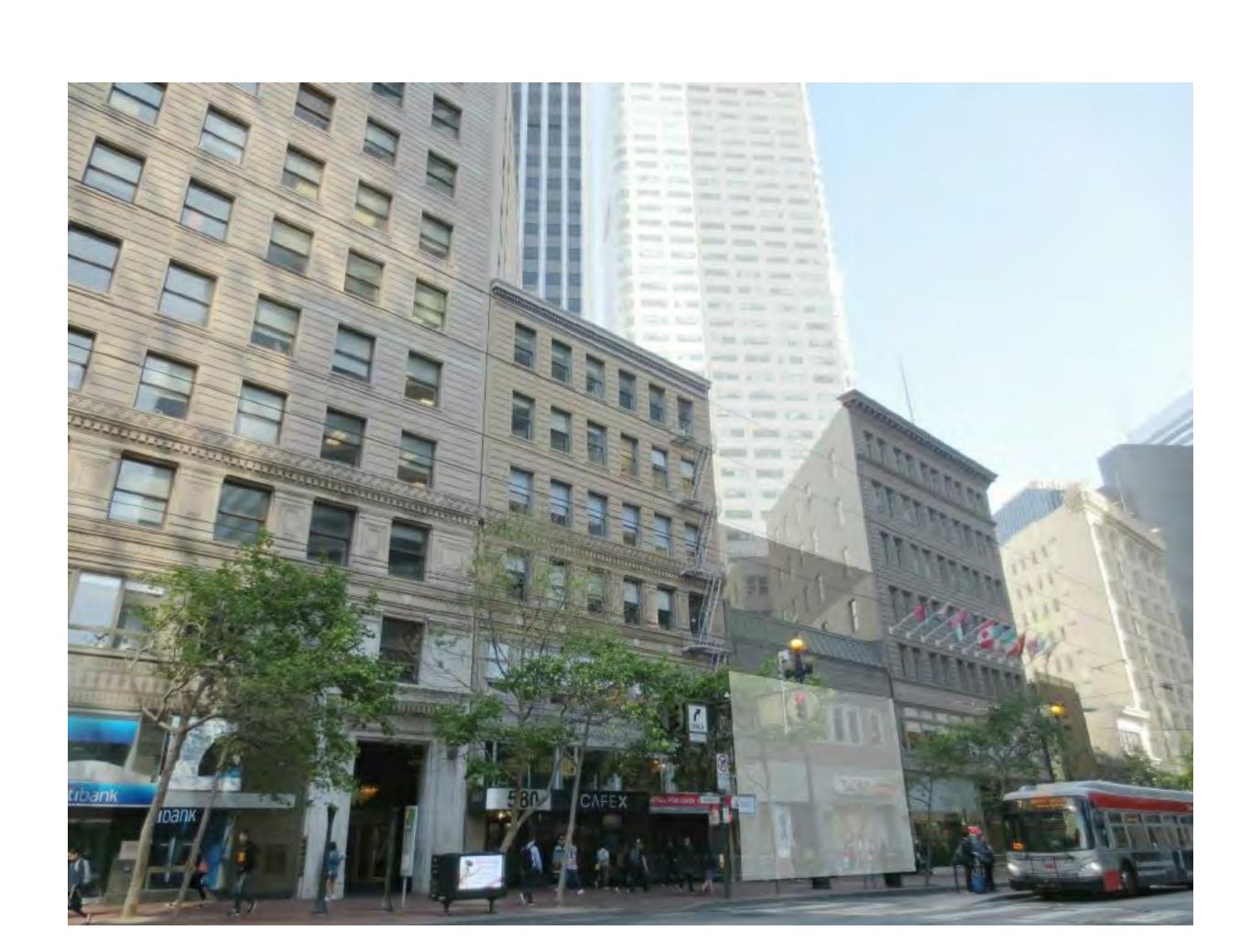


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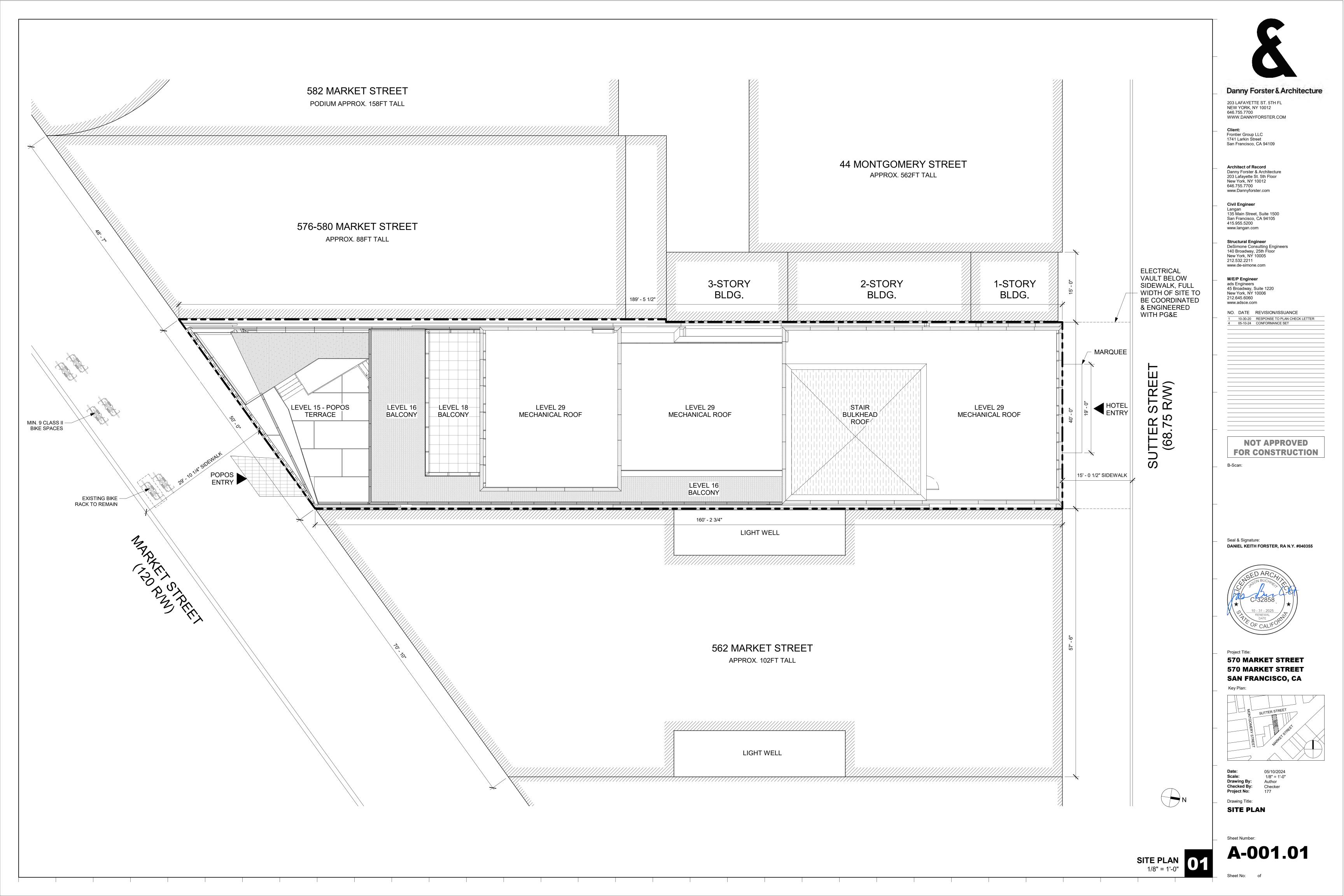
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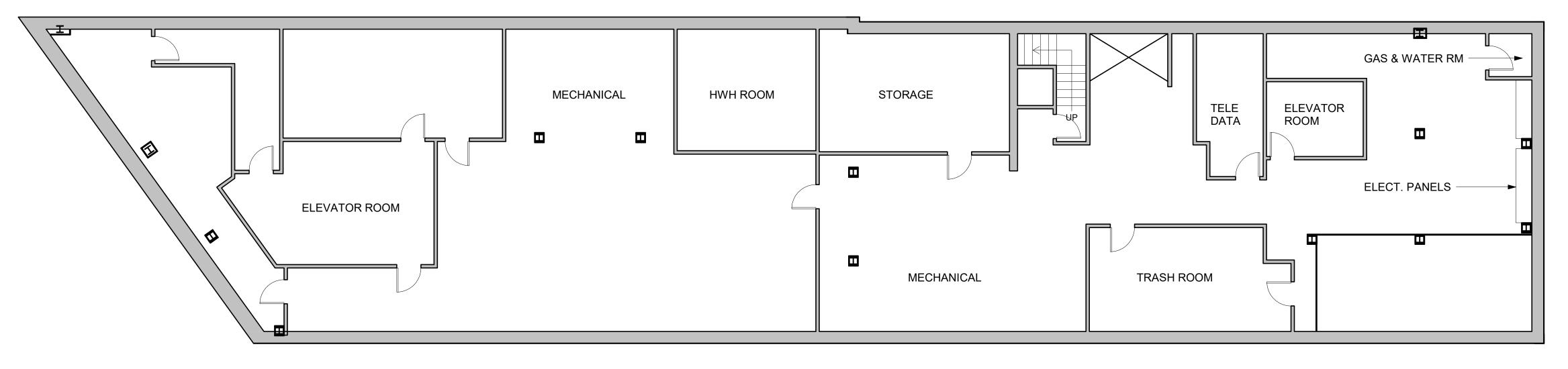
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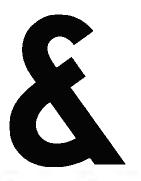
MARKET STREET SOUTHWEST 02







EXISTING FLOOR PLAN - CELLAR 1/8" = 1'-0"



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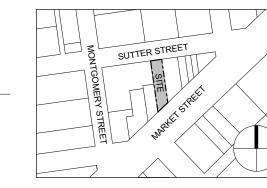
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**570 MARKET STREET 570 MARKET STREET** 

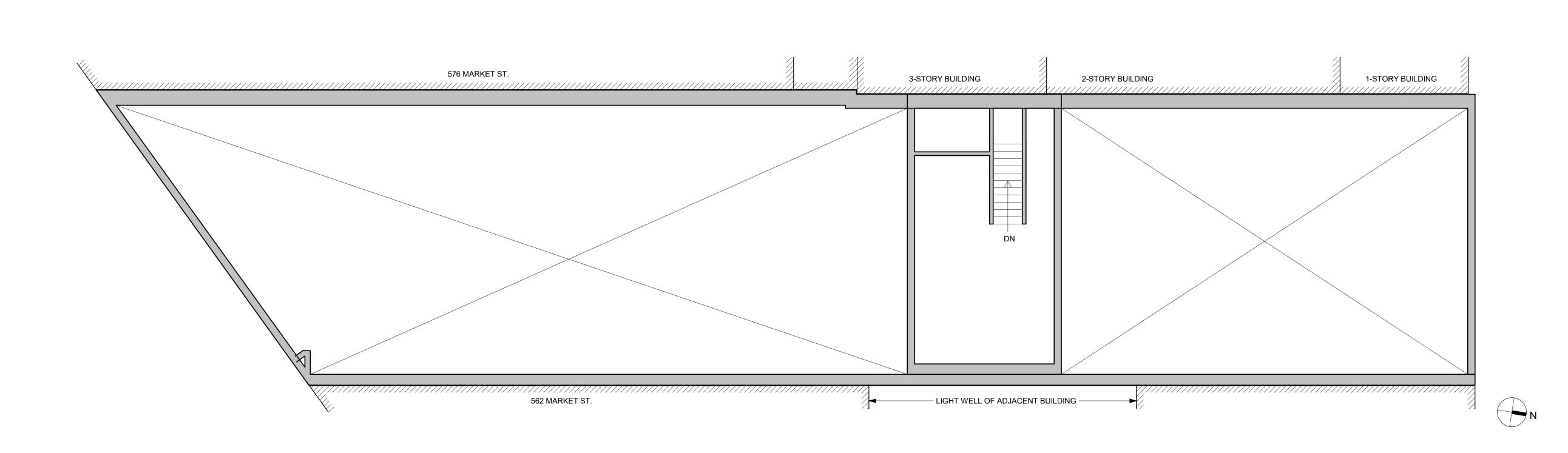
SAN FRANCISCO, CA



Date: Scale: Drawing By: Checked By: Project No:

**EXISTING FLOOR PLAN -**SUB-CELLAR & CELLAR LEVEL Sheet Number:

A-050.00



3-STORY BUILDING

LIGHT WELL OF ADJACENT BUILDING

2-STORY BUILDING

576 MARKET ST.

RETAIL

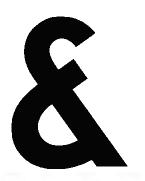
562 MARKET ST.

EXISTING FLOOR PLAN - MEZZANINE LEVEL 1/8" = 1'-0"

1-STORY BUILDING RETAIL LOBBY RETAIL ENTRANCE

RETAIL

EXISTING FLOOR PLAN - LEVEL 01
1/8" = 1'-0"



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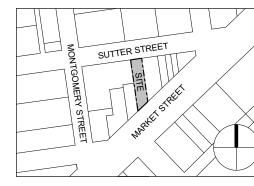
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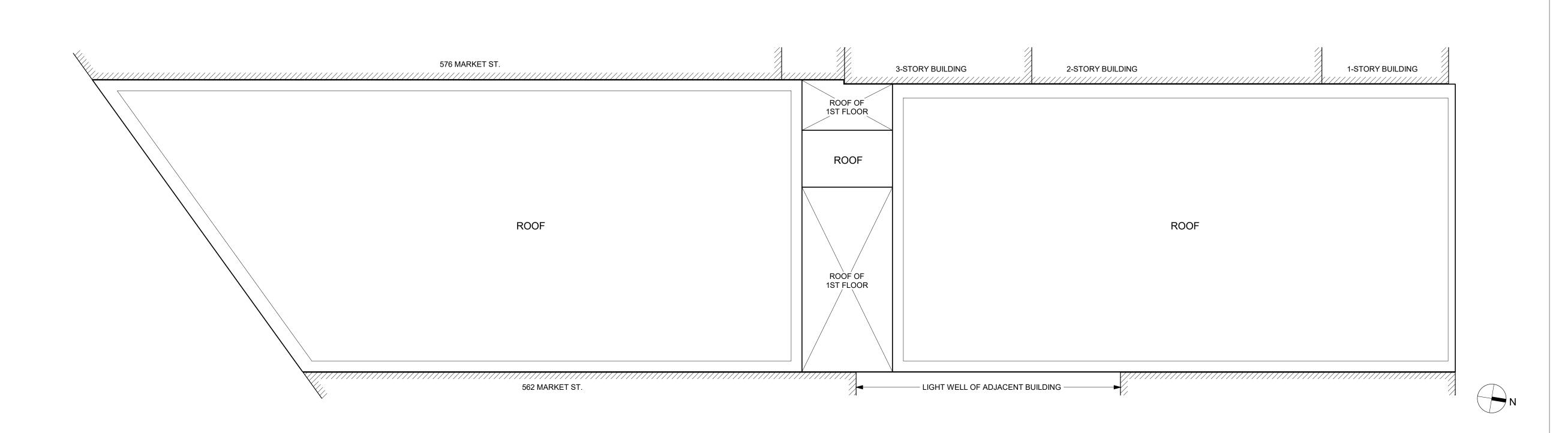
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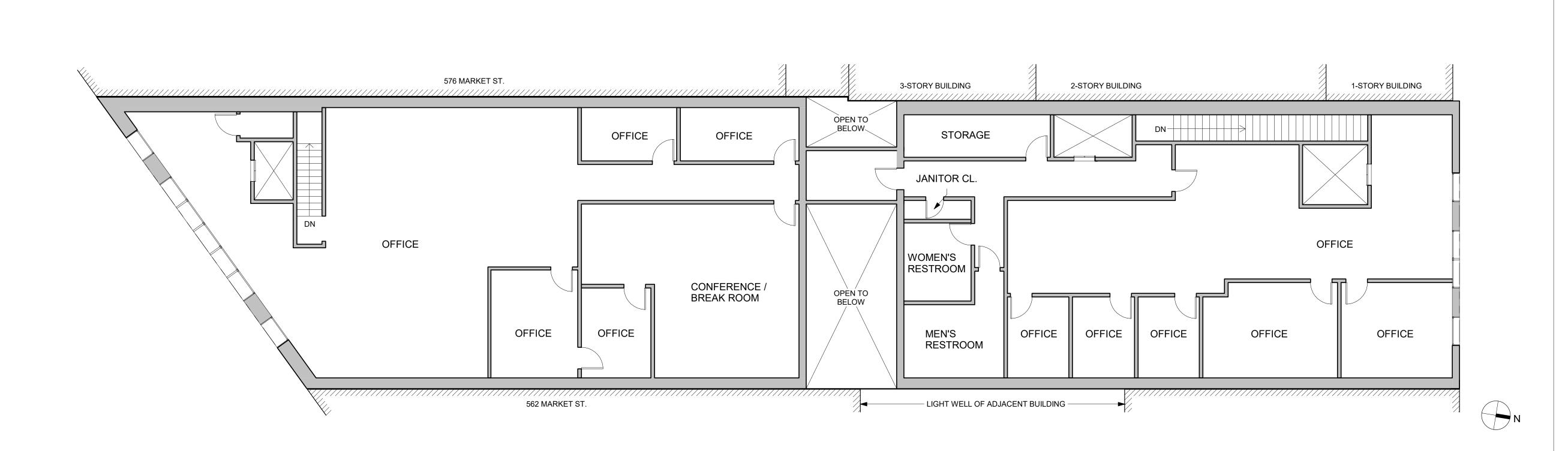
**LEVEL 01 & MEZZANINE** 

A-051.00

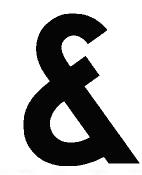
Sheet Number:



EXISTING FLOOR PLAN - ROOF
1/8" = 1'-0"



EXISTING FLOOR PLAN - LEVEL 02
1/8" = 1'-0"



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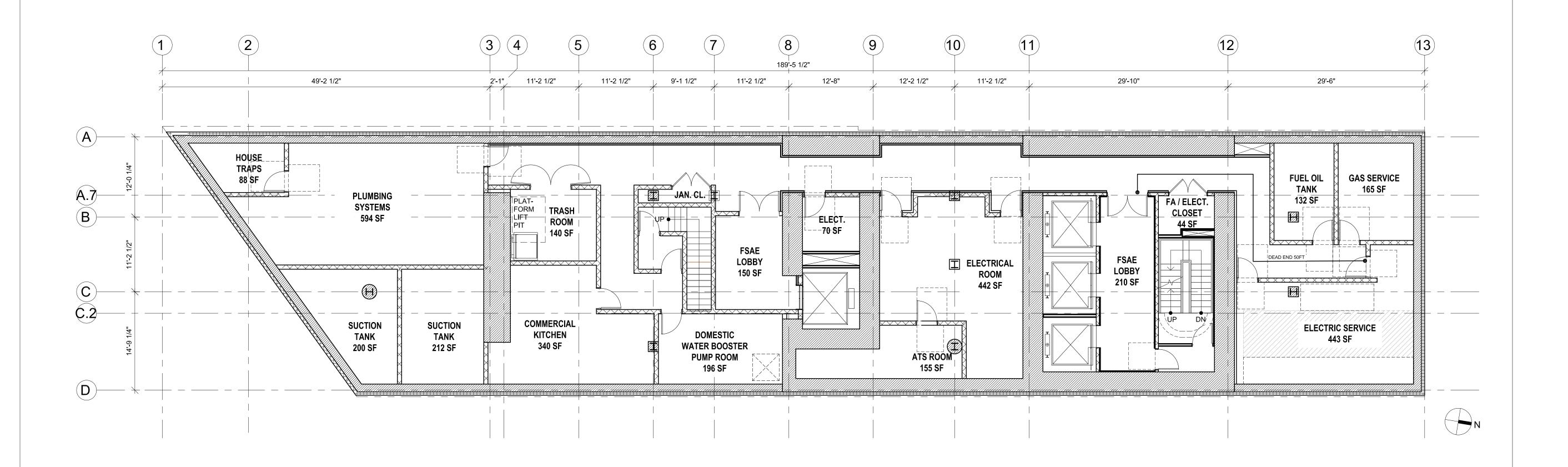


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**EXISTING FLOOR PLAN -LEVEL 02 & ROOF** 

Sheet Number:

A-052.00



FLOOR PLAN - BASEMENT
1/8" = 1'-0"



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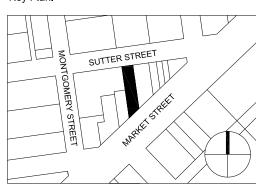
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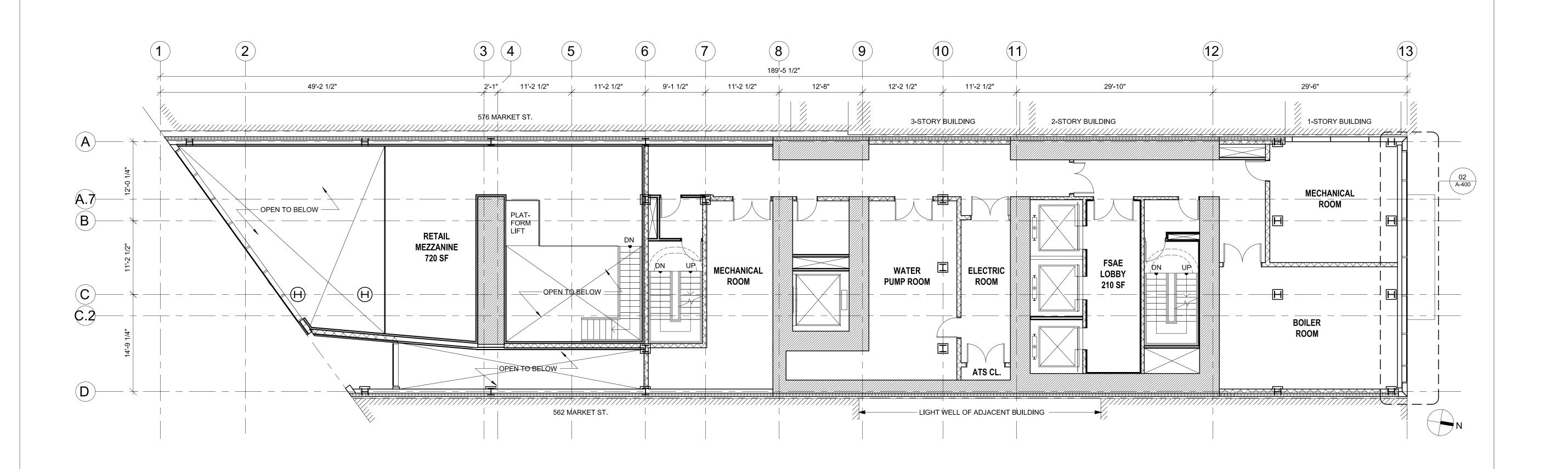
**570 MARKET STREET 570 MARKET STREET** SAN FRANCISCO, CA

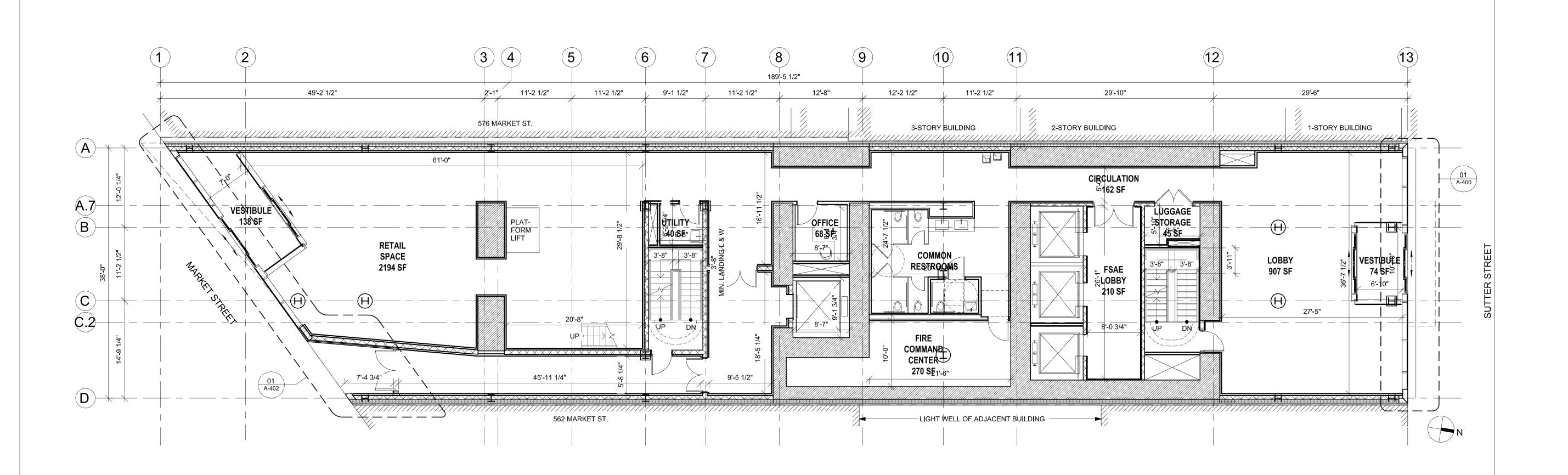


Date: Scale: Drawing By: Checked By: Project No: 05/10/2024 Drawing Title:

**FLOOR PLAN -BASEMENT LEVEL** 

A-100.02





8

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B-Scan:

FLOOR PLAN - LEVEL 02 1/8" = 1'-0"

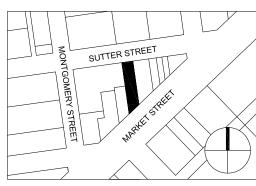
FLOOR PLAN - LEVEL 01 1/8" = 1'-0"

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# Project Title: 570 MARKET STREET 570 MARKET STREET SAN FRANCISCO, CA

Key Plan:



 Date:
 05/17/2021

 Scale:
 1/8" = 1'-0"

