

File No. 160541

Committee Item No. 6

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Land Use and Transportation

Date June 27, 2016

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Term Sheet</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Exclusive Negotiation Agreement</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Feasibility Study</u> |
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Completed by: Alisa Somera Date June 23, 2016

Completed by: _____ Date _____

1 [Term Sheet Endorsement - TZK Broadway, LLC - Teatro ZinZanni Theatre/Hotel
2 Project]

3 **Resolution endorsing the term sheet between TZK Broadway, LLC, whose members**
4 **include Teatro ZinZanni and its financial and development partner, Kenwood**
5 **Investments No. 6, LLC, and the Port Commission for the lease and development of a**
6 **180-200 room hotel, a dinner-theater featuring Teatro ZinZanni, an approximately 7,500**
7 **square-foot public park and open space, and ancillary uses on Seawall Lots 323 and**
8 **324 and portions of unimproved Vallejo and Davis Street rights-of-way on the west side**
9 **of The Embarcadero at Vallejo Street.**

10
11 WHEREAS, Teatro ZinZanni ("Teatro"), a former San Francisco Port Commission
12 ("Port") tenant at Pier 27, is a unique hybrid of comedy, theater, cabaret, music, performance
13 and dining that is part circus and part cabaret combining improv comedy, vaudeville revue,
14 music, dance, cirque, and sensuality into an evolving form that is never quite the same from
15 evening to evening; and

16 WHEREAS, Teatro, first came to San Francisco in 2000, and for eleven years operated
17 as a successful cultural event combining dinner, theater, performance and entertainment at
18 Pier 27 and was a tenant in good standing as defined by the Port's current leasing policies
19 throughout its tenure as a Port tenant; and

20 WHEREAS, In 2011, the Port asked Teatro to terminate its lease at Pier 27 and vacate
21 its premises to accommodate the hosting of the 34th America's Cup and the construction of
22 the new James R. Herman Cruise Terminal; and

23 WHEREAS, The Port and Teatro entered into a Mutual Agreement for Lease
24 Termination and Reservation of Rights Agreement ("Mutual Terminal Agreement") dated
25 August 12, 2011, which provides that in exchange for terminating its lease at Pier 27, Teatro

1 will be given the exclusive right to negotiate in good faith with the Port for a new lease at
2 Seawall Lot 324, located on The Embarcadero across from Pier 9; and

3 WHEREAS, Teatro, following execution of the Mutual Termination Agreement, spent
4 many months in 2012 and 2013 considering its long-term options to return to San Francisco at
5 Seawall Lot 324, and meeting with and listening to the concerns and suggestions of numerous
6 community groups and stakeholders such as The Barbary Coast Neighborhood Association,
7 Gateway Commons Buildings I, II, and III, Chinese Community Development Center,
8 Telegraph Hill Dwellers, Golden Gateway Tenants Association, the Northeast Waterfront
9 Advisory Group, the Historic Preservation Commission, Architectural Review Subcommittee,
10 and the Port and City staff; and

11 WHEREAS, The results of Teatro's investigations and community meetings resulted in
12 accord among the groups that Teatro's unique and highly successful dinner-theatre
13 performance and entertainment show is an unmatched addition to the neighborhood, City and
14 region and in returning to San Francisco, Teatro should devise a project that includes
15 improved public access as a gateway between the waterfront and North Beach and
16 Chinatown, incorporates Teatro's historic Speigel-tent in a manner that better suits the
17 location and the neighborhood, is consistent with the character, zoning, and massing of the
18 historic warehouse district and is true to San Francisco's unique cultural history; and

19 WHEREAS, The total cost of the design, permitting, and construction necessary to
20 rebuild Teatro as a stand-alone structure at Seawall Lot 324 would be at least five times the
21 original cost of its premises at Pier 27 so Teatro sought out and retained a partner to help with
22 plans, development, and financing for a new project on approximately 1.4 acres that includes
23 Seawall Lots 324 and 323 and portions of the Vallejo and Davis Street unimproved rights-of-
24 way on the west side of The Embarcadero at Vallejo Street (collectively, the "Site"); and

