

July 17, 2017

Via E-Mail: brent.jalipa@sfgov.org

London Breed, President
San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place
Room 244
San Francisco, CA 94102

Re: 824 Hyde Street: Appeal of Conditional Use Authorization
Hearing Date: July 25, 2017

Dear President Breed and Members of the Board:

We represent 824 Hyde Street Investments, LLC, the owner of the property at 824 Hyde Street and the project sponsor (“Sponsor”) for the 30-room tourist hotel (“Project”) approved by the Planning Commission on June 1, 2017 by a vote of 4-3.¹ The 824 Hyde Street lot was rendered vacant by a 2010 fire of a four-story, eight-unit residential building. As a result of the fire, the remnants of the building were demolished and the lot remains vacant. Based on the reasons below, we request that you reject the appeal.

A. FACTUAL BACKGROUND

1. Project Entitlement History

The chronology of the use of the property post-fire is described in Planning Commission Motion No 19926.² The prior owner of the site submitted a conditional use application (“CUA”) on May 8, 2013 to build a 5-story over basement, 14-unit residential building. A Class 32 Categorical Exemption was issued on April 30, 2015. On August 28, 2015, Sponsor bought the building from the prior owner. On March 3, 2016 the Planning Commission approved the CUA for a 14-unit residential building. The approved design required a variance from the active street frontage requirement under Planning Code Section 145.1. That variance was approved by the Zoning Administrator on March 31, 2016.

¹ Our reply to the appeal is based on the arguments in the Appeal Letter dated June 29, 2017 filed by Lower Polk Neighbors (“LPN”). LPN did not file any additional papers prior to July 17, 2017, the end of the filing period for Sponsor. In order to reduce the size of our response, we will refer to the documents submitted with the Planning Department’s reply to the appeal as applicable.

² See Planning Department response.

Sponsors' request for a CUA for a tourist hotel after approval of the residential building was motivated by several factors. First, their primary business is in the hotel/hospitality industry. They have been in the hotel business for 30 years and own and/or operate numerous other hotels in Marin County, San Jose, and the East Bay under the brand names Vagabond, Howard Johnsons, Travelodge, Super 8, Americas Best Value Inn, and Motel 6, as well as independent hotels. Second, during the time it took for the residential building to be entitled, market conditions had changed and concerns arose as to whether the proposed 14 "affordable by design" units would "pencil out" with all the construction costs and fees. After further evaluating the economic viability of these smaller units selling at the desired price, the Sponsors decided to return to the business model they know best. Thus, on August 3, 2016, a CUA application for the Project was filed.³

2. Project Description

The Project will activate the vacant 2,813 sf lot into a 6-story over basement 30-room tourist hotel. The site is located in the Lower Nob Hill Apartment-Hotel District ("Historic District"). As its name implies, the Historic District is comprised of a diverse mix of hotels and apartment buildings of various heights and architectural styles that together contribute to the area's vibrant and robust commercial and retail activity. The Historic District's prevalent historic features are reflected in the approved design for the Project. The surrounding neighborhood is dense and transit-rich, exemplifying a mixed-use character with which the proposed low-rise, boutique tourist hotel would be compatible.

There is no bar and/or restaurant proposed. Rather than setting aside the ground floor for those uses, the Project will have a 14' tall, 400 sf hotel lobby fronting on Hyde Street and 375 sf of open space accessible to the first floor rooms at the rear of the building. Because the hotel is a tourist destination in a high density, transit-rich neighborhood, it will also provide 6 Class-1 bicycle parking spaces in a secure and accessible location in the basement and 2 Class-2 bicycle parking spaces as an additional mode of transportation. Due to this location, no off-street parking is proposed and none is required under Planning Code Table 151.1. The project has submitted a request to MTA for a 40' white zone (passenger) in front of the hotel lobby. This 2-car short-term parking lane will facilitate drop-off/pick up and minimize traffic congestion on Hyde Street.

3. Planning Commission Approval of the Hotel

After initially hearing the Project on May 18, 2017, the Planning Commission continued the public hearing to June 1, 2017. A motion of intent to disapprove the Project was defeated by a vote of 3-4.⁴ During public comment on the item, Mr. Shulman and members of LPN testified in favor of denying the CUA for the hotel based on the primary issue before this Board: hotel use is improper at this site because the prior use was a residential building. Commissioners

³ Sponsors have agreed that this hotel will not be managed by a formula retail hotel operator.

⁴ See Planning Department reply, Motion No. 19926.

considered testimony on this issue from both project opponents and the Sponsors and after a lengthy debate, voted 4-3 to approve the CUA for the hotel.

B. ISSUES ON APPEAL

1. There Is No Policy Or Code Provision That Reflects LPN's Contention That A Previously (Now-Vacant) Residential Site Should Not Be Redeveloped For Non-Residential Uses.

The primary issue on appeal is whether a 30-room tourist hotel (or any non-residential use) at this site should be disallowed solely on the basis that the vacant site had contained a rent-controlled building that was destroyed through no fault of the Sponsors or the prior owners. LPN is asking you to “reject the [hotel] proposal before you, keeping the [entitlements for housing] in effect” simply because the prior use was residential. The reason for doing so, according to LPN, is that a “precedent” would be set for allowing a non-residential use to replace rent-controlled housing.

This “principle” is not codified in any applicable Planning Code provisions or General Plan policies and objectives for this neighborhood. To require that a vacant or under-utilized residential site can only be redeveloped as housing would limit the organic changes that occur in a dynamic City like San Francisco. It is those changes that result in the diverse economic and cultural vitality that has made San Francisco a desired location to live, work and visit. One of the reasons for allowing non-residential uses such as a hotel in R districts like the RC-4 is to maintain those diversity of uses, where a wide range of compatible commercial activities are found.⁵

C. THE HOTEL USE IS NECESSARY AND DESIRABLE

1. Comparative Fiscal Impacts And Benefits Of Hotel And Residential Use

LPN also argues that the appeal should be granted because Sponsors will get the benefit of reduced in-lieu fees as a result of voiding the residential development. The BMR fee for the 14 units, based on 20% of the unit distributions, is \$673,237. LPN notes that the Sponsors are liable for \$253,170.98 in Transit Sustainability Fees. Attached as Exhibit A is an analysis of the relative fiscal impacts between residential and tourist hotel use prepared by Hausrath Economics Group (“Hausrath”). This assessment concludes that tourist hotels generate substantially more revenue per square foot than residential buildings. That conclusion is based on the fact that residential use has only one revenue source for the City: Property Taxes. In contrast, a hotel is subject to multiple taxes and revenue sources, which according to the analysis, provides one-third of the General Fund. The Hotel Tax alone provides 10% of revenue to the local taxes supporting the General Fund in the current 2-year budget.

⁵ Planning Code Table 209.3 **RC-4 Districts: High Density**. These Districts provide for a mixture of high-density Dwellings similar to those in RM-4 Districts with supporting Commercial uses.

The one-time dedicated BMR fee is dwarfed by the amount of hotel tax revenue that would be generated from the Project over time. Hausrath found that the Project would generate between \$310,000-\$390,000 per year in hotel tax revenue. Just two years of hotel operation could exceed the one-time BMR fee. Moreover, since most of this revenue is not restricted to dedicated City functions and funds, it can be used for a variety of City activities that rely solely on the General Fund. The hotel tax revenues that are dedicated are used by and for the San Francisco Tourism Improvement District and the Moscone Expansion District. Both of these funds help generate the resources needed to sustain and expand the City's tourism sector, including a wide range of hotel types, which is a vital part of San Francisco's current and future economic health.

2. The City's Long-Term Economic Health Depends On A Vibrant And Diverse Hospitality And Tourism Sector. Even Though The Rooms Are Small, The Project Contributes To Sustaining That Thriving Sector In The Historic District.

LPN also asserts that the hotel CUA should not be upheld because of the "shockingly small and micro sized" rooms. This concern lacks relevance to whether the CUA was properly issued as there are no hotel room-size standards in the Planning Code. As illustrated in the articles and documents attached as Exhibit B, the long-term trend in hospitality is towards minimizing the amount of space of a room and providing the bare essentials. Not only does this promote sustainability, but it is consistent with what millennials – the travelers for whom such hotels are being built – look for when choosing their hospitality options.

(a) The Hotel Generates a Significant Amount of Revenue

The fiscal impact analysis in Exhibit A demonstrates how much more revenue will be generated for City coffers by the Project than by the residential use. This additional revenue will be deposited into the General Fund and will be used to enhance the two dedicated hotel-specific assessments. Doing so will support expansion and viability of the City's tourism and hospitality sectors. Given that this will be a new hotel in the Historic District, the expectation is that many travelers will want to stay there. The heightened demand by millennials for the newly popular micro-sized units will result in increased retail activity and spending in the immediate neighborhood by the tourists at this hotel. Many tourists choose a hotel so they can experience what it is like to "be a local;" this will result in increased spending at restaurants and bars located in the Historic District and in the surrounding neighborhoods such as on Polk Street and Van Ness Avenue.

The Project is near St. Francis' medical and hospital facilities at 900 Hyde Street. It is also near the CPMC facilities that are being constructed on Geary Street/Blvd. The presence of these institutional uses will contribute to steady business for the Project, providing affordable hotel rooms near the hospital and medical facilities for use by family and friends of patients as well as visiting medical professionals.

(b) Market Demand for this Hotel is Anticipated to be High

Exhibit C contains the Planning Code Section 303(g) Findings with respect to:

- (1) The impact of the employees of the hotel or motel on the demand in the City for housing, public transit, child-care, and other social services. To the extent relevant, the Commission shall also consider the seasonal and part-time nature of employment in the hotel or motel;
- (2) The measures that will be taken by the project sponsor to employ residents of San Francisco in order to minimize increased demand for regional transportation;
- (3) The market demand for a hotel or motel of the type proposed.

Hausrath's analysis includes documentation of the existing and likely occupancy and room rates in the City for hotels and specific analysis of the market demand for this Project.⁶ Given the range of room rates and its location, the hotel's anticipated success will be a boon to the neighborhood's small businesses. The neighborhood and the City's tourist destinations are likely to experience ongoing benefits of the economic multiplier effects of these tourists seeking out activities and places for food and drink in the larger neighborhood. Unlike a larger hotel that has a restaurant and bar, this small, no-frills hotel will be occupied by those who want to have a robust and inclusive San Francisco experience.

The hotel will also employ 8 full-time and 5 part-time employees. The Sponsors will work with community-based agencies such as Chinese for Affirmative Action and the Mission Hiring Hall to recruit employees. Although it is not subject to the First Source Hiring Requirements due to its size, the Sponsors have agreed to hire union labor for the hotel construction work.

D. CONCLUSION

After 2 hearings, the Planning Commission voted 4-3 to grant the CUA for the hotel. The Commissioners considered LPN's primary argument and determined that the site's location within the Historic District justified the approval of the hotel. Combined with the Sponsors' long-term business experience in the hospitality sector and the Project's financial contribution to tourism and the City's long-term financial health, we would request that the Board reject this appeal and allow the hotel use to proceed to construction.

The following reasons support denial of the appeal. The Project is located in a Historic District designated for its "Apartment and Hotel Uses." The Project use would be consistent with the uses in the neighborhood. LPN has not offered any legal basis for its request that the appeal be granted because the prior use was residential. In response to LPN's allegations that the loss of the BMR fee is a reason to deny the CUA, we have provided a relative fiscal impact

⁶ See Exhibit C, pp. 4-5.

analysis between the residential and hotel projects prepared by Hausrath. It concluded that the hotel would generate significantly more resources for the General Fund, and would exceed three times the property tax revenue generated by the residential use. The funds generated by the Project use are dedicated to only two uses: (1) San Francisco Tourism Improvement District and (2) the Moscone Expansion District. These funds are dedicated to improving and expanding tourism in the City. The remainder of the funds are not otherwise restricted and can be placed in the General Fund. As such, some of the revenues generated by the Project use could be used by the City and/or its non-profit partners to build or renovate affordable housing.

The Project will provide both hotel and construction jobs. Its guests will shop in the local neighborhood, and eat meals and have drinks there. There will be 30 affordable tourist hotel rooms in a part of the City that has numerous hotel options ranging in size, prices and amenities. These rooms will provide the type of “no frills, but quality” stay in an area of San Francisco that is close to numerous transit options to tourist destinations in and outside the City. Demand for these types of rooms is shared by a broad range of demographics, including singles, group travelers and families (and has shown in Exhibit B, millennials). At this location, the Project will also expand hotel options to tourists who seek an affordable “downtown” City location. Room rates will be attractive to many tourists who cannot afford nor wish to stay in more expensive hotels when they plan only to sleep in their hotel rooms and visit the Bay Area’s many sites during the day and evening.

For these reasons, we request that the appeal be denied and the CUA for the hotel be approved.

Very truly yours,



Ilene Dick

ID:af

Attachments

EXHIBIT A



MEMORANDUM

Date: July 7, 2017
To: Ilene Dick, Farella Braun + Martel
From: Sally Nielsen
Subject: **Fiscal impact considerations with respect to potential hotel development at 824 Hyde Street**

The development of a 30-room tourist hotel on the currently vacant lot at 824 Hyde Street would have positive fiscal impacts for the City and County of San Francisco, compared to the alternative of residential development on the site. This conclusion is based on evaluation of the types and amounts of tax revenues generated by tourist hotel and residential development, as well as on an assessment of the relative demand of visitors and residents for local public services.

Tourism and hospitality are identified as key elements of San Francisco's economic base in large part due to the economic and fiscal benefits conferred by a vibrant and healthy visitor sector generating outside revenue into the City's economy. SF Travel estimates that visitor spending generates local taxes in the amount of \$2,025 per year per San Francisco household. Most of that local tax revenue is attributable to overnight visitors (San Francisco Travel, *2016-2017 Strategic Business Plan*).