 Drawing By:
 DFA

 Checked By:
 DFA

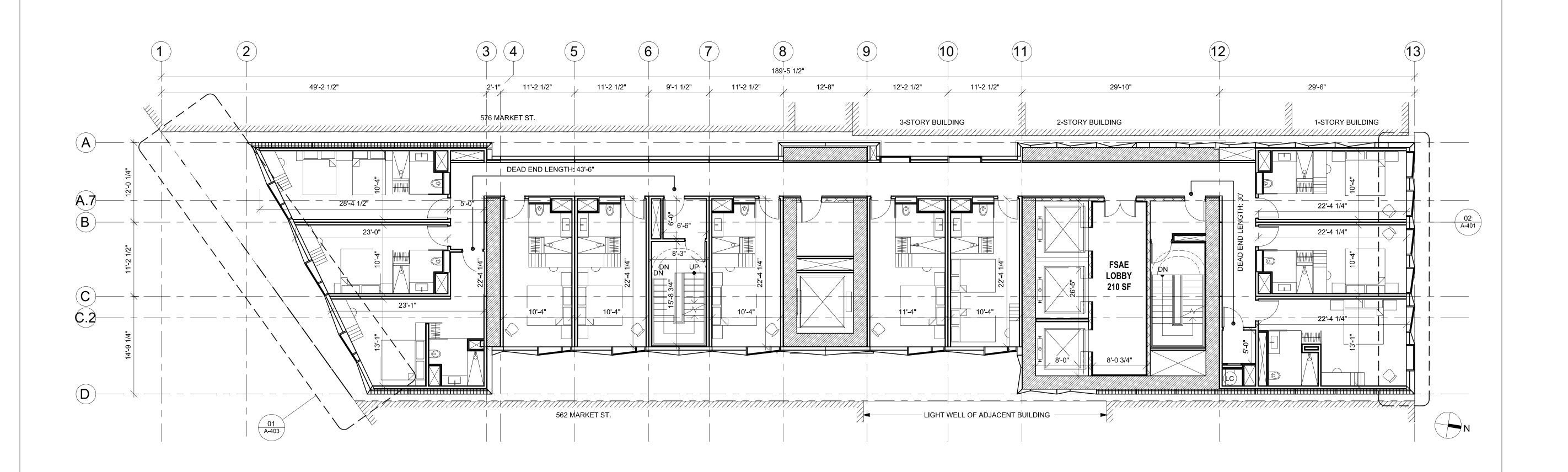
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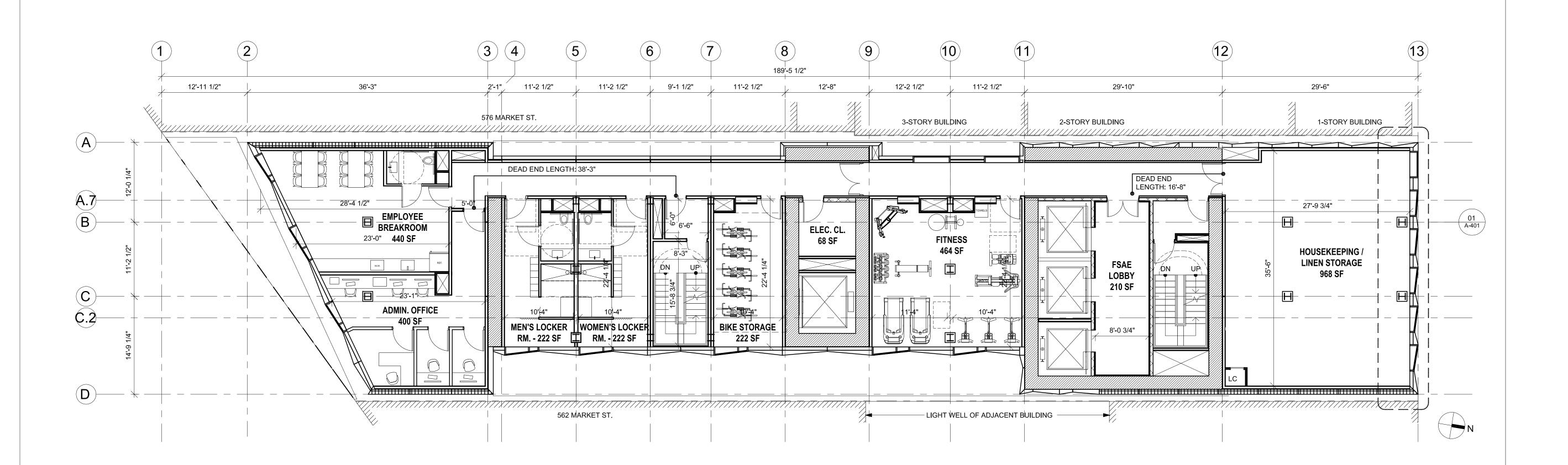
 Drawing Title:

 FLOOR PLAN - LEVI

FLOOR PLAN - LEVEL 01 & LEVEL 02

A-101.02





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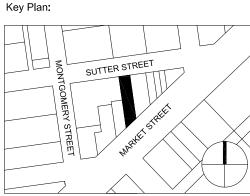
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B-Scan



Project Title: **570 MARKET STREET 570 MARKET STREET** SAN FRANCISCO, CA

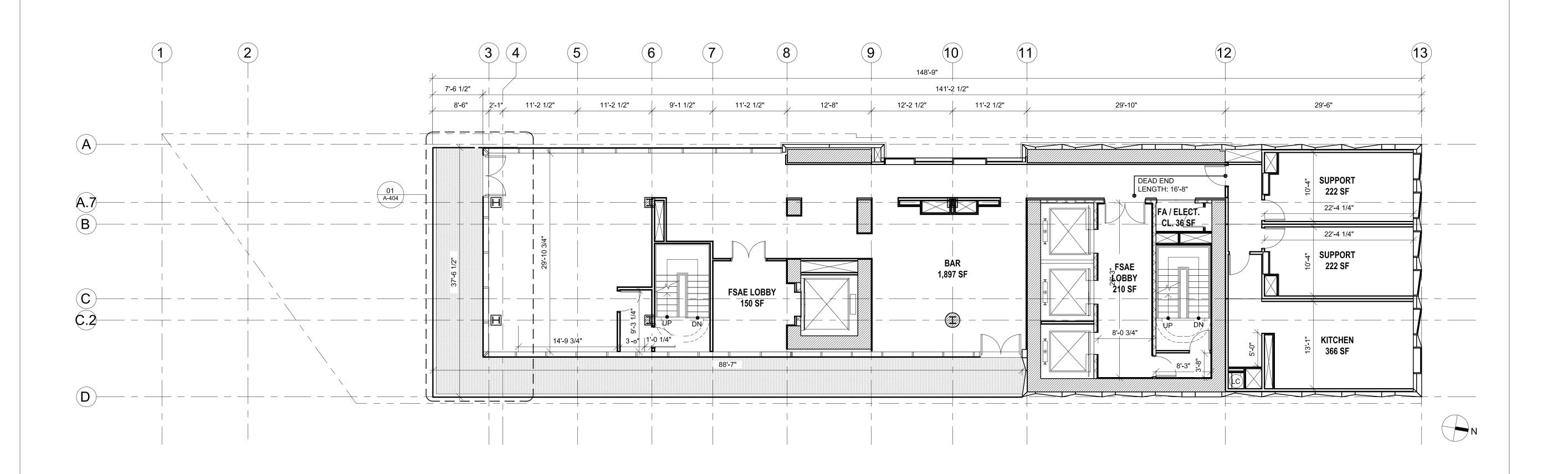
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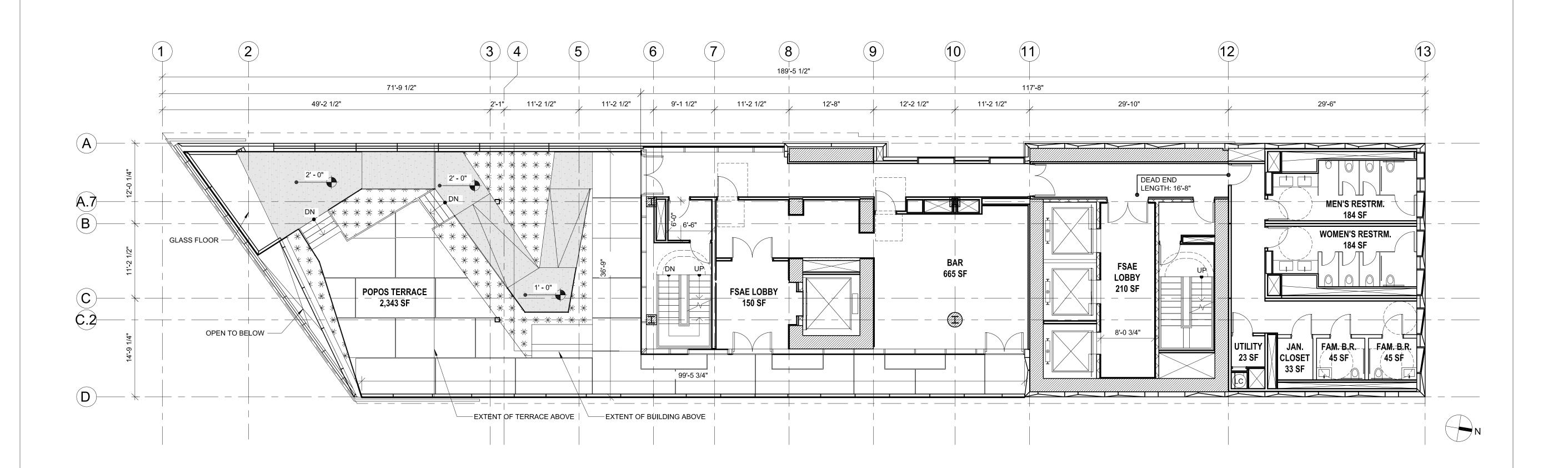
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FLOOR PLAN - LEVEL 03 & LEVEL 04

A-102.02



FLOOR PLAN - LEVEL 16
1/8" = 1'-0"





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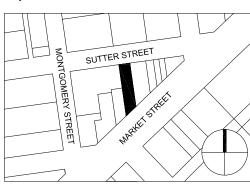
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Project Title:
570 MARKET STREET
570 MARKET STREET
SAN FRANCISCO, CA

Key Plan:



 Date:
 05/17/2021

 Scale:
 1/8" = 1'-0"

 Drawing By:
 DFA

 Checked By:
 DFA

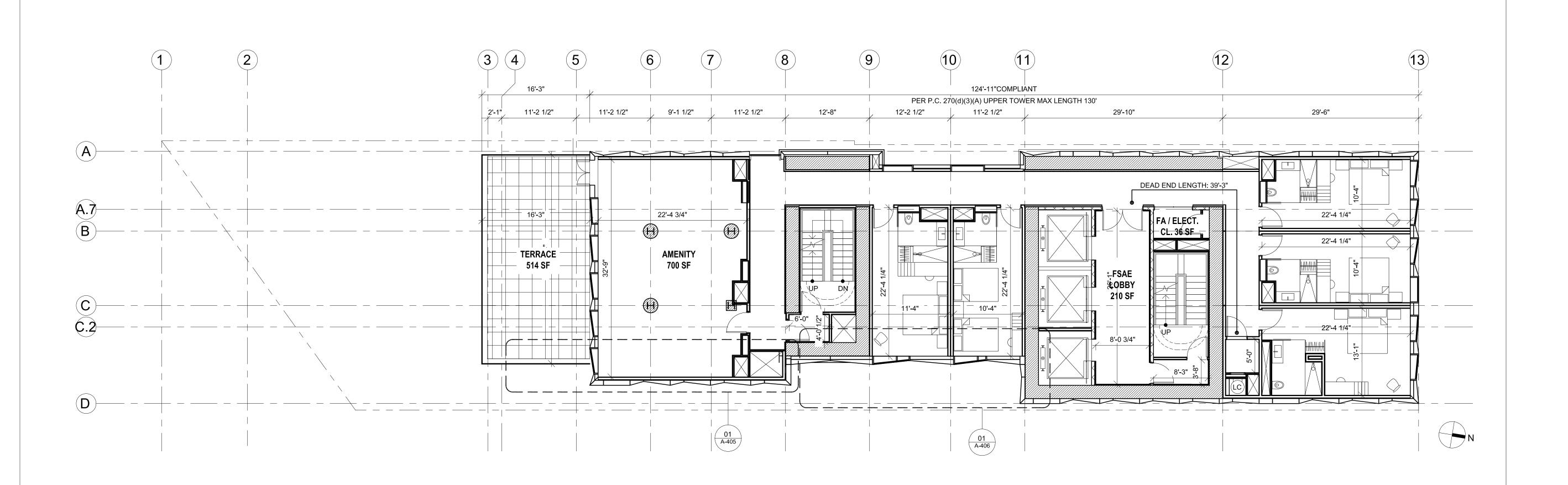
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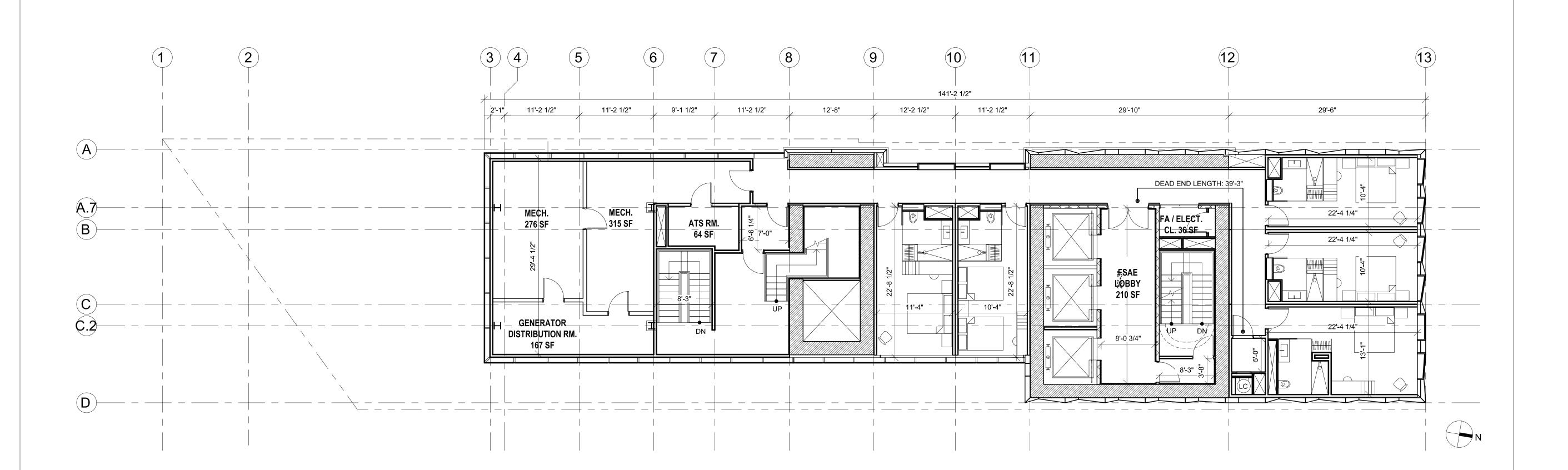
 FLOOR PLAN - LEVE

FLOOR PLAN - LEVEL 15 & LEVEL 16

A-103.02



FLOOR PLAN - LEVEL 18
1/8" = 1'-0"





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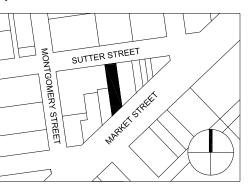
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Project Title:
570 MARKET STREET
570 MARKET STREET
SAN FRANCISCO, CA

Key Plan:



 Date:
 05/17/2021

 Scale:
 1/8" = 1'-0"

 Drawing By:
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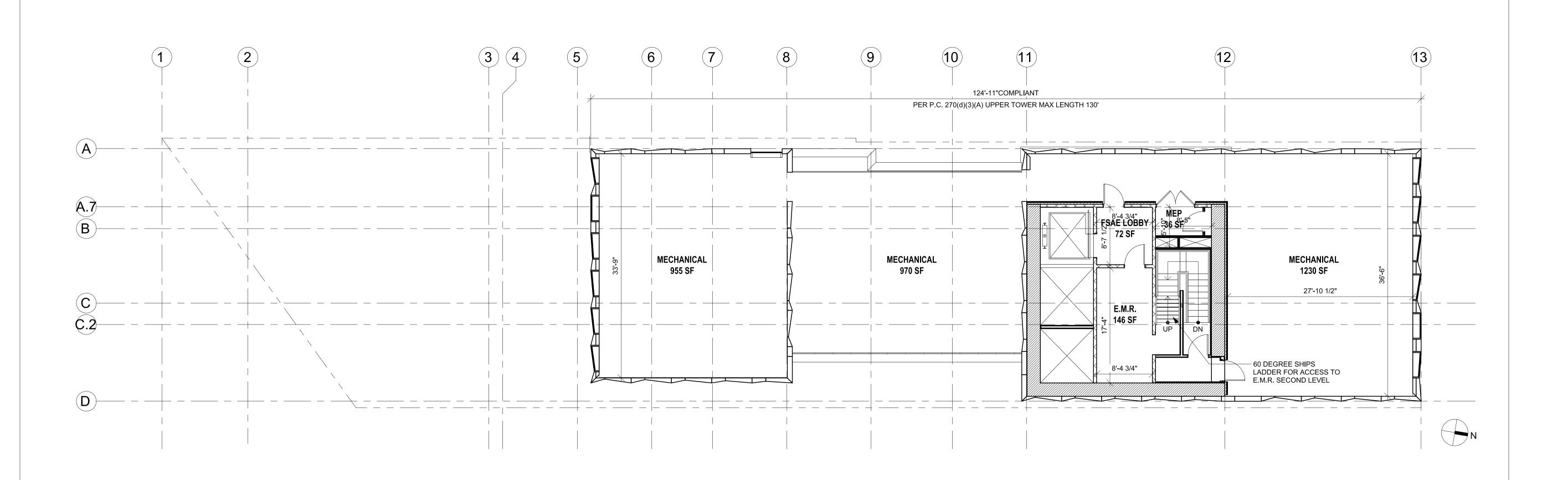
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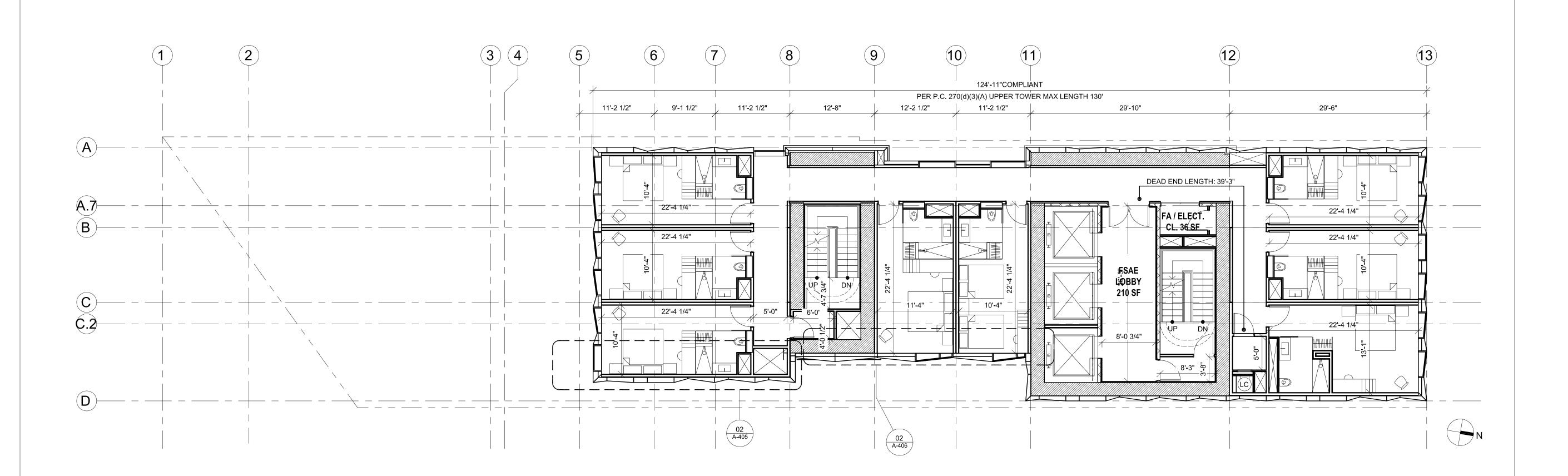
 Project No:
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 Drawing Title:

FLOOR PLAN - LEVEL 17 & LEVEL 18

A-104.02





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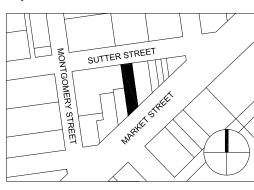
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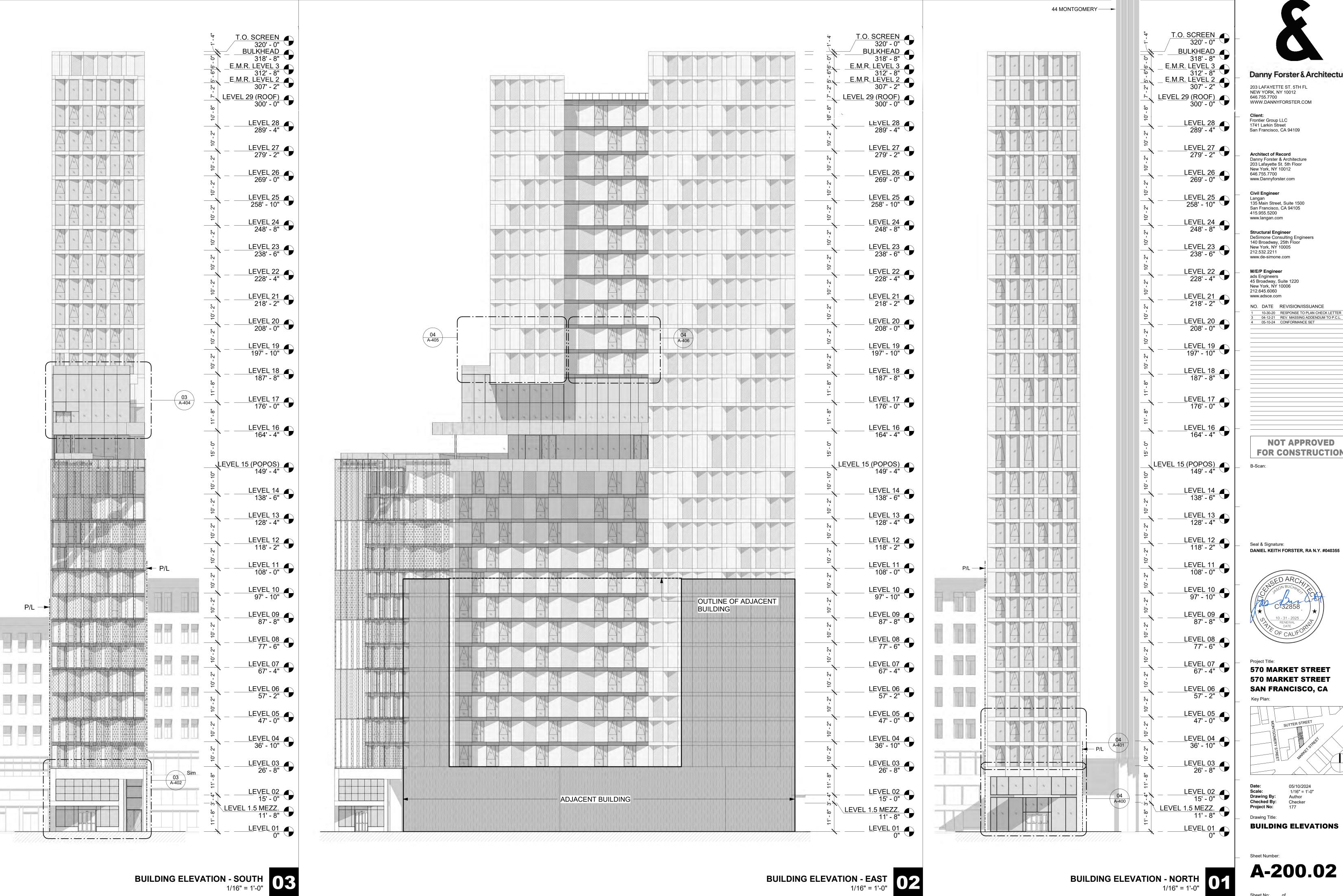


**570 MARKET STREET 570 MARKET STREET** SAN FRANCISCO, CA



Date: Scale: Drawing By: Checked By: Project No: Drawing Title: **FLOOR PLAN - LEVEL 19 THRU LEVEL 28 & ROOF** 

A-105.02



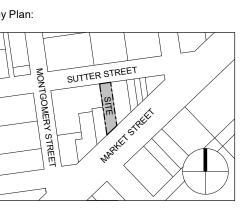
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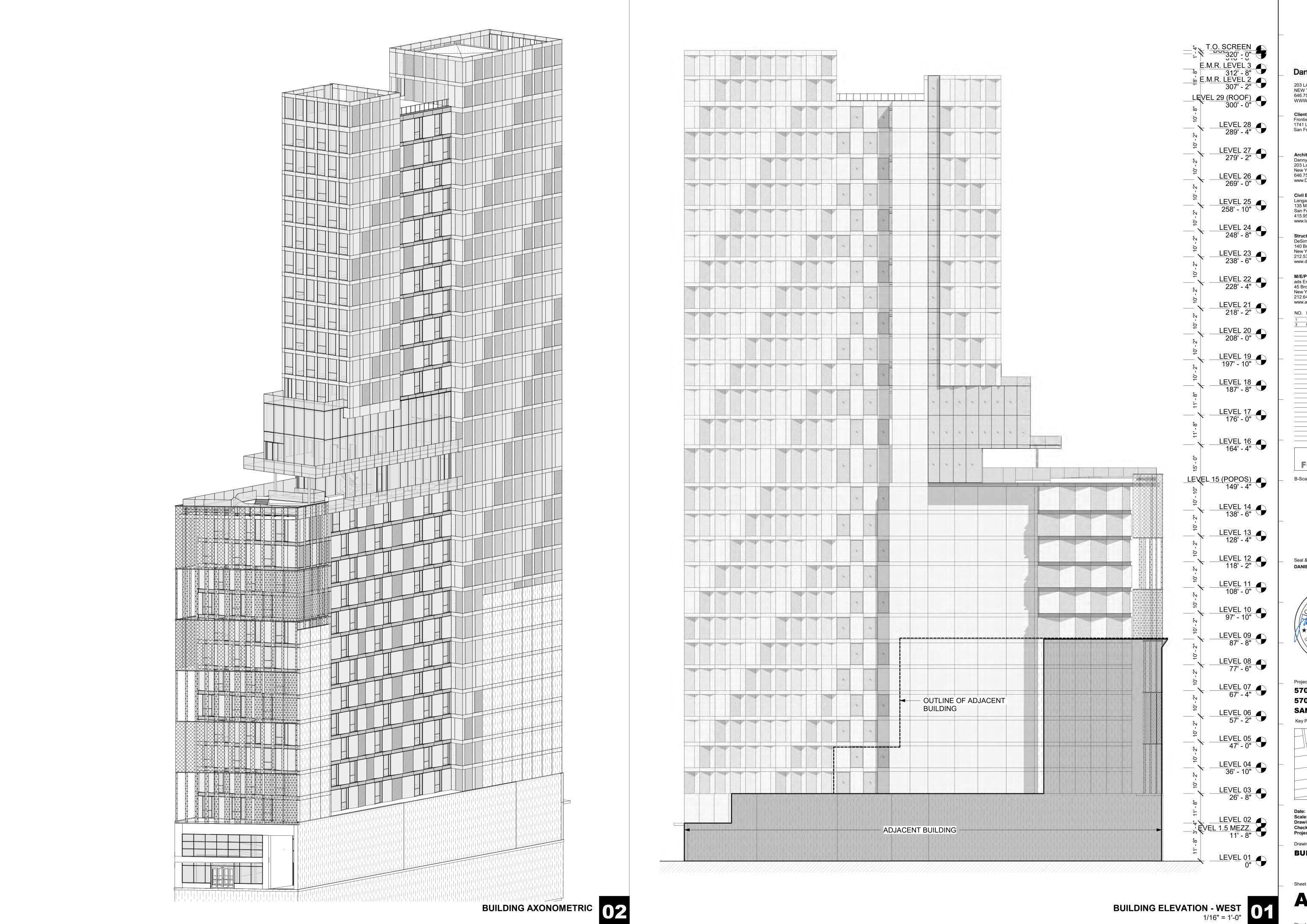


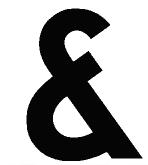
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**BUILDING ELEVATIONS** 

**A-200.02** 





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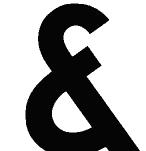


**570 MARKET STREET 570 MARKET STREET** SAN FRANCISCO, CA

**BUILDING ELEVATIONS** 

A-201.01





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NO. DATE REVISION/ISSUANCE 1 10-30-20 RESPONSE TO PLAN CHECK LETTER 4 05-10-24 CONFORMANCE SET