25 WHEREAS, Teatro, working with TZK Broadway, LLC ("TZK" or the "Developer"), a

1 California limited liability company comprised of Teatro and Kenwood Investments No. 6, LLC,
2 wishes to build a new privately financed, state-of-the-art dinner-theatre-performance and
3 entertainment venue that can serve those purposes as a long-term home for Teatro's
4 internationally acclaimed dinner theatre performance and state-of-the-art 180-200 room
5 boutique hotel which will include up to 10 rooms for visiting Teatro artists, situated within a 40-
6 foot, four-story building, together with related public infrastructure and access improvements
7 and other improvements, including construction of a new public park and open space at the
8 north end of the Site (the "Project"); and

9 WHEREAS, A ground lease or other City contract relating to development of the
10 proposed Project would be subject to the City's ordinances relating to labor representation
11 procedures in hotel developments in which the City has an ongoing proprietary interest
12 (Administrative Code, Sections 23.50 through 23.56) and the City's First Source Hiring
13 Program (Administrative Code, Chapter 83), as they may apply to the proposed Project; and

14 WHEREAS, Teatro and TZK have stated their commitment to enter into an equal
15 opportunity program in connection with the transaction documents for the Project that includes
16 the Local Hiring Policy (Administrative Code, Section 6.22(G)), prevailing wage requirements
17 (Administrative Code, Section 6.22(E)) and opportunities for local business enterprises; and

18 WHEREAS, On October 28, 2014, the Port Commission approved Resolution
19 No. 14-58 directing Port staff to assist Teatro in developing and introducing a resolution to the
20 Board of Supervisors ("Board") to consider exempting the potential lease of the Site for
21 Teatro's proposed Project from the City's competitive bidding policy set forth in Administrative
22 Code, Section 2.6-1; and

23 WHEREAS, On May 5, 2015, the Board adopted Resolution No. 170-15 (the "Board
24 Resolution"), which found that the proposed Project is exempt from competitive bidding
25 requirements of Administrative Code, Section 2.6-1 on a number of basis, including the

1 following: the unique, one-of-a-kind attributes of Teatro; the unique opportunity presented by
2 Developer's proposal to build and finance the Project; Teatro's position as a tenant in good
3 standing under Port policies; the provisions of the Mutual Termination Agreement; and, in
4 keeping with Administrative Code, Chapter 90A to retain an important entertainment icon,
5 provide performer lodging and workforce training, and numerous other public benefits to the
6 City and the region that the proposed Project would produce, as further described in the
7 Board Resolution; and

8 WHEREAS, The Board Resolution also (i) urged Port, Teatro, and Developer to
9 engage in continued outreach to affected and interested neighbors, community members and
10 stakeholders to ensure that the proposed Development is designed with public input; (ii) urged
11 Port to hire a third party real estate economic consultant during negotiations with Developer to
12 ensure Port receive fair market value for the lease of the Site; and (iii) directed Port to submit
13 to the Clerk of the Board a copy of Port's real estate consultant's report confirming TZK's
14 qualifications to undertake the development prior to the Port Commission hearing at which the
15 Port Commission considers awarding an exclusive negotiation agreement ("ENA") to
16 Developer; and

17 WHEREAS, In June 2015, Kenwood Investments provided the Port a description of its
18 qualifications and financial capacity which BAE Urban Economics, Port-hired third-party real
19 estate consultant ("BAE"), and Port staff respectively reviewed, with BAE issuing a report
20 confirming that Kenwood Investments is qualified to develop the Project and which report the
21 Port submitted to the Clerk of the Board on August 18, 2015; and

22 WHEREAS, Representatives of TZK and Teatro have continued outreach to affected
23 and interested neighbors, community members and stakeholders to solicit public input on the
24 design of the proposed Development and have committed to continued outreach during
25