Tourist hotel development generates substantially more revenue per square foot than does residential development

Both types of development generate Property Tax revenue, which is the most important source of local tax revenue in San Francisco. However, tourist hotel development also generates Hotel Room Tax and Business Tax revenue for San Francisco. Combined, the Hotel Room Tax and Business Taxes provide one-third of the local tax revenue supporting San Francisco's General Fund in the City's recently adopted *Five-Year Financial Plan, Fiscal Years 2017-18 through 2021-22* (May 5, 2017). The Hotel Tax alone provides 10 percent of the revenue to the local taxes supporting the City's General Fund in the *Mayor's 2017-2018 and 2018 – 2019 Proposed Budget* (June 1, 2017).

The proposed tourist hotel of 30 rooms would generate in the range of \$310,000 to \$390,000 per year in Hotel Tax revenue, based on assumptions presented in the Planning Code Section 303(g) Report for 824 Hyde Street (Update, February 13, 2017): projected room rates range from \$189 - \$379 per night and average annual occupancy comparable to hotels in this part of the city. The hotel room receipts would also be the basis for the additional annual business gross receipts tax that the hotel operator would pay with full phase-in of that tax expected in 2018, estimated at \$7,000 - \$9,000 per year based on the rate schedule for accommodation business activities in the Gross Receipts Tax Ordinance (San Francisco Business and Tax Regulations Code Sec. 953.3). In addition, the tourist hotel use would generate annual revenue for two hotel-oriented special assessments: the San Francisco Tourism Improvement District and the Moscone Expansion District. HEG estimates an additional \$50,000 to \$60,000 per year to the combined special assessments.

Hotel tax revenue is an important source of discretionary revenue and also supports arts and cultural activities, artists, and non-profit arts organizations in San Francisco. The special assessments fund promotion efforts and Moscone Center improvements.

Destination marketing efforts, Moscone Center maintenance, expansion and capital improvements, and non-profit arts and cultural organizations and artists benefit from the tax and assessments on hotel room rates. Beneficiaries of allocations from the Hotel Tax Fund include: the City's Arts Commission; the Cultural Equity Endowment Fund which provides grants to arts organizations and individuals that represent historically underserved communities, and non-profit organizations providing affordable facilities for artists and arts organizations; War Memorial and Performing Arts Center maintenance; and the Grants for the Arts Program providing general operating support funding to over 200 arts and cultural organizations annually. The balance of the Hotel Tax revenue flows to the City's General Fund, providing important discretionary funding to meet local public service demands.

Tourist hotel use places much less demand on local public services than does residential use.

As documented in the Section 303(g) report, the proposed hotel at 824 Hyde Street would employ eight full time staff and five part time staff in management, reception, housekeeping, and maintenance positions. It is likely that these individuals would already be San Francisco residents, so they would not add to demand for local public services. Tourists do place demand on local public services, but the demands (and therefore the costs) on a per-capita basis are not nearly as high as those of permanent City residents living in new residential development.

EXHIBIT B

SF's 9-year drought of new hotels finally ends

By J.K. Dineen | July 8, 2017 | Updated: July 12, 2017 12:57pm



Photo: Nicole Bollaix, The Chronicle



The Proper Hotel will open in San Francisco on Aug. 18.

Developer David O'Keefe expected a decent crowd last month when he held a soft opening reception for his new Hotel Via, across from AT&T Park. He just didn't anticipate people would start wandering in and booking rooms before the hotel's

online reservation system had even gone live.

“The response has been overwhelming,” he said. “We had 60 walk-ins that Saturday night.”

The 159-room Hotel Via, at 138 King St. in Mission Bay, is the first new full-service hotel to open in San Francisco since February 2008, when the 550-room Intercontinental opened next door to Moscone West. It’s the first boutique hotel to premiere since Hotel Vitale across from the Ferry Building was completed in 2005.

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But it’s not going to be the last new hotel to open in 2017, or even this summer. After a long drought, San Francisco is in the midst of a mini-wave of five hotel openings.

On Aug. 14, Proper Hotels will open the 131-room San Francisco Proper at 45 McAllister St., the first in a chain that will include hotels in Los Angeles, Santa Monica and Austin, Texas. Toward the end of the year, two more hotels will open:

the 196-room Virgin Hotel at 250 Fourth St. and the 203-room Yotel at 1095 Market St. In early 2018, Mission Bay will get a second new hotel, a Marriott across Mission Creek from China Basin that will have 250 rooms.

MORE BY J.K. DINEEN



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In contrast to the convention-oriented behemoths that opened in the 1980s and 1990s — the San Francisco Marriott Marquis, opened in 1989, has 1,362 rooms — the new hotels are smaller and focused on tapping into the neighborhood vibrancy that makes the city so popular with tech workers, rather than Moscone Convention Center business.

“If you look at the brands coming in, they weren’t around five years ago and they are locating in places where a lot of tech firms are located,” said John Reyes, chief sales officer for the San Francisco Travel Association. “These properties are all

about the next generation of traveler and really support what defines San Francisco as a center of innovation and tech.”

The San Francisco Proper, built in the historic flatiron shell of the old Shaw Hotel, will probably have the biggest neighborhood impact. With four eating and drinking venues, including a rooftop bar, the hotel could transform a stretch of Market Street that has long been a magnet for people selling drugs and stolen goods.

Hotel consultant Rick Swig predicted San Francisco Proper will be “the hippest and most happening place in town and the place where Millennials will want to stay.” The energy around the hotel will stimulate “more positive street life” and help “legitimize” the Mid-Market neighborhood, where several restaurants have failed even as it became a tech hub when companies like Twitter and Dolby moved in.





IMAGE 1 OF 3

Alex Samek, Proper Hotels partner, in a suite at the next hotel to open.

The average room rate will be about \$400, with suites going for more than \$800 and small bunkrooms for closer to \$250. Proper Hotels partner Alex Samek said tech firms in the neighborhood are already inquiring about booking rooms and space for events, but that the Proper is not going after any particular demographic.

“We are looking for people who appreciate style, who appreciate culture, who appreciate design,” Samek said, “the type of people who want to be culturally connected to the city and the neighborhood that they are visiting.”

Seventh and Market will get a second hotel when Yotel opens toward the end of the year. Yotel is heavy on technology — robotic concierges that will store luggage if a room isn’t available yet — and features pint-size rooms called “cabins.” Restaurateur Daniel Patterson will open a spinoff of his Alta CA on the ground floor.





Photo: Jonathan Player, NYT



Pictured is a premium room in the Yotel at Gatwick Airport outside of London.

Swig said it's less clear how Yotel will do, although having the two hotels across the street from one another should help both properties.

“We don't know if it's going to be the budget traveler or the minimalist hipster,” said Swig. “It's going to be one or the other. Not the traditional business traveler. Not the meeting or convention traveler.”

The burst of proposed hotels is being motivated by a strong hospitality market combined with the political uncertainties of building housing and office structures. In 2016, the city posted an average hotel rate of more than \$276 per night, with occupancy at 87.6 percent, according to the San Francisco Center for Economic Development. The average rate has climbed steadily since 2010 when it was \$135 a night.

Meanwhile, the yearlong debate over affordable housing

requirements has put a cloud over residential building, while the city's cap on the amount of commercial space that can be approved in a given year makes office buildings an iffy alternative.



Photo: Nicole Boliaux, The Chronicle



Lorenz Maurer, general manager of San Francisco Proper, stands on the hotel's roof. It will open Aug. 14.

The opening of two Mid-Market hotels come as the city's development pipeline is full of proposed hotel projects. In the past 18 months applications have been filed for 11 hotels totaling 1,808 rooms — that's on top of the 12 hotels with more than 4,000 rooms already working their way through the city's approval process. Most of these projects are South of Market — along Fifth, Harrison, Howard and Townsend streets.

While some of the proposals call for jumbo hotels — 480 rooms at 350 Second St., for example — the ones most likely to actually get built are smaller niche products like the ones set to open in Mission Bay and Mid-Market, Swig said.

“There still is no financing for major new construction for hotels, and the big ones still don’t pencil out,” said Swig. “Hotels are still the riskiest thing going in real estate development.”

But after a decade of nothing, those that can pull it off may be rewarded. San Francisco Proper General Manager Lorenz Maurer, a veteran of the boutique hotel pioneer Joie de Vivre, said that the rooms at the Proper are getting booked fast.

“All our clients have been waiting a long time for something new and exciting,” said hotel manager Lorenz Maurer. “In New York there is a hotel opening every three months and here, nothing whatsoever.”

Reyes at S.F. Travel said that Millennials will overtake Baby Boomers as the largest group of travelers.

“Everybody is trying to figure out what the new traveler is looking for,” Reyes said. “What we are finding is people are looking for an urban experience. They want to be in places where you can step outside and feel like part of the neighborhood.”

J.K. Dineen is a San Francisco Chronicle staff writer. Email: jdineen@sfchronicle.com Twitter: [@sfjkdineen](https://twitter.com/sfjkdineen)



J.K. Dineen

Reporter

Local



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Local



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Top 100 Restaurants 2017: Savor Bay Area's best

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Media contact: yotel@dkcnews.com

YOTEL TO OPEN ITS FIRST HOTEL IN SAN FRANCISCO

FIRST YOTEL CONVERSION UNDER DEVELOPMENT

January 13, 2015 (London) – YOTEL, the pioneering technology-focused hospitality brand, has announced plans to operate a hotel in the city of San Francisco, its first location on the West Coast of the US. Located in the historic Grant Building at 1095 Market Street, the property is also YOTEL's first adaptive re-use office conversion project.

Hubert Viriot, YOTEL's CEO, said 'YOTEL will provide a unique offering in San Francisco. Our affordable luxury product is a perfect fit for San Francisco's revitalised Mid-Market area, its growing tech community and residents alike.'

YOTEL San Francisco is set to open in 2017 and will feature 203 cabins with a mix of Premium cabin product along with a unique loft style room concept and larger First and VIP Suites. All cabins will house YOTEL's signature space-saving convertible bed, monsoon rain showers and techno-wall with flat screen TVs.

The hotel will also be home to YOTEL's signature Club Lounge concept including flexible meeting and co-working spaces as well as a signature ground-floor restaurant and truly unique roof top lounge with 360 degree views of the City.

YOTEL San Francisco is a joint venture between Synapse Development Group (SDG) and IFA HR (IFA Hotels & Resorts), Aqarat (Kuwait Real Estate Company K.P.S.C.) and United Investments Portugal SA (UIP), the owners of YOTEL New York.

Justin Palmer, CEO of Synapse Development Group, commented: 'The YOTEL brand is a natural extension of the creative forces that are revitalising Mid-Market and will meet the increasing demand for an innovative, affordable and engaging hotel guest experience. The Grant Building was once the anchor of San Francisco's Mid-Market neighbourhood, and we look forward to reestablishing this beautiful architectural landmark as a cultural flagship for YOTEL and simultaneously contributing to the revitalisation of one of the city's most important neighbourhoods.'

YOTEL's Chief Development Officer Jason Brown noted, 'We have worked closely with our investment and development partners to make YOTEL's first West Coast location a reality. YOTEL's digital brand and guest experience are well matched to San Francisco and the tech-centric mid-market area in particular, and our proven ability to fit double the amount of keys into the same square footage versus a traditional hotel is a win for all involved.'

In addition to the new project in San Francisco, YOTEL recently announced upcoming city centre projects in Miami and Brooklyn's Williamsburg. YOTEL is also in advanced negotiations to operate both airport and city centre properties in Boston, Atlanta, Austin, Chicago, Los Angeles, Seattle and Toronto. Outside North America, the company is actively pursuing opportunities in Europe and Asia Pacific, specifically in Dubai, London, Milan, Barcelona, Sydney and Hong Kong.

About YOTEL

YOTEL was created by YO! Founder Simon Woodroffe OBE. Inspired by first class travel, he translated the language of luxury airline travel into a small but luxurious cabin.

YOTEL's 'cabins' are uncompromisingly designed around guests, taking the essential elements of luxury hotels in smaller, smart spaces. Standard features include luxury bedding, rejuvenating monsoon rain showers, relaxing mood lighting and YOTEL's signature 'techno wall' with flat screen TVs, multi power points and easy connectivity.

Conceived for busy international travellers, YOTEL Airport hotels provide everything for a guest to relax, refresh, sleep and connect within global transportation hubs. Guests may choose exactly what time they would they like to check in and out, giving total flexibility to travellers in transit, staying the night before an early departure or to freshen up on arrival before a meeting in the city.

Typically located in easily accessible, fast upcoming urban centres, YOTEL City hotels deliver more luxury with larger cabins as well as a sense of community with spaces for work, exercise and social gatherings. Guests can enjoy free WiFi throughout the hotel and complimentary hot drinks.

YOTEL currently operates three airport hotels in London Gatwick, London Heathrow and Amsterdam Schiphol airports; and one city hotel in the heart of Manhattan, New York. In addition, new YOTEL Airport hotels are set to open at Paris Charles de Gaulle Airport (2016) and Singapore Changi Airport (2018) and YOTEL City hotels are under development in Williamsburg, Brooklyn (2017) Singapore Orchard Road (2017), Miami (2017) and San Francisco (2017).

YOTEL has its headquarters in London and offices in Boston and Dubai. Its major partner and shareholder is IFA Hotels and Resorts KSCC based in Dubai.

<http://www.yotel.com/>

Twitter: @YOTELHQ

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About IFA Hotels & Resorts KSCC

Listed on the Kuwait Stock Exchange, IFA Hotels & Resorts KSCC (IFA HR) is a global investment firm focused on real estate and hospitality sectors.

<http://www.ifahotelsresorts.com/>

About Synapse Development Group

Synapse is real estate investment and development firm headquartered in New York City. The company focuses primarily on urban markets throughout the US, and seeks to develop to the highest building standards in terms of energy performance, aesthetic, and functionality. Synapse is currently developing two mixed-use projects with YOTEL as well as New York City's first market rate Passive House apartment building.

<http://synapsed.com/>

About Aqarat (Kuwait Real Estate Company K.P.S.C.)