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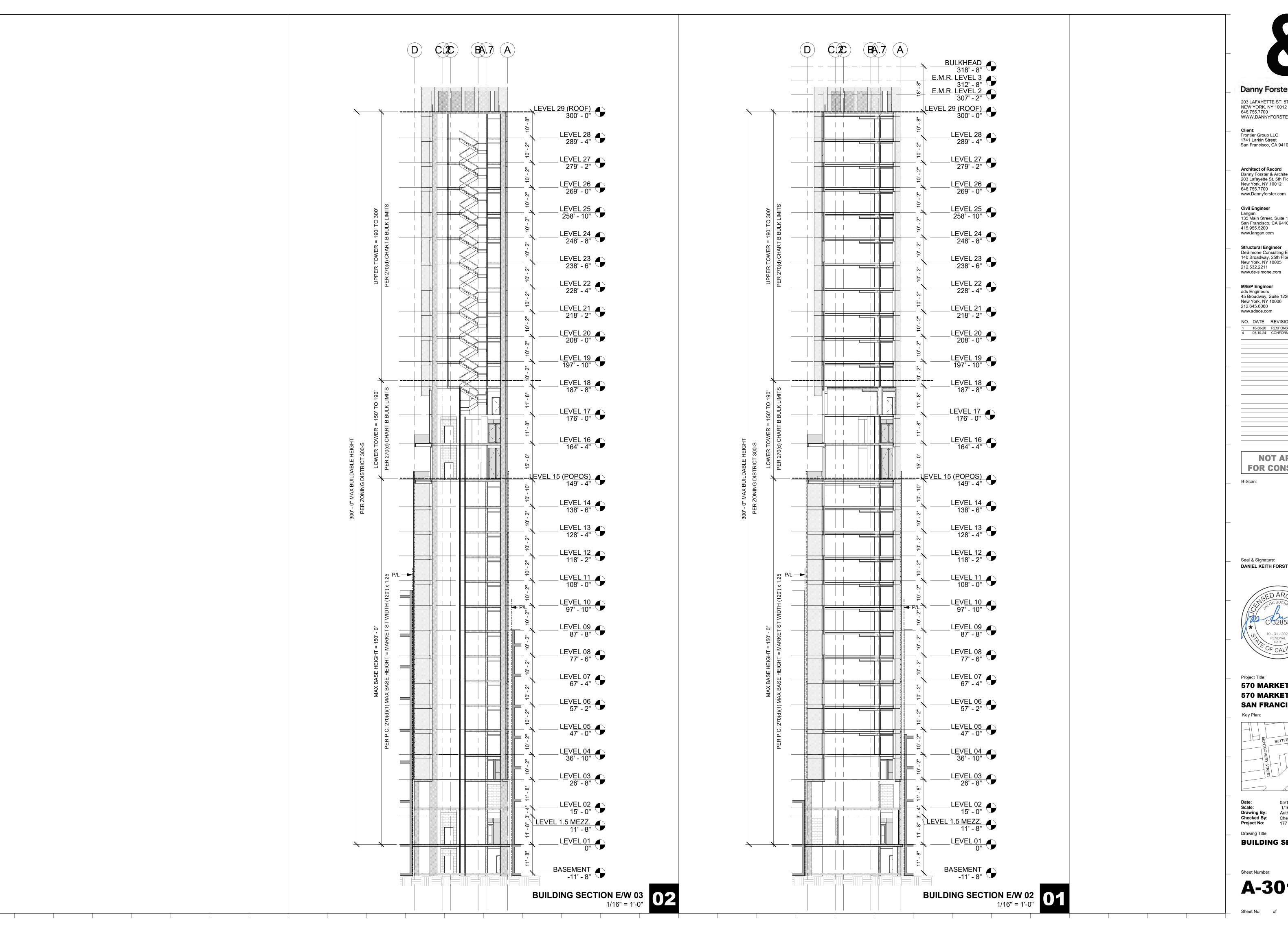


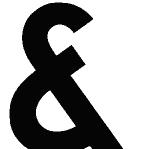
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**BUILDING SECTIONS** 

Sheet Number:

A-300.01





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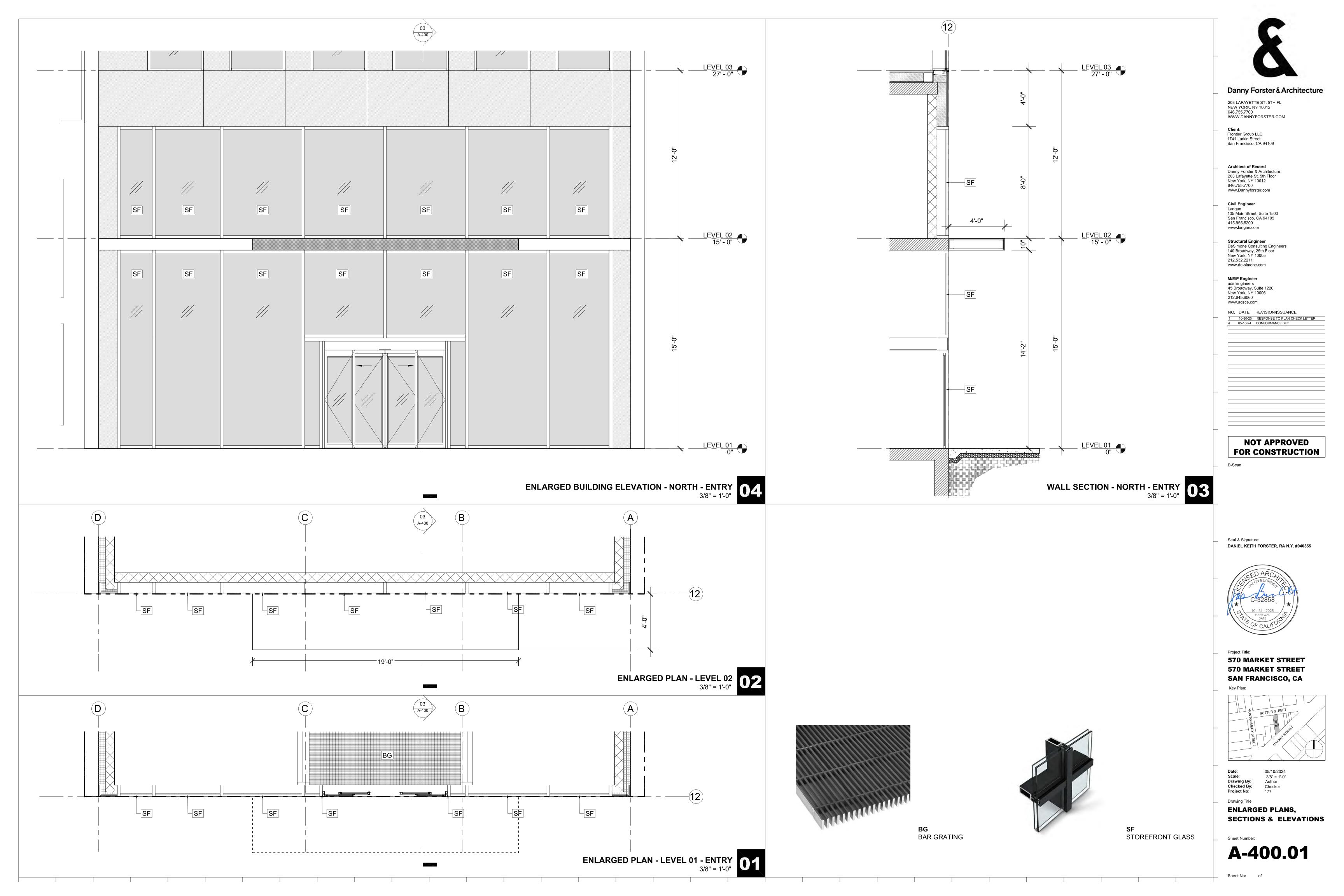
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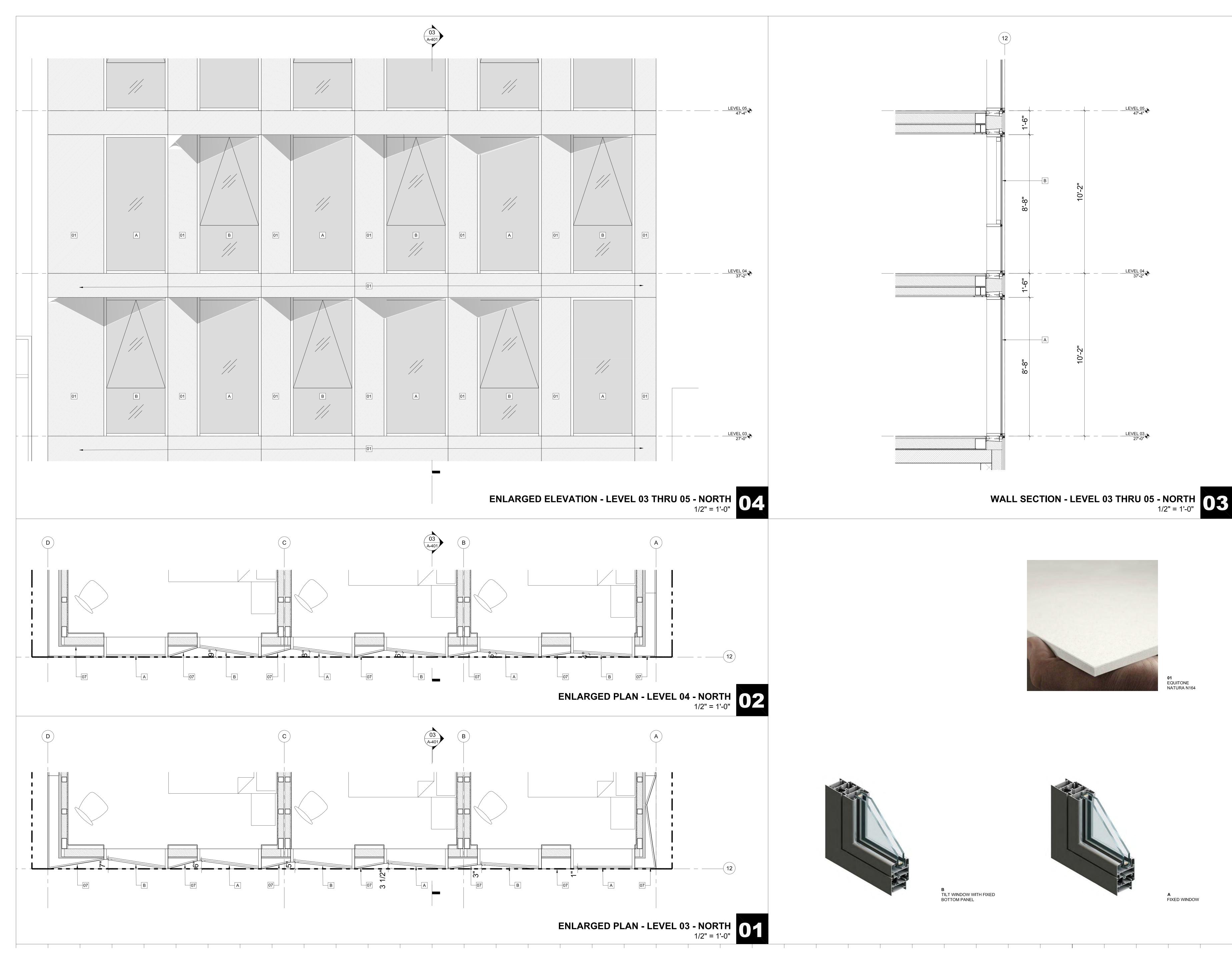


**570 MARKET STREET 570 MARKET STREET** SAN FRANCISCO, CA

**BUILDING SECTIONS** 

A-301.01







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www.langan.com

New York, NY 10005 212.532.2211 www.de-simone.com

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Landscape Architect

Zoning & Code Consultant Code Consultants, Inc.

2301 Rosecrans, Suite 2155 El Segundo, CA 90245 213-622-5880 www.codeconsultants.com

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Project Title:
570 MARKET STREET

570 MARKET STREET SAN FRANCISCO, CA

Drawing Title:

**ENLARGED PLANS,** 

A-401.01

SECTIONS & ELEVATIONS

Seal & Signature:

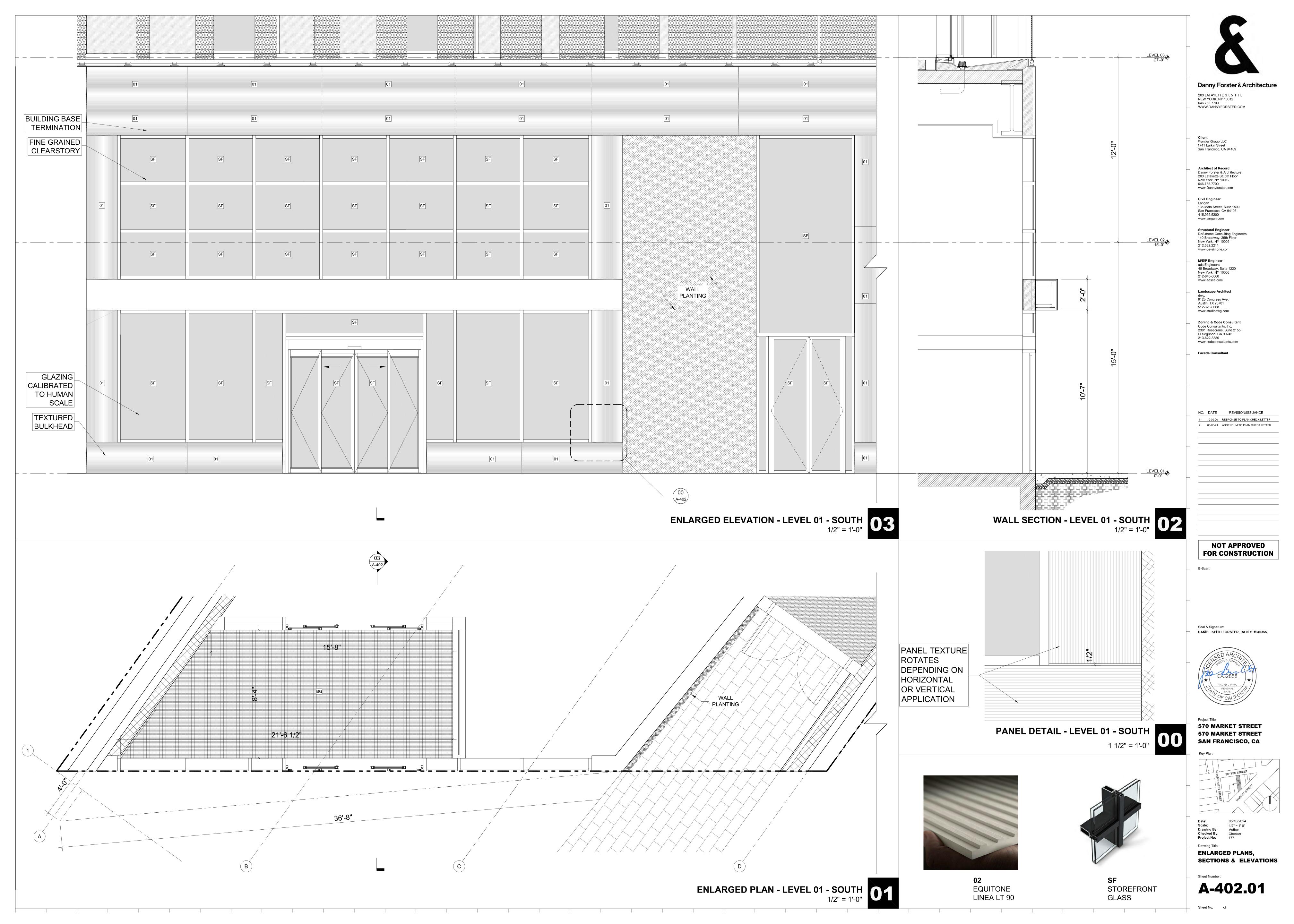
Facade Consultant

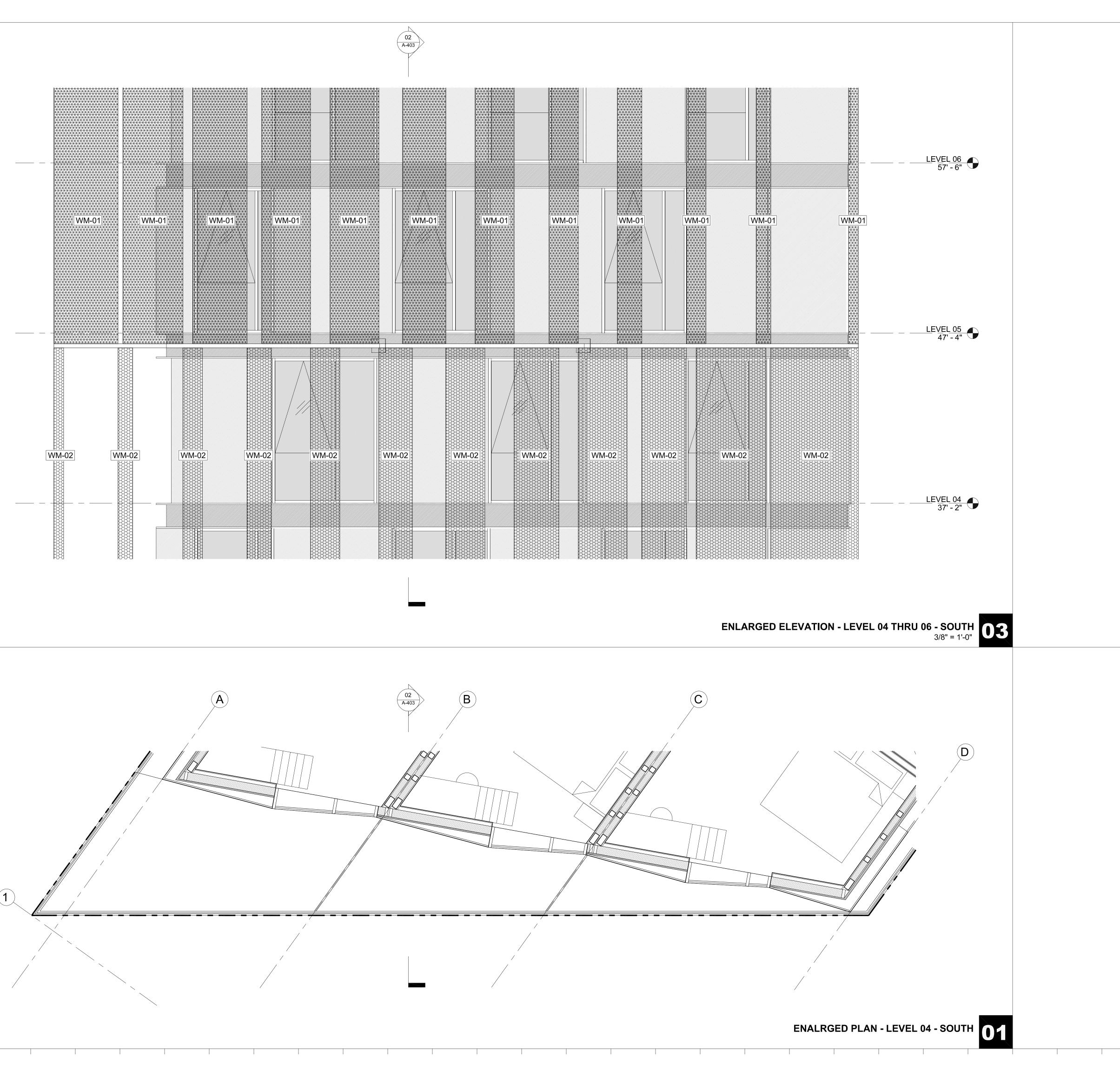
dwg. 912b Congress Ave. Austin, TX 78701 512-320-0668 www.studiodwg.com

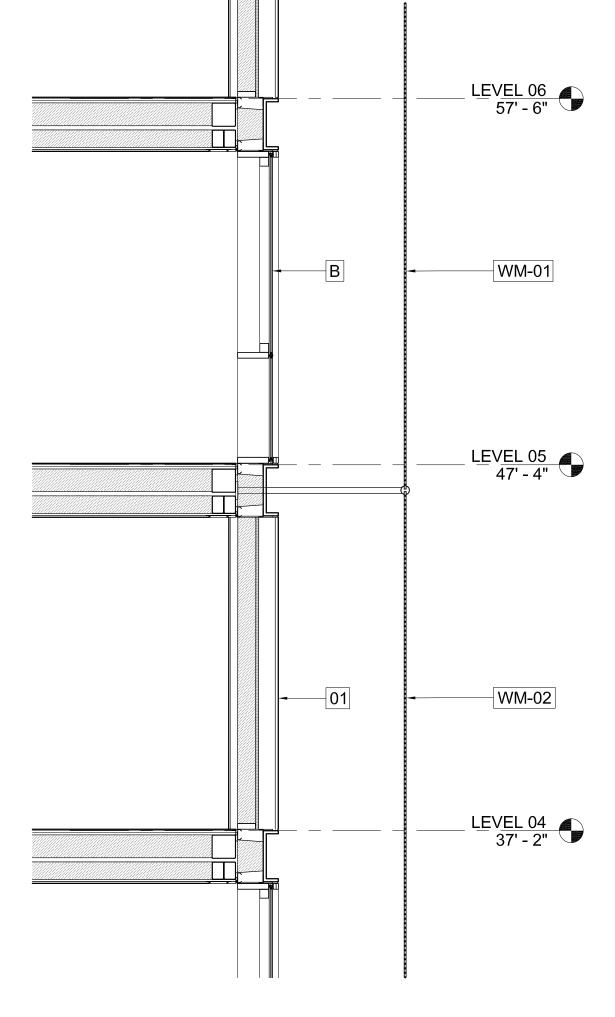
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DeSimone Consulting Engineers
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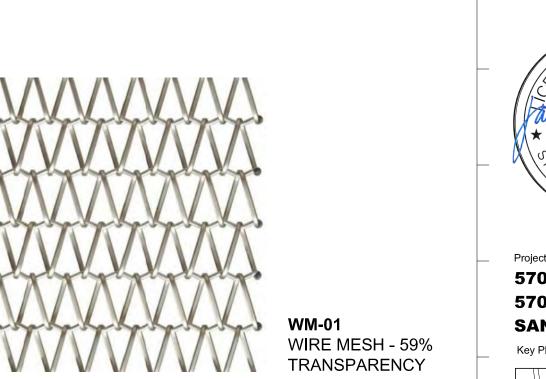
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WALL SECTION - LEVEL 04 THRU 06 - SOUTH 3/8" = 1'-0"





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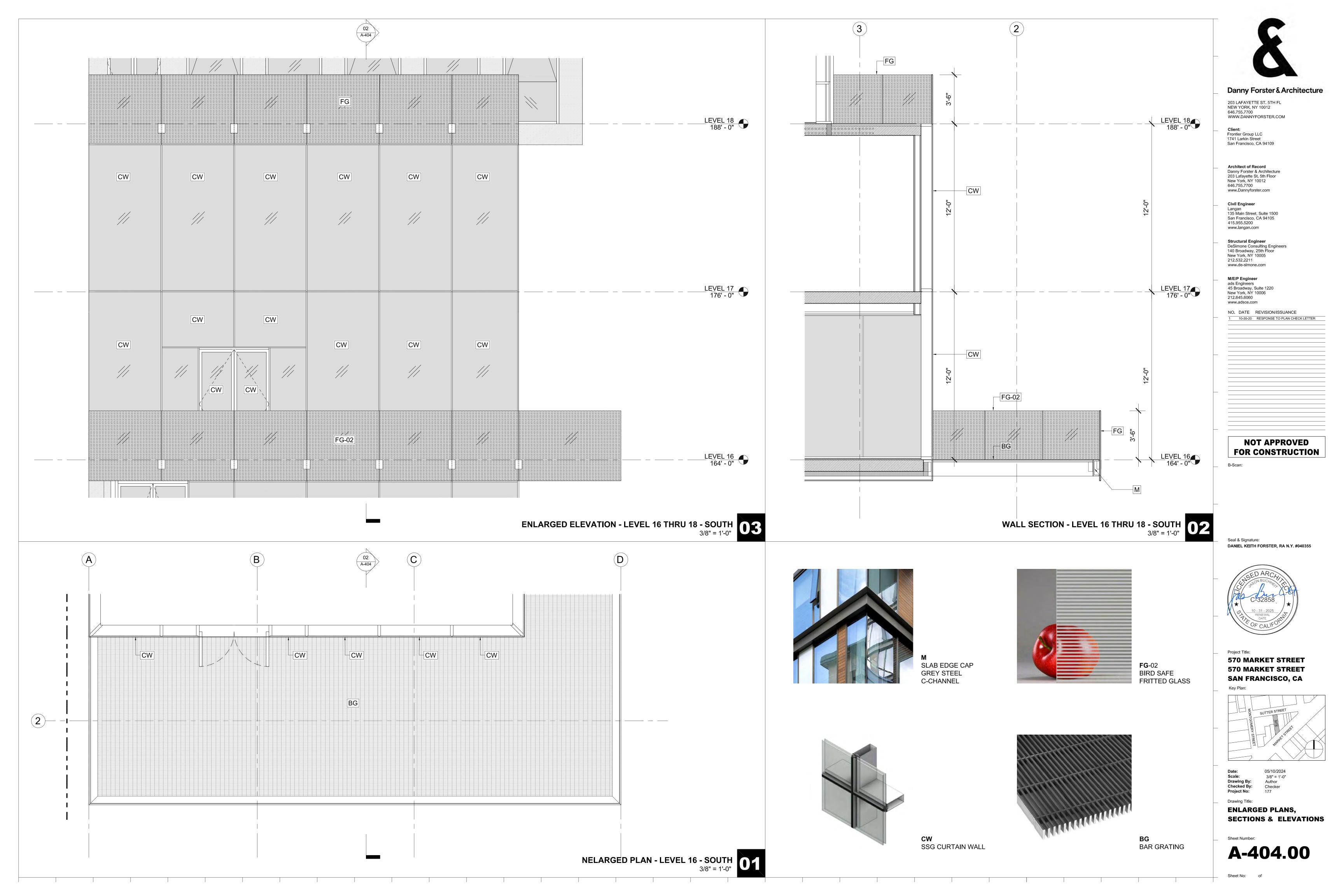
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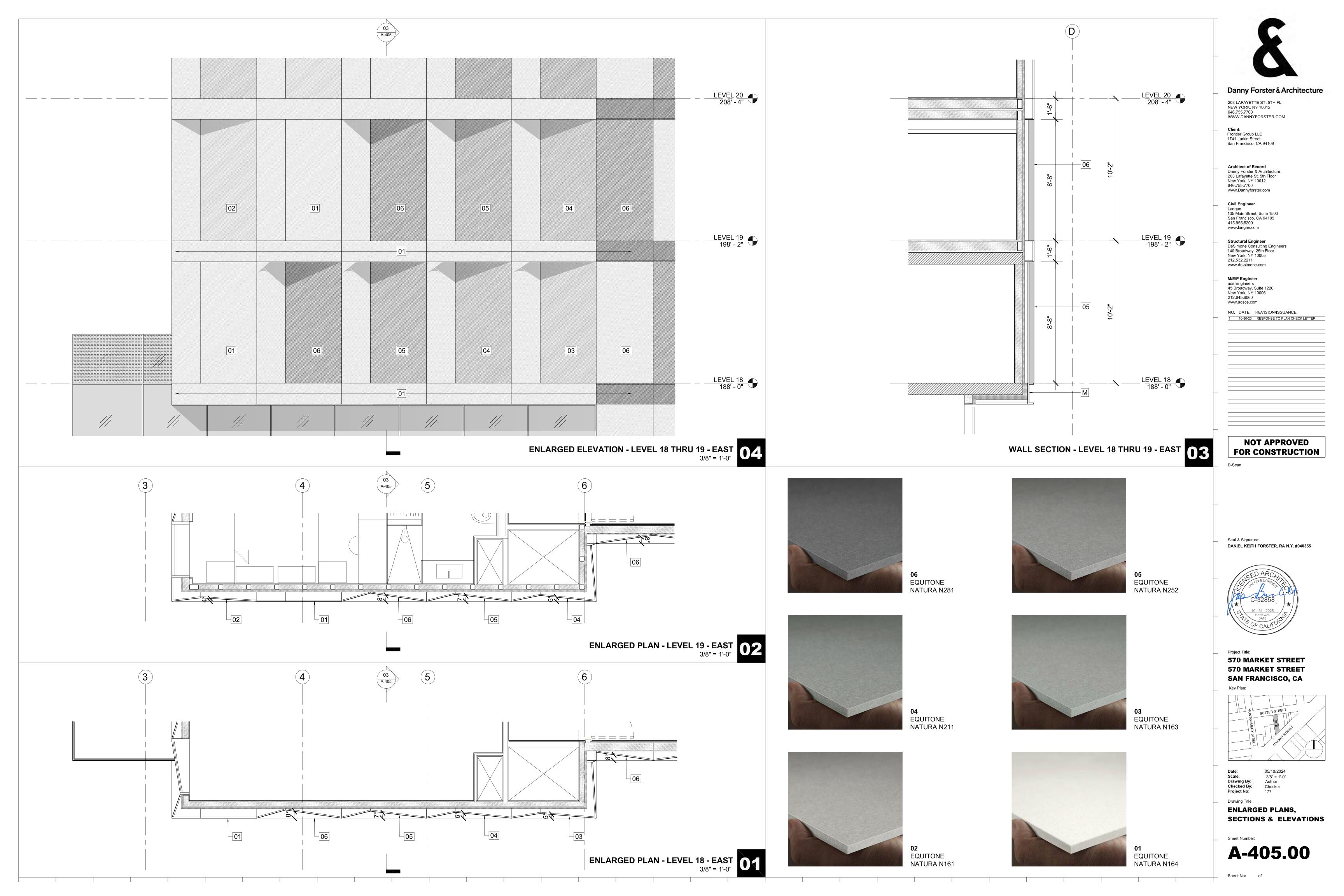