1 Project entitlement, including public notification of planned discretionary actions related to the
2 Project; and

3 WHEREAS, On September 8, 2015, by Resolution No. 15-31, the Port Commission
4 authorized the Executive Director of the Port to enter into an Exclusive Negotiating Agreement
5 (“ENA”) with the Developer for its proposed Project to negotiate, among other things, a non-
6 binding term sheet describing the proposed terms and conditions to include a lease
7 disposition and development agreement (the “LDDA”), a lease (the “Lease”), and other related
8 transaction documents for moving forward with the Project; and

9 WHEREAS, Staff obtained a fair market appraisal of the Site, a hotel market study, a
10 survey of comparable ground leases, and a feasibility study to inform term sheet negotiations
11 for the Development; and

12 WHEREAS, On April 26, 2016, by Resolution No. 16-18, the Port Commission
13 endorsed a term sheet (“Term Sheet”) that sets forth certain basic financial terms and other
14 fundamental terms and conditions to serve as the basis for the Port and the Developer
15 negotiating a LDDA, a Lease, and other related transaction documents for moving forward on
16 the Project, and directed Port staff to present the Term Sheet to the Board of Supervisors for
17 endorsement; and

18 WHEREAS, The Term Sheet is on file with the Clerk of the Board of Supervisors in File
19 No. 160541, and is incorporated herein by reference; and

20 WHEREAS, The Port and Developer wish to obtain the endorsement of the Term
21 Sheet by the Board of Supervisors; and

22 WHEREAS, The Board of Supervisors has reviewed and considered the proposed
23 terms for a LDDA and Lease as set forth in the Term Sheet; now, therefore, be it

24 RESOLVED, That the Board endorses the Term Sheet, substantially in the form
25 presented to the Board; and, be it

1 FURTHER RESOLVED, That the Board of Supervisors' endorsement of the Term
2 Sheet does not commit the Board of Supervisors, the Port or any other public agency with
3 jurisdiction over any part of the Project to approve the terms of the final Lease or other
4 transaction documents or grant any entitlements to Developer, nor does either Term Sheet
5 endorsement foreclose the possibility of considering alternatives to the Project or mitigation
6 measures to reduce or avoid significant environmental impacts or preclude the City, after
7 conducting appropriated environmental review under the California Environmental Quality Act
8 ("CEQA"), from deciding not to grant entitlements or approve or implement the Project, and
9 while the Term Sheet identifies certain essential terms of the proposed transaction with the
10 City through the Port Commission, it does not set forth all of the final, material terms and
11 conditions of the transaction documents for the Project; and, be it

12 FURTHER RESOLVED, That the Board of Supervisors will not take any discretionary
13 actions committing City to implement the Project, and the provisions of the Term Sheet are
14 not intended to and will not become contractually binding on the City, unless and until the Port
15 Commission has reviewed and considered environmental documentation prepared in
16 compliance with Administrative Code, Chapter 31 and CEQA for the Project and the Port
17 Commission, and as applicable, the Board of Supervisors and the Mayor, have approved the
18 terms of the final transaction documents for the Project.

Port-TZK TERM SHEET

(April 4, 2016)

As required in the Exclusive Negotiating Agreement (ENA) dated as of September 10, 2015 for reference purposes only, this Term Sheet sets forth the basic terms and conditions on which the parties agree to further negotiate and that will be refined and set forth in more detail in the lease disposition and development agreement (“LDDA”), the lease (the “Lease”), and related transaction documents between Port and TZK Broadway, LLC. (“TZK” or “Developer” or “Tenant”).

This Term Sheet is not intended to be, and will not become, contractually binding unless and until environmental review has been completed in compliance with the California Environmental Quality Act and the parties are able and willing to execute and deliver a mutually acceptable LDDA, Lease and related transaction documents regarding the Project. In addition, under San Francisco Charter, no officer or employee of the City and County of San Francisco (the “City”) has authority to commit the City to the transaction contemplated herein unless and until the San Francisco Port Commission has approved the transaction documents and the San Francisco Board of Supervisors (“Board”) of Supervisors has approved the form of Lease.