AQARAT is one of Kuwait's leading real estate companies. The company was the first real estate company to be listed on the Kuwait Stock Exchange, and has a forty year track record delivering value to its customers and stakeholders through integrity and innovation. The company pioneered a multitude of concepts in the local market which included Kuwait City's first mixed-use urban development, the country's first luxury seafront residential complex as well as its first public-private build-operate-transfer development with the Kuwaiti government. Today, AQARAT's global footprint spans throughout the Middle East, Africa, Europe and the United States.

<http://www.aqarat.com.kw>

About the Grant Building

The historic structure was constructed in 1904 and is one of only a handful of buildings from the era. Designed and engineered by Washington Roebling who oversaw the design of the Brooklyn Bridge, it is one of the first steel framed buildings in the city and one of the few buildings to withstand the 1906 earthquake and fire. The eight story building is located in the heart of the revitalized Mid-Market neighbourhood, which began to transform with the relocation of Twitter's HQ to the area in 2012 and has continued to attract companies such as Yammer, Zoosk, Spotify and Uber. Easily accessible via public transportation, the MUNI/BRARTY station and F-line streetcars are located across the street from the hotel in a six block stretch of Market Street.

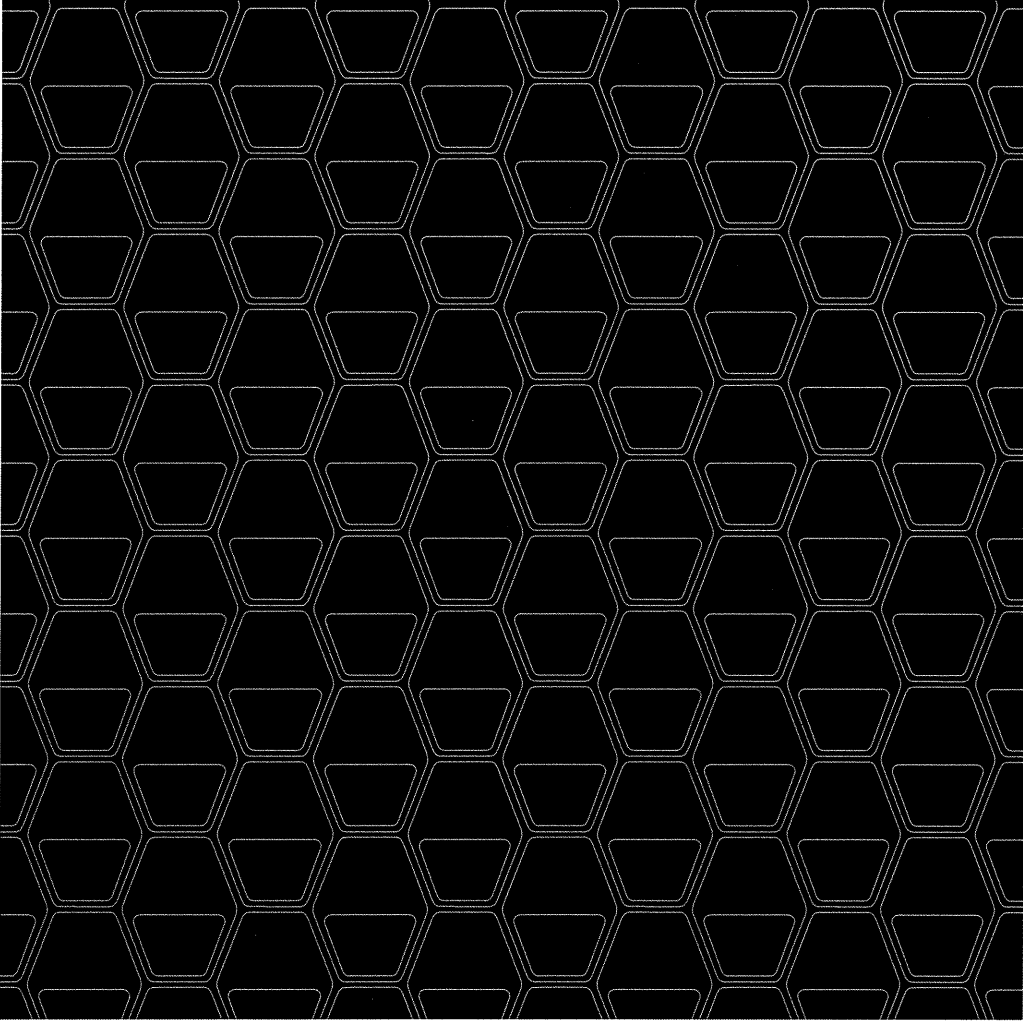


5 MINUTES WITH YOTEL

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INTRODUCING THE WORLDS MOST RADICAL HOTEL




A FIRST CLASS HOTEL EXPERIENCE AT AN AFFORDABLE PRICE

YOTEL was created by YO! Founder Simon Woodroffe and YOTEL CEO Gerard Greene.

Translating the language of luxury airline travel and Japanese influence into a small but luxurious cabin, YOTEL's efficient design generates up to 50% more rooms on any given site and therefore more revenue compared to other hotels.

YOTEL opened its first two in-terminal 'Airport' hotels during 2007 at the UK's largest airports, Heathrow and Gatwick, followed in 2008 by Amsterdam Airport Schiphol.

YOTEL New York, its first 'City' centre hotel with 669 cabins and 20,000sqft of exciting and transformational public spaces opened in June 2011. Just two blocks west of Times Square at W42nd and Tenth Avenue, the flagship YOTEL New York was the largest hotel to open in New York in 2011 and in 2012 achieved LEED certified GOLD status. YOTEL worked with one of New York's largest developers, Related, as well as designers Rockwell Group in collaboration with Softroom of London to develop the New York project which was part of a \$1 billion mixed use development. YOTEL New York continues to prove that affordable luxury is the future of the hotel industry.



'Yotel could be one of the most innovative additions to the tourist industry since the budget airlines.'

The Daily Mail

THE IPOD OF THE HOTEL INDUSTRY

Each new YOTEL whether airport or city will push the core brand values further, being **visionary, adaptable, and unique** from competitors in location and presentation.

We like to talk about using space smartly. YOTEL's cabins are beautifully designed, flexible spaces suited to individual needs in which guests can refresh, relax, connect and sleep.

The brand offers a range of cabin types to suit every space and every customer, whether city or airport.

YOTEL's public spaces are a series of **optional inter-connecting** spaces that are flexible and transformable to suit the mood, the occasion, the meeting or the event.

COOL, CALM AND CONNECTED

To gain efficiency, YOTEL uses airline style self-service check-in kiosks that facilitate automated check in and out.

'Mission Control' desks, (a futuristic version of a concierge desk) are a one stop shop manned by YOTEL crew 24/7, and flexible public entertainment spaces are designed to be innovative social spaces to enhance guest experience.

Workstations are available for guests to catch up on email or surf the web and printing for boarding passes and tickets and small documents is free of charge.

YOTEL's answer to the traditionally expensive and poor hotel room service is to have a 'Galley' (kitchenette with refrigerator and microwave) on each floor with complimentary hot drinks, filtered water and ice. Every day at breakfast time in one of the public spaces guests enjoy complimentary tea, coffee and muffins.

It goes without saying, WiFi is superfast and free to use throughout all hotel areas.

This unique development model allows YOTEL to deliver first class service while maximizing returns to investors.

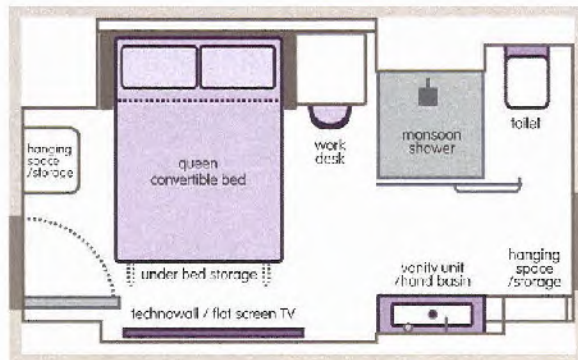


OUR CABINS CITY PREMIUM

A smartly designed flexible space,
170sqft/15.8sqm.

- Moving bed that converts to a couch at the touch of a button with handmade organic mattress
- En-suite bathroom with monsoon rain shower, all over body wash, heated towel rail and de-misting mirror

- Techno wall with flat screen TV, iPod/MP3 connectivity and multi power points
- Work desk with multi power points
- Laptop safe
- Super silent heating and ventilating unit
- Floor to ceiling windows



'Yotel is simply giving travellers what they want; people are bored with drab look-alike chains, cubbyhole-size urban hotel rooms and grimy bed-and-breakfasts.'

New York Times

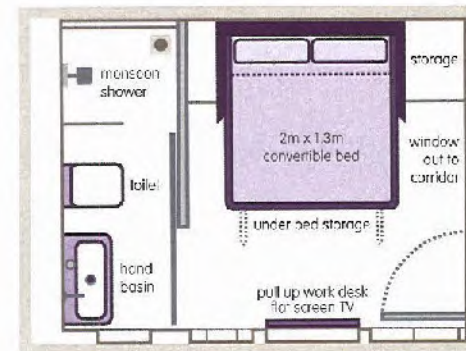


OUR CABINS AIRPORT PREMIUM

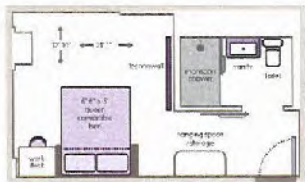
These cabins can come with or without windows, they are 100sqft/9.3sqm.

- Moving beds that convert to a couch at the touch of a button with handmade organic mattresses
- En-suite bathroom with monsoon rain shower and all over body wash and de-misting mirrors

- Techno wall with fat screen TV, iPod connectivity and multi power points
- Pull up work desk with multi power points
- Super silent heating and ventilating units



THE EXTRA FACTOR



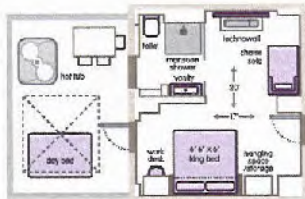
At YOTEL 'City' locations in addition to our Premium cabins we also have

CORNER VIEW CABINS

With dual aspect floor to ceiling windows and extra floor space at 273sqft/25sqm.

FIRST CABINS'

336sqft/31sqm cabins with king beds and lounge seating areas, some have outside private terraces and hot tubs!



VIP 2-CABIN SUITES

Besides amazing 180 degree views from floor to ceiling windows our 1,100sqft/102sqm VIP's come with: a cabin with rotating king sized bed, billiard/boardroom table, kitchenette and indoor fireplace.



OUR SPACES

Our public spaces are a series of flexible, transformable zones designed for YOTEL's unique guest demographic – young at heart, highly educated, tech savvy, urban individuals who enjoy variety, new experiences, meeting new people and having fun. The spaces are a destination for socializing, networking, events, parties and meetings. Our unique spaces make YOTEL the place to 'be' and 'be seen'.

Throughout the spaces we run a series of events and activations on an on-going basis that create buzz and opportunities for PR as well as rich content for the website and social media channels. Our brand and event partnership programmes are based on fashion and retail, technology, art and creativity that reflect the YOTEL brand.

Depending on space availability, location and demographic, new developments can contain all or just the core elements of our public space: Club Lounge and cabins, a gym and an outdoor terrace.

YOTEL Times Square was the largest hotel opening in New York in 2011, a bold statement from a young brand. Before YOTEL just 300 hotel rooms were planned for the site, however, together with the developer, Related, YOTEL designed a hotel with 669 rooms, a dramatically more efficient development.



"Turning the hotel world upside down with style, convenience and cool the New York property has already become a midtown entertainment anchor."

Daily News

WORK, REST & PLAY

CLUB LOUNGE

Start your day early with breakfast here and then meet up with colleagues or clients to talk business over coffee or a light lunch. The lounge provides flexible and informal meeting areas.

CLUB CABINS

These cabins surround the lounge and bar and are rentable for a few hours or a full day or night and are perfect for business or leisure. They have a flat screen LCD TV that can be connected for a presentation and a coffee table that converts to a board table.

STUDIO & BOARDROOM

Studio is designed to be a fully flexible space that can be used for a number of different functions and events. Informal meetings, talks and seminars during the daytime and at night this space transforms into whatever you'd like it to be, a cinema or a party venue.

DOJO RESTAURANT

Dojo is the Japanese name for a performance space, this social restaurant allows guests to sit and chat with friends on the large banquette tables or dine on the communal central platform area. Its unique design means the tables lower into the floor space hydraulically to create a performance space.

GYM

Our gyms are ideal for busy travellers, they are equipped with Technogym ellipticals, treadmills, bikes, a rowing machine and weights.



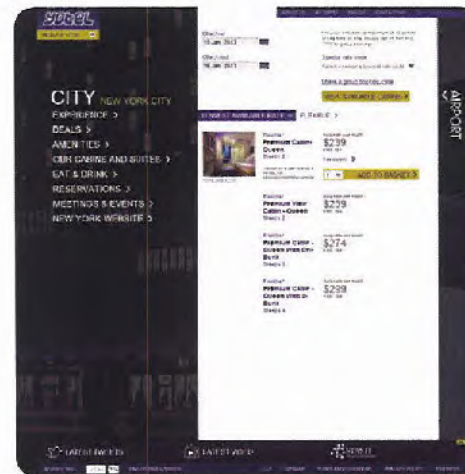
Step outside onto the 7,000 sqft terrace for a relaxing drink and impressive views across the Big Apple. Lay-back daytime drinking on comfortable seating transforms into a sultry lounge bar by night. The bar itself straddles the inside and the outside of the glass facade and enjoys a great uptown view. Enjoy a lazy brunch on the terrace at the weekends.