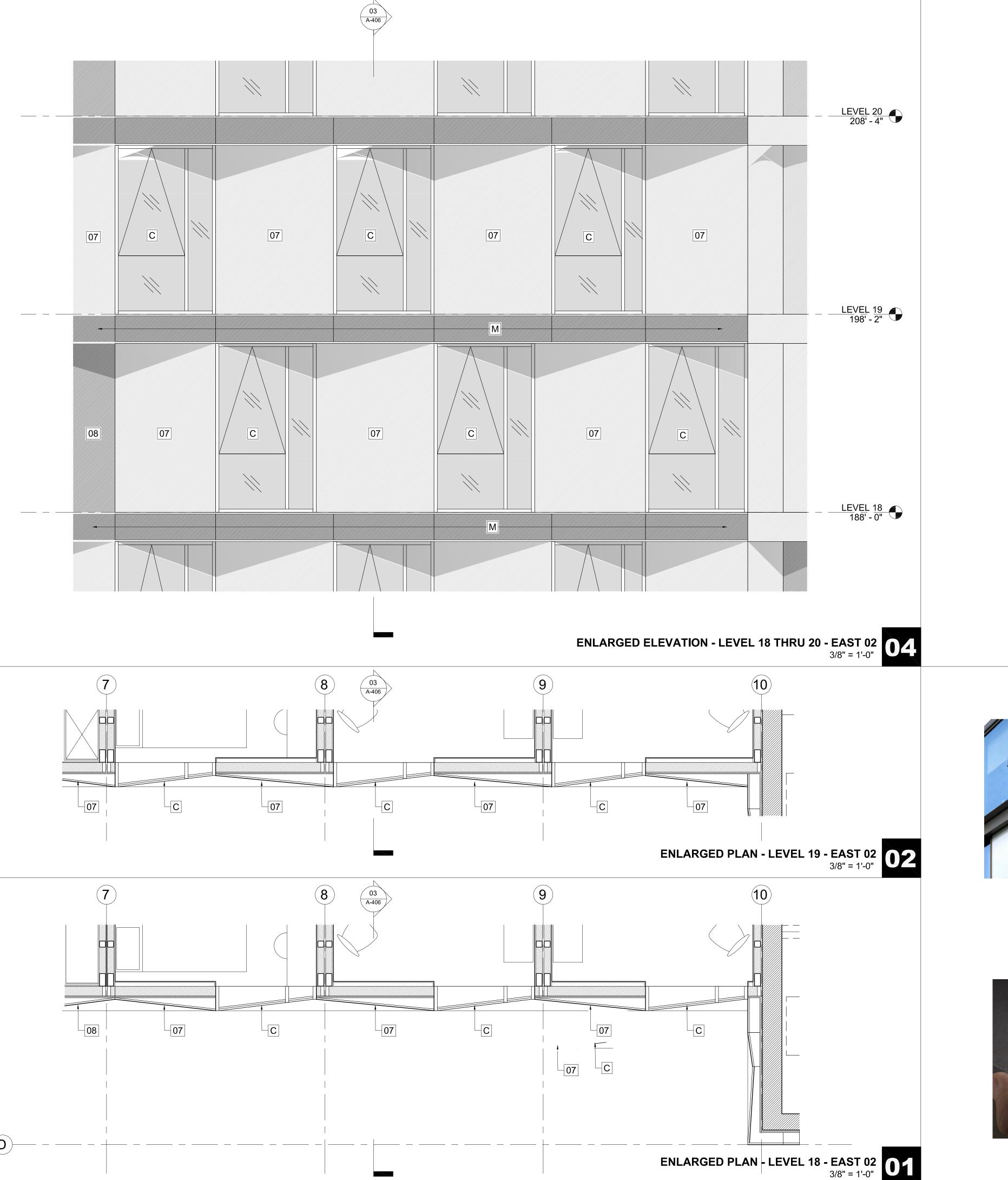
**570 MARKET STREET 570 MARKET STREET** SAN FRANCISCO, CA

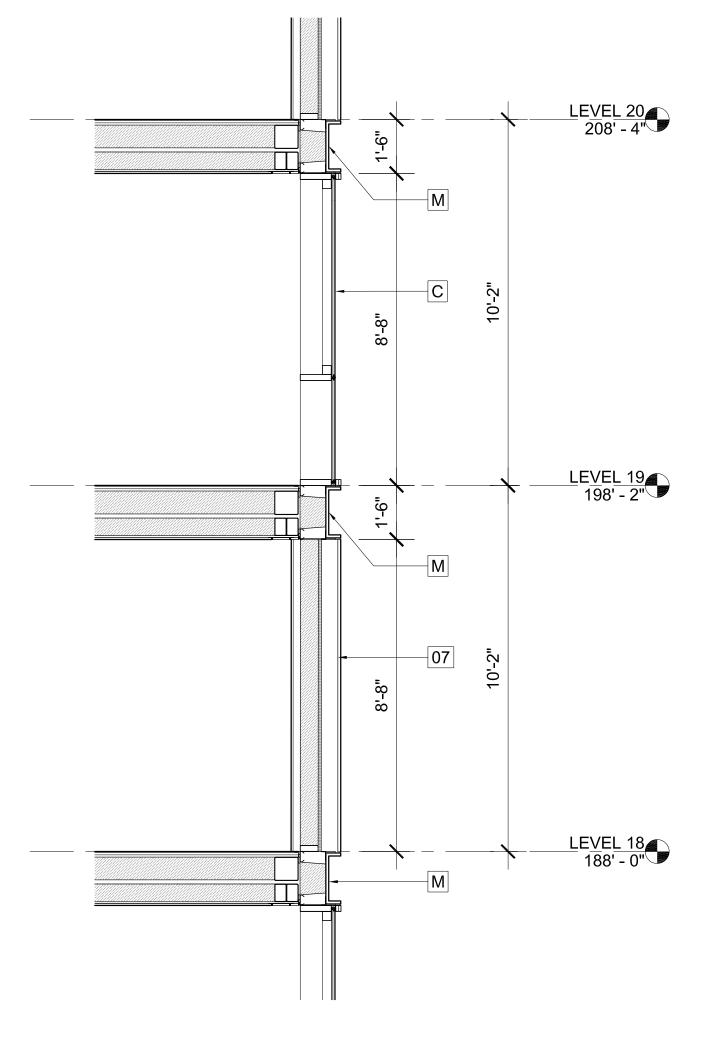
**ENLARGED PLANS, SECTIONS & ELEVATIONS** 

A-403.00









SLAB EDGE CAP GREY STEEL CHANNEL



WALL SECTION - LEVEL 18 THRU 20 - EAST 02 3/8" = 1'-0"

TILT WINDOW WITH FIXED SIDE AND BOTTOM PANEL



**07** EQUITONE NATURA N251



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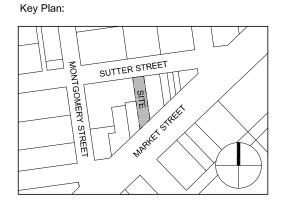
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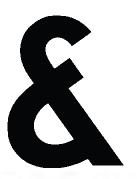


Date: Scale: Drawing By: Checked By: Project No:

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A-406.00





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NO. DATE REVISION/ISSUANCE 1 10-30-20 RESPONSE TO PLAN CHECK LETTER
2 03-04-21 ADDENDUM TO PLAN CHECK LETTER
3 04-12-21 REV. MASSING ADDENDUM TO P.C.L.
4 05-10-24 CONSOLIDATED RESPONSE TO PLAN CHECK LETTER

> **NOT APPROVED** FOR CONSTRUCTION

Seal & Signature:

DANIEL KEITH FORSTER, RA N.Y. #040355



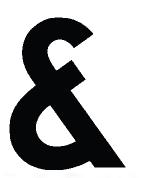
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Drawing Title: **EXTERIOR RENDERING** 

A-900.02





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1 10-30-20 RESPONSE TO PLAN CHECK LETTER
2 03-04-21 ADDENDUM TO PLAN CHECK LETTER
3 04-12-21 REV. MASSING ADDENDUM TO P.C.L.
4 05-10-24 CONSOLIDATED RESPONSE TO PLAN CHECK LETTER

NOT APPROVED FOR CONSTRUCTION

B-Sca

Seal & Signature:

DANIEL KEITH FORSTER, RA N.Y. #040355



Project Title:
570 MARKET STREET
570 MARKET STREET
SAN FRANCISCO, CA

Key Plan:

SUTTER STREET

SUTTER STREET

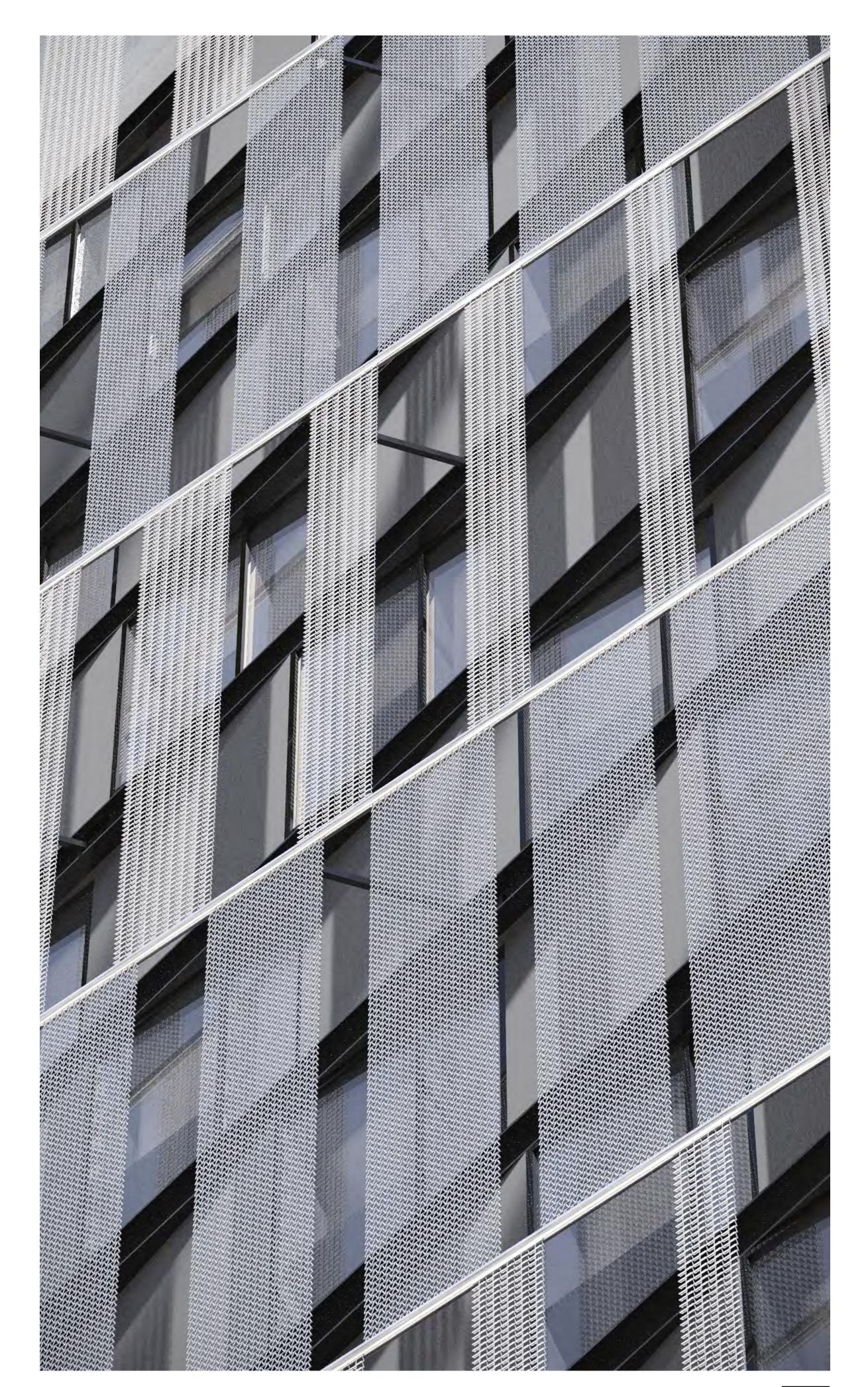
SUTTER STREET

05/10/20 12" = 1'ng By: Author ced By: Checker 177

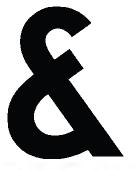
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Shoot Number

A-901.02







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NO. DATE REVISION/ISSUANCE 
 1
 10-30-20
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 4
 05-10-24
 CONFORMANCE SET

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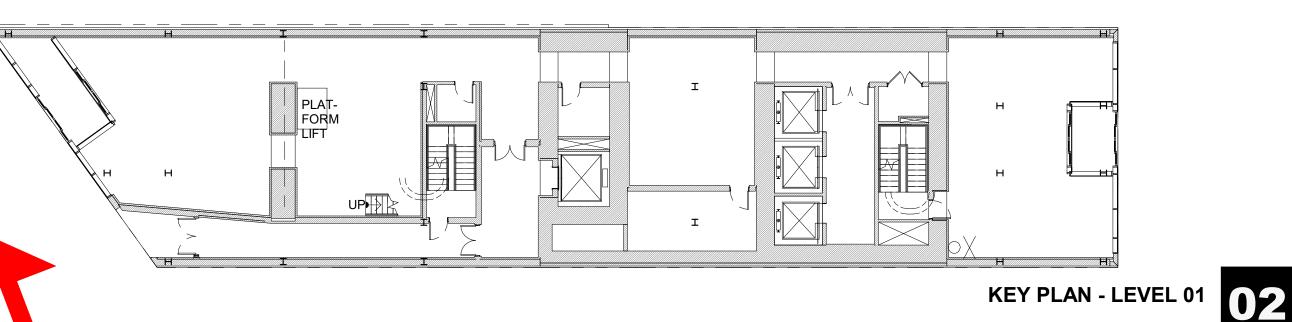


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**EXTERIOR RENDERING** 

A-902.01





POPOS ENTRY LOOKING WEST 01

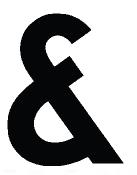
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DANIEL KEITH FORSTER, RA N.Y. #040355



Project Title:
570 MARKET STREET
570 MARKET STREET
SAN FRANCISCO, CA

Key Plan:

SUTTER STREET

SUTTER STREET

SUTTER STREET

05/10/202 : 6" = 1'-0' ing By: Author ked By: Checker ct No: 177

Project No: 177

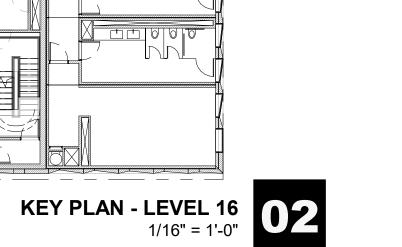
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POPOS RENDERING

Sheet Numb

A-907.00





**A-908.00** 

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**570 MARKET STREET 570 MARKET STREET** 

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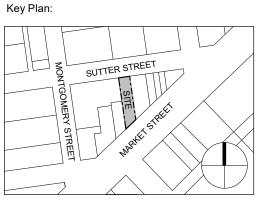
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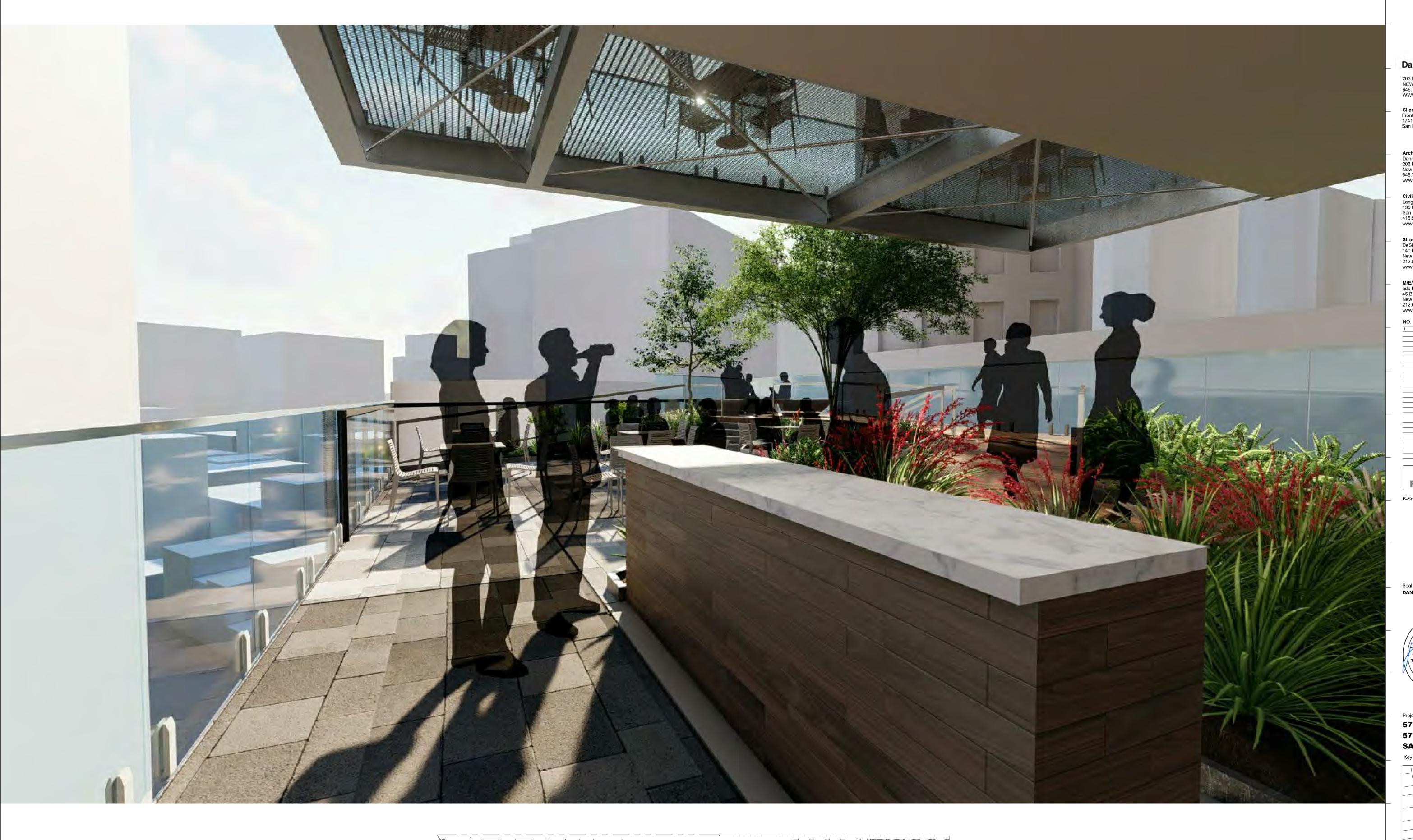
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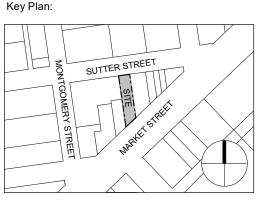
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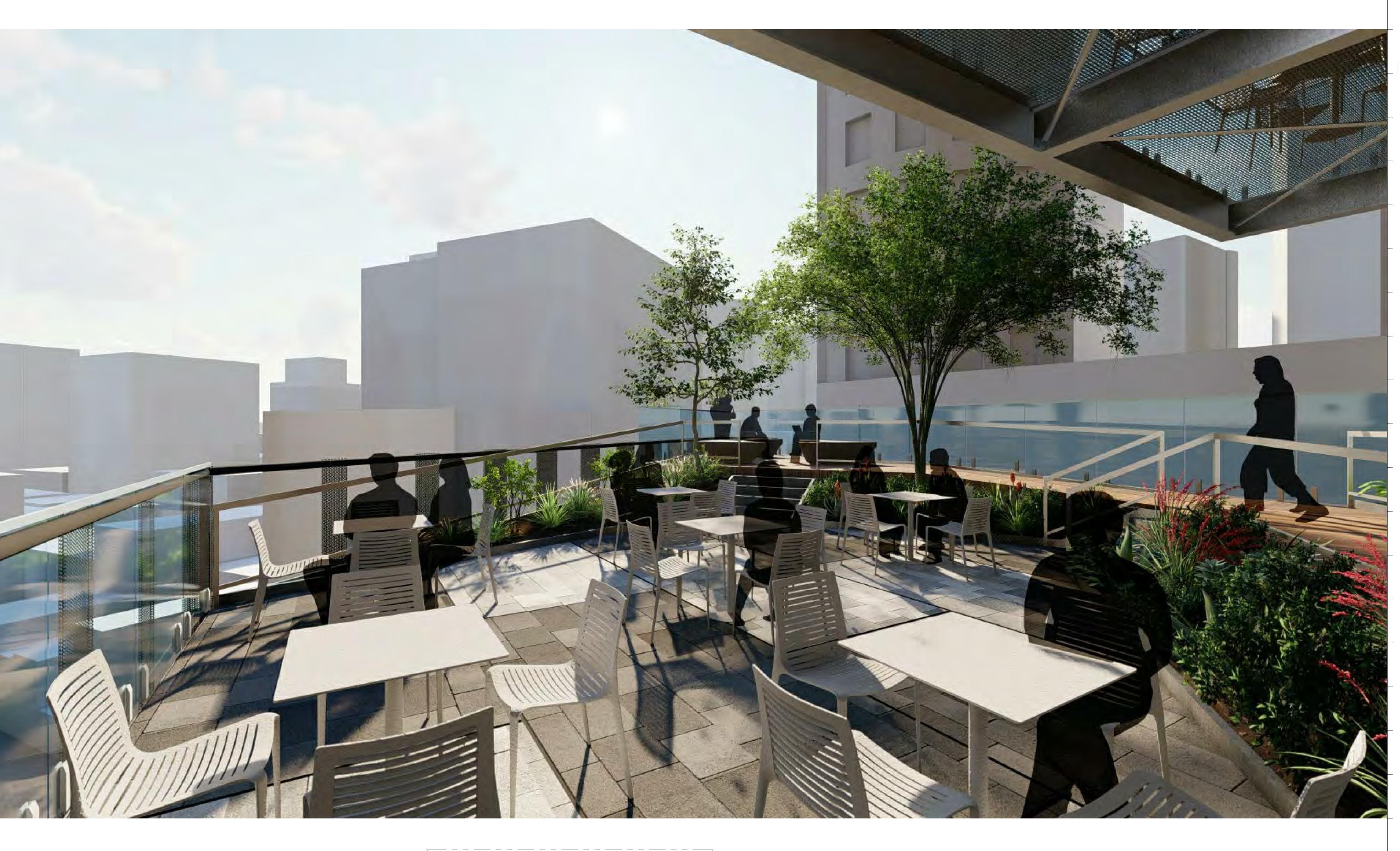


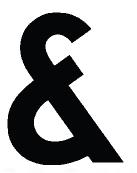
Date: Scale: Drawing By: Checked By: Project No:

Drawing Title: POPOS RENDERING

POPOS POV 01 A-910.00

**KEY PLAN - LEVEL 15 POPOS**1/16" = 1'-0"





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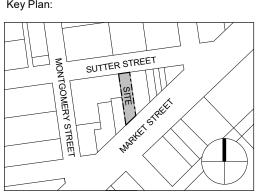
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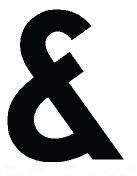
Drawing Title:

POPOS RENDERING

POPOS POV 01 A-911.00

**KEY PLAN - LEVEL 15 POPOS**1/16" = 1'-0"





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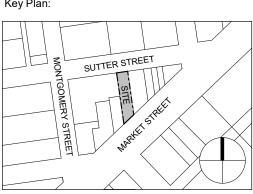
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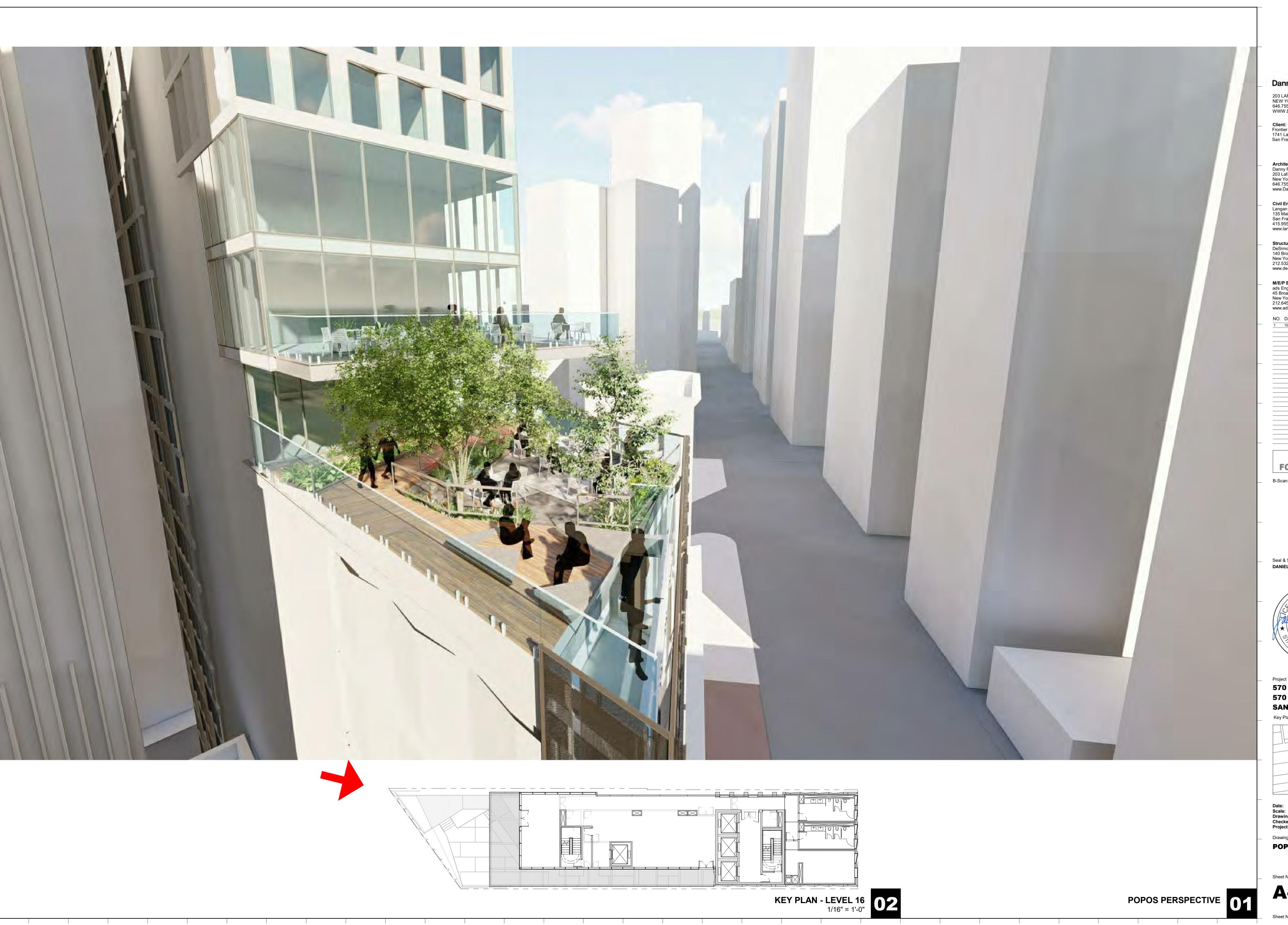


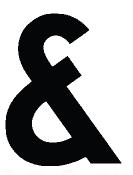
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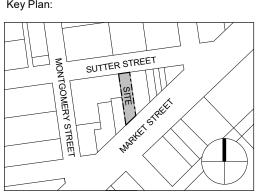
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A-914.00



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POPOS RENDERING

A-915.00



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Client: Frontier Group LLC 1741 Larkin Street San Francisco, CA 94109

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Danny Forster & Architecture
203 Lafayette St. 5th Floor
New York, NY 10012
646.755.7700
www.Dannyforster.com

Civil Engineer Langan 135 Main Street, Suite 1500 San Francisco, CA 94105 415.955.5200 www.langan.com

Structural Engineer
DeSimone Consulting Engineers
140 Broadway, 25th Floor
New York, NY 10005
212.532.2211
www.de-simone.com

M/E/P Engineer ads Engineers 45 Broadway, Suite 1220 New York, NY 10006 212.645.6060 www.adsce.com

NO. DATE REVISION/ISSUANCE 1 10-30-20 RESPONSE TO PLAN CHECK LETTER

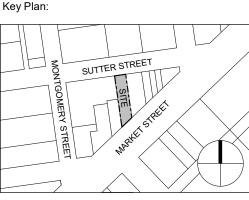
> **NOT APPROVED** FOR CONSTRUCTION

Seal & Signature:

DANIEL KEITH FORSTER, RA N.Y. #040355



**570 MARKET STREET 570 MARKET STREET** SAN FRANCISCO, CA



POPOS RENDERING

POV OF POPOS OVERLOOK 01 A-916.00

#### **EXHIBIT B1**

#### COMMERCIAL REAL ESTATE SERVICES

**CBRE** 

Brandon J. Feighner
Executive Vice President
Advisory Practice Leader – West Division
CBRE Hotels Advisory

CBRE, Inc. CBRE Hotels Advisory 400 S. Hope St., Suite 2500 Los Angeles, CA 90071

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Sent Via Email: fchiu@frontiergrpllc.com NO HARD COPY TO FOLLOW

February 18, 2025

Frank Chiu Frontier Group LLC 1471 Larkin Street San Francisco, CA 94109

Re: Market Demand Analysis – Proposed Hotel

570 Market Street

San Francisco, CA 94104

CBRE, Inc. File No. 23US109477-2

Dear Mr. Chiu:

As a follow-up to recent conversations with you and your counsel, Ms. Melinda Sarjapur of Reuben, Junius & Rose, LLP we are pleased to provide a brief addendum to our Market Demand Analysis report dated January 30, 2024 ("Report").