1. Parties: Developer/Tenant: TZK Broadway LLC, a California limited liability company (“TZK” or “Developer” or “Tenant”) which is comprised of two member companies: Kenwood Investments No. 6, LLC, a California limited liability company (“KWI #6”) and TZZ, LLC, a Washington limited liability company (“TZZ”) established by Teatro ZinZanni.

Landlord: City and County of San Francisco (the “City”), acting by and through the San Francisco Port Commission (the “Port”)

2. Key Party: KWI #6 may not transfer more than 50% of its legal and beneficial interest in TZK without the Port’s prior consent which shall not be unreasonably withheld, conditioned or delayed. TZZ may not transfer any of its legal and beneficial interest in Tenant without the Port’s prior consent which may be withheld in its sole discretion prior to issuance of a certificate of completion, and which shall not be unreasonably withheld, conditioned or delayed after issuance of a certificate of completion. It shall be reasonable for Port to withhold its consent if any transfer of interest would result in the suspension or closure, whether permanent or temporary, of the dinner theater component of the Project during the minimum number of lease years the dinner-theater is required to serve its marquee and catalyst role on the waterfront pursuant to

the City's music and culture sustainability policy (City Admin Code Chapter 90A).

3. Premises or Site: Approximately 57,180 square feet of Seawall Lots 323 and 324 ("SWLs"), and portions of the unimproved Vallejo Street right-of-way on the west side of the Embarcadero at Vallejo Street ("ROWS"), as depicted on the attached **Exhibit "A,"** Site Map, subject to Board of Supervisors' approval of any jurisdictional transfer of the ROWs to Port at no cost to Port or any other approval required from any other City agency for use of the ROWs for the proposed Project.

4. Proposed Development Program: A mixed-use development including a theater and hotel built to conform to the district's height and bulk limits (40X) with allowed rooftop appurtenances, rooftop hotel open space, and new public open space in the northern most part of the Premises. The mixed use development includes:

- a. 180-200 room boutique hotel,
- b. approximately 28,301 square feet of dinner-theater-performance space which will be operated by TZZ's Teatro ZinZanni,
- c. subject to State Lands approval, no more than 10 hotel rooms at any given time for use by artists from outside the Bay Area performing at the theater on a short-term basis, and
- d. approximately 7,500 square-foot public park (collectively, the "**Project**"), all to be built on the Premises at Tenant's sole cost and subject to all required approvals.

A single building with approximately 174,892 square-foot of gross floor area will contain the hotel, short-stay guestrooms, and the dinner-theater. The hotel will occupy approximately 146,591 square-foot of the gross floor area with remaining 28,301 square-feet for the dinner-theater-performance space. A more complete description of the Project is attached as **Exhibit "B," Preliminary Project Description.**

5. Total Development Cost and Sources of Funding: Tenant is solely responsible for the funding of the proposed Project estimated to cost approximately \$124 million as of March 2016, subject to escalations over time. Tenant has indicated that it will fund the development with approximately \$60 million of debt and \$64 million in equity subject to the IRR hurdle rates set forth in Number 18 below.
6. LDDA Effective Date and Period to Close Escrow: The LDDA Effective Date shall begin on the date the Parties fully execute the LDDA (which shall be not more than three (3) months after the Board' approval of the proposed LDDA, if applicable, with the form of Lease attached to the LDDA) and the LDDA shall terminate at the earlier of the date a Certificate of Completion is issued for the Project or the termination of the LDDA Term, subject to two six-month extensions.
- Tenant must close escrow ("COE") within 12 months of LDDA Effective Date subject to two six-month extension options so long as Tenant is not then in default under the LDDA, upon payment of an extension fee described in item No. 8 **Error! Reference source not found.** below. The LDDA terminates if COE does not occur within such time period, subject to force majeure events.
7. LDDA Key Issues to Address: Specifically, among other matters:
- a. The conditions to the Close of Escrow
 - b. The Delivery of the Site under the Lease,
 - c. The scope of the Developer's obligations to construct the Project,
 - d. The Schedule of Performance for various obligations and performance benchmarks, including provisions for defined force majeure events,
 - e. Certain First Source Hiring Program, LBEs, Local Hire, and Prevailing Wage Provisions, and
 - f. The required financing for construction of the proposed improvements.