A DIGITAL BRAND UTILISING AN ONLINE BUSINESS MODEL

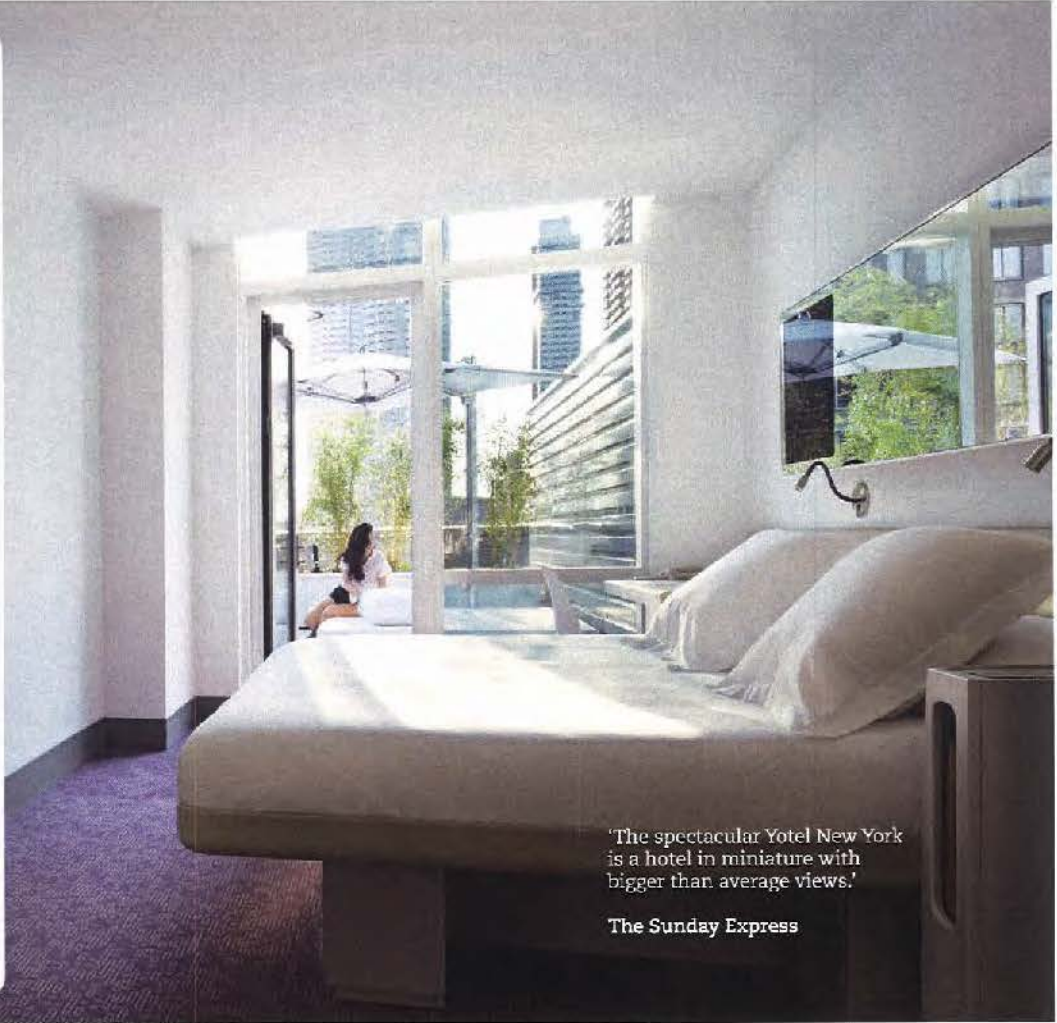
Encouraging the continued growth of direct business is a key part of our distribution strategy, to include:

- Significant on-going investment into our 'owned' and managed booking engine both for Airport (hourly) and City. Along with a high level SEO/SEM web strategy.
- 40% of our revenue to be direct. It's currently over 30%.
- We are mobile, ahead of the game in our comp set with mobile booking sites already launched and YOTEL 'city' and 'airport' apps available through itunes, or blackberry and android devices.
- Despite being a young brand, YOTEL New York ranks in the top 10% of all New York hotels on review sites.
- Strong social media presence with a very high engagement level.
- On-going on and offline PR coverage sustainable through YOTEL's ability to secure high profile media placements, cultural calendar of events and brand partnership/ placement opportunities in TV and print publications.
- YOTEL's customer and target market is heavily biased towards generation X and Y (poised to become the world's biggest consumer group). YOTEL is targeting the tech savvy, new breed of independent, value conscious, no frills traveller for the 21st century.



A PROVEN CONCEPT...

- YOTEL New York has proved that affordable luxury is the future of the lodging industry. In its first full year of operation delivering an occupancy of 85% and an ADR of upwards of \$200 driving a GOP conversion of close to 48%. (BTW - we only have 150 employees for a 669-key hotel in Times Square).
- The airport hotels trade at RevPAR penetrations to their competitive sets of between 150% and 250%.
- The YOTEL brand pulls demand from four star boutique, three star design and limited service hotels alike.
- YOTEL has corporate accounts with the biggest names in technology, media, fashion, airlines and finance.
- In its opening year the hotel featured in more than 3,000 publications and appears regularly on news and entertainment TV channels in the US.
- YOTEL's reputation for excellence in design and technology has earned the hotel many prestigious Awards for innovation & design: Travel Weekly Magellan Awards, Worldwide Hospitality Awards, Boutique Design Awards, HSAMI Adrian Awards, Design Week and Hospitality Awards.



'The spectacular Yotel New York is a hotel in miniature with bigger than average views.'

The Sunday Express

WE ARE 'GREEN'....

We simply want to do our bit in trying to make our business and the way we do business as sustainable and environmentally friendly as possible, while also giving a little bit back to our community and the people we share this planet with. We believe what is good for the planet also tends to be pretty good for people.

We are proud to say that in September 2012 we were awarded LEED® 'Gold' certification, by the U.S. Green Building Council, for demonstrating remarkable green building leadership when constructing and operating our hotel in New York. We are the only hotel in New York in our set to obtain the gold status.

To ensure YOTEL continues to grow as a company that is considered an environmentally friendly business, we are making green and sustainable policies part of our brand standards. We have a crew champion in all our hotels that encourage their teams to continue to improve our sustainability record.



DEVELOPMENT CRITERIA

We are looking for sites across the globe which fulfil the following criteria:

LOCATION

- YOTEL is an urban brand and suited to densely populated central locations
- In major cities, areas of fashion, design, technology and creativity are preferable
- Areas of high animation (ie lots of activity from restaurants, bars, cafes, shops, etc) and close to major companies are ideal

SCALE

- The YOTEL city product has a GIA of 250-350 sqft (approx. 23-33 sqm) per key for a new build development project
- YOTEL is looking for sites from a minimum of approximately 50,000 to 150,000 sqft (4,550 to 13,950 sqm) and beyond

FACILITIES

- Our 'premium city' cabin, measuring just 170 sqft/15.8 sqm, is our core product and should be used wherever possible within new developments
- We have a range of room types we can deploy to maximise the use of challenging floor plates from a 100 sqft (9.3 sqm) windowless room to our 1,100 sqft (102 sqm) VIP room
- Our 170 sqft/15.8 sqm bunk room is interchangeable with the city premium cabin due to its size, but also achieves strong revenue levels through flexibility
- Our corner cabins achieve a strong revenue per sqm and should be maximised on sites where a view can be effectively engineered into the development
- Our developments will also include a range of our signature public spaces, such as Ground Control, Mission Control and Club Lounge, with a 75%/25% front of house/back of house split

DEVELOPMENT METHODS

- New build or conversion

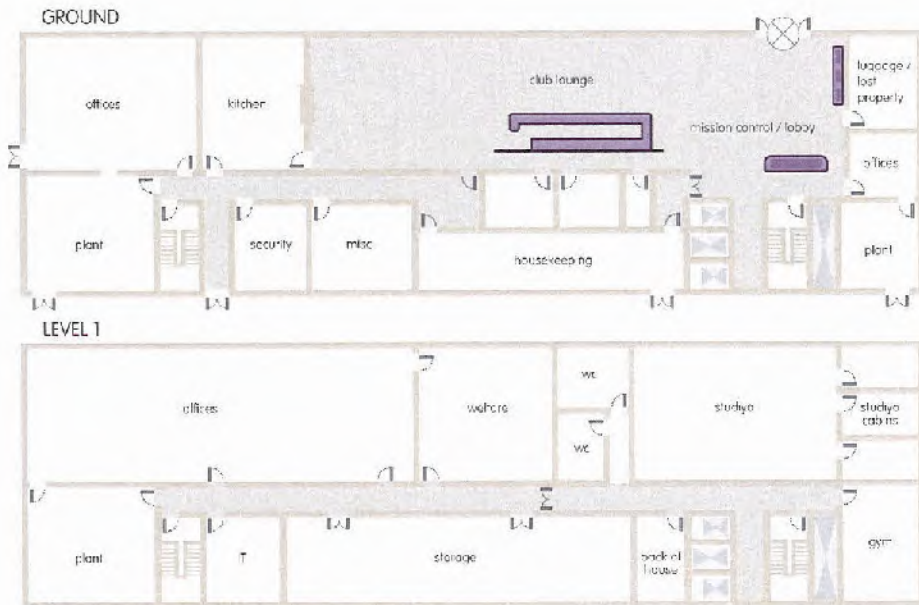
OPERATING AGREEMENTS

- The opportunity can be fee simple, lease/management contract or territorial franchise. The focus of our expansion plan is on securing management contracts worldwide

INDICATIVE DEVELOPMENT COST

- The cost will be dictated by the development method and location specifics. In the UK we are between £70k to £80k and in the US from \$130 to \$150K per key.



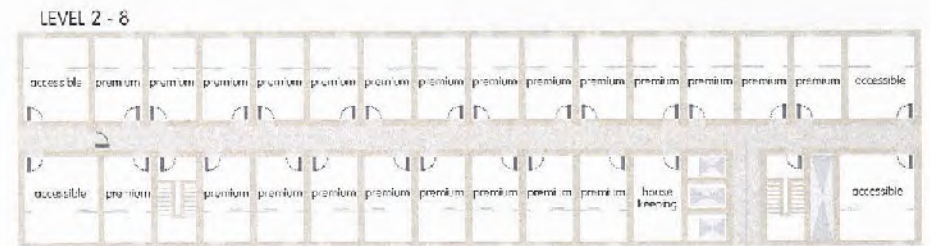


GROUND	ARE A (M ²)	AREA (FT ²)
FRONT OF HOUSE	325	3500
LOBBY & CLUB LOUNGE	340	3700
WCS	35	380
TOTAL FCH	325	3500
BACK OF HOUSE		
1. BREAK ROOM / KITCHEN	30	325
2. SECURITY	25	270
3. OFFICES	105	1150
4. PLANT	65	700
5. KITCHEN	40	430
6. MISC	35	380
TOTAL BOH	340	3700
CIRCULATION	110	1180
TOTAL FLOOR AREA	325 M ²	3500 FT ²

LEVEL 1	AREA (M ²)	AREA (FT ²)
FRONT OF HOUSE	190	2050
SILVER	35	380
WCS	35	380
TOTAL FCH	260	2810
BACK OF HOUSE		
1. OFFICE	125	1350
2. IT	25	270
3. CREW	30	325
4. PLANT	55	590
5. STORAGE	15	160
6. MISC BACK OF HOUSE	20	215
TOTAL BOH	250	2665
CIRCULATION	125	1350
TOTAL FLOOR AREA	335 M ²	3600 FT ²

FLEXIBLE BY DESIGN

Our indicative layouts of a typical YOTEL illustrate the efficient use of space and well-considered operational flow. These plans illustrate a 178 cabin scheme on a floor plate of just 8,870sqft/825sqm.



LEVEL 2 - 8	AREA (M ²)	AREA (FT ²)
25 CITY PREMIUM ROOMS @	17	185
4 W/20 PREMIUM	23	245
TOTAL 29 ROOMS	57	600
BACK OF HOUSE	18	195
CIRCULATION & SERVICES	145	1560
TOTAL FLOOR AREA	220 M ²	2380 FT ²

LEVEL 9	ARE A (M ²)	AREA (FT ²)
8 CITY PREMIUM ROOMS @	17	185
2 LUX ROOMS @	23	245
4 FIRST CLASS @	34	365
1 VIP SUITE @	10	108
TOTAL 19 ROOMS	84	898
BACK OF HOUSE	18	195
CIRCULATION & SERVICES	145	1560
TOTAL FLOOR AREA	247 M ²	2663 FT ²

TARGET CITIES

If you can fulfil all the development criteria in one of our target cities, as detailed below, then we would love to hear from you!

EUROPE

London
Manchester
Edinburgh
Aberdeen
Amsterdam*
Paris*
Barcelona
Madrid*
Berlin
Düsseldorf
Frankfurt*
Munich
Hamburg
Oslo
Lisbon
Brussels
Geneva
Zurich
Stockholm
Copenhagen
Rome
Milan
Vienna
Istanbul
Prague
Warsaw

Helsinki
Moscow
St Petersburg
Kiev

NORTH AMERICA

New York*
San Francisco
Boston
Atlanta*
Chicago*
Washington DC
Los Angeles*
Miami
San Diego
Philadelphia
Oahu
Toronto
Vancouver

ASIA

Singapore*
Hong Kong*
Beijing*
Shanghai*
Tokyo*
Seoul

Mumbai
Delhi

AFRICA

Cairo
Marrakech
Johannesburg
Cape Town

SOUTH/CENTRAL AMERICA

Rio de Janeiro
Sao Paulo*
Buenos Aires
Santiago
Bogota
Lima
Mexico City

MIDDLE EAST

Dubai*
Abu Dhabi
Riyadh
Jeddah
Doha

AUSTRALIA

Sydney*
Melbourne*
Brisbane*
Perth*

Key
*Airport & City

AWARDS

2012 - AWARDED YOTEL NEW YORK LEED® GOLD CERTIFICATION

- Awarded LEED® "Gold" certification by the U.S. Green Building Council, and verified by the Green Building Certification Institute (GBCI). LEED is the nation's preeminent program for the design, construction, and operation of high performance green buildings.

2012 - HOSPITALITY DESIGN AWARDS

Honouring the achievements of superior design and architecture.

- Winner - Best Mid-Range/Economy Guestroom, YOTEL New York
- Winner - Mid-Range Economy Hotel, YOTEL New York

2012 - DESIGN WEEK AWARDS

Honouring the quality of innovation and creativity in design.