As we understand it, Frontier Group LLC is desirous of constructing a boutique hotel ("Hotel") as part of a redevelopment of an existing building located at 570 Market Street, San Francisco, California, 94104. As part of the Owner's market due diligence, and for planning department approval purposes, you required a firm such as CBRE Hotels Advisory to conduct an independent analysis of the potential market demand of the proposed Hotel. That analysis was completed in the Report and at your request, we are providing a brief overview of the more recent performance of the local lodging market as compared to the figures that were presented in the Report issued approximately one year ago.

In the Report, we provided a summary of historical and projected future performance for the San Francisco MSA lodging market (Upper Priced Hotels) for years 2018 to 2031 from CBRE Hotels Hotel Horizons®, September – November 2023 Edition) and presented on the following page. It should be noted that this table includes historical data for occupancy ("OCC"), average daily rate ("ADR") and revenue per available room (RevPAR") as of Q3 2023 for Upper Priced Hotels in San Francisco, San Mateo, and Marin Counties and is generally referred to as the San Francisco MSA lodging market.

#### SAN FRANCISCO MSA LODGING MARKET (SEPT-NOV 2023 EDITION)

A summary of historical performance as of Q3 2023 and projected future performance for the San Francisco MSA lodging market for years 2023 to 2031 is presented below (from CBRE Hotels Hotel Horizons®, September – November 2023 Edition) and as presented in the Report.

### SAN FRANCISCO MSA LODGING MARKET (UPPER PRICED HOTELS) HISTORICAL AND PROJECTED PERFORMANCE

		Percent		Percent		Percent
Year	Occupancy	Change	ADR	Change	<b>RevPAR</b>	Change
2018	83.4%	-	\$291.89	-	\$243.29	-
2019	83.9%	0.7%	300.17	2.8%	251.90	3.5%
2020	25.8%	-69.3%	258.17	-14.0%	66.56	-73.6%
2021	38.0%	47.4%	194.99	-24.5%	74.08	11.3%
2022	63.5%	67.2%	258.27	32.5%	164.10	121.5%
2023	65.1%	2.4%	\$276.97	7.2%	\$180.25	9.8%
2024	67.9%	4.3%	286.03	3.3%	194.19	7.7%
2025	70.3%	3.5%	297.37	4.0%	209.02	7.6%
2026	73.6%	4.8%	315.54	6.1%	232.36	11.2%
2027	75.0%	1.8%	318.97	1.1%	239.23	3.0%
2028	77.4%	3.3%	328.00	2.8%	254.00	6.2%
2029	80.0%	3.3%	336.10	2.5%	268.88	5.9%
2030	82.1%	2.7%	344.52	2.5%	282.99	5.3%
2031	83.4%	1.5%	353.18	2.5%	294.45	4.0%

Source: CBRE Hotels Americas Research, Hotel Horizons 3Q 2023

As indicated above and in the Report, the upper-priced hotels in the San Francisco MSA experienced a 73.6% decrease in RevPAR in 2020 due to the impact of Covid 19 on travel. This was one of the sharpest decreases in RevPAR among the top 25 markets in the nation. The San Francisco market was also one of the slowest markets to recover from the 2020 downturn. As shown above, the upper-priced hotel RevPAR in San Francisco was expected to see an increase of 9.8% to \$180.25 in 2023 which would still below pre-pandemic RevPAR. At the time of the Report, market occupancy was forecast to gradually increase over the next several years and anticipated to reach the low 80% range in 2030. The Average Daily Rate (ADR) for upper-priced hotels was not estimated to surpass 2019 levels in nominal terms until 2028.

Since the Report was completed in January 2024, the hotel industry has continued to recover from the effects of the COVID-19 Pandemic. The most recent forecast for the San Francisco MSA, again Upper Priced Hotels only, from CBRE Hotels Hotel Horizons®, September – November 2024 Edition which includes year-end 2023 historical performance, and which was prepared in July/August 2024, is presented on the following page.

#### SAN FRANCISCO MSA LODGING MARKET (SEPT-NOV 2024 EDITION)

## SAN FRANCISCO MSA LODGING MARKET (UPPER PRICED HOTELS) HISTORICAL AND PROJECTED PERFORMANCE

		Percent		Percent		Percent
Year	Occupancy	Change	ADR	Change	<b>RevPAR</b>	Change
2019	83.9%	-	\$299.68	-	\$251.31	-
2020	25.6%	-69.4%	255.69	-14.7%	65.51	-73.9%
2021	36.6%	43.0%	206.43	-19.3%	75.62	15.4%
2022	63.3%	72.9%	264.65	28.2%	167.58	121.6%
2023	65.0%	2.6%	281.89	6.5%	183.23	9.3%
2024	64.4%	-1.0%	\$271.82	-3.6%	\$175.00	-4.5%
2025	67.7%	5.2%	281.09	3.4%	190.33	8.8%
2026	71.4%	5.5%	296.06	5.3%	211.51	11.1%
2027	73.1%	2.4%	299.02	1.0%	218.70	3.4%
2028	75.5%	3.3%	310.50	3.8%	234.52	7.2%
2029	77.9%	3.1%	321.25	3.5%	250.16	6.7%
2030	79.9%	2.6%	330.25	2.8%	263.84	5.5%
2031	81.8%	2.3%	339.54	2.8%	277.57	5.2%
2032	83.4%	2.0%	349.26	2.9%	291.35	5.0%

Source: CBRE Hotels Americas Research, Hotel Horizons 3Q 2024

According to the forecast prepared by CBRE Hotels Research as outlined above, by year-end 2024, the hotels in the Upper Priced Hotels in San Francisco MSA are forecast to see a RevPAR decrease of 4.5 percent. This is the result of an estimated decline in occupancy of 1.0 percent and a 3.6 percent loss in ADR. Looking towards 2025, San Francisco MSA RevPAR is expected to grow 8.8 percent, and an additional 11.1 percent in 2026, more than reversing the one-year decline of 2024. San Francisco MSA occupancy levels are expected to range from 64.4 percent to 83.4 percent during the 9-year forecast period (from 2024-2032).

In comparing the forecasts present in the Report with more recent figures, generally we are of the opinion today that although growth in the lodging sector will now be somewhat more muted in the near term although after a projected robust growth in the next 18 to 24 months, the Hotel is anticipated to open into a strong and viable market. This viewpoint is supported by the following:

- 1) Tech and Al Potential: The growth of Al is contributing to an economic revival in San Francisco.
- 2) Office-Space Dynamics: Office leasing improved notably in San Francisco in Q4 2024, driven by its strong tech tenant base.
- 3) Housing Development: Increasing the availability of affordable housing is vital for maintaining the city's workforce and economic growth.
- 4) Infrastructure Improvements: Enhancing transportation—including the city's historic trolley—and other infrastructure systems will support the region's growth.

5) Cultural and Tourism Appeal: San Francisco's unique culture, diversity and lifestyle continue to attract talent and investment.

Therefore, while we have not completed an updated in-depth analysis of all of the factors potentially impacting future hotel development, we are of the professional opinion that the conclusions set forth in the Report remain valid today given our understanding of the continued growth trajectory of the San Francisco MSA Upper Priced Hotel Market.

Sincerely,

Brandon Feighner

Executive Vice President

Advisory Practice Leader – West Division

Brul For

CBRE Hotels Advisory

T +1 213 613 3373

brandon.feighner@cbre.com

#### **TERMS AND CONDITIONS**

- 1. The Terms and Conditions herein are part of an agreement for consulting services (the "Agreement") between CBRE, Inc. (the "Advisor") and the client signing this Agreement, and for whom the consulting services will be performed (the "Client"), and shall be deemed a part of such Agreement as though set forth in full therein. The Agreement shall be governed by the laws of the state where the consulting office is located for the Advisor executing this Agreement.
- 2. Client shall be responsible for the payment of all fees stipulated in the Agreement. Payment of the consulting fee and preparation of a consulting report (the "Consulting Report, or the "report") are not contingent upon any predetermined value or on an action or event resulting from the analyses, opinions, conclusions, or use of the Consulting Report. Final payment is due as provided in the Proposal Specifications Section of this Agreement. If a draft report is requested, the fee is considered earned upon delivery of the draft report. It is understood that the Client may cancel this assignment in writing at any time prior to delivery of the completed report. In such event, the Client is obligated only for the prorated share of the fee based upon the work completed and expenses incurred (including travel expenses to and from the job site), with a minimum charge of \$500. Additional copies of the Consulting Reports are available at a cost of \$250 per original color copy and \$100 per photocopy (black and white), plus shipping fees of \$30 per report.
- 3. If Advisor is subpoenaed or ordered to give testimony, produce documents or information, or otherwise required or requested by Client or a third party to participate in meetings, phone calls, conferences, litigation or other legal proceedings (including preparation for such proceedings) because of, connected with or in any way pertaining to this engagement, the Consulting Report, the Advisor's expertise, or the Property, Client shall pay Advisor's additional costs and expenses, including but not limited to Advisor's attorneys' fees, and additional time incurred by Advisor based on Advisor's then-prevailing hourly rates and related fees. Such charges include and pertain to, but are not limited to, time spent in preparing for and providing court room testimony, depositions, travel time, mileage and related travel expenses, waiting time, document review and production, and preparation time (excluding preparation of the Consulting Report), meeting participation, and Advisor's other related commitment of time and expertise. Hourly charges and other fees for such participation will be provided upon request. In the event Client requests additional consulting services beyond the scope and purpose stated in the Agreement, Client agrees to pay additional fees for such services and to reimburse related expenses, whether or not the completed report has been delivered to Client at the time of such request.
- 4. Advisor shall have the right to terminate this Agreement at any time for cause effective immediately upon written notice to Client on the occurrence of fraud or the willful misconduct of Client, its employees or agents, or without cause upon 30 days written notice.
- 5. In the event Client fails to make payments when due then, from the date due until paid, the amount due and payable shall bear interest at the maximum rate permitted in the state where the office is located for the Advisor executing the Agreement. In the event either party institutes legal action against the other to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its reasonable attorney's fees and expenses. Each party waives the right to a trial by jury in any action arising under this Agreement.
- 6. Advisor assumes there are no major or significant items or issues affecting the Property that would require the expertise of a professional building contractor, engineer, or environmental consultant for Advisor to prepare a valid report. Client acknowledges that such additional expertise is not covered in the Appraisal fee and agrees that, if such additional expertise is required, it shall be provided by others at the discretion and direction of the Client, and solely at Client's additional cost and expense.
- 7. In the event of any dispute between Client and Advisor relating to this Agreement, or Advisor's or Client's performance hereunder, Advisor and Client agree that such dispute shall be resolved by means of binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by an arbitrator may be entered in any court of competent jurisdiction. Depositions may be taken and other discovery obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings in the state where the office of the Advisor executing this Agreement is located. The arbitrator shall be limited to awarding compensatory damages and shall have no authority to award punitive, exemplary or similar damages. The prevailing party in the arbitration proceeding shall be entitled to recover its expenses from the losing party, including costs of the arbitration proceeding, and reasonable attorney's fees. Client acknowledges that Advisor is being retained hereunder as an independent contractor to perform the services described herein and nothing in this Agreement shall be deemed to create any other relationship between Client and Advisor. This engagement shall be deemed concluded and the services hereunder completed upon delivery to Client of the Consulting Report discussed herein.
- 8. All statements of fact in the report which are used as the basis of the Advisor's analyses, opinions, and conclusions will be true and correct to Advisor's actual knowledge and belief. Advisor does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the condition of the Property furnished to Advisor by Client or others. TO THE FULLEST EXTENT PERMITTED BY LAW, ADVISOR DISCLAIMS ANY GUARANTEE OR WARRANTY AS TO THE OPINIONS AND CONCLUSIONS PRESENTED ORALLY OR IN ANY CONSULTING REPORT, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF FITNESS FOR ANY PARTICULAR PURPOSE EVEN IF KNOWN TO ADVISOR. Furthermore, the conclusions and any permitted reliance on and use of the Consulting Report shall be subject to the assumptions, limitations, and qualifying statements contained in the report.

#### **Terms and Conditions**

(continued)

- 9. Advisor shall have no responsibility for legal matters, including zoning, or questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The report will not constitute a survey of the Property analyzed.
- 10. Client shall provide Advisor with such materials with respect to the assignment as are requested by Advisor and in the possession or under the control of Client. Client shall provide Advisor with sufficient access to the Property to be analyzed, and hereby grants permission for entry unless discussed in advance to the contrary.
- 11. The data gathered in the course of the assignment (except data furnished by Client) and the report prepared pursuant to the Agreement are, and will remain, the property of Advisor. With respect to data provided by Client, Advisor shall not violate the confidential nature of the Advisor-Client relationship by improperly disclosing any proprietary information furnished to Advisor. Notwithstanding the foregoing, Advisor is authorized by Client to disclose all or any portion of the report and related data as may be required by statute, government regulation, legal process, or judicial decree, including to appropriate representatives of the Appraisal Institute if such disclosure is required to enable Advisor to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.
- 12. Unless specifically noted, in preparing the Consulting Report the Advisor will not be considering the possible existence of asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (collectively, "Hazardous Material) on or affecting the Property, or the cost of encapsulation or removal thereof. Further, Client represents that there is no major or significant deferred maintenance of the Property that would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, at Client's discretion and direction, and are not covered as part of the Appraisal fee.
- 13. In the event Client intends to use the Consulting Report in connection with a tax matter, Client acknowledges that Advisor provides no warranty, representation or prediction as to the outcome of such tax matter. Client understands and acknowledges that any relevant taxing authority (whether the Internal Revenue Service or any other federal, state or local taxing authority) may disagree with or reject the Consulting Report or otherwise disagree with Client's tax position, and further understands and acknowledges that the taxing authority may seek to collect additional taxes, interest, penalties or fees from Client beyond what may be suggested by the Consulting Report. Client agrees that Advisor shall have no responsibility or liability to Client or any other party for any such taxes, interest, penalties or fees and that Client will not seek damages or other compensation from Advisor relating to any such taxes, interest, penalties or fees imposed on Client, or for any attorneys' fees, costs or other expenses relating to Client's tax matters.
- 14. Advisor shall have no liability with respect to any loss, damage, claim or expense incurred by or asserted against Client arising out of, based upon or resulting from Client's failure to provide accurate or complete information or documentation pertaining to an assignment ordered under or in connection with this Agreement, including Client's failure, or the failure of any of Client's agents, to provide a complete copy of the Consulting Report to any third party.
- 15. LIMITATION OF LIABILITY. EXCEPT TO THE EXTENT ARISING FROM SECTION 16 BELOW, OR SECTION 17 IF APPLICABLE, IN NO EVENT SHALL EITHER PARTY OR ANY OF ITS AFFILIATE, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, OR CONTRACTORS BE LIABLE TO THE OTHER, WHETHER BASED IN CONTRACT, WARRANTY, INDEMNITY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT OR OTHERWISE, FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, INCIDENTAL OR INDIRECT DAMAGES, AND AGGREGATE DAMAGES IN CONNECTION WITH THIS AGREEMENT FOR EITHER PARTY (EXCLUDING THE OBLIGATION TO PAY THE FEES REQUIRED HEREUNDER) SHALL NOT EXCEED THE GREATER OF THE TOTAL FEES PAYABLE TO ADVISOR UNDER THIS AGREEMENT OR TEN THOUSAND DOLLARS (\$10,000). THIS LIABILITY LIMITATION SHALL NOT APPLY IN THE EVENT OF A FINAL FINDING BY AN ARBITRATOR OR A COURT OF COMPETENT JURISDICTION THAT SUCH LIABILITY IS THE RESULT OF A PARTY'S FRAUD OR WILLFUL MISCONDUCT.
- 16. Client shall not disseminate, distribute, make available or otherwise provide any Consulting Report prepared hereunder to any third party (including without limitation, incorporating or referencing the Consulting Report, in whole or in part, in any offering or other material intended for review by other parties) except to (i) any third party expressly acknowledged in a signed writing by Advisor as an "Intended User" of the Consulting Report provided that either Advisor has received an acceptable release from such third party with respect to such Consulting Report or Client provides acceptable indemnity protections to Advisor against any claims resulting from the distribution of the Consulting Report to such third party, (ii) any third party service provider (including rating agencies and auditors) using the Consulting Report in the course of providing services for the sole benefit of an Intended User, or (iii) as required by statute, government regulation, legal process, or judicial decree. In the event Advisor consents, in writing, to Client incorporating or referencing the Consulting Report in any offering or other materials intended for review by other parties, Client shall not distribute, file, or otherwise make such materials available to any such parties unless and until Client has provided Advisor with complete copies of such materials and Advisor has approved all such materials in writing. Client shall not modify any such materials once approved by Advisor. In the absence of satisfying the conditions of this paragraph with respect to a party who is not designated as an Intended User, in no event shall the receipt of a Consulting Report by such party extend any right to the party to use and rely on such report, and Advisor shall have no liability for such unauthorized use and reliance on any Consulting Report. In the event Client breaches the provisions of this paragraph, Client shall indemnify, defend and hold Advisor, and its affiliates and their officers, directors, employees, contractors, agents and other representatives (Advisor and each of the foregoing an "Indemnified Party" and collectively the "Indemnified Parties"), fully harmless from and

#### **Terms and Conditions**

(continued)

- against all losses, liabilities, damages and expenses (collectively, "Damages") claimed against, sustained or incurred by any Indemnified Party arising out of or in connection with such breach, regardless of any negligence on the part of any Indemnified Party in preparing the Consulting Report.
- 17. In the event an Intended User incorporates or references the Consulting Report, in whole or in part, in any offering or other material intended for review by other parties, Client shall indemnify, defend and hold each of the Indemnified Parties harmless from and against any Damages in connection with (i) any transaction contemplated by this Agreement or in connection with the consulting or the engagement of or performance of services by any Indemnified Party hereunder, (ii) any actual or alleged untrue statement of a material fact, or the actual or alleged failure to state a material fact necessary to make a statement not misleading in light of the circumstances under which it was made with respect to all information furnished to any Indemnified Party or made available to a prospective party to a transaction, or (iii) an actual or alleged violation of applicable law by an Intended User (including, without limitation, securities laws) or the negligent or intentional acts or omissions of an Intended User (including the failure to perform any duty imposed by law); and will reimburse each Indemnified Party for all reasonable fees and expenses (including fees and expenses of counsel) (collectively, "Expenses") as incurred in connection with investigating, preparing, pursuing or defending any threatened or pending claim, action, proceeding or investigation (collectively, "Proceedings") arising therefrom, and regardless of whether such Indemnified Party is a formal party to such Proceeding. Client agrees not to enter into any waiver, release or settlement of any Proceeding (whether or not any Indemnified Party is a formal party to such Proceeding) without the prior written consent of Advisor (which consent will not be unreasonably withheld or delayed) unless such waiver, release or settlement includes an unconditional release of each Indemnified Party from all liability arising out of such Proceeding.
- 18. Time Period for Legal Action. Unless the time period is shorter under applicable law, except in connection with paragraphs 16 and 17 above, Advisor and Client agree that any legal action or lawsuit by one party against the other party or its affiliates, officers, directors, employees, contractors, agents, or other representatives, whether based in contract, warranty, indemnity, negligence, strict liability or other tort or otherwise, relating to (a) this Agreement or the Consulting Report, (b) any services or consulting under this Agreement or (c) any acts or conduct relating to such services or consulting, shall be filed within two (2) years from the date of delivery to Client of the Consulting Report to which the claims or causes of action in the legal action or lawsuit relate. The time period stated in this section shall not be extended by any incapacity of a party or any delay in the discovery or accrual of the underlying claims, causes of action or damages.

#### **EXHIBIT B2**



The World's Leading Hotel Experts.

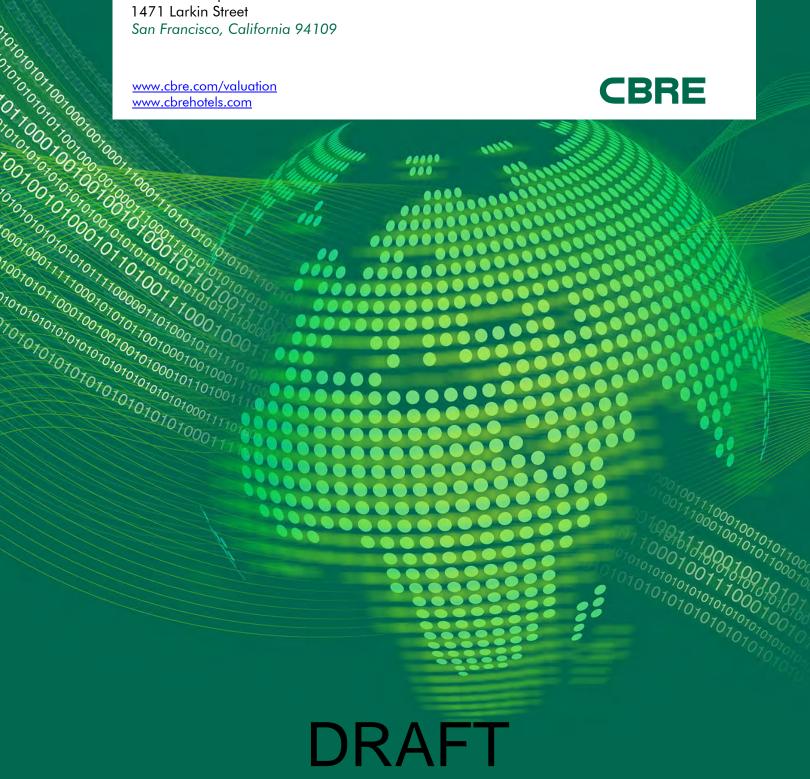
### **MARKET STUDY REPORT**

PROPOSED MARKET STREET HOTEL 570 Market Street San Francisco, California 94104 CBRE, Inc. File No. CB23US109477-1

Mr. Frank Chiu Frontier Group LLC 1471 Larkin Street San Francisco, California 94109

www.cbre.com/valuation www.cbrehotels.com

**CBRE** 





**Brandon Feighner** Executive Vice President CBRE Hotels Advisory CBRE, Inc. CBRE Hotels Advisory 400 S. Hope Street, Suite 2500 Los Angeles, CA 90071

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January 30, 2024

Mr. Frank Chiu Frontier Group LLC 1471 Larkin Street San Francisco, California 94109

Dear Mr. Chiu:

In accordance with our agreement, we have completed our analysis of potential market demand for a proposed 211-room full-service hotel (the "Hotel" or "Subject") to be located at 570 Market Street (the "Site") in San Francisco, California. Pursuant to our engagement, we have prepared this report summarizing our findings.

The conclusions reached are based on our knowledge of the competitive lodging market as of the completion of our fieldwork in January 2024. The following report summarizes our findings and reflects the conclusion of our analysis. As in all studies of this type, the estimated results are based upon competent and efficient management and presume no significant change in the competitive market from that as set forth in this report. Since our results are based on estimates and assumptions that are subject to uncertainty and variation, we do not represent them as results that will actually be achieved.

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. Under the terms of our engagement, we are not obligated to revise this report to reflect events or conditions that occur subsequent to completion of our fieldwork; however, we are available to discuss the necessity for possible revision in light of changes in the economic environment and/or other market factors affecting the proposed Hotel.

Since the future performance of the proposed Hotel 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 on our experience in the industry and the local market. It is expressly understood that the scope of our study and the report thereon do not include the possible impact of zoning or environmental regulations, licensing requirements, or other restrictions concerning the Subject except where such matters have been brought to our attention and are disclosed in the report. This report is subject to the Assumptions and Limiting Conditions presented in the Addenda.



Proposed Hotel, Market Street, San Francisco, CA Frontier Group LLC January 30, 2024 Page ii

We draw your attention to the fact that a combination of global inflationary pressures, the significant recent increase in the cost of capital, and the ongoing geopolitical events in Ukraine, has heightened the potential for greater volatility in property markets over the short-to-medium term. Additionally, hangover effects of the COVID-19 pandemic, including the slowdown of return-to-office and a workforce shortage in some sectors, continue to impact some markets and property types.

Please note that the conclusions set out in this report are valid as of the issuance date only. Experience has shown that consumer and investor behavior can change quickly during periods of increased volatility, and any lending or investment decisions should reflect this heightened level of volatility. Where appropriate, we recommend that the findings are closely monitored, as we continue to track how market participants respond to current events.

We appreciate your cooperation extended to us during the course of our engagement and would be pleased to hear from you if we could be of further assistance in the interpretation of our findings and recommendations.

Sincerely,

Brandon Feighner

Executive Vice President CBRE Hotels Advisory

me to

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# Section I INTRODUCTION

#### INTRODUCTION

#### **OVERVIEW OF THE MARKET STUDY**

CBRE Hotels was retained by Frontier Group LLC to perform a study of the potential market demand for a proposed upscale full-service hotel (the "Hotel" or "Subject") to be located at 570 Market Street in San Francisco, California.

As a component of this analysis, after we have identified the potential market demand in the San Francisco lodging market, we have then provided our projections of the occupancy and average daily room rate ("ADR"), and revenue per available room ("RevPAR") the proposed Subject could reasonably be expected to achieve for its first five years of operation. For the purpose of our analysis, we have assumed the Subject will be a 211-room, full service hotel. We have assumed that the proposed Hotel would be open and available for occupancy by July 1, 2027. This report represents the culmination of our market research, analysis, and assessments relative to the potential market demand for the proposed Hotel.

#### ASSUMPTIONS USED FOR PROJECTIONS

Our analysis was based on the following set of assumptions:

- The proposed Hotel is to be located at 570 Market Street in San Francisco, California;
- The proposed Hotel will contain 211 guest rooms;
- The Subject will be positioned as an upscale boutique full-service hotel;
- The Subject will offer facilities and services consistent with an upscale boutique fullservice hotel; and
- The Hotel project will open on July 1, 2027.