8. LDDA Fee: Tenant shall pay the Port an LDDA fee in the amount of \$37,500 for the initial 12-month period before COE and \$50,000 for each 6-month extension period, as consideration for having exclusivity over the Premises during the LDDA Term, (the "LDDA Fee"). The LDDA fee will not be prorated.
9. LDDA Termination Fee and Assignment of Project Materials: If the LDDA terminates before the Close of Escrow, due solely to a Tenant Event of Default, then Tenant agrees to pay to Port as liquidated damages a termination fee (the "LDDA Termination Fee") in the amount of \$50,000 and assign to Port all of its consultants work products, including entitlements received to date. If a third-party seeks to obtain and use the work product assigned to the Port, the third-party will be required to negotiate appropriate compensation for the incremental value of the work product.
10. Period to Complete Construction; Extension Fee; Liquidated Damages for Failure to Timely Complete: Tenant must complete construction within the 24-months after lease commencement subject to two six-month extension options at a \$50,000 fee for each extension.
Liquidated Damages for Failure to Timely Complete Construction: If Tenant fails to complete the construction of the Project within the 36-month period the (24 month construction period plus the two 6-month extension periods and extensions for force majeure events) Tenant shall pay Port \$1,150 for each day after the 36 month period has been exhausted and Tenant has yet to complete construction.
11. Reimbursement of Port's Transaction Costs: Developer will reimburse Port for all of Port's actual direct transaction costs incurred during the term of the LDDA, including any extension periods based on the actual direct costs incurred by the Port as demonstrated by a written invoice provided by the Port. The Developer will deposit quarterly a \$45,000 Payment Advance to be applied towards Port's transaction cost. Underpayment and overpayment shall be subject the provisions similar to those under the ENA Section 4.2. There is no cap on the total amount of reimbursable Port's transaction costs. Accrual of new reimbursable transaction costs shall cease upon issuance of the Certificate of Completion. Developer's obligation to reimburse the Port for accrued

unpaid transaction costs shall survive the expiration, termination or issuance of the Certificate of Completion.

12. Performance and Payment Bond: Tenant or its General Contractor(s) will provide the Port with Performance and Payment Bonds or other forms of acceptable credit enhancements, guaranteeing completion of construction of the proposed improvements to the Premises, including timely payment of all construction materials and labor, and all applicable fees.
13. Lease Term: 50 years, plus one 16-year extension option. The 16-year extension option shall be at Tenant's sole and exclusive option, subject to Tenant not being in default under the lease, Tenant having exercised the option to extend no later than two years prior to the end of the Initial Term and Port's review of then-existing conditions including sea level rise.
14. Lease Commencement Date: Close of Escrow under the LDDA.
15. Construction Period Rent: **Lease Years 1 and 2:** For the period commencing as of the close of escrow and ending upon the earlier of issuance of the final certificate of occupancy for the hotel or 24 months after Lease Commencement Date. Construction Period Rent is set at **\$890,000 per year**. Rents to be paid monthly in advance.
16. Minimum Rent Commencement Date: Commencing from the earlier of issuance of the final certificate of occupancy for the hotel or 24 months after Lease Commencement Date.
17. *Minimum Base Rent and Percentage Rent: **Lease Years 3 and 4:**
(Project Operation Years 1 and 2):
- The Greater of:
- Minimum Base Rent: The Greater of:
\$915,000 per year
- Or
- 90% of the percentage rent (i.e. 3.5% of Hotel
- Draft Port-TZK Term Sheet
Port of San Francisco Planning and Development Division
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Gross Revenues) if the hotel has 80% occupancy on an annual basis during the prior year

Lease Years 5-7: (Project Operation Years 3, 4 and 5):

Greater of:

Minimum Base Rent: \$1,366,000 escalated annually by the annual increase of the Consumer Price Index (“CPI”) for the Bay Area subject to a minimum increase of 2.5% and the maximum increase of 3.5% annually.