- Winner - Hospitality and Workplace Interiors award, Redwell/Softroom and YOTEL New York
- Finalist - GENI for design of YOTEL New York's signage

2011 - BOUTIQUE DESIGN AWARDS

Honouring the best and brightest hotel spa, restaurant, nightclub designs

- Coolest use of Technology for YOBOT

2011 - HSM&A ADRIAN AWARDS

Honouring achievements in advertising, PR and digital marketing in the travel industry.

- DKC, YOTEL's PR agency, won the Gold Award for Best Hotel Opening, YOTEL New York

2011 - GOLD KEY AWARDS

Honouring excellence in hospitality design.

- Finalist for ICON IN DESIGN in 4 categories: Urban Hotel, Suite, Room and Lobby/Reception Area

2011 - WORLDWIDE HOSPITALITY AWARDS

Celebrates industry innovation for hotels.

- Winner - Innovative Concept for YOTEL New York

2011 - TRAVEL WEEKLY MAGILLAN AWARDS

Honouring the best in travel and design.

- Best Room Design, YOTEL New York
- Best Restaurant Design, DOBYO Restaurant and Bar, YOTEL New York

2009 - BUSINESS TRAVEL WORLD AWARDS

Organised by Business Travel World magazine, were founded to reflect the industry and celebrate excellence within it.

- Winner - Business Accommodation

2008 - SCHATPHOL CONSUMERS AWARD

- Most innovative new addition to the airport - YOTEL Amsterdam Schiphol Airport

2007 - SLEEPER MAGAZINE

- Innovation Award - YOTEL Airports

2005 - WORLDWIDE HOSPITALITY AWARDS

- Innovative concept in hotel lodging - YOTEL design concept

Design Week Awards

- Hospitality environments - YOTEL design concept

OUR PARTNERS



IFA HOTELS & RESORTS (IFA HR)

Renowned for pushing the boundaries within the hotel industry, IFA HR acquired a majority shareholding in November 2005 and is committed to growing YOTEL on a global scale.

Listed for several years on both the Kuwait and Johannesburg stock exchanges, IFA Hotels & Resorts has a decades long track-record for building stunning and successful residential and resort developments across the world - from Portugal to Pattaya. In total, the publicly listed company has more than 40 five-star calibre projects across the Middle East, Europe, Africa, the Indian Ocean, Asia and North America.

The current focus of IFA HR is two-fold. Firstly, to maintain its core businesses in existing markets by delivering superior products to customers; and, secondly, to drive expansion across developed markets by leveraging YOTEL. In addition, IFA HR will continue to evaluate emerging markets for strategic acquisitions and partnerships that diversify and expand its existing portfolio in the Middle East, Europe, Africa, the Indian Ocean, Asia and North America.

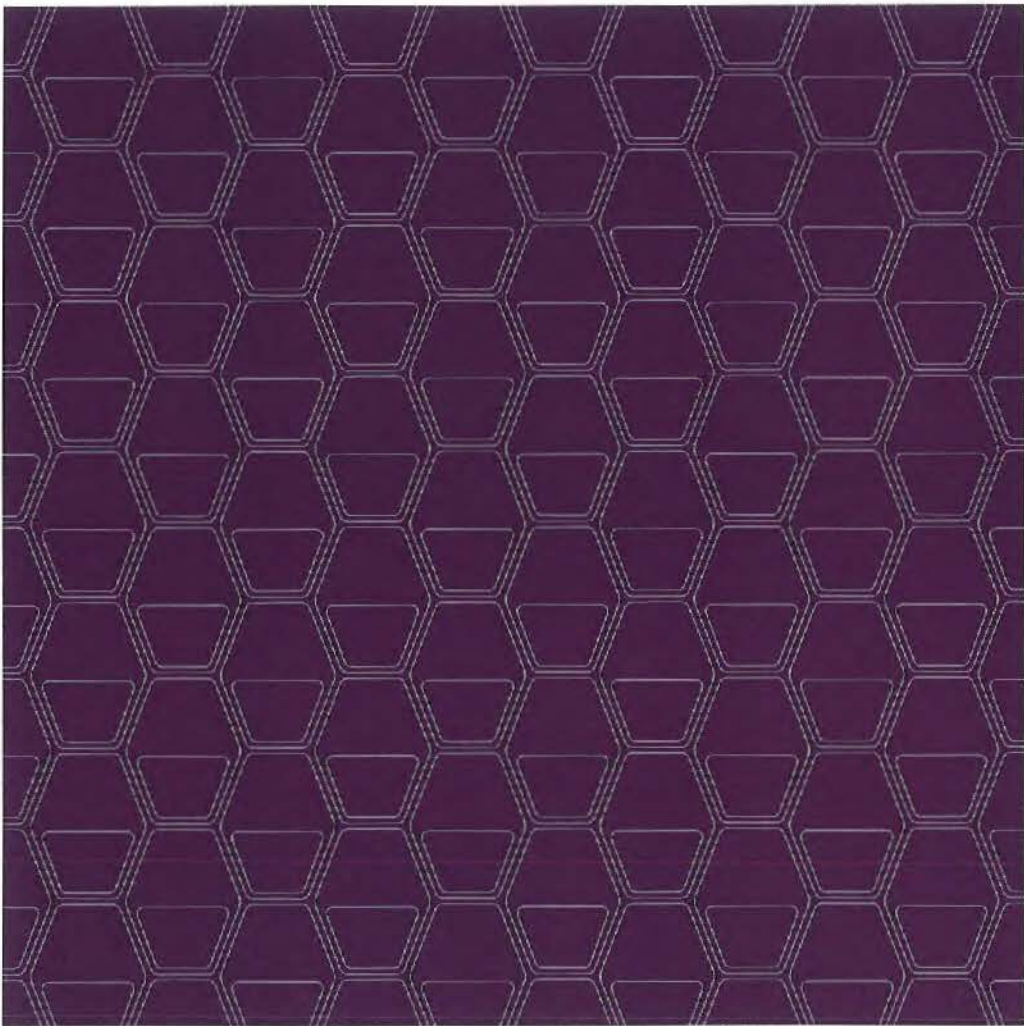
As many of IFA HR's projects move from construction to completion, the company is providing strategic direction for its operational assets and expanding its portfolio within the hospitality industry through IFA Hotel Investments (IH).

IFA HI encompasses and leads IFA HR's operational asset portfolio on a worldwide scale. The portfolio includes hotels, hotel condominiums, commercial, retail and food and beverage ventures. IFA Hotel Investments also oversees the IFA Collection, which manages the company's private residence clubs, vacation clubs and lifestyle ownership products.

Many of IFA HR's strategic partners are now involved in the operation of the company's completed developments. Their strong brands and expertise continue to add value to IFA HR's portfolio by ensuring its customers enjoy a truly 'Living à la carte' experience - one which offers an unlimited choice of five-star products across a range of asset classes in destinations the world over.

IFA HR continues to have a positive outlook on the current market and aims to realise, on behalf of its clients and investors, the company's goal to be the leader in developing specialised mixed-use hotel and tourism resort projects and luxury leisure services throughout the Middle East, Europe, Africa, the Indian Ocean, Asia and North America.





CNBC November 3, 2015

Tiny hotels: Check in, then squeeze in

Michelle Castillo | [@mishcastillo](#)

Tuesday, 3 Nov 2015 | 6:47 AM ETCNBC.com

Hotel chains think that today's travelers want a luxurious experience at their accommodations but that they won't necessarily mind if their actual room is micro-size.

The average size of a hotel room in the U.S. is about 330 square feet, but these new modern-style digs being offered come much smaller. Rooms at Marriott's Moxy Hotels begin at a "cozy" 183 square feet, while Best Western's Vīb offers spaces "just a hair under 200." The rooms are priced aggressively for the three-star category to attract a younger generation, who might not mind the tighter fit versus the savings.

What these hotel rooms lack in size, the chains insist that they don't lack in substance, thanks to innovative designs and technology-focused amenities. While this style of hotel has existed in Europe and other international markets, it hasn't come stateside until now.

"It's this idea that we're giving our guests everything they want, and nothing they don't need," said Marriott's Moxy Hotels director, Vicki Poulos.

Moxy Hotels, owned by Marriott, is a three-star tier boutique-style hotel chain that operates on the smaller rooms, large public space concept. It currently has one location in Milan, Italy, but has 41 more hotels in development. Fourteen are scheduled for eight U.S. cities, expected to open by end of 2017.

Checking in at a Moxy Hotel? You can do so online at the hotel bar, where a bartender is on hand to make you a drink, or help you if you have any issues. Room service has been replaced by 24/7 "grab and go" technology-enabled vending machines. Instead of flipping through endless TV channels, you can screencast your Netflix using the hotels Wi-Fi. (They still have basic channels if you can't find anything to watch.)

Poulos said what Moxy Hotels focuses on is what the "next-gen" traveler really wants: active public space. Its large lobby areas are styled in raw, industrial chic — think concrete floors and purposefully exposed wires — and let people work in the communal areas, meet locals to get tips on the city, and chat with fellow travelers.

"The trend and behavior for millennials is a lot different to what historically travelers wanted," Poulos said. "Baby boomers back in the day wanted a comfortable bed, and they wanted a hot shower. Those elements of functionality were important to those kinds of travelers. Millennials and lifestyle travelers, it's more about experience."

Twenty years ago, the average hotel was a little over 350 square feet, said New York University Preston Robert Tisch Center for Hospitality and Tourism clinical professor Bjorn Hanson. New hotels are getting smaller because they don't need to be big, he said. Bulky TVs have been replaced for flat screens. Some hotels have even custom-made beds to be between the size of a twin and a full, a nod to the rise of the single traveler.

"Apparently we have no travelers other than millennials, based on the work that is being done," he said. "But it is true that millennials don't spend as much time in their room as boomers did."

While it is true the millennial lifestyle lends itself towards smaller spaces, he believes the entire industry was heading down this path because of cost-cutting measures.

"Millennials make a really good excuse for smaller rooms," Hanson said. "Every square foot taken out of a room makes it less expensive to build, maintain and air-condition. We can attribute it to millennials, but the millennials gave the industry a reason to downsize guestrooms."

What's more, *Lodging* magazine editor Megan Sullivan said that millennial travelers are looking for technology-connected hotels that give them opportunities to socialize. She credits the trend to the growth in popularity of coffee shop communal work spaces.

"Today's consumer is more savvy," said Sullivan. "It's just the changing times. People are just more interested in having that social experience where they can interact with other travelers and where they can meet the locals."

To get around the smaller rooms, Best Western's director of design, Amy Hulbert, said its urban Vīb hotels and secondary market and college town-based GLō rooms are focused on letting light in. Instead of a wall separating the bathroom from the bedroom, a glazed-glass partition divides the two. Luggage can be stored under the bed or in a nook next to the bathroom. There are large windows to bring in natural light, and beds face the city to make the room feel less claustrophobic.

Best Western just broke ground on its first Vīb hotel in Chicago, and has 15 more of the modern-style hotels in the pipeline. Rooms at GLō are slightly larger — starting at 249 square feet — but still operate on the modern small-room idea. Vīb's Miami, Los Angeles and Chicago rates are expected to range from \$120 to \$200 a night. GLō will average in the mid-\$90s.

"That will help us get more guest rooms into a building and a greater payback," she said.

They'll both have large areas for socializing. One potential GLō hotel even has plans for a microbrewery. Hulbert is hoping that the new Best Western-owned hotels will become bring in young travelers who will want to Instagram and tweet about their stay, giving the brand an organic social media marketing boost.

"It has a tremendous impact on contemporizing the brand," she said. "More than anything, they're going to becoming billboard properties for us."

Another similar hotel chain, Yotel — which started out as sleeping pods in airports — has spacious areas with long tables for people to create their own workstations and enjoy meals. There's plenty of power sockets to plug laptops in without trailing wires across the corridor, and comfy chairs to lounge in. In eight new hotels currently under development, soundproof phone booths are being added so people can have private calls on their smartphones without having to travel back to their rooms.

"People who travel a lot like the flexibility of being able to work wherever," Yotel Vice President Jo Berrington said. "With laptops and mobile tablet devices, it doesn't make a difference if they are sitting at a desk or not."

Its New York rooms start at 170 square feet, and some of those rooms include bunk beds to stash extra travelers. The price will be around \$200 a night. Berrington said the chain realized that what travelers today wanted was a good shower, an excellent bed, free wi-fi and good things to watch on TV. While they are in the heart of the city, prices remain on the low-to-mid-range end.

"You don't need an extra 20, 30, 40 or 50 square feet of space to do that," Berrington said. "And, you pay more for space. We can fit 50 percent more rooms, and ultimately it's a better return for

While this can appeal to younger travelers and even those with a "millennial-mindset," *Lodging's* Sullivan pointed out that some customers might be shocked by the buzzing establishments that aren't geared towards tranquility. But since many of these chains have older established brands that still offer that style of hotel, Sullivan feels that those travelers still have places to go for now.

"(The major chains) still have so many different brands that they can give the consumers a choice," she said. "If you're of that (older) age set and the website looks geared toward a younger set, maybe you use one of their other brands. But, there could be a few (cases) where a customer doesn't do their research, and that customer could be surprised."

Best Western's Hulbert doesn't believe that older travelers will be turned away at this new style of accommodation. Times are changing, and these travelers want connectivity and a new experience.

"I asked my parents if they would feel comfortable in the room because the offering is so different, and the flow of the room feels different," said Hulbert. "But, guests are becoming more comfortable with that more contemporary style. They want something that's different that they wouldn't have at home, and we're starting to see hotels make that shift. I think the North American traveler will forgive the size."

November 09, 2015

From <http://www.hotelmarketing.com/>

Hotel room size is trending smaller

Smaller rooms make way for larger public spaces. Lobbies become co-working spaces and lively bar areas where guests and locals feel comfortable spending time. Room service is replaced by modern vending machines, just as likely to dole out Apple accessories as organic snacks.

Twenty years ago the average U.S. hotel room clocked in at just over 350 square feet. But today's newest hotel brands are selling rooms nearly half that size, with some chains averaging 200, 183, or even just 170 square feet. How did we get here?