#### **METHODOLOGY**

In conducting the study, we:

- Assessed the impact of the proposed Subject's accessibility, visibility, and location relative to demand generators and overall marketability;
- Analyzed the proposed Subject building and the developer's preliminary plans for the Hotel:
- Researched and analyzed current economic and demographic trends in San Francisco MSA with a focus on San Francisco to determine the trends' impact on future lodging demand within the market;
- Identified the competitive supply of lodging facilities in San Francisco;
- Reviewed the historical performance levels for the competitive lodging supply on a composite basis;
- Estimated the anticipated growth in demand for, and supply of, lodging accommodations in the competitive market area; and,
- Determined the optimum positioning of the Hotel to be located at the Subject Site
  within the competitive market and prepared a forecast of the potential annual
  occupancy and average daily rate for the first five years of operation of the proposed
  Subject; and,

Several sources were used in compiling the background information and preparing the analysis contained in this report. These resources included *Hotel Horizons*, published by CBRE Hotels; a Custom Trend report from STR (Smith Travel Research), data on the local lodging market gathered through direct interviews with managers of the competitive properties; data provided by sources in the lodging chains with which the competitive properties are affiliated; and economic data on the region from various local governmental and planning entities.

#### **AREA REVIEW**

We gathered and analyzed relevant economic, demographic, and development data relative to San Francisco. The purpose of this analysis was to ascertain the economic climate in which the proposed Hotel will operate and create a basis for projecting future economic conditions as they relate to the proposed Subject.

#### MARKET RESEARCH

We have reviewed our database and conducted primary market research relative to the proposed Hotel's competitive market. To obtain data on current conditions, market mix, and likely future results, we conducted primary research in the area including interviews with representatives of the competitive hotels and other market participants. We also obtained a Custom Trend Report from STR (Smith Travel Research) to determine the market history and trends within the proposed hotel's competitive set. In addition, CBRE's Hotel Horizons reports for the San Francisco MSA were reviewed and utilized where appropriate. Finally, data on proposed projects was also researched and reviewed to determine the likelihood of future additions to supply.

#### PREPARATION OF MARKET SUPPLY AND DEMAND ESTIMATES

We analyzed historical growth and the characteristics of each of the principal segments of demand for lodging accommodations and researched the potential additions to supply. Then, using the information gathered in our research, we projected the growth in demand from 2023 to 2031 for the competitive market, and combined the estimated future supply and demand to reach our conclusions of the overall market potential.

#### SUBJECT OCCUPANCY AND AVERAGE DAILY RATE PROJECTIONS

After completing our estimates of the market area's supply and demand, we estimated the share of the market that the proposed Hotel should reasonably be expected to capture for its first five years of operation. From this we derived its annual occupancy percentages. After considering the historical average daily rate trends in the market and the projected market position for the proposed Subject, the property's average daily rate was projected from its estimated opening in 2027 through 2031.

#### SUMMARY OF CONCLUSIONS

Based on our existing knowledge of the San Francisco hotel market coupled with our research relative to this assignment, we are of the opinion that an opportunity exists for the development of a high-quality, full-service 211-room hotel at the Subject Site. Its location within the Financial District offers convenient access to a variety of hotel demand generators in the local competitive market including the Moscone Convention Center, Market Street and Union Square. The site enjoys good neighborhood access to restaurants, retail shops, and entertainment venues. In addition, the site enjoys excellent accessibility relative to the city and the region's transportation network.

#### COMPETITIVE LODGING MARKET PERFORMANCE AND FORECAST

Presented in the table on the following page is a summary of the projected performance of the competitive market which is comprised of 12 hotels proximate to the subject site.

	Projected Market Performance of the Competitive Supply								
	Annual	Percent	Occupied	Percent	Market	Average	Percent		Percent
Year	Supply	Change	Rooms	Change	Occupancy	Daily Rate	Change	REVPAR	Change
2023	1,223,480	12.2%	731,099	14.0%	60%	\$252.00	4.3%	\$150.58	6.0%
2024	1,223,480	0.0%	782,276	7.0%	64%	262.00	4.0%	167.52	11.2%
2025	1,223,480	0.0%	829,213	6.0%	68%	270.00	3.1%	182.99	9.2%
2026	1,223,480	0.0%	878,965	6.0%	72%	278.00	3.0%	199.72	9.1%
2027	1,261,805	3.1%	951,493	8.3%	75%	286.00	2.9%	215.66	8.0%
2028	1,300,495	3.1%	991,038	4.2%	76%	294.00	2.8%	224.04	3.9%
2029	1,300,495	0.0%	1,020,769	3.0%	78%	303.00	3.1%	237.83	6.2%
2030	1,300,495	0.0%	1,051,392	3.0%	81%	312.00	3.0%	252.24	6.1%
2031	1,300,495	0.0%	1,066,406	1.4%	82%	321.00	2.9%	263.22	4.4%
CAAG	0.8%		4.8%			3.1%		7.2%	

#### Source: CBRE Hotels; Note: The subject hotel is projected to open in July 2027 and is included in the data above

#### SUBJECT PERFORMANCE AND MARKET SHARE ESTIMATES

Based upon an analysis of the sources of demand available to the Subject property and its estimated competitive position, we have estimated the occupancy percentage and average daily rate that could potentially be achieved over the first five years of operation. The following table outlines our estimates of occupancy, average daily rate, and the resulting revenue yield for the Subject. It should be noted that figures are rounded to the nearest dollar amounts.

Projected Market Performance of the Subject Hotel											
	Annual	Percent	Occupied	Percent	Occupancy	Average	Percent		Percent	Market	Revenue
Year	Supply	Change	Rooms	Change	Percentage	Daily Rate	Change	REVPAR	Change	Penetration	Yield
2027	38,325	-	24,854	-	65%	278.00	3.0%	180.28	-	86%	84%
2028	77,015	101.0%	55,755	124.3%	72%	286.00	3.0%	207.05	14.8%	95%	92%
2029	77,015	0.0%	61,659	10.6%	80%	295.00	3.0%	236.18	14.1%	102%	99%
2030	77,015	0.0%	64,754	5.0%	84%	304.00	3.0%	255.60	8.2%	104%	101%
2031	77,015	0.0%	64,725	0.0%	84%	313.00	3.0%	263.05	2.9%	102%	100%
CAAG	19.1%	•	27.0%			3.0%	·	9.9%	•		
CAAG		0.070		0.070	0476		0.070		2.770		10270

As will be discussed in the body of this report, we are of the opinion that the long-term fundamentals of the San Francisco lodging market, and the proposed Hotel's identified competitive market, along with the proposed Hotel's opening date in July 2027, the number of hotel rooms, assumed quality level and market positioning, that the new 211-room Hotel will open with strong levels of performance and with minimal impact on the greater competitive San Francisco lodging market and its longer term recovery trajectory.

# Section II ANALYSIS OF SITE LOCATION AND FACILITIES PROGRAMMING

#### **ANALYSIS OF SITE LOCATION**

The Subject is a mid-block irregularly shaped site located along the north side of Market Street, the south side of Sutter Street, and is between Montgomery and Sansome Streets. It is situated about one and a quarter miles northwest of the nearest entrance to the I-80 Freeway and one and a half miles west of the Bay Bridge.

The Subject Site is generally irregular with 50 feet of frontage along Market Street and 40 feet of frontage along Sutter Street. It is comprised of assessor parcel 0291/013, containing a gross land area of 7,045 square feet.

Land uses immediately surrounding the site include:

**North**: To the north is Citigroup Center. Further north are primarily commercial developments. The Transamerica Pyramid is located approximately half a mile north of the Site.

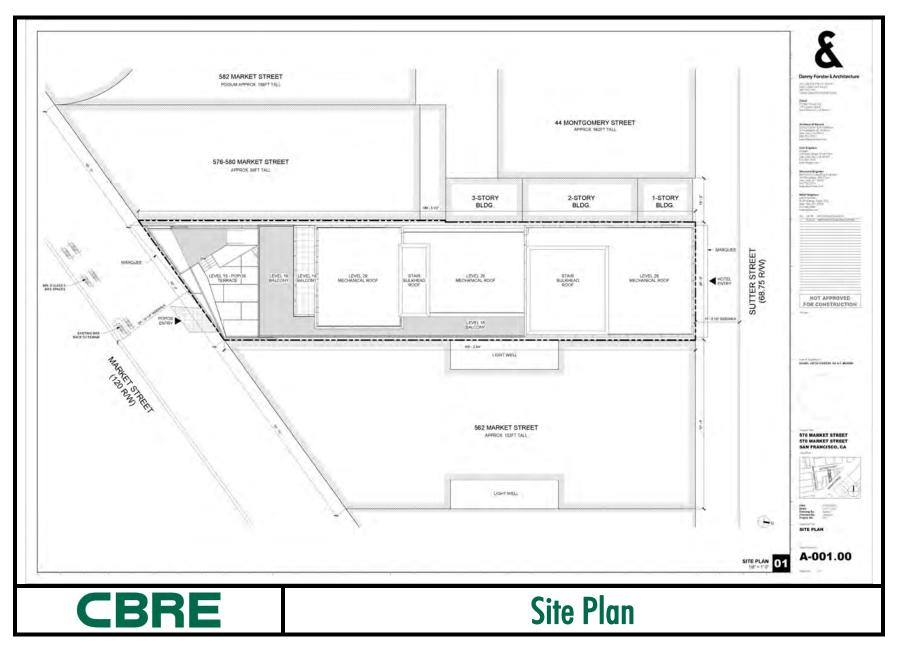
South: To the immediate south is Market Street, improved with Bank of America and Wells Fargo Bank branches, as well restaurant retail locations. Fronting New Montgomery Street further south is the Palace Hotel, A Luxury Collection Hotel. Land uses further south include primarily commercial developments.

**East**: Located to the east of the Site across Market Street are primarily commercial developments. Further east is Salesforce Tower and Salesforce Park.

**West**: To the immediate west across Montgomery Street is the Crocker Galleria Shopping Mall. The area further west includes primarily commercial retail development.

An area map of the Subject's location and site plan of the proposed Hotel are presented in the following pages.





#### SITE CONCLUSIONS

The Subject is accessible via Market and Sutter Streets.

Market Street, at the Subject, is a northeast-southwest street and is improved with two lanes of traffic in each direction. Street improvements include asphalt paving and concrete curbs, gutters and sidewalks, and street lighting. Street parking is not permitted, which is consistent with "car free" nature of this segment of Market Street.

The Site can be easily accessed from major parts of the Greater San Francisco Bay metropolitan area, due to its proximity to public transportation (BART, MARTA and MUNI Bus), the I-80 and the Bay Bridge.

The Subject site is proximate to Union Square, which is a major node of retail, restaurant, entertainment and nightlife activity. As noted herein, the Subject is well-located relative to demand generators in the local competitive market and enjoys a location proximate to an increasingly large number of amenities guests find desirable such as restaurants, retail shops, and entertainment venues. Further, the Subject's location should allow it to capture an appropriate mix of demand in the commercial, leisure and group market segments.

Overall, the location of the Subject site is ranked "excellent", as outlined in the following table:

SUBJECT SITE ANALYSIS					
	Excellent	Very Good	Good	Fair	Poor
Accessibility	Х				
Visibility	Х				
Proximity to Demand	Х				
Long-term Strategic Potential	Х				

#### **FACILITIES PROGRAMMING**

#### INTRODUCTION

We have reviewed the conceptual development plans for the subject site and analyzed them in the context of the overall San Francisco lodging market. The following provides a general scope of facilities that are planned for the subject property.

#### Scope of Facilities

It is our understanding that the Subject is currently envisioned as an upscale full-service hotel to be located at 570 Market Street in San Francisco, California. The plans provided include 211 guest rooms, a fitness center on the 18th floor, an amenity level to be located on the 16th floor, a bar and Privately Owned Public Open Space ("POPOS") on the 15th floor, and retail on the first through second floors.

Our projections take into account the assumption that the proposed hotel will be a 211-room, upscale full-service hotel. The overall quality level of construction and furnishings is to be high. The property will afford enough versatility to cater to leisure travelers, while featuring adequate food and beverage outlets and amenities. For the purposes of this analysis, we have assumed an opening date of July 1, 2027.

PROPOSED HOTEL - SAN FRANCISCO SUMMARY OF FACILITIES					
Opening Date: Room Count: Chain Scale: Gross Square Feet Per Room: Gross Floor Area: Parking:	July 1, 2027 211 rooms Upscale +/- 573 SF 120,993 9 Class I and 7 Class II Bicycle Parking Spots; Parking in adjacent parking garages and surface lots				
Other:	Business Center, Fitness Center, Marketplace, Terrace Deck, Bar, and Wired/Wireless Internet				

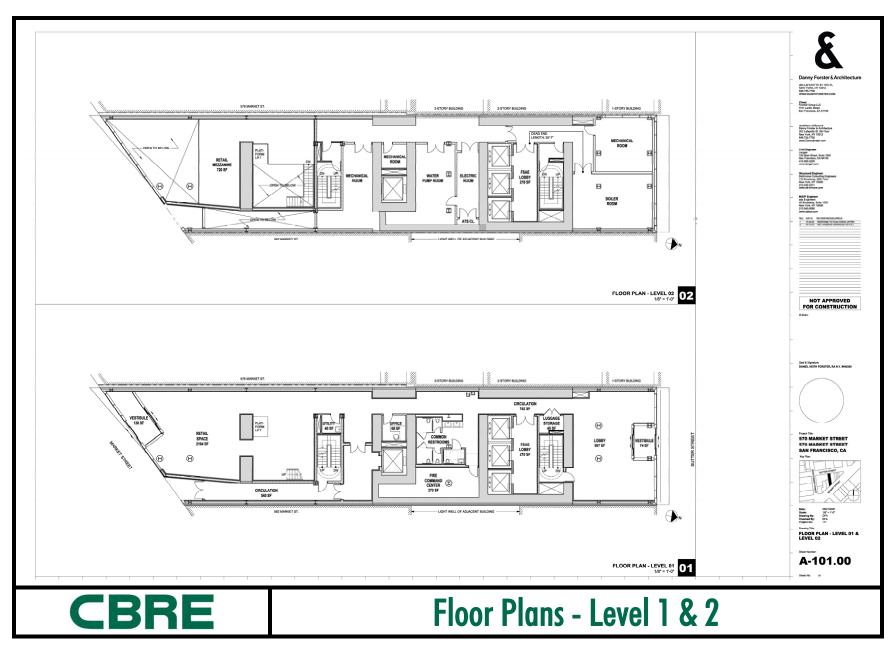
#### Overall Quality Level and Design

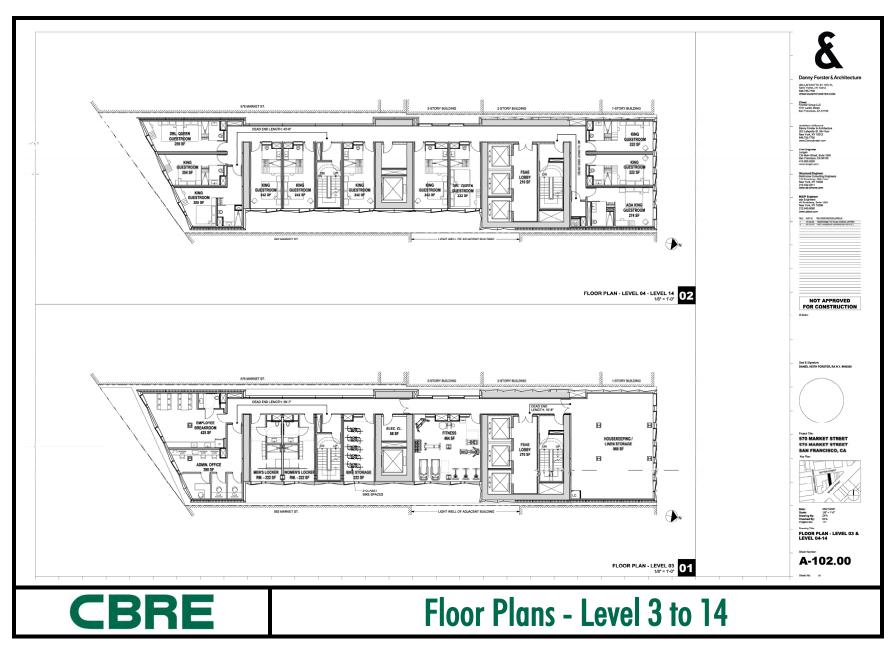
Based on the existing facilities within the market and the Subject's location, it is our opinion that the hotel room night demand within the market is strong enough to support the addition of a 211-room, upscale boutique hotel. To appropriately position the Subject within the competitive market, the Hotel's overall quality level should be at or above the competitive properties. Given the demand generators in the area, the proposed Hotel will offer modern amenities that are appealing for individuals as well as couples and include a unique full-service bar concept to serve travelers and local visitors, as well as business services designed to serve commercial travelers.

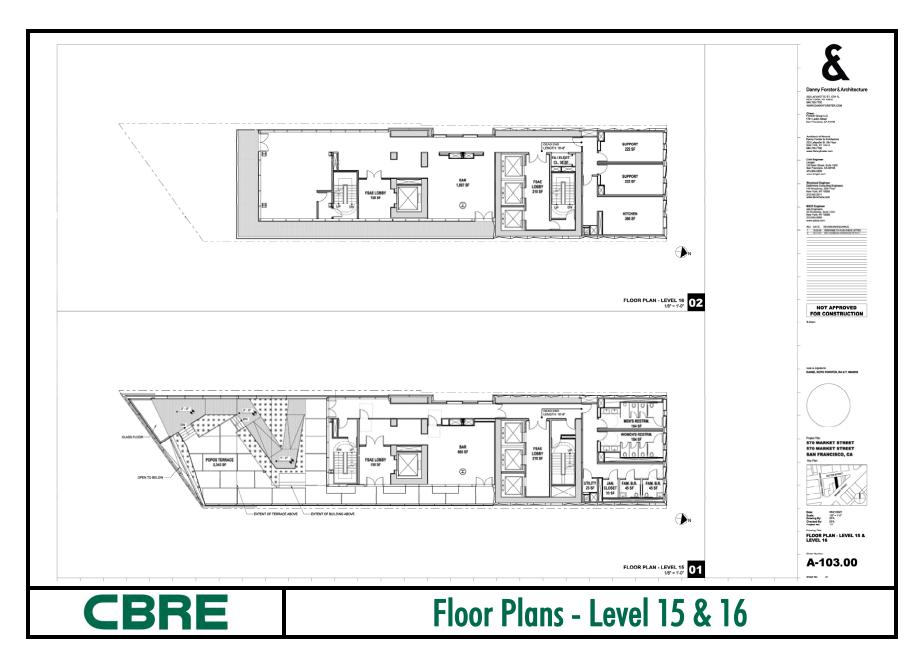
#### **Facility Conclusions**

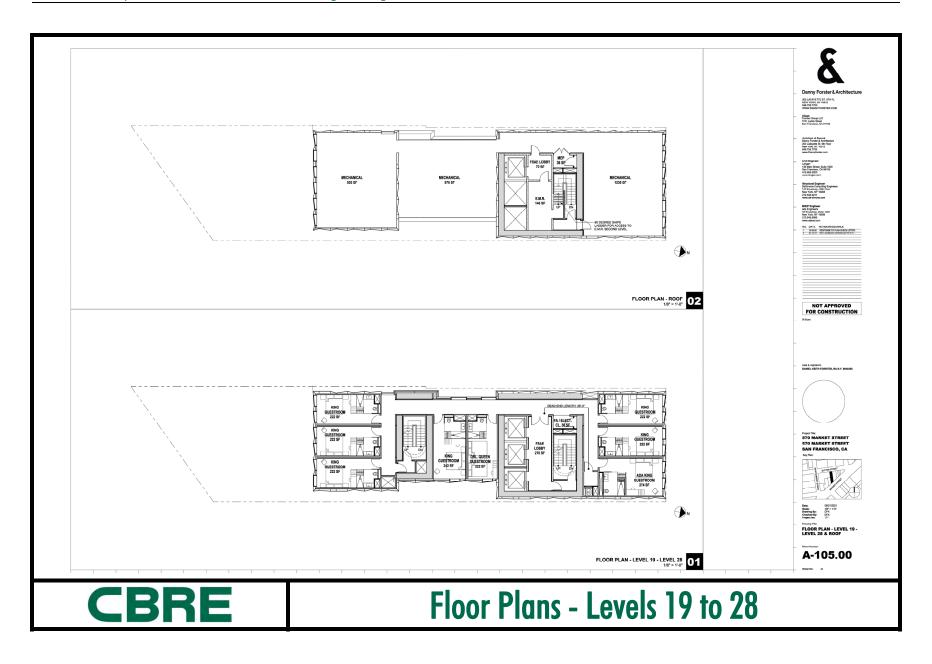
The aforementioned facilities and amenities will optimize the market position and performance of an upscale boutique full-service hotel at the Subject site. The proposed Hotel is well suited to successfully integrate into the immediate area and cater to the various segments of demand within the market. With its newer facilities and high-quality design, the proposed Hotel will be positioned to capture a solid base of high-end leisure and commercial demand as well as group business. With its convenient location to leisure and commercial demand generators, the property will have the proper facilities, including high-energy food and beverage outlets, and a location to service the needs of its fair share of the commercial, leisure, and group market segments. Our market projections for the proposed Subject assume these facilities, amenities, and services.

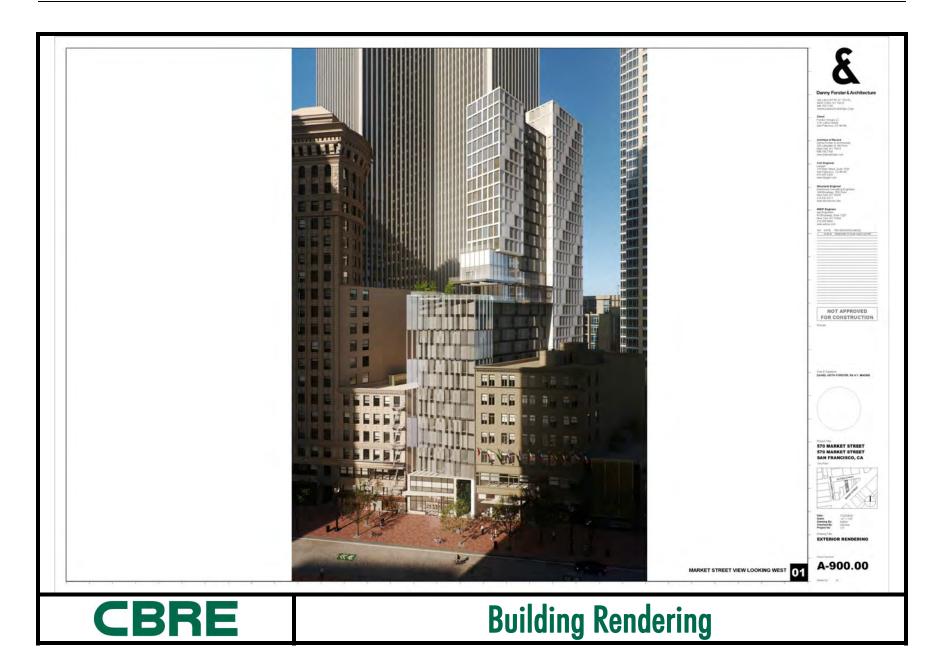
Floor plans and a rendering of the proposed Hotel are provided on the following pages.





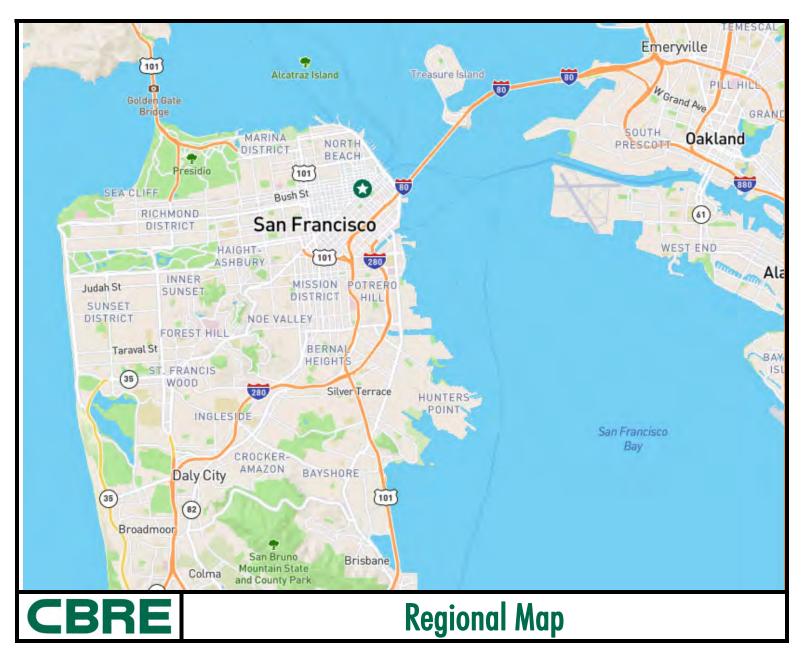








Section III
AREA REVIEW



#### SAN FRANCISCO CITY & COUNTY AREA REVIEW

#### INTRODUCTION

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

#### SAN FRANCISCO OVERVIEW

San Francisco is the focal point of the Bay Area and a major West Coast financial, retail and transportation center, with an economy driven primarily by technology and tourism. Although the City's economy was negatively impacted by the COVID-19 Pandemic, it should be noted that the city has experienced boom and bust periods throughout its history. San Francisco is a popular tourist destination known for its temperate climate, fog, steep rolling hills, eclectic mix of architecture, and landmarks, including the Golden Gate Bridge, cable cars, the former Alcatraz Federal Penitentiary, Fisherman's Wharf, and its Chinatown district. San Francisco is also the headquarters to major technology firms and various other companies such as Levi Strauss & Co., Gap Inc., Fitbit, Salesforce.com, Dropbox, Reddit, Square, Inc., Dolby, Airbnb, Pacific Gas and Electric Company, Yelp, Pinterest, Twitter, Uber and Lyft.

#### **Employment and Labor Market Overview**

The following table presents a summary of the labor force, total employment and unemployment rate for San Francisco City and County from 2013 through 2023.

	EMPLOYMENT STATISTICS						
SA	AN FRANCISCO CI						
		Total	Unemployment				
<u>Year</u>	Labor Force	Employment	Rate				
2013	514,200	485,800	5.5%				
2014	527,300	504,000	4.4%				
2015	541,400	521,600	3.7%				
2016	555,300	537,000	3.3%				
2017	563,000	546,400	2.9%				
2018	568,700	555,100	2.4%				
2019	580,900	568,000	2.2%				
2020	560,100	515,600	7.9%				
2021	548,600	520,800	5.1%				
2022	572,600	558,000	2.5%				
2023	577,400	558,900	3.1%				
Source: California	EDD, as compiled by	CBRE, Annual Av	rerages				

As indicated above, the unemployment rate in the San Francisco was 7.9% in 2020 and decreased to 2.5% in 2022. The unemployment rate increased to 3.1% in 2023 due in part to

layoffs in the tech and financial sector. However, the increase in unemployment was relatively modest remaining well below the recent peak reached in 2020.

An economic forecast for San Francisco County released by CalTrans in November 2023 projects employment growth of 1.4% per year between 2024 and 2028. The study reported that the professional and business services sector in San Francisco is largely scientific and technical services and accounts for 65% of all jobs. Other professional jobs including legal, architecture, and management account for 20% of all professional services employment. The entire San Francisco peninsula, both San Francisco and San Mateo Counties, is home to many of the larger software, technology and IT consulting firms in California, including Salesforce, Uber Technologies, Riverbed Technology, Facebook, YouTube, Plateau Systems, Electronic Arts, and Box.com. While the county's office market has not yet recovered and may remain soft through 2025, employment is forecast to increase in companies with locations in the city. The magnitude of job growth will be muted because a portion of this employment force will remain remote, hybrid, or associated with company offices located outside of San Francisco. Nevertheless, job growth within the professional and business services sector is forecast to increase at 1.9% between 2024 and 2028, creating 22,600 new high paying jobs. Finally, the report also notes that San Francisco faces an acute homeless problem which was beyond the scope of their study but could impact future growth and development.