Or

- Percentage Rent: 3.5% of Hotel Gross Revenues plus 3.5%** of Gross Revenue from Dinner-Theater operations

Lease Years 8 through 12:

(Project Operation Years 5 through 10):

The Greater of:

- **Minimum Rent:** The then existing minimum base rent escalated annually by the annual increase of the CPI subject to a minimum increase of 2.5% and a maximum increase of 3.5% annually

Or

- Percentage Rent: 4.5% of Hotel Gross Revenues plus 3.5%** of Gross Revenue from Dinner-Theater operations

Lease Years 13 through 22:

(Project Operation Years 11 through 20):

The Greater of:

- **Minimum Base Rent:** The then existing minimum base rent reset in Lease Year 13 at greater of Lease Year 12 Minimum Base Rent escalated annually by the annual increase of the CPI subject to a minimum increase of 2.5% increase and a maximum 3.5% increase or 65% of the average of the prior 5 year percentage rent.

Or

- Percentage Rent: 5.5% of Hotel Gross Revenues plus 3.5%** of Gross Revenue from Dinner-Theater operations;
- **Years 23 through 50:**
(Project Operation Years 21 through 48):

The Greater of:

- Minimum Base Rent: The then existing minimum base rent reset in Lease Year 23 escalated annually by the annual increase of the CPI subject to a minimum increase of 2.5% increase and a maximum 3.5% increase or 65% of the average of the prior 5 year percentage rent. Minimum base rent reset at Lease Years 33 and 43 at greater of Lease Years 32 and 42 Minimum Base Rent escalated at between 2.5% to 3.5% annually based on CPI, respectively, or 65% of the average of the prior 5 year percentage rent. Minimum Base Rent escalates annually at between 2.5% to 3.5% annually based on CPI

Or:

- Percentage Rent: 6.5% of Hotel Gross Revenues plus 3.5%** of Gross Revenue from Dinner-Theater operations.
- **The 16-year Extension Period:**
- **Years 51 through 66**
(Project Operation Years 49 through 64):

The Greater of:

- Minimum Base Rent: Lease Year 53 Minimum Base Rent greater of Year 52 Minimum Base Rent escalated annually by the annual increase of the CPI subject to a minimum increase of 2.5% and a maximum of 3.5% annually or 65% of the average of the prior 5 year percentage rent. Minimum Base Rent Reset Lease Year 63 at 65% of the average of the prior 5 year percentage rent and shall be no less than the prior year Minimum Based Rent escalated at

between 2.5% to 3.5% annually based on CPI

Or:

- Percentage Rent: 6.5% of Hotel Gross Revenues plus 3.5%** of Gross Revenue from Dinner-Theater operations.

*The above Minimum Base Rent are projections based on the assumption that the Tenant Project Timeline will be met; however, if there is any delay that results in a longer time for entitlement and construction, then the Minimum Base Rent will be escalated for the time lapsed to reflect the time-adjustment Minimum Base Rent.

**If the existing space for the dinner theater operations is no longer used for dinner theater operations, then the 3.5% percentage rent will be subject to negotiation between the parties such that the percentage rent for the use on such space is in line with other Port retail leases.

A table of the projected Minimum Base Rent during the Term shall be attached to the Lease.

18. Equity Repayment and Return on Equity:

Tenant is limited to earn 18% IRR on actual equity capital invested (“Actual Equity Capital Invested”) in the Project and after earning the 18% IRR, surplus cash flow