First, let's get it out of the way that, yes, the average hotel room in America today is still a respectable 330 square feet. But, but, but, that's because the majority of existing hotel stock was built decades ago. You'd be hard pressed to find anything currently under construction with that large of a footprint.

New boutique brands springing up across the country under familiar brand umbrellas are tiny by comparison. Rooms in Marriott's Moxy Hotels average 183 square feet. The brand also lacks a traditional reservation desk, with guests instead checking in via the bar. Rooms in Best Western's new, ahem, Vīb and GLō brands are just 200 and 249 square feet. And new hotel brand Yotel, formerly of airport sleeping pod notoriety, says its rooms average just 170 square feet.

Get the full story at [USA Today](#).

EXHIBIT C



MEMORANDUM

Date: February 13, 2017

To: Ilene Dick, Farella Braun + Martel

From: Sally Nielsen

Subject: **San Francisco Planning Code Section 303(g) Report for 824 Hyde Street, Update**

The project sponsor, 824 Hyde Street Investment, LLC., proposes to build a new boutique hotel building on a currently vacant lot at 824 Hyde Street. As part of the Conditional Use Authorization application, San Francisco Planning Code Section 303(g) requires that the Planning Commission consider three criteria: the impact of hotel employees on demand for housing, transit, child care and other social services; measures the project sponsor proposes to employ San Francisco residents; and hotel market demand. This memorandum provides the Section 303(g) assessment for 824 Hyde Street.

Project Characteristics

The proposed project is located on the east side of Hyde Street, mid-block between Bush and Sutter. The 33 tourist hotel rooms will occupy six floors plus the basement of a new building. Each suite will have individual bathrooms, king beds or two double beds and boutique style hotel furnishings. Two basement suites will have private patios, and all guests will have access to a roof top sundeck. The project will provide secure bicycle parking spaces in the basement.

The project, located on the southern slope of Nob Hill, is five blocks west of Union Square and three blocks east of Van Ness Avenue, within the Lower Nob Hill Apartment Hotel National Register Historic District. The project proposes a small number of visitor accommodations in a new building designed to be compatible in scale and texture with nearby structures. The projected room rates range from \$189 - \$379 per night, depending on the season and special event occurrences.

The proposed hotel would generate Hotel Room Tax (transient occupancy tax or TOT) revenue for San Francisco's General Fund and revenue for two hotel-oriented special assessments: the San Francisco Tourism Improvement District and the Moscone Expansion District. Assuming the room rates specified above and average annual occupancy comparable to hotels in this part of the

city, the proposed project at stabilized occupancy would generate in the range of \$400,000 to \$500,000 per year in revenue--\$340,000 - \$420,000 per year in Hotel Tax revenue and \$50,000 to \$70,000 per year to the combined special assessments. (See “Estimate of Hotel Room Tax and Hotel Special Assessment Revenue” in Attachment A.)

Impact of hotel employees on demand for housing and services in San Francisco

The table below summarizes the number of staff positions at the proposed hotel. There will be 8 full-time positions (manager, front desk clerks, housekeeping, and maintenance) and 5 part-time positions (desk clerks, and housekeeping). It is highly likely that the people filling these positions will already live in San Francisco, so there will be no significant increase in demand for housing, transit, child care and other social services. Furthermore, the location is well-served by transit and the secure bicycle parking spaces will help to minimize additional auto trips.

Position	Staff Count	
	Full Time	Part Time
Manager	1	-
Front Desk Clerks	3	3
Housekeeping	3	2
Maintenance	1	-
Total	8	5

Project construction will also generate jobs, including work for existing San Francisco residents. Over the course of a 12 – 18 month construction period, 15 to 20 people will be working on site. Any demands on City services will be minimal and temporary.

Measures to employ residents of San Francisco

The project sponsor plans to fill the job openings by hiring locally. The project sponsor will use the recruitment services offered by community-based agencies such as the Mission Hiring Hall and Chinese for Affirmative Action. This will supplement posting the job openings at HireSF.org, (an initiative of the Office of Economic and Workforce Development), advertising in local newspapers, and on Craigslist. Although the project does not meet the minimum size threshold of 25,000 square feet of commercial development to take advantage of San Francisco’s First Source Hiring Program, the project sponsor will complete a First Source hiring agreement.

Generally, most San Francisco hotel employees live in San Francisco. According to the *Economic Impact of San Francisco Hotels* (2013), 57 percent of the people employed at San Francisco hotels also live in San Francisco, higher than the average of 54 percent for all business sectors in San Francisco. (The 2013 report prepared for the Hotel Council of San Francisco by the Bay Area Council Economic Institute is the most current available at the time of the preparation of this memorandum).

Market demand for visitor lodging

Trends in lodging demand in San Francisco

San Francisco's visitor industry is thriving; the number of visitors to the City is at an all-time high and hotel occupancies are at record levels. San Francisco Travel (the private, not-for-profit organization that markets the city as a leisure, convention, and business destination) reports 24.6 million visitors to San Francisco in 2015 (18.9 million leisure travelers and 5.8 million business travelers). Counts for both visitor categories were up 2.7 percent from the prior year. See "San Francisco Tourism Overview 2015" (San Francisco Center for Economic Development, June 2016), "San Francisco Travel Reports Record-Breaking Year for Tourism" (San Francisco Travel, March 29, 2016), and "S.F. had record-setting year for tourism" (*San Francisco Business Times*, March 29, 2016) in Attachment A.

According to San Francisco Travel, just over 60 percent of all overnight visitors to San Francisco stayed in San Francisco hotels in 2015 (about 6.3 million visitors). Consistent occupancy rates between 80 and 90 percent since 2010 have led to significant increases in average daily room rates (average rental income paid per occupied room in one year). Citywide, the average daily room rate was \$268 in 2015, up almost 20 percent from an average of \$229 in 2013. See "Hotel Occupancy Rate and Other Features 2015" (San Francisco Center for Economic Development, May 2016) in Attachment A.

San Francisco's Mediterranean climate and variety of local and regional destinations means that seasonality is not a big factor in the lodging market. This distinguishes San Francisco from many other visitor destinations. Occupancy rates are generally high year-round with peaks in the months of June through October.

Increased lodging supply responds to growth in demand—near term softening of occupancy rates and room rates

While short-term home rental services such as Airbnb capture an increasing share of the overnight visitor market, for the first time since 2008 significant new hotel development is proposed in downtown San Francisco. The pipeline of more than 20 hotels and 4,000 rooms in projects under development or proposed is a direct response to sustained high occupancy rates and strong demand from tourism, business travel, and conventions. This new construction will be developed and absorbed over a period of years, but will moderate the upward trend of occupancy rates and likely reduce the rate of increase in room rates. See "San Francisco Hotel Development Pipeline, Fourth Quarter 2016" in Attachment A.

Longer-term market prospects strong—lodging supply is diverse

The longer-term outlook for the tourist hotel market in San Francisco is strong. Tourism is one of the key sectors in the City's economy, supported by the strength of other economic activity in the City, growth in international travel ("SFO's international travel is growing faster than any other U.S. airport", *San Francisco Business Times*, March 8, 2016, in Attachment A), and the City's broad appeal to both convention and leisure travelers.

Market prospects for the proposed project

Characteristics of the lodging supply in the vicinity of the proposed project

The 824 Hyde Street location borders two San Francisco subareas used to report lodging data: Union/Nob/Moscone and Civic Center/Van Ness. Recent data for the month of May 2016 indicate occupancy of 90 percent for rooms in the Union/Nob/Moscone subarea (essentially unchanged from the same month in 2015) and average daily room rates of \$290 (five percent higher than the same month in 2015). The Civic Center / Van Ness subarea shows a stronger rising trend on these indicators—occupancy of 88 percent (2.6 percent higher than the same month in 2015) and average daily room rates of \$183 (18 percent higher than the same month in 2015). See “Statistics and Trends of Hotel-Motel Business, San Francisco Monthly Trends, Month of May” (San Francisco Travel and CBRE Hotels, May 2016) in Attachment A.

The many existing tourist lodging properties in the vicinity, representing the full range of lodging types, are evidence of the breadth of the market for additional visitor lodging in Lower Nob Hill. The list of representative nearby lodging includes: the 500-room Holiday Inn Golden Gateway on Van Ness and Pine, Hotel Vertigo (102 rooms) at Sutter and Leavenworth—“luxurious and elegant...boutique hotel showcas[ing] a baroque-modern style”, Hotel Carlton (161 rooms) on Sutter between Hyde and Larkin—boutique hotel with “eclectic décor and laid-back eco-friendly vibe”, the Nob Hill Hotel (55 rooms) across the street at 835 Hyde Street—European boutique hotel from 1906, “fully restored to its original grandeur”, and Motel 6 (72 rooms) at Geary and Larkin. See “Characteristics of Existing Hotels in the Vicinity of 824 Hyde Street” and Map 1 in Attachment A.

Conclusions about market prospects for proposed boutique hotel use at 824 Hyde Street

There are a number of factors that favor tourist hotel use at 824 Hyde Street and the positioning as a boutique hotel is in-step with development trends in this part of the City. See Map 2 824 Hyde Street Nearby Attractions in Attachment A.

- ◆ The site is centrally located in San Francisco near major transportation corridors. The location is well-served by transit heading into Union Square, the Financial District, North Beach, and the Embarcadero.
- ◆ Two and three blocks away on Polk and Van Ness, multiple transit lines and dedicated bike lanes head north to Fisherman’s Wharf, Aquatic Park, Ghirardelli Square, Fort Mason, the Presidio, and the Golden Gate Bridge and south to the Civic Center, South of Market, Hayes Valley, and the Mission.
- ◆ While only six blocks from Union Square proper (shopping, theatre, cable cars), the location in Lower Nob Hill on the edge of the Tenderloin is near some of the trendiest new restaurants, bars, and small boutique in the City and near nationally known and well-established entertainment venues.
- ◆ State and federal government activity in nearby Civic Center provides a year-round source of demand for lodging in the Civic Center/Van Ness Corridor.

- ◆ Development of the 274-bed hospital at Van Ness and Geary represents an important near-future source of year-round demand for nearby lodging. The hospital project is stimulating a boom in real estate investment for housing, office, and hotel use near Van Ness and Geary.
- ◆ While projected room rates in the range of \$189 to \$379 per night are higher than the average for this location, they are consistent with rates at other boutique and small contemporary hotels in the vicinity.
- ◆ As new construction, the project will offer a distinctive product in San Francisco's boutique hotel market, where almost all such lodging is in renovated older buildings.

Attachment A
Supporting Material

Estimate of Hotel Room Tax and Hotel Special Assessment Revenue

San Francisco levies a Hotel Room Tax (“transient occupancy tax”) on hotel room charges. The current tax rate is 14% and applies to gross room revenue.

In addition, there are two special assessment districts that apply to all hotels in San Francisco. The Tourism Improvement District special assessment was established in 2008 to provide stable funding for the San Francisco Travel Association and to fund capital improvements and upgrades of Moscone Center. The assessment applies to all hotels in the city and the rate varies by zone. Zone 1 consists of all hotels on or east of Van Ness Avenue and on or north of 16th Street. Zone 2 is all other hotels in the city. The current assessment for Zone 1 is 1 percent of gross room revenue while the assessment for Zone 2 is 0.75 percent of gross room revenue. The Moscone Expansion District was established in 2013 to fund the expansion of Moscone Center. The district uses the same two zones. The current rate for Zone 1 is 1.25 percent of gross room revenue while the assessment for Zone 2 is 0.3125 percent of gross room revenue.

The proposed project would be subject to the Hotel Room Tax and the Zone 1 special assessments. The table below presents estimates of revenue for these three sources, using a range of potential room rate and occupancy assumptions. The scenarios indicate roughly \$400,000 - \$500,000 in annual revenue to these sources from the proposed project.

Number of rooms	33
Transient Occupancy Tax Rate	14%
SF Tourism Improvement District (Zone 1)	1.0%
Moscone Expansion District (Zone 1)	1.25%

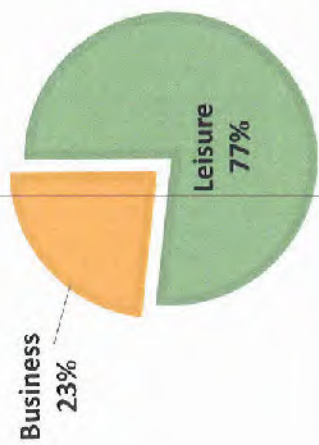
	Higher Scenario	Lower Scenario
Occupancy rate (annual average)	90%	80%
Room Rate (annual average; \$189 - \$379 per night)	\$280	\$250
Annual Average Gross Room Revenue	\$3,035,340	\$2,409,000
Transient Occupancy Tax Revenue, annual	\$424,900	\$337,300
SF Tourism Improvement District Revenue, annual	\$30,400	\$24,100
Moscone Expansion District Revenue, annual	\$37,900	\$30,100
Total Revenue, all sources	\$493,200	\$391,500

Source: Hausrath Economics Groups based on information from the project sponsor and tax rates and special assessment rates from the Controller’s Office, City and County of San Francisco and the San Francisco Office of Economic and Workforce Development.