#### San Francisco International Airport

The San Francisco International Airport (SFO) is the major airport which services the San Francisco Bay Area. The following table presents the historical passenger volume at SFO from 2012 through 2022 as well as through Year-to-Date (YTD) October 2023 and 2022.

#### SAN FRANCISCO INTERNATIONAL AIRPORT PASSENGER VOLUME

	Domestic Po	assengers	International F	assengers	Tot	al
Year	Pax Traffic	% Change	Pax Traffic	% Change	Pax Traffic	% Change
2012	34,776,416	-	9,546,145	-	44,322,561	-
2013	35,135,994	1.0%	9,743,762	2.1%	44,879,756	1.3%
2014	36,804,461	4.7%	10,269,701	5.4%	47,074,162	4.9%
2015	38,805,645	5.4%	11,243,035	9.5%	50,048,680	6.3%
2016	40,729,913	5.0%	12,362,146	10.0%	53,092,059	6.1%
2017	42,389,578	4.1%	13,425,328	8.6%	55,814,906	5.1%
2018	43,481,605	2.6%	14,218,828	5.9%	57,700,433	3.4%
2019	42,108,990	-3.2%	15,240,135	7.2%	57,349,125	-0.6%
2020	13,117,729	-68.8%	3,291,896	-78.4%	16,409,625	-71.4%
2021	20,989,641	60.0%	3,335,838	1.3%	24,325,479	48.2%
2022	32,198,388	53.4%	9,938,087	197.9%	42,136,475	73.2%
Year to Date						
Oct-22	26,695,590		8,053,378		34,748,968	
Oct-23	30,042,187	12.5%	11,742,920	45.8%	41,785,107	20.2%
Source: SF In	ternational Air	port				

As indicated above, the SFO airport recorded a sharp 71.4% decrease in passenger volume in 2020 as a result of the pandemic. This was followed by an increase of 48.2% in 2021 and a more robust 73.2% increase in 2022 to 42.1 million passengers (or 73% of the 2019 passenger volume). International passenger volume had been slower to rebound than domestic passengers; however, international passenger volume through YTD October 2023 increased by 45.8% to 11.7 million passengers as compared to 8.0 million during the same period in 2022. Overall, through YTD 2023 the total passenger volume had increased by 20.2% as compared to the same period in 2022.

#### Moscone Convention Center

San Francisco is home to the Moscone Convention Center, which has historically been a significant demand generator for tourism to the City. Until January 2019, the Center offered approximately 740,000 square feet of exhibit space, up to 106 meeting rooms, and as many as four ballrooms in its three main buildings: Moscone North, South and West. In January 2019, an expansion wing was completed, adding approximately 157,000 square feet of space. The expansion effectively increased the Center's usable event space by more than 25 percent with the addition of a 50,000 square foot column-free ballroom, 25,000 square feet of secure outdoor terraces and 100,000 square feet of pre-function space oriented to provide views of the City. As an indication of the success of the expansion, in 2019, there were nearly 1.0 million room nights booked, a record for San Francisco.

Due to the pandemic the convention center was closed from March 2020 until September 2021. The following presents hotel room bookings from 2017 through 2023 with a preliminary forecast for 2024.

MOSCONE CONVENTION CENTER					
HOTEL R	OOM NIGHT BOO	KINGS			
	Hotel Room	%			
Year	Nights	Change			
2017	578,725	-			
2018	660,868	14.2%			
2019	967,956	46.5%			
2020	121,048	-87.5%			
2021	17,500	-85.5%			
2022	347,788	1887.4%			
2023	663,000	90.6%			
2024	462,000	-30.3%			
Note: 2023 base	d on YTD data and 202	24 is forecast			

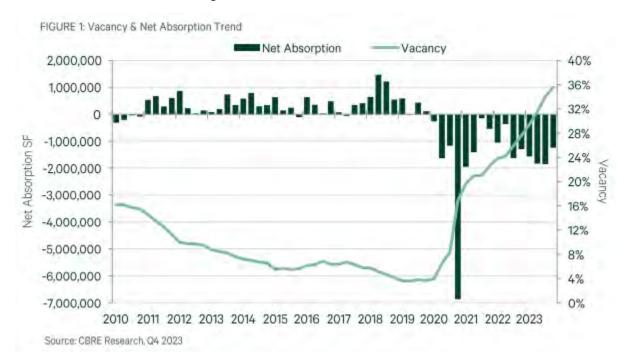
As indicated above, the room nights consumed by delegates attending the Moscone Center conventions was approximately 663,000 in 2023 which was a significant increase over 2022. Prior projections by San Francisco tourism officials had projected figures for 2024 and beyond more in line with 2019's record of nearly one million nights. However, the current projections are for annual room nights to be well below the 2019 level. Sam Francico (SF) Travel has indicated that in order to attract more events, tourism officials plan to nearly double the number of

Source: SF Travel, as compiled by CBRE

convention and events sales staff, provide discounts for Moscone event bookings and focus on smaller group events to help fill the gap.

#### Office Market

The following chart presents the office vacancy rate and net absorption for the San Francisco office market from 2010 through 2023.



As indicated in the above, the market-wide vacancy rate increased to 35.6% in Q4 2023 which represents a historic high. The rise in vacancy was due to a small number of tech companies giving large blacks of sublease space back as well as lease cancellations by First Republic Bank and WeWork. Looking ahead, CBRE anticipates the vacancy rate will continue to increase but will likely peak in 2024.



Source: CBRE Research, Q4 2023

Office asking rates are anticipated to continue to decline as more office buildings are expected to trade for discounted prices. This is expected to enable new landlords to offer spaces to tenants for reduced rates, which will apply further down pressure on asking rates. Finally, a 2023 study SPUR (San Francisco Planning & Research Association) and ULI found that approximately 40 percent of downtown San Francisco's office inventory are good candidates for conversion to residential. While the actual conversion costs could be a significant barrier to converting such a large share of the existing office inventory, the conversion of office to residential would help reactivate the downtown area as well as ease the elevated office vacancy rate.

#### **AREA CONCLUSIONS**

As noted previously, San Francisco has been reinventing itself since the Gold Rush days and has experienced boom and bust cycles prior to Covid 19. The region is blessed with a mild climate, natural and architectural beautify as well as one of the best-educated workforces in the country. While the office market remains challenged, a recent study by SPUR and ULI found that approximately 40 percent of downtown San Francisco's office inventory are good candidates for conversion to residential. Conversion of office to residential would help activate the downtown area as well as help ease the elevated office vacancy rate. International travel is also on the rise which should bode well for San Francisco's lodging market. As such, the long-term forecast is that the area's economic, social, governmental, and geographic forces will provide a positive impact on the long-term future growth.

# Section IV HOTEL MARKET ANALYSIS

#### **HOTEL MARKET ANALYSIS**

Understanding the relationship between supply and demand is a critical component of any analysis, particularly with respect to hotels. Unlike other property types, hotels essentially lease their rooms on a daily basis. While this characteristic allows for an immediate response to changes in market conditions, it also requires a high level of management intensity. There is an inverse relationship between occupancy and average daily rate (ADR) and raising or lowering rates typically has an immediate impact on room-nights sold. Effective management entails finding the proper balance that allows for the maximization of revenue.

In this section, we first identify the Subject property's competitive set i.e., those hotels that tend to compete for the same sources of demand). We then identify relevant demand sources, analyze historical growth patterns and assess the potential for growth (or lack thereof) in demand by segment. The result is a projection of future market performance. Lastly, we conclude with a projection of occupancy and ADR for the Subject property, taking into consideration its competitive strengths and weaknesses relative to the overall market.

As a hotel includes a going-concern business as well as real property, the future market performance of a lodging facility is a direct function of the supply and demand for the hotel rooms within its market area. Accordingly, an analysis of the local area's hotel market is a key component of our projections of future performance. The following is a discussion of the national hotel market as well as the Subject's local competitive market.

#### NATIONAL HOTEL MARKET OVERVIEW

The following overview was derived primarily from CBRE Hotels Research (CBRE Hotels) Q3 2023 Hotel Horizons© report for the United States, as well as CBRE Econometric Advisors (CBRE-EA), and Kalibri Labs.

#### National Economic Summary

U.S. Real GDP increased in Q3 2023 at an annualized rate of 4.9%, marking five consecutive quarters of growth for the economy. Q2 2023 Real GDP had increased at an annualized rate of 2.1%, and Q1 at 2.2%. Q3 GDP growth was bolstered by consumption expenditures, residential investment and government spending.

Headline CPI inflation has declined throughout 2023, with average year-over-year CPI inflation at 3.6% in Q3, down from 4.1% in Q2, after finishing 2022 up 7.1% for the year. The personal consumption expenditure (PCE) price index was up 3.4% year-over-year in Q3, cooling from a peak of 7.1% in 2022.

At the end of Q3, unemployment was 3.8%, slightly higher than the Q2 end of 3.6% and the Q3 2022 level of 3.5%. The labor force participation rate of 62.8% is a post-pandemic high and

close to the February 2020 level of 63.3%. Total nonfarm employment ended Q3 at a seasonally adjusted level of 156,874,000, representing an increase of 799,000 jobs in Q3.

Average hourly wages for production and nonsupervisory employees climbed by 4.3% year-over-year. Within leisure and hospitality, average hourly wages increased by 4.7%. Job openings in September were 9.55 million, little changed from August but down 12% year-over-year. Within leisure and hospitality, there were 1.41 million job openings, down 24% from its recent peak but 38% above 2019.

CBRE Econometric Advisors' Baseline forecast calls for full-year Real GDP growth of 2.0% in 2023, followed by 0.8% growth in 2024. CPI inflation for year-end 2023 is expected to rise 3.5% and decelerate further to 2.4% for 2024.

Hotel industry revenue per available room (RevPAR) was down -0.3% year-over-year in Q3 2023 at a level that was 110% of Q3 2019. CBRE Hotels Research expects RevPAR growth for 2023 to finish at 3.8% year-over-year, with 3.0% and 3.6% growth in 2024 and 2025.

### National Hotel Market Summary

The following is a table illustrating the historic and projected occupancy, ADR and RevPAR figures for all U.S. hotels.

Annual Performance - Five Year History and Forecast - All US Hotels

Year Occ A Occ ADR ADR RevPAR A RevPAR

Year	Occ	∆ Occ	ADR	$\Delta$ ADR	RevPAR	∆ RevPAR
2018	67.0%	-0.3%	\$128.60	2.2%	\$86.15	1.9%
2019	67.2%	0.4%	\$129.56	0.7%	\$87.13	1.1%
2020	43.3%	-35.6%	\$100.45	-22.5%	\$43.53	-50.0%
2021	58.5%	34.9%	\$121.37	20.8%	\$70.96	63.0%
2022	64.4%	10.2%	\$143.98	18.6%	\$92.79	30.8%
2023F	64.9%	0.8%	\$148.33	3.0%	\$96.34	3.8%
2024F	65.3%	0.6%	\$151.82	2.3%	\$99.18	3.0%
2025F	66.1%	1.1%	\$155.55	2.5%	\$102.75	3.6%
2026F	66.6%	0.8%	\$159.57	2.6%	\$106.26	3.4%
2027F	67.1%	0.7%	\$163.72	2.6%	\$109.79	3.3%

Source: CBRE Hotels Research, Kalibri Labs, Q3 2023.

As indicated above, CBRE Hotels Research forecast is for the aggregate U.S. hotel performance to approximate pre-pandemic levels as of year-end 2023 based on RevPAR in nominal terms. While ADR led the recovery, occupancy gains are anticipated to continue to increase over the next several years while ADR growth returns to roughly 3.0% annual gains. While some markets have already recovered in occupancy, others continue to underperform but should experience further gains as international travel and business travel gradually increase.

## **CONCLUSION – NATIONAL TRENDS**

While the hospitality industry is recovering from the worst downturn in history, there are still significant near-term challenges. The Russia-Ukraine and Israel-Hamas wars continue to weigh on the economy, while inflation has reached a 40-year high and interest rates are at a 22-year high. However, recent inflation numbers indicate the Fed's policies might be working and many experts conclude the Fed will likely pause future rate hikes. Hotel wages are up year-over-year and hotel wage growth pressures are likely to persist, at least for the near term.

Debt markets continue to remain challenging in terms of cost and availability of capital, which has put downward pressure on asset values and severely strained transactions activity. Though broad recovery is generally expected to be long and protracted, there are still some bright spots. Business and group travel continue to improve at an observable pace. Leisure demand also remains relatively strong, particularly with the ease and acceptance of remote working that has fueled demand for more blended business/leisure ("bleisure") trips. Many leisure-centric markets continue to perform at or near historic peaks and well above pre-pandemic levels, although there has been a deceleration in demand and rate growth as outbound international travel is returning in full force. Fortunately for operators, there has also been a surge in inbound international travel as travel restrictions have eased in major international feeder markets like China.

Overall, the hotel market is highly liquid and lodging assets remain favored among investors given the prospect for attractive, risk adjusted yields relative to other commercial real estate asset types. Lodging fundamentals remain strong, supply side pressures are muted for the time being, and transaction activity is expected to return in the next 12 months as buyers and sellers adjust to the new normal interest rate environment. While the potential of new variants, geopolitical conflicts, and interest rate uncertainty could drastically change forecasts, most observers remain cautiously optimistic regarding the prospects for the hospitality industry fundamentals over the next 12 to 24 months.

## THE SAN FRANCISCO LODGING MARKET

The following overview was derived from CBRE Hotels Research (CBRE Hotels) Q3 2023 Hotel Horizons© report for upper-priced hotels in the San Francisco MSA. The historical data is from Kalibri Labs while the forecast data is from CBRE Hotels Research. It should be noted that the geographic area covered includes San Francisco County as well as Marin and San Mateo Counties.

HOTEL HORIZONS - FIVE YEAR HISTORY & FORECAST							
	SAN FRA	NCISCO N	<b>NSA (UPPE</b>	R PRICED	HOTELS)		
	Occupanc	Percent		Percent		Percent	
Year	у	Change	ADR	Change	RevPAR	Change	
2018	83.4%	-	\$291.89	-	\$243.29	-	
2019	83.9%	0.7%	300.17	2.8%	251.90	3.5%	
2020	25.8%	-69.3%	258.17	-14.0%	66.56	-73.6%	
2021	38.0%	47.4%	194.99	-24.5%	74.08	11.3%	
2022	63.5%	67.2%	258.27	32.5%	164.10	121.5%	
2023	65.1%	2.4%	\$276.97	7.2%	\$180.25	9.8%	
2024	67.9%	4.3%	286.03	3.3%	194.19	7.7%	
2025	70.3%	3.5%	297.37	4.0%	209.02	7.6%	
2026	73.6%	4.8%	315.54	6.1%	232.36	11.2%	
2027	75.0%	1.8%	318.97	1.1%	239.23	3.0%	
2028	77.4%	3.3%	328.00	2.8%	254.00	6.2%	
2029	80.0%	3.3%	336.10	2.5%	268.88	5.9%	
2030	82.1%	2.7%	344.52	2.5%	282.99	5.3%	
2031	83.4%	1.5%	353.18	2.5%	294.45	4.0%	

Source: CBRE Hotels Americas Research, Hotel Horizons 3Q 2023

As indicated above, the upper-priced hotels in the San Francisco MSA experienced a 73.6% decrease in RevPAR in 2020 due to the impact of Covid 19 on travel. This was one of the sharpest decreases in RevPAR among the top 25 markets in the nation. The San Francisco market has also been one of the slowest markets to recover from the 2020 downturn. This is due to several factors including: I) a disproportionate reliance on the tech industry which has been slower to resume pre-pandemic travel patterns; II) the city's convention business has yet to fully recover; and III) the slow recovery of inbound international travel to the U.S.A. from Asia. As shown above, the upper-priced hotel RevPAR in San Francisco is expected to see an increase of 9.8% to \$180.25 in 2023 which is still below pre-pandemic RevPAR. Looking forward the market occupancy is forecast to gradually increase over the next several years and will finally reach the low 80% range in 2030. The Average Daily Rate (ADR) for upper-priced hotels is not estimated to surpass 2019 levels in nominal terms until 2028.

## **LOCAL MARKET ANALYSIS**

The subject site is located in the Financial District within the city of San Franciso. As such, the site is proximate to the Moscone Convention Center which is approximately six blocks southwest of the subject. Union Square is located directly west of the subject site. In addition, significant tourist destinations such as Chinatown, North Beach and the Embarcadero are located to the north of the subject site.

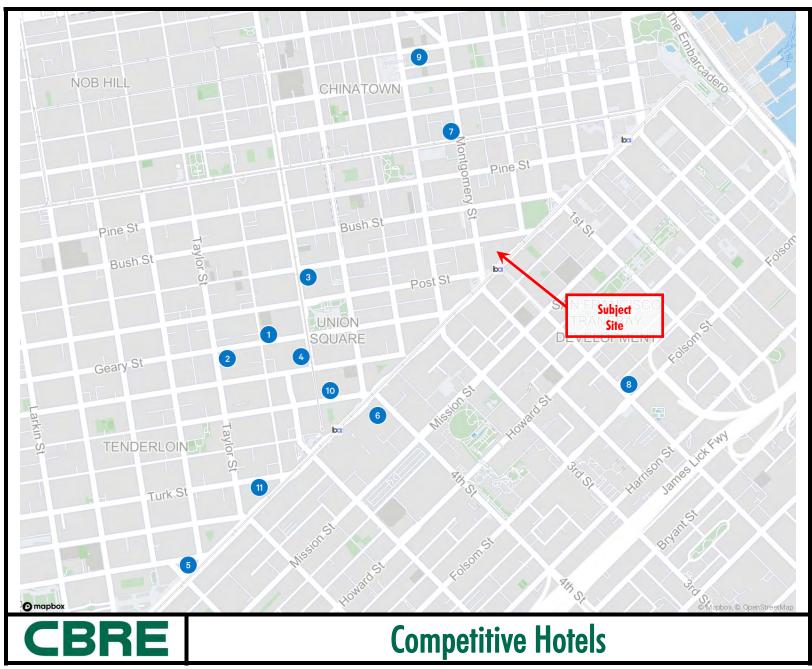
## Competitive Supply

In order to develop conclusions relative to the competitive environment in which the Subject will compete, we have analyzed the San Francisco lodging market and have identified 12 hotels representing the primary competition to the proposed Subject. As a newly built upscale full-service boutique hotel, the proposed Subject will primarily compete with other hotels in the area of similar quality. The competitive properties have been selected based on their facilities, location, market performance and orientation, property rating, and rate structure. Though there are a

number of additional properties in the area, we have not included these for a number of reasons, including positioning, condition, location, and rate structure. We believe the properties selected in our analysis reflect the primary competition for the subject due to their locations, market orientation, amenities offered, and rate structures.

The following chart summarizes the competitive set for the proposed Hotel. A map indicating their locations, a description of each of the competitive hotels and a discussion of the potential additions to the competitive supply are presented on the subsequent pages.

operty Name otel G ne Clift Royal Sonesta eacon Grand ne Barnes, a Tapestry Collection an Francisco Proper Hotel otel Zelos	Location  San Francisco, CA  San Francisco, CA  San Francisco, CA  San Francisco, CA  San Francisco, CA	No. of Rooms  153 372 418 189 131	Opened 1908 1915 1928 1908 2017	Chain Scale Upper Upscale Upper Upscale Luxury Upper Upscale Luxury	Sonesta Independent Hilton
ne Clift Royal Sonesta eacon Grand ne Barnes, a Tapestry Collection an Francisco Proper Hotel	San Francisco, CA San Francisco, CA San Francisco, CA	372 418 189	1915 1928 1908	Upper Upscale Luxury Upper Upscale	Sonesta Independent Hilton
eacon Grand ne Barnes, a Tapestry Collection an Francisco Proper Hotel	San Francisco, CA San Francisco, CA	418 189	1928 1908	Luxury Upper Upscale	Independent Hilton
ne Barnes, a Tapestry Collection an Francisco Proper Hotel	San Francisco, CA	189	1908	Upper Upscale	Hilton
an Francisco Proper Hotel	•				
•	San Francisco, CA	131	2017	Luvury	Danisus (Adamsia)
-4-1 7-1				LUXUIY	Design (Marriot
otel Zelos	San Francisco, CA	202	1908	Luxury	Independent
mni San Francisco Hotel	San Francisco, CA	362	2002	Upper Upscale	Omni
utograph Collection The Clancy	San Francisco, CA	410	2001	Upper Upscale	Marriott
ilton San Francisco Financial District	San Francisco, CA	544	1970	Upper Upscale	Hilton
otel Triton	San Francisco, CA	140	1920	Upper Upscale	Independent
itizen M	San Francisco, CA	195	2021	Upscale	Independent
ne LINE San Francisco	San Francisco, CA	236	2022	Luxury	Independent
		3,352			
		176			,
il o	tograph Collection The Clancy ton San Francisco Financial District tel Triton izen M	tograph Collection The Clancy ton San Francisco, CA	tograph Collection The Clancy San Francisco, CA 410 ton San Francisco Financial District San Francisco, CA 544 tel Triton San Francisco, CA 140 izen M San Francisco, CA 195 e LINE San Francisco San Francisco, CA 236 3,352	tograph Collection The Clancy San Francisco, CA 410 2001 ton San Francisco Financial District San Francisco, CA 544 1970 tel Triton San Francisco, CA 140 1920 izen M San Francisco, CA 195 2021 e LINE San Francisco San Francisco, CA 236 2022 3,352	tograph Collection The Clancy San Francisco, CA 410 2001 Upper Upscale ton San Francisco Financial District San Francisco, CA 544 1970 Upper Upscale tel Triton San Francisco, CA 140 1920 Upper Upscale izen M San Francisco, CA 195 2021 Upscale eLINE San Francisco San Francisco, CA 236 2022 Luxury  3,352



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IV-7

Summary of Competitive Hotels								
_				The Barnes,				
Property	Hotel G	Clift Royal Sonesta	Beacon Grand	A Tapestry Collection by Hilton				
Picture	HOTELG	CUFT - A		Kuteros				
Address	386 Geary Street	495 Geary Street	450 Powell Street	225 Powell Street				
	San Francisco, California 94102	San Francisco, California 94102	San Francisco, California 94102	San Francisco, California 94102				
Year Opened	1908	1915	1928	1915				
Number of Rooms	150	372	416	189				
Type of Hotel	Full-Service	Full-Service	Full-Service	Full-Service				
Amenities/Services								
Restaurant/Bistro	Yes	Yes	Yes	Yes				
Pool/Whirlpool	No	No	No	No				
Comp. Breakfast	No	No	No	No				
<b>Business Center</b>	Yes	Yes	Yes	Yes				
Exercise Room	Yes	Yes	Yes	Yes				
Meeting Space (SF)	400	12,524	18,000	1,438				
	The Hotel G last underwent an extensive two-year renovated in	The property completed an extensive renovation during the	The property completed an extensive \$11 million renovation in	The property completed a renovation to its guestrooms in				
	2021 and is in excellent condition.	COVID-19 Pandemic, and recently	2021 and is in excellent condition.	2022. The hotel was previously				
	2021 and is in executin condition.	reopened. It is in excellent	The property changed its name	operated as the independent Villa				
Renovation History		condition	from the Sir Francis Drake to the	Florence Hotel. However, it was				
		condition.	Beacon Grand in 2022.	renamed the Barnes in 2023 when				
			Beacon Orana in 2022.	it became affiliated with Hilton's Tapestry Collection.				
Source: CBRE Hotels				· ,				



		Summary of Competitive Hotels	(Continued)	
Property	San Francisco Proper Hotel	Hotel Zelos	Omni San Francisco Hotel	The Clancy An Autograph Collection Hotel
Picture				THECLANCY
Address	1100 Market Street	12 Fourth Street	500 California Street	299 Second Street
	San Francisco, California 94102	San Francisco, California 94103	San Francisco, California 94104	San Francisco, California 94105
Year Opened	2017	1908	2002	2001
Number of Rooms	131	202	362	410
Type of Hotel	Full-Service	Full-Service	Full-Service	Full-Service
Amenities/Services				
Restaurant/Bistro	Yes	Yes	Yes	Yes
Pool/Whirlpool	No	No	No	No
Comp. Breakfast	No	No	No	No
Business Center	Yes	Yes	Yes	Yes
Exercise Room	Yes	Yes	Yes	Yes
Meeting Space (SF)	9,650	4,421	11,600	8,672
Renovation History	The property opened in 2017 and is in excellent condition.	The property was last renovated in 2019 and is in very good condition.	The property was last renovated in 2015 and is in average condition.	A former Courtyard, The Clancy opened in 2020 after undergoing renovations in excess of \$20 million. The property is in excellent condition.

		Summary of Competitive Hotels	(Continued)	
Property	Hilton San Francisco	Hotel Triton	Citizen M	The LINE Hotel
Picture				
Address	750 Kearny Street	342 Grant Avenue	72 Ellis Street	33 Turk Street
	San Francisco, California 94108	San Francisco, California 94108	San Francisco, California 94102	San Francisco, California 94102
Year Opened	1970	1920	2021	2022
Number of Rooms	544	140	195	236
Type of Hotel	Full-Service	Full-Service	Select-Service	Full-Service
Amenities/Services				
Restaurant/Bistro	No	Yes	Yes	Yes
Pool/Whirlpool	No	No	No	No
Comp. Breakfast	No	No	No	No
<b>Business Services</b>	Yes	Yes	Yes	Yes
Exercise Room	Yes	Yes	Yes	Yes
Meeting Space (SF)	20,000	500	0	6,000
Renovation History	The property was last renovated in 2014 and is in average condition.	The property was last renovated in 2018 and is in very good condition.	The property opened in 2021 and is in excellent condition.	The property opened in 2022 and is in excellent condition.
Source: CBRE Hote		1.0	1	

## Additions to Supply

In conducting our investigations regarding the potential for additions to supply in the proposed Subject's competitive market, we reviewed information from the San Francisco Planning Department as well as hotel development pipeline information from third party sources such as FW Dodge. In doing so, we identified no additions to the hotel supply which are either under construction or are close to breaking ground which anticipated to be competitive with the proposed Subject based upon location, market orientation and amenities.

Additionally, we are aware of hotel projects in the pipeline, but have not included them as they are considered to be speculative or are of an anticipated higher positioning and/or product differentiation than the proposed Subject and may lack one or more of the following criteria: specific development programs and timeline, branding, operator, financing, planning and permitting. While we have made several attempts to determine the level of new hotel supply entering the marketplace, it is impossible to determine every hotel that will be developed in the future, when they will be completed, or their potential impact to the Subject. The inherent risk of any future new hotel supply has been implicitly considered in the selection of a stabilized occupancy level for the Subject property, and the larger competitive market as a whole.

## **HOTEL ROOMS DEMAND**

Demand for hotel rooms is categorized in three ways:

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

## Historical Performance of the Competitive Supply

The aggregate average annual available and occupied rooms, resulting occupancy levels, average daily rate, and revenue per available room (RevPAR) for this competitive set between 2018 and 2022, as well as year-to-date through November 2023 and 2022, are presented below.

-	Historical Mandas Bodismana of the Committee Commit								
Historical Market Performance of the Competitive Supply									
	Annual	Percent	Occupied	Percent	Market	Average	Percent		Percent
Year	Supply	Change	Rooms	Change	Occupancy	Daily Rate	Change	REVPAR	Change
2018	1,064,340	N/A	883,402	N/A	83.0%	\$270.92	N/A	\$224.86	N/A
2019	1,030,030	-3.2%	879,646	-0.4%	85.4%	\$283.00	4.5%	241.68	7.5%
2020	374,855	-63.6%	179,930	-79.5%	48.0%	\$278.74	-1.5%	133.80	-44.6%
2021	739,490	97.3%	312,065	73.4%	42.2%	\$160.92	-42.3%	67.91	-49.2%
2022	1,090,620	47.5%	641,285	105.5%	58.8%	\$241.56	50.1%	142.04	109.2%
CAGR	0.6%		-7.7%			-2.8%		-10.9%	
Nov-22 YTD	999,735	N/A	600,841	N/A	60.1%	\$244.87	N/A	\$147.17	N/A
Nov-23 YTD	1,121,645	12.2%	684,203	13.9%	61.0%	\$257.04	5.0%	156.79	6.5%
Source: STR,	Inc.								