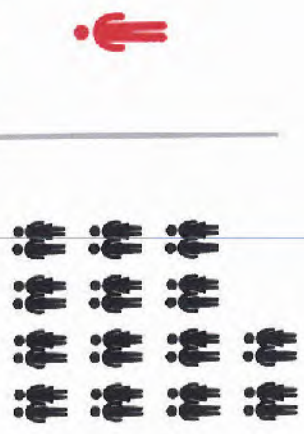


Visitor Volume

Total **24.6 million** visitors come to San Francisco every year
Included 18.9 million leisure visitors, 5.8 million business visitors

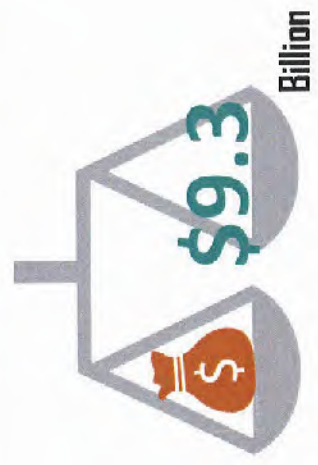


Visitors outnumber residents: **28 to 1**



Visitor Spending

Annual



Daily

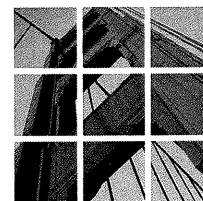


PER CAPITA BASIS: \$10,951
PER SAN FRANCISCO RESIDENT

Jobs

The number of jobs supported by Tourism





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FOR IMMEDIATE RELEASE

San Francisco Travel Reports Record-Breaking Year for Tourism

Total Visitor Volume Tops 24.6 Million; Visitor Spending Exceeds \$9.3 Billion

March 29, 2016 – The San Francisco Travel Association reported today that San Francisco welcomed a total of 24.6 million visitors in 2015, an increase of 2.7 percent from 2014. This included 18.9 leisure visitors (up 2.7 percent from 2014) and 5.8 million business travelers in 2015 (also up 2.7% from 2014).

In 2015, the 24.6 million visitors brought \$9.3 billion in spending to San Francisco. Visitors directly spent \$8.5 billion in the city, up 3.4 percent from the previous year. An additional \$723 million was spent by meeting planners and exhibitors for goods and services for their meetings. For the year, total spending in San Francisco related to meetings and conventions reached \$2 billion.

The number of jobs supported by tourism rose 1 percent to 76,520 jobs in 2015, with an annual payroll of \$2.3 billion.

The tourism industry generated \$738 million in taxes and fees for the City of San Francisco, up 12.8 percent from the previous year. Major contributors to that figure include hotel tax (54.7 percent) and property tax (23.4 percent)

Visitor spending equated to \$25.4 million daily or \$1.1 million per hour.

On a per capita basis, visitors spent \$10,951 per San Franciscan. Visitors generated \$2,025 in taxes per San Francisco household.

Of the 24.6 million people who visited the city last year, 10.183 million were overnight visitors and spent \$7.4 billion dollars. International overnight visitors totaled 2.85 million and spent \$4.65 billion, which represented 63 percent of all overnight spending. Overnight visitors from the United States totaled 7.33 million and spent \$2.76 billion, representing 37 percent of all overnight guest spending. Sixty two percent of all overnight guests stayed in hotels in the San Francisco.



San Francisco Travel has developed a new research model using internal data and curated research in conjunction with Tourism Economics. Several years of lodging data was curated by San Francisco Travel using research from STR (formerly Smith Travel Research) and PKF Consulting. Data for flight volume was provided by OAG (formerly Official Aviation Guide) and San Francisco International Airport. Domestic visitor data was collected by Longwoods. International visitor data by country came from Tourism Economics' Global City Travel database and global visitor surveys by Destination Analysts as well as tax and household data. Group sales statistics were drawn from USI, San Francisco Travel's CRM (customer relationship management) platform.

San Francisco Travel used their new model to revise data going back to 2008 to ensure consistency going forward.

The above data pertains only to visitors to San Francisco. For the first time, San Francisco Travel's research also includes the city of San Francisco and Bay Area regional markets including Marin County, the Peninsula and San Francisco International Airport.

The Port of San Francisco hosted 82 ship calls and 297,504 passengers in 2015. In addition to passengers, each ship has approximately 1,000 crew members. This is a record number of passengers, breaking the previous high mark of 256,410 set in 2014. Based on passenger, crew, and ship expenditures, the overall economic impact to the Bay Area of a cruise ship call in San Francisco is approximately \$1 million.

In 2015, San Francisco Travel booked 44 conventions at Moscone Center, which will fill 1,153,258 hotel room nights between 2015 and 2032. Their attendees and exhibitors will spend an estimated \$1,001,190,532.

"These record-breaking numbers once again prove that tourism is the most important industry in San Francisco. The 24.6 million visitors and \$9.3 billion in spending create jobs and support services for people throughout the city and the entire Bay Area," said Joe D'Alessandro, president and CEO of San Francisco Travel. "We are experiencing sustained growth in all market segments – domestic, international, leisure and business – as a result of our highly professional and sophisticated community of hotels, restaurants, cultural organizations and SFO, one of the finest airports in the world," he added.

The San Francisco Travel Association is a private, not-for-profit organization that markets the city as a leisure, convention and business travel destination. With more than 1,500 partner businesses, San Francisco Travel is one of the largest membership-based tourism promotion agencies in the country.

The San Francisco Travel business offices are located at One Front St., Suite 2900, San Francisco, CA 94111.



San Francisco Travel also operates Visitor Information Centers at Hallidie Plaza, 900 Market Street at the corner of Powell and Market streets and on the lower level of Macy's Union Square. For more information, visit www.sanfrancisco.travel.

San Francisco International Airport (SFO) offers non-stop flights to more than 39 international cities on 33 international carriers. The Bay Area's largest airport connects non-stop with 77 cities in the U.S. on 14 domestic airlines. SFO offers upgraded free Wi-Fi with no advertising. For up-to-the-minute departure and arrival information, airport maps and details on shopping, dining, cultural exhibitions, ground transportation and more, visit www.flysfo.com. Follow SFO on www.twitter.com/flysfo and www.facebook.com/flysfo.

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From the San Francisco Business Times:

<http://www.bizjournals.com/sanfrancisco/blog/2016/03/sf-record-setting-year-for-tourism-new-report.html>

S.F. had record-setting year for tourism, new report shows

🔒 **SUBSCRIBER CONTENT:** Mar 29, 2016, 1:55pm PDT

2015 turned out to be a record-breaking year for tourism in the city, with increases in the numbers of visitors, spending, jobs and tax revenue, according to a new report from the **San Francisco Travel Association** given to the Business Times on Tuesday.

San Francisco welcomed 24.6 million visitors in 2015, a 2.7 percent increase from the previous year. That included 18.9 million visitors who came for leisure, and 5.8 million business travelers.

Visitor spending brought in \$9.3 billion to the city — equating to around \$25.4 million daily or \$1.1 million per hour. Tourism also generated \$738 million in taxes and fees for San Francisco, up 12.8 percent from 2014.

“These record-breaking numbers once again prove that tourism is the most important industry in San Francisco,” said Joe D’Alessandro, president and CEO of San Francisco Travel, in a statement. D’Alessandro said that the numbers in the report are the highest numbers ever for tourism in the city.

Jobs supported by the tourism industry also saw a 1 percent increase to 76,520 in 2015, with an annual payroll of \$2.3 billion. The Port of San Francisco reached a record number of 297,504 passengers — breaking the previous high record of 256,410 in 2014.

The first quarter of this year also saw strong tourism numbers, which can be attributed largely to the area hosting Super Bowl 50. Although the game was held at Santa Clara’s Levi Stadium, about 40 miles southeast of San Francisco, a significant number of tourists who visited the Bay Area for Superbowl weekend opted to stay in the city, due to a limited number of vacancies around the stadium, according to a survey.



DAVID PAUL MORRIS/BLOOMBERG NEWS

Retail rents in San Francisco’s Union Square soared 30 percent over the last year, making it the fastest-rising shopping destination in the world.

"We are experiencing sustained growth in all market segments – domestic, international, leisure and business – as a result of our highly professional and sophisticated community of hotels, restaurants, cultural organizations and SFO, one of the finest airports in the world," D'Allessandro said.

D'Allessandro said a big factor for last year's tourism success was its international visitors; the city's international market share is growing, and international visitors tend to spend more money and stay longer. He told the Business Times there is more international service from San Francisco International Airport, with new flights to and from Asia and Europe.

SFO reached a record breaking 50 million annual passengers in 2015— with a 33 percent growth rate between 2007 and 2014, according to a report from the city. Efforts have been made in recent years to attract growth, such as taking on a 10-year improvement project to renovate terminals, add new amenities, and build a four-star hotel at the airport.

San Francisco's hotel market has seen significant success recently. After the last couple decades of averaging 72 percent hotel occupancy in the city, it reached 85 percent occupancy in 2015 — and experts expect it to increase in 2016.

However, D'Allessandro told the Business Times that there are signs from the global economy that indicate a potential tourism slowdown in the next couple years — but despite that, there are many things San Francisco has to look forward to this year, such as the opening of the SF MOMA.

"We are one of the most successful cities in the United States in terms of overall visitor growth," D'Allessandro told the Business Times.

Jean Lee
Researcher
San Francisco Business Times



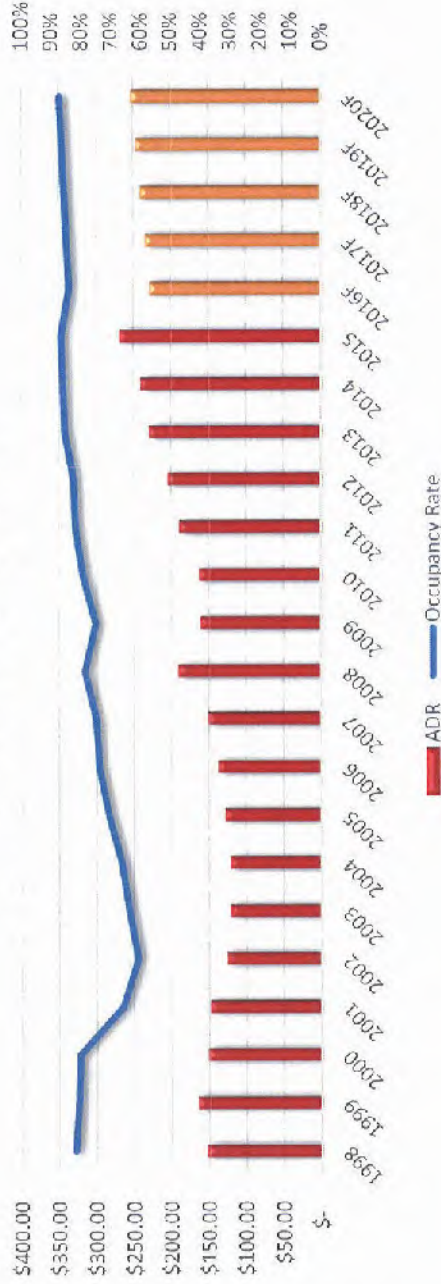


San Francisco Tourism

Hotel Occupancy Rate & Other Features (2015)

All Hotels	2013	2014	2015	% Change 13-15
Occupancy Rate	85.4%	86.3%	86.6%	1.41%
ADR*	\$228.97	\$253.84	\$268.17	17.12%
RevPAR**	\$195.56	\$219.18	\$232.22	18.75%

San Francisco Lodging Market



By Room Rate	Occupancy Rate					ADR					RevPAR					
	2013	2014	2015	VAR 13-15	2013	2014	2015	VAR 13-15	2013	2014	2015	VAR 13-15	2013	2014	2015	VAR 13-15
Room Rate	82.3%	83.3%	82.9%	0.7%	\$235.04	\$256.91	\$273.52	16.37%	\$194.58	\$213.92	\$226.79	16.55%	\$148.73	\$134.19	\$148.73	25.00%
Over \$175	80.0%	82.4%	83.6%	4.5%	\$148.68	\$162.79	\$177.98	19.71%	\$118.98	\$134.19	\$148.73	25.00%	\$89.08	\$79.80	\$89.08	19.89%
\$75-\$125	73.0%	75.8%	77.9%	6.7%	\$101.80	\$105.30	\$114.37	12.35%	\$74.30	\$79.80	\$89.08	19.89%	\$40.72	\$35.86	\$40.72	24.07%
Under \$75	64.4%	65.9%	68.4%	6.2%	\$51.00	\$54.40	\$59.55	16.76%	\$32.82	\$35.86	\$40.72	24.07%				

*ADR: Average Daily Rate, average rental income per paid occupied room in one year. (Hotel revenue divided by the number of rooms sold.)

**RevPAR: Revenue Per Available Room.

Source: PKF Reports from Hotel Council of SF

San Francisco Hotel Development Pipeline, Fourth Quarter 2016

Project/Address	Number of Rooms	Status	Date of Most Recent Action	Date First Filed
250 4th Street	208	Under Construction	12/30/2016	1/14/2011
1095 Market Street	202	Under Construction	12/1/2016	9/11/2014
144 King Street	160	Under Construction	11/16/2016	6/21/2005
1100 Market Street - improvements to existing hotel	na	Under Construction	2/4/2016	8/29/2012
400 Bay Street	13	Building Permit Issued	12/30/2016	2/12/2016
Mission Bay Block 1	250	Building Permit Issued	10/5/2016	9/22/2015
701 3rd Street	230	Building Permit Issued	11/29/2016	11/24/2014
555 Howard Street	255	Building Permit Filed	12/27/2016	7/20/2015
744 Harrison	50	Building Permit Filed	11/7/2016	6/16/2016
950 - 974 Market Street	232	Building Permit Filed	2/8/2016	8/5/2013
72 Ellis Street	156	Building Permit Filed	8/3/2015	12/2/2009
Oceanwide (Mission Street Tower)	169	Planning Approved	6/30/2016	12/21/2006
Hunters Point Shipyard, Phase II	220	Planning Approved	4/10/2014	8/24/2007
Treasure Island/ Yerba Buena Island Area Plan	500	Planning Approved	3/15/2011	8/9/2007
425 Mason Street	77	Project Application Filed	11/30/2016	9/8/2016
447 Battery Street	144	Project Application Filed	6/23/2016	6/23/2016
996 Mission Street	105	Project Application Filed	6/9/2016	6/9/2016
48 Tehama Street	120	Project Application Filed	5/10/2016	3/13/2015
400 - 416 2nd Street	300	Project Application Filed	4/29/2016	10/31/2012
1196 Columbus Avenue	75	Project Application Filed	10/16/2015	12/17/2014
1025 Howard Street	181	Project Application Filed	4/24/2015	4/24/2015
1053 Market Street	155	Project Application Filed	6/16/2014	3/18/2014
350 Second Street	480	Preliminary Project Assessment	9/15/2016	9/15/2016
Total Rooms	4,282			

Source: San Francisco Planning Department

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From the San Francisco Business Times:

<http://www.bizjournals.com/sanfrancisco/blog/2016/03/sfo-international-travel-tourism-chinese-visitors.html>

SFO's international travel is growing faster than any other U.S. airport

Mar 8, 2016, 10:26am PST **Updated: Mar 8, 2016, 10:40am PST**

San Francisco International Airport is setting records this year.