As noted in the preceding table, the supply within the competitive market increased at a compound average growth rate (CAGR) of 0.6 percent over the five-year period between 2018 and 2022. It should be noted that the sharp 63.6% decrease in supply in 2020 was due to closures of hotels in the competitive set due the Covid-19 pandemic. The 97.3% increase in supply in 2021 was driven primarily by the reopening of the majority of the hotels in the competitive set. However, a few of the existing hotels in the competitive set did not reopen until 2022 which contributed to the 47.5% increase in supply in 2022. The increase in new hotel supply in the competitive set during the historical period analyzed was due to the following: I) the 195-room Citizen M San Francisco in November 2021 and II) the 236-room Line San Francisco in September 2022. As shown above, the November Year-to-Date (YTD) 2023 period reflected a 12.2% increase in supply which was due to the aforementioned opening of the Line San Francisco.

Demand for rooms, as demonstrated by occupied room nights, decreased at a CAGR rate of 7.7% percent during the five-year historical period from 2018 through 2022, which was primarily attributable to the 79.5% decrease in 2020 due to the Covid 19 pandemic. As indicated, the period high in market occupancy was 85.4% in 2019. The period low in occupancy was 42.2% in 2021 as the new supply and the reopening of the existing hotels in the competitive set outpaced the 73.4% increase in demand. However, demand began to outpace supply in 2022 as the 105.5% increase in occupied rooms resulted in a market occupancy of 58.8%. As indicated above, the increase in demand through November YTD 2023 was 13.9% which outpaced supply growth to result in a market occupancy of 61.0%.

The average daily rate (ADR) of the competitive market decreased at a compound average growth rate (CAGR) of 2.8% between 2018 and 2022. The period low in ADR was \$160.92 in 2021 and the period high was \$283.00 in 2019. The market-wide ADR decreased by 1.5% in 2020 to \$278.74 and 42.3% in 2021 to \$160.92 due to the impact of Covid 19. It is important to note that the relatively modest decrease in 2020 is attributable to the numerous closures of the competitive hotels after the onset of the pandemic in March or April 2020. As such, the full impact of the pandemic on the competitive set's ADR was more apparent when the majority of the hotels reopened in 2021. The competitive market ADR increased by 50.1% to \$241.56 in

2022. As shown in the preceding table, the ADR through YTD November 2023 increased by 5.0% to \$257.04 as compared to the same period in 2022.

Revenue per available room (RevPAR), a combination of occupancy and average daily room rate, decreased at compound average annual rate of 10.9% in 2022. The competitive set's RevPAR decreased significantly in 2020 and 2021 due to the impact of the Covid 19 pandemic. The competitive market RevPAR increased 109.2% to \$142.04 in 2022 which was approximately \$100 lower in nominal terms as compared to 2019. Through the November YTD 2023 period the market RevPAR increased by 6.5% to \$156.79 as compared to \$147.17 during the same period in 2022.

## Summary of Demand Growth and Market Occupancy

As noted previously, the San Francisco hotel market was among the most severely impacted hotel markets by the Covid 19 pandemic in the United States. This is due to the city's heavy concentration of technology companies as well as the city's reliance on international visitation from Asia which has been slower to return to pre-pandemic levels as compared to inbound travel to the U.S. from Europe or Latin America. In addition, the bookings at the Moscone Convention Center have yet to return to the levels achieved in 2019. Nevertheless, it is important to note that the city has experienced booms and busts throughout its history.

The following table highlights the Hotel's Competitive Market's projected performance between 2023 and 2031, coinciding with the Hotel's first five years of operation.

	Projected Market Performance of the Competitive Supply									
	Annual	Percent	Occupied	Percent	Market	Average	Percent		Percent	
Year	Supply	Change	Rooms	Change	Occupancy	Daily Rate	Change	REVPAR	Change	
2023	1,223,480	12.2%	731,099	14.0%	60%	\$252.00	4.3%	\$150.58	6.0%	
2024	1,223,480	0.0%	782,276	7.0%	64%	262.00	4.0%	167.52	11.2%	
2025	1,223,480	0.0%	829,213	6.0%	68%	270.00	3.1%	182.99	9.2%	
2026	1,223,480	0.0%	878,965	6.0%	72%	278.00	3.0%	199.72	9.1%	
2027	1,261,805	3.1%	951,493	8.3%	75%	286.00	2.9%	215.66	8.0%	
2028	1,300,495	3.1%	991,038	4.2%	76%	294.00	2.8%	224.04	3.9%	
2029	1,300,495	0.0%	1,020,769	3.0%	78%	303.00	3.1%	237.83	6.2%	
2030	1,300,495	0.0%	1,051,392	3.0%	81%	312.00	3.0%	252.24	6.1%	
2031	1,300,495	0.0%	1,066,406	1.4%	82%	321.00	2.9%	263.22	4.4%	
CAAG	0.8%		4.8%			3.1%		7.2%		
Source: (	CBRE Hotels; No	te: The subject	hotel is projec	ted to oper	n in July 2027	and is inclu	ded in the	data above		

Supply for the competitive market is expected to increase at a CAGR of 0.8 percent between 2023 and 2031 as a result of the opening of the proposed 211-room subject in July 2027. Demand is estimated to increase at a CAGR of 4.8% between 2023 and 2031. In 2023, we anticipate that the market occupancy will end the year at 60.0% as the market absorbs the new room supply discussed previously. The competitive market occupancy is anticipated to increase to 64.0% in 2024 and 68.0% in 2025 as the market continues to rebound. Market occupancy is projected to continue to increase over the next several years and reach 82.0% in 2031 where it,

which we believe to be the competitive market's long-term stabilized level of occupancy. While the market may fluctuate above and below this number, we are of the opinion that an occupancy of 82.0 percent is appropriate for the local market considering the supply and demand patterns, seasonality, and mix of business within the competitive market. This stabilized occupancy is below the average historical occupancy of the competitive market but takes into account the current market dynamics and the expansion of the area lodging supply. The projected future growth in supply and demand is presented in the following table.

Average Daily Rate ("ADR") is projected to increase by 4.3% in 2023 and 4.0% in 2024. Beginning in 2025, ADR is expected to increase at approximately 3.0 percent per annum, in line with the assumed long-term rate of inflation. RevPAR for the Competitive Market is projected to recover to 2019 levels in nominal dollars by 2030.

#### PROJECTED MARKET PERFORMANCE OF THE PROPOSED SUBJECT

Based upon our analysis contained herein, including a review of the overall competitive market and of the identified Hotel, we have provided our occupancy and ADR projections for the proposed Hotel's first five years of operation as stated in calendar years, and with an assumed opening date of July 1, 2027.

	Projected Market Performance of the Subject Hotel										
	Annual	Percent	Occupied	Percent	Occupancy	Average	Percent		Percent	Market	Revenue
Year	Supply	Change	Rooms	Change	Percentage	Daily Rate	Change	REVPAR	Change	Penetration	Yield
2027	38,325	-	24,854	-	65%	278.00	3.0%	180.28	-	86%	84%
2028	77,015	101.0%	55,755	124.3%	72%	286.00	3.0%	207.05	14.8%	95%	92%
2029	77,015	0.0%	61,659	10.6%	80%	295.00	3.0%	236.18	14.1%	102%	99%
2030	77,015	0.0%	64,754	5.0%	84%	304.00	3.0%	255.60	8.2%	104%	101%
2031	77,015	0.0%	64,725	0.0%	84%	313.00	3.0%	263.05	2.9%	102%	100%
CAAG	19.1%		27.0%			3.0%		9.9%			
Source: C	RRF Hotels	•	•					•			

We are of the opinion that, given the previously discussed long-term strong fundamentals of the greater San Francisco lodging market, and the proposed Hotel's identified competitive market, along with the proposed Hotel's opening date in 2027, the number of hotel rooms, assumed quality level and market positioning, that the new 211-room Hotel will open with strong levels of performance and with minimal impact on the greater competitive San Francisco lodging market.

As shown above, we project that the proposed subject would achieve a stabilized occupancy of 84.0% which is slightly above the competitive market. The projected average daily rate (ADR) for the subject is \$278 in 2027 with 3.0% annual increases over the projection period which is consistent with the projection for the competitive market.

Addendum

Terms and Conditions

# DRAFT

# **Assumptions and Limiting Conditions**

- CBRE, Inc. through its appraiser (collectively, "CBRE") has inspected through reasonable observation the subject
  property. However, it is not possible or reasonably practicable to personally inspect conditions beneath the soil
  and the entire interior and exterior of the improvements on the subject property. Therefore, no representation is
  made as to such matters.
- 2. The report, including its conclusions and any portion of such report (the "Report"), is as of the date set forth in the letter of transmittal and based upon the information, market, economic, and property conditions and projected levels of operation existing as of such date. The dollar amount of any conclusion as to value in the Report is based upon the purchasing power of the U.S. Dollar on such date. The Report is subject to change as a result of fluctuations in any of the foregoing. CBRE has no obligation to revise the Report to reflect any such fluctuations or other events or conditions which occur subsequent to such date.
- 3. Unless otherwise expressly noted in the Report, CBRE has assumed that:
  - (i) Title to the subject property is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE has not examined title records (including without limitation liens, encumbrances, easements, deed restrictions, and other conditions that may affect the title or use of the subject property) and makes no representations regarding title or its limitations on the use of the subject property. Insurance against financial loss that may arise out of defects in title should be sought from a qualified title insurance company.
  - (ii) Existing improvements on the subject property conform to applicable local, state, and federal building codes and ordinances, are structurally sound and seismically safe, and have been built and repaired in a workmanlike manner according to standard practices; all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; and the roof and exterior are in good condition and free from intrusion by the elements. CBRE has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. CBRE appraisers are not engineers and are not qualified to judge matters of an engineering nature, and furthermore structural problems or building system problems may not be visible. It is expressly assumed that any purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems.
  - (iii) Any proposed improvements, on or off-site, as well as any alterations or repairs considered will be completed in a workmanlike manner according to standard practices.
  - (iv) Hazardous materials are not present on the subject property. CBRE is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater, mold, or other potentially hazardous materials may affect the value of the property.
  - (v) No mineral deposit or subsurface rights of value exist with respect to the subject property, whether gas, liquid, or solid, and no air or development rights of value may be transferred. CBRE has not considered any rights associated with extraction or exploration of any resources, unless otherwise expressly noted in the Report.
  - (vi) There are no contemplated public initiatives, governmental development controls, rent controls, or changes in the present zoning ordinances or regulations governing use, density, or shape that would significantly affect the value of the subject property.
  - (vii) All required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be readily obtained or renewed for any use on which the Report is based.
  - (viii) The subject property is managed and operated in a prudent and competent manner, neither inefficiently or super-efficiently.
  - (ix) The subject property and its use, management, and operation are in full compliance with all applicable federal, state, and local regulations, laws, and restrictions, including without limitation environmental laws, seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, and licenses.
  - (x) The subject property is in full compliance with the Americans with Disabilities Act (ADA). CBRE is not qualified to assess the subject property's compliance with the ADA, notwithstanding any discussion of possible readily achievable barrier removal construction items in the Report.
  - (xi) All information regarding the areas and dimensions of the subject property furnished to CBRE are correct, and no encroachments exist. CBRE has neither undertaken any survey of the boundaries of the subject property nor reviewed or confirmed the accuracy of any legal description of the subject property.
    - Unless otherwise expressly noted in the Report, no issues regarding the foregoing were brought to CBRE's attention, and CBRE has no knowledge of any such facts affecting the subject property. If any information



inconsistent with any of the foregoing assumptions is discovered, such information could have a substantial negative impact on the Report. Accordingly, if any such information is subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. CBRE assumes no responsibility for any conditions regarding the foregoing, or for any expertise or knowledge required to discover them. Any user of the Report is urged to retain an expert in the applicable field(s) for information regarding such conditions.

- 4. CBRE has assumed that all documents, data and information furnished by or behalf of the client, property owner, or owner's representative are accurate and correct, unless otherwise expressly noted in the Report. Such data and information include, without limitation, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any error in any of the above could have a substantial impact on the Report. Accordingly, if any such errors are subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. The client and intended user should carefully review all assumptions, data, relevant calculations, and conclusions of the Report and should immediately notify CBRE of any questions or errors within 30 days after the date of delivery of the Report.
- 5. CBRE assumes no responsibility (including any obligation to procure the same) for any documents, data or information not provided to CBRE, including without limitation any termite inspection, survey or occupancy permit.
- 6. All furnishings, equipment and business operations have been disregarded with only real property being considered in the Report, except as otherwise expressly stated and typically considered part of real property.
- 7. Any cash flows included in the analysis are forecasts of estimated future operating characteristics based upon the information and assumptions contained within the Report. Any projections of income, expenses and economic conditions utilized in the Report, including such cash flows, should be considered as only estimates of the expectations of future income and expenses as of the date of the Report and not predictions of the future. Actual results are affected by a number of factors outside the control of CBRE, including without limitation fluctuating economic, market, and property conditions. Actual results may ultimately differ from these projections, and CBRE does not warrant any such projections.
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- 9. No opinion is expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Any user of the Report is advised to retain experts in areas that fall outside the scope of the real estate appraisal profession for such matters.
- 10. CBRE assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
- 11. Acceptance or use of the Report constitutes full acceptance of these Assumptions and Limiting Conditions and any special assumptions set forth in the Report. It is the responsibility of the user of the Report to read in full, comprehend and thus become aware of all such assumptions and limiting conditions. CBRE assumes no responsibility for any situation arising out of the user's failure to become familiar with and understand the same.
- 12. The Report applies to the property as a whole only, and any pro ration or division of the title into fractional interests will invalidate such conclusions, unless the Report expressly assumes such pro ration or division of interests.
- 13. The allocations of the total value estimate in the Report between land and improvements apply only to the existing use of the subject property. The allocations of values for each of the land and improvements are not intended to be used with any other property or appraisal and are not valid for any such use.
- 14. The maps, plats, sketches, graphs, photographs, and exhibits included in this Report are for illustration purposes only and shall be utilized only to assist in visualizing matters discussed in the Report. No such items shall be removed, reproduced, or used apart from the Report.



Assumptions and Limiting Conditions (continued)

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## **EXHIBIT C**

https://www.sfexaminer.com/news/the-city/sf-conventions-attendance-off-to-strong-start-in-2025/article\_3144c053-908c-483b-a3ab-e1b085af1f2d.html

SPOTLIGHT

# SF conventions, hotel occupancy off to strong start in 2025

By Patrick Hoge | Examiner staff writer | Apr 15, 2025



Inside the Foot Locker pop-up NBA All-Star Experience at 150 Powell St. by Union Square in San Francisco on Thursday, Feb. 13, 2025.

Craig Lee/The Examiner



Attendance at San Francisco conventions was up 52.5% in the first quarter of 2025 compared the same period a year earlier, according to The City's tourism marketing agency.

Central to the improved performance was a more robust schedule at the Moscone Center convention complex that featured eight events for varied industries, including technology, health care and sports, with the hosting of the NBA All-Star Fan Experience, said the San Francisco Travel Association.

The overall activity drew more than 126,000 attendees and translated into \$174 million of economic impact, San Francisco Travel said. The organization defines economic impact as a combination that includes spending by visitors, event organizers, wage-earners and the ripple effects of local business activity.

Direct spending for Moscone Center events in the first quarter was \$120.8 million for eight events, while it was \$107.6 million for eight events in the first quarter of 2024. Direct spending includes expenditures by meeting planners, exhibitors and event attendees.

In another indicator of renewed vigor in the local tourism market, hotel occupancy increased 3.1% to 60.6% year over year, from Jan. 1 through March 29, the organization said. The average daily rate increased 2.8% to \$282.49 year-over-year, according to San Francisco Travel.

The new numbers echo the findings of a recent report by the real-estate company JLL, which said that the San Francisco metro area's hotel market — which is called the slowest to recover in the United States — bottomed out in 2024 and was poised for a significant recovery amid a resurgence of international travel and group demand. The report, citing Moscone Center's fuller schedule and the booming local artificial intelligence sector, considered a region that includes the Oakland and Fremont areas.



In this view from Union Square is the Westin St. Francis hotel in San Francisco, Tuesday, April 2, 2024. Eric Risberg/Associated Press

The second quarter promises to fuel continued momentum, with Moscone Center set to host nine events over the next three months, San Francisco Travel said. Upcoming conventions include the RSAC Conference, Snowflake Summit and the Data + AI Summit.

For the year as a whole, San Francisco is set to host 32 events at the Moscone Center, up from 25 events in 2024, the travel marketing group said.

Hotel room nights associated with the events are forecast to increase by over 70% compared to 2024, accounting for 670,000 room nights, it said.

Last year, visitor-related spending contributed \$9.26 billion to the San Francisco economy and supported nearly 62,000 jobs, according to the organization.

Mayor Daniel Lurie pointed to the latest numbers as evidence supporting his oft-repeated phrase, "San Francisco is open for business," and asserted that his administration's policies are having a positive impact.

"Our administration has been working every day to deliver safe, clean streets, and the message is starting to resonate," Lurie said in a prepared statement.

"These events are fueling our city's comeback, supporting local jobs, while driving business to our hotels, restaurants, and neighborhoods," Lurie said. "There's no better place than San Francisco to gather, innovate, and experience the energy of a world-class city."

## **Patrick Hoge**

## **EXHIBIT D**

### **MEMORANDUM**

**DATE:** 16 April 2025

NAME: COMPANY: EMAIL:

Ryan Shum San Francisco Planning ryan.shum@sfgov.org

FROM: Blake Wells, LEED GA and Alex Salter, PE

SUBJECT: 570 Market Street

Acoustical Response to Appeal of Preliminary MND

PROJECT: 21-0195

As the acoustical consultant for the initial project noise study, we have reviewed the Appeal of 570 Market Street Preliminary MND dated 19 March 2025.

As a firm, Salter consults on over 900 projects worldwide each year, from its headquarters in San Francisco and branch offices in San Jose, Los Angeles, Honolulu, and Seattle. In 1975, Charles Salter founded the company on principles of sound engineering, scientific process, inquisitive problem solving, and personal integrity. We are a team of Professional Engineers, LEED Accredited Professionals, Certified Technology Specialists, Registered Communications Distribution Designers, Fellows of the Audio Engineering Society, and Fellows of the Acoustical Society of America.

The following memo represents our acoustical responses to comments made by Wilson Irhig contained in the project appeal letter with respect to the expected construction noise and vibration at the project.

#### **Construction Noise**

Wilson Ihrig discusses the following two comments in the appeal letter.

## Comment #1 – Usage Factor

To calculate the Project's construction-related noise levels, the PMND's Noise Analysis relied on the General Assessment criteria from the Federal Transit Administration Transit Noise and Vibration Assessment Manual ("FTA Manual"). (PMND, p. 38; Noise Analysis, p. 5.) Wilson Ihrig's comments in the appeal letter state that the Noise Analysis failed to properly apply the FTA Manual's criteria, thereby underestimating the Project's construction noise impacts and failing to identify and disclose the Project's significant noise impacts. (Ex. A, pp. 1-2.)



First, Wilson Ihrig found that the Noise Analysis failed to apply the proper "usage factor" for construction equipment, which is "[t]he percent of time a piece of equipment typically operates." (Ex. A, pp. 1-2.) Under the FTA Manual's criteria, a proper noise assessment assumes simultaneous, full-power operation (i.e., a usage factor of 100 percent) of the two loudest pieces of construction equipment for each construction phase. (FTA Manual, pp. 177-78; Ex. A, p. 2.) However, instead of applying a 100 percent usage factor, the PMND's Noise Analysis applied usage factors of 16 to 50 percent (Noise Analysis, Table 4, pp. 7-8), which "underestimates and, therefore, misrepresents expected construction noise levels." (Ex. A, p. 2.)

## Response

The FTA manual includes the following equation (Eq. 7-1) to predict construction noise impacts for projects:

$$L_{eq.equip} = L_{emission} + 10 \log(Adj_{Usage}) - 20 \log(\frac{D}{50}) - 10G \log(\frac{D}{50}) \qquad \text{Eq. 7-}$$
 where: 
$$L_{eq.equip} = L_{eq(t)} \text{at a receiver from the operation of a single piece of equipment over a specified time period, dBA}$$
 
$$L_{emission} = \text{noise emission level of the particular piece of equipment at the reference distance of 50 ft, dBA}$$
 
$$Adj_{Usage} = \text{usage factor to account for the fraction of time that the equipment is in use over the specified time period}$$
 
$$D = \text{distance from the receiver to the piece of equipment, ft}$$
 
$$G = \text{a constant that accounts for topography and ground effects}$$

Furthermore, the FTA General Assessment method includes the following guidance on values to be used for Usage Factor and other parameters, such as Ground Effect, as follows. While the General Assessment indicates a usage factor of 1 (i.e., equipment operating 100% of the time), the Federal Highway Administration (FHWA) Roadway Construction Noise Model (RCNM), which is also referenced in the FTA document, includes usage factors for various equipment. These were used to further refine the General Assessment analysis.



Option A: General Assessment – Determine the quantities for Eq. 7-1 based on the following assumptions for a General Assessment of each phase of construction.

- Noise emission level (L<sub>emission</sub>) Determine the emission level at 50 ft according to noise from typical construction equipment described above and Table 7-1.
- Usage factor (Adj<sub>Usage</sub>) Assume a usage factor of 1. This assumes a time period of one-hour with full power operation. Most construction equipment operates continuously for periods of one-hour or more during the construction period.

Therefore,  $10log(Adj_{usage}) = 0$  and can be omitted from the equation.

- Distance (D) Assume that all equipment operates at the center of the project, or centerline for guideway or highway construction project.
- Ground effect (G) G = 0 assuming free-field conditions and ignoring ground effects. If ground effects are of specific importance to the assessment, consider using the Detailed Analysis procedure.

Only determine the  $L_{eq.equip}$  for the two noisiest pieces of equipment expected to be used in each phase of construction. Then, sum the levels for each phase of construction using decibel addition.

With respect to criteria for predicting impacts, the FTA General Assessment criteria establish an A-weighted noise level threshold based on the category of receiving land-use and time of day as follows:

Option A: General Assessment – Compare the combined  $L_{eq.equip(1hr)}$  for the two noisiest pieces of equipment for each phase of construction determined in Section 7.1, Step 3 to the criteria below. Then, identify locations where the level exceeds the criteria.

Table 7-2 General Assessment Construction Noise Criteria

Land Use	Leq.equip(1hr), dBA				
Land Osc	Day	Night			
Residential	90	80			
Commercial	100	100			
Industrial	100	100			

In response to Wilson Ihrig's comments, we have recalculated the expected construction noise levels during each phase of construction without usage factors, per the General Assessment method above.



**Table 1** shows the maximum noise levels ( $L_{max}$ ) produced by various types of equipment proposed by the project sponsor at reference distances of 20 feet and 100 feet without associated usage factors.

Table 1: Project Construction Equipment Typical Noise Levels<sup>1</sup>

Equipment	Noise Level (dBA, L <sub>max</sub> ) at 20 Feet	Noise Level (dBA, L <sub>max</sub> ) at 100 Feet					
	Deep Foundations						
Drill Rig	92	78					
Excavator	89	75					
Cutter Soil Mix (CSM) Rig	91	77					
	After Foundations						
Cranes	89	75					
Foundation and Deck Pours							
Concrete Pump	89	75					
Demolition							
Jackhammer	93	79					
	Various						
Air Compressor	86	72					
Cement Mixer	87	73					
Concrete Saws	98	84					
Generators	81	67					
Pressure Washer	93	79					
Skid Steer Loader	87	73					
Welders	82	68					

**Table 2** shows the worst-case noise levels for each major phase of construction (i.e., the two loudest pieces of equipment from each construction phase operating simultaneously) at the nearest sensitive uses from daytime construction (333 Bush Street residences approximately 450 feet away;



Acoustics Audiovisual Telecommunications Security

Based on the US EPA document, "Noise from Construction Equipment and Operations, Building Equipment and Home Appliances" 1971, noise data from Federal Highway Administration (FHWA) *Roadway Construction Noise Model User's Guide*, 2006, and data from other Salter Projects.

44 Montgomery Street approximately 20 feet away<sup>2</sup>). It should be noted that this table assumes no ground effect and a 20\*log distance drop-off (i.e., 6 dBA per doubling of distance) per the specific guidelines of the General Assessment method included above.

Table 2: Calculated Noise Levels at Nearest Off-Site Sensitive Use from Daytime Construction

Phase	Loudest Two Noise Sources	Estimated Construction Noise Level (dBA) at Nearest Residential Receiver (450 feet)	Exceeds 90 dBA Residential Standard?	Estimated Construction Noise Level (dBA) at Nearest Commercial Receiver (20 feet)	Exceeds 100 dBA Commercial Standard?
1	CSM Rig, Jackhammer	68	No	95	No
2	Concrete Saws, Jackhammer	72	No	99	No
3	Concrete Pump, Excavator	65	No	92	No
4	Drill Rig, Cranes	67	No	94	No
5	Pressure Washer, Cranes	67	No	94	No

As shown, construction noise levels are expected to range from 65 to 72 dBA at the nearest residential receptor at a distance of 450 feet, which is below the FTA General Assessment criterion of 90 dBA. Noise levels are also expected to range from 92 to 99 dBA at the nearest commercial receiver, which is below the FTA General Assessment criterion of 100 dBA. Therefore, no changes are required to the conclusions in the PNMD.

## Comment #2

Section II.A claims that the calculated construction noise levels should use a factor of 3 dB of attenuation per doubling of distance.

Second, Wilson Ihrig found that the Noise Analysis's assumptions for how construction noise would attenuate over distance do not accurately reflect the conditions surrounding the Project site. (Ex. A, p. 2.) The Noise Analysis assumed that construction noise would attenuate at 6 dB per doubling of distance. (Ex. A, p. 2.) However, as Wilson Ihrig explains, sound would attenuate at a far lesser rate due to conditions in the Financial District:



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Our original assessment used a distance of 25 feet, which is the centerline distance to the nearest property plane. We have updated the distance to the nearest commercial property to 20 feet, so that the analysis can be directly compared to WIA.

An adjustment of 6 dB per doubling of distance is only appropriate for calculations in the "free field." As described by Egan, "free-field conditions occur when sound waves are free from the influence of reflective surfaces (e.g., open areas outdoors, anechoic rooms)." The project site is located within the Financial District of San Francisco and is surrounded by six- to 43-story tall buildings. The facades of these buildings are all acoustically reflective, thereby making use of a "free field" calculation erroneous. On the contrary, the "canyons" of built-up downtowns can act as waveguides for noise, by reflecting and constraining sound to travel along them. This will lead to higher noise levels at receivers than would be calculated using free field conditions. At a minimum, a more conservative approach to attenuation over distance, such as 3 dBA per doubling of distance, should be used account for the reverberant nature of the Financial District.

(Ex. A, p. 2 [citation omitted].) By relying on an overestimation of sound attenuation around the Project site, the Noise Analysis again underestimates the construction-related noise impacts of the Project.

## Response

Our analysis follows Eq 7-1 of the FTA General Assessment, which includes a distance drop-off term of 20\*log (see highlighted portions of Eq. 7-1, below). This equates to a 6 dB reduction per doubling of distance. Using a 10\*log distance drop-off (i.e., 3 dB reduction per doubling of distance) would be a deviation from the FTA General Assessment method.

$$L_{eq.equip} = L_{emission} + 10 \log(Adj_{Usage}) - \frac{D}{20 \log(\frac{D}{50})} - 10G\log(\frac{D}{50}) \qquad \text{Eq.}$$
 where: 
$$L_{eq.equip} = L_{eq(t)} \text{at a receiver from the operation of a single piece of equipment over a specified time period, dBA}$$
 
$$L_{emission} = \text{noise emission level of the particular piece of equipment at the reference distance of 50 ft, dBA}$$
 
$$Adj_{Usage} = \text{usage factor to account for the fraction of time that the equipment is in use over the specified time period}$$
 
$$D = \text{distance from the receiver to the piece of equipment, ft}$$
 
$$G = \text{a constant that accounts for topography and ground effects}$$

Furthermore, WIA's assumptions are speculative and are not based on actual measured data at the project site. The distance factor used in the PNMD is consistent with the FTA General Assessment method.