Following recent news that the airport served a record 50 million total passengers in 2015, a new report from the International Trade Administration shows that SFO had the highest rate of international visitors of any American airport in 2015.

SFO had a 9 percent increase in international passengers, putting it above other major gateway airports like Los Angeles' LAX and New York's John F. Kennedy International airport.

The "report on international traffic growth further highlights the success of our efforts, which include improved facilities, a keen eye on cost control, and an unwavering commitment to the guest experience," Airport Director John Martin said in a statement.

Last year, SFO added new airlines and new international flights, including a nonstop flight to Istanbul from Turkish Airlines, a new nonstop service to Guangzhou, China, from China Southern Airline, and the launch of the first nonstop flight from the U.S. West Coast to Delhi, India, from Air India. In the last three years, 13 new airlines have started service to and from SFO. The airport will continue adding airlines and flights in 2016, including a nonstop service to Tel Aviv launching this month, and low-cost flights to Reykjavik, Iceland, on Wow Air.

Tourism overall is San Francisco's largest industry, sustaining roughly 87,000 jobs. International visits to San Francisco increased by 21 percent from 2010 to 2014, according to the **San Francisco Travel Association**. The number of visits is expected to grow another 19 percent from 2015 through 2018.

Leading that growth is the Chinese market. Here's how the numbers break down:



PAOLO VESCIA

San Francisco International Airport has the fastest growing rate of international passengers of any airport in the United States.

Chinese visitors to San Francisco spent an \$813 million in 2015.

Visitors from the United Kingdom shell out \$465 million.

Indian visitors spent \$404 million.

Visitors from Germany, Scandinavia, South Korea and Japan also make up large portions of San Francisco's international visitors.

The International Trade Administration report showed that across the country, international traffic included 209.1 million passengers traveling to and from the United States in 2015, an increase of 6 percent over 2014's growth. Traffic between the United States and China increased by 25 percent in 2015.

California tourism bureaus are making a push to educate businesses about Chinese tourism as the number of Chinese visitors to California — and the Bay Area — continues to rise. Visit California, the state's tourism association, and SFTravel have hosted seminars called "China Ready" that are aimed at helping businesses prepare for the growing number of Chinese tourists visiting the state every year.

Those preparations include everything from having staff that speak Mandarin to offering certain foods and amenities to which Chinese visitors are accustomed, Antonette Eckert, the director of international tourism for the Asia-Pacific market at the San Francisco Travel Association, told the Business Times last year.

SFO, for its part, has undergone a 10-year capital improvement plan that includes terminal renovations, new amenities and even a new hotel. It recently snagged a large lease for some high-end restaurant offerings in its international terminal.

Annie Sciacca

Reporter

San Francisco Business Times

**STATISTICS AND TRENDS OF HOTEL-MOTEL BUSINESS
SAN FRANCISCO MONTHLY TRENDS
MONTH OF MAY**

REPORT OF ROOMS BUSINESS BY LOCATION

	AVERAGE DAILY ROOM RATE			OCCUPANCY PERCENT			REVENUE PER AVAILABLE ROOM		
	2016	2015	VAR	2016	2015	VAR	2016	2015	VAR
UNION/NOB/MOSCONE	\$290.31	\$276.63	4.9%	89.9%	89.9%	0.1%	\$261.12	\$248.62	5.0%
FINANCIAL DISTRICT	292.76	268.01	9.2%	93.2%	90.8%	2.6%	272.95	243.44	12.1%
FISHERMAN'S WHARF	243.34	220.38	10.4%	88.8%	87.6%	1.4%	216.12	193.05	12.0%
CIVIC CENTER/VAN NESS	182.96	154.49	18.4%	87.6%	85.3%	2.6%	160.23	131.83	21.5%
OVERALL AVERAGE	\$278.23	\$260.80	6.7%	90.0%	89.4%	0.7%	\$250.37	\$233.16	7.4%

REPORT OF ROOMS BUSINESS BY AVERAGE DAILY RATE

	AVERAGE DAILY ROOM RATE			OCCUPANCY PERCENT			REVENUE PER AVAILABLE ROOM		
	2016	2015	VAR	2016	2015	VAR	2016	2015	VAR
OVER \$200.00	\$285.33	\$268.46	6.3%	90.4%	89.7%	0.7%	\$257.81	\$240.94	7.0%
\$150.00 TO \$200.00	\$176.89	\$154.41	14.6%	85.1%	84.9%	0.2%	\$150.49	\$131.08	14.8%
OVERALL AVERAGE	\$278.23	\$260.80	6.7%	90.0%	89.4%	0.7%	\$250.37	\$233.16	7.4%

REPORT OF ROOMS BUSINESS BY SIZE OF PROPERTY

	AVERAGE DAILY ROOM RATE			OCCUPANCY PERCENT			REVENUE PER AVAILABLE ROOM		
	2016	2015	VAR	2016	2015	VAR	2016	2015	VAR
OVER 400 ROOMS	\$274.37	\$257.84	6.4%	91.0%	92.0%	-1.1%	\$249.68	\$237.19	5.3%
250 TO 400 ROOMS	299.08	279.01	7.2%	89.2%	85.9%	3.8%	266.64	239.58	11.3%
150 TO 250 ROOMS	248.93	208.80	19.2%	85.9%	76.5%	12.2%	213.77	159.75	33.8%
UNDER 150 ROOMS	241.16	221.71	8.8%	84.3%	78.9%	6.9%	203.32	174.84	16.3%
OVERALL AVERAGE	\$278.23	\$260.80	6.7%	90.0%	89.4%	0.7%	\$250.37	\$233.16	7.4%

SOURCE: CBRE HOTELS

From Trends in the Hotel Industry, Northern California, May 2016
Provided by San Francisco Travel

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Characteristics of Existing Hotels in the Vicinity of 824 Hyde Street as of February 2017, with focus on small - to mid-sized boutique hotels (see Map 1)

Name	Rooms	Rate range	Address	Description
Small Budget Hotels				
Embassy Hotel	18 rooms	winter low \$92/summer low \$169	610 Polk at Turk	simple budget digs in an art deco building
Layne Hotel	40 rooms	winter low \$62/summer low \$189	545 Jones Street	basic amenities
Mithila Hotel	40 rooms	winter low \$79/summer low \$109	972 Sutter Street	affordable downtown San Francisco hotel
Super 8 San Francisco Union Square	52 rooms	winter low \$191/summer low \$191	415 O'Farrell at Taylor	Contemporary budget hotel
Motel 6	72 rooms	winter low \$129/summer low \$209	895 Geary at Larkin	modern budget lodging with free parking
Beresford Arms	80 rooms	year-round low \$179	701 Post at Jones	spacious rooms and suites in historic building
Herbert Hotel	99 rooms	winter low \$89/summer low \$169	161 Powell at O'Farrell	newly-designed rooms in the heart of Union Square
Small Boutique Hotels (less than 100 rooms)				
Payne Mansion Hotel	10 rooms	winter low \$299/summer low \$319	1409 Sutter at Franklin	refined Victorian hotel (all private baths)
Andrews Hotel	48 rooms	year-round low \$209	624 Post at Shannon	warm-colored rooms
Queen Anne Hotel	48 rooms	winter low \$139/summer low \$219	1590 Sutter at Octavia	elegant lodging in a restored Victorian
Nob Hill Hotel	55 rooms	winter low \$140/summer low \$240	835 Hyde Street	ornate decor and period paintings grace the boutique hotel interior
Hotel Majestic	58 rooms	winter low \$118/summer low \$178	1500 Sutter at Gough	elegant boutique hotel with period décor
Warwick San Francisco	74 rooms	winter low \$260/summer low \$405	490 Geary at Taylor	Victorian décor and modern amenities
Hotel Epik	76 rooms	winter low \$100/summer low \$290	706 Polk at Eddy	brand-new, modern boutique
Hotel Beresford	90 rooms	winter low \$98/summer low \$169	635 Sutter at Mason	traditional British restaurant on-site and offers Victorian-style rooms
Hotel Abri	91 rooms	winter low \$280/summer low \$350	127 Ellis at Cyril Magnin	urban boutique hideaway with modern décor
Adante Hotel	92 rooms	winter low \$169/summer low \$309	610 Geary at Jones	classic cosmopolitan boutique, historic charm
The Alise	93 rooms	winter low \$180/summer low \$300	580 Geary at Jones	stately, classic hotel with bright rooms
Hotel Rex	94 rooms	winter low \$230/summer low \$340	562 Sutter at Mason	boutique hotel inspired by the 1920s and '30s
Cova Hotel	95 rooms	winter low \$119/summer low \$183	655 Ellis at Larkin	modern rooms & suites with free shuttle
Phoenix Hotel	99 rooms	winter low \$269/summer low \$309	601 Eddy Street	mid-century boutique hotel/chic motor lodge; retro style; pool
Mid-Sized Boutique Hotels (100 or more rooms)				
The Monarch Hotel	101 rooms	winter low \$107/summer low \$170	1015 Geary at Polk	no-frills rooms
Hotel Vertigo	102 rooms	winter low \$189/summer low \$220	940 Sutter	contemporary hotel occupying the site made famous in Hitchcock's 'Vertigo'
Hotel Diva	115 rooms	winter low \$199/summer low \$169	440 Geary	sleek property with ultramodern rooms
Hotel Fusion	118 rooms	winter low \$135/summer low \$200	140 Ellis	classic Asian design, modern creative energy
The Buchanan	130 rooms	winter low \$125/summer low \$205	1800 Sutter at Buchanan	hip lodging with anime themed rooms
Hotel Union Square	131 rooms	winter low \$220/summer low \$339	114 Powell	SF's first boutique hotel
Axiom Hotel	152 rooms	winter low \$169/summer low \$329	28 Cyril Magnin	tech-savvy amenities, pet-friendly rooms
Hotel Carlton	161 rooms	winter low \$199/summer low \$235	1075 Sutter at Larkin	laid-back Nob Hill hotel
The Opal	167 rooms	winter low \$104/summer low \$140	1050 Van Ness and Geary	budget lodging in historic 1908 Building
Villa Florence	189 rooms	winter low \$150/summer low \$310	225 Powell	elegant, contemporary Italian design
Hotel Zeppelin	196 rooms	winter low \$270/summer low \$325	545 Post Street	boutique modern
The Marker Hotel	208 rooms	winter low \$159/summer low \$332	501 Geary at Taylor	upscale boutique, spa amenities
Large Middle-Market Hotels				
Holiday Inn San Francisco Golden Gate	499 rooms	winter low at \$199/summer low \$219	1500 Van Ness and Pine	modern hotel with on-site dining and pool

Source: Hausrath Economics Group, based on Google Search, Google Maps, Booking.com, SF Travel, Tripadvisor.com, field work, and the websites of and phone calls to various hotels

Note: "low" pricing represents generally mid-week availability for the smallest available room, in the months of February (winter) and June-September (summer)

Map 1 - 824 Hyde Street Nearby Hotels

-  Adante Hotel
-  The Alise San Francisco - A Staypineapple Hotel
-  The Andrews Hotel
-  Axiom Hotel San Francisco
-  Beresford Arms Hotel
-  Cova Hotel
-  The Embassy Hotel
-  The Herbert Hotel
-  Holiday Inn San Francisco Golden Gateway
-  Hotel Abri
-  Hotel Beresford
-  Hotel Carlton
-  Hotel Diva
-  HOTEL EPIK
-  Hotel Fusion
-  Hotel Majestic
-  Hotel Rex
-  Hotel Union Square
-  Hotel Vertigo San Francisco
-  Hotel Zeppelin San Francisco
-  Kimpton Buchanan Hotel
-  Layne Hotel
-  The Marker San Francisco
-  Mithila Hotel
-  The Monarch Hotel
-  Motel 6
-  Nob Hill Hotel
-  The Opal San Francisco
-  Payne Mansion
-  Phoenix Hotel
-  Queen Anne Hotel
-  Super 8 San Francisco/Union Square Area
-  Warwick San Francisco
-  Villa Florence Hotel



Map 2 - 824 Hyde Street Nearby Attractions

-  824 Hyde St
-  Asian Art Museum
-  Cable Car Museum
-  Tenderloin Museum
-  826 Valencia Tenderloin Center
-  Kayo Books
-  PanIQ Escape Room San Francisco
-  Onsen
-  Float Matrix
-  Nob Hill Spa at The Scarlet Huntington
-  Encore Karaoke Lounge
-  Gauntlet Gallery
-  SMAart Gallery & Studio
-  Father Alfred E. Boeddeker Park
-  Tenderloin National Forest
-  Black Cat
-  Bill Graham Civic Auditorium
-  Great American Music Hall
-  SHN Orpheum Theatre
-  Brenda's French Soul Food
-  Common Sage
-  Heart of the City Farmers Market
-  Liholilo Yacht Club
-  Mensho Tokyo SF
-  Morty's Delicatessen
-  Mymy
-  The Saratoga
-  Swan Oyster Depot
-  Ales Unlimited: Beer Basement
-  Nite Cap
-  The Royale
-  Edinburgh Castle Pub
-  Huxley
-  Grass Roots
-  HYDE OUT
-  Playland Bar
-  The Wreck Room
-  Upcider
-  Hemlock Tavern
-  Jackalope
-  Zeki's Bar
-  Hooker's Sweet Treats
-  Jane
-  Mr. Holmes Bakehouse
-  ShakeDown
-  milkbean
-  Bayfitted
-  The Family Room SF
-  Fleet Wood
-  Handsome Oxford
-  Hero Shop
-  Polk A Dot
-  Grace Cathedral



Source: HEG research, February 2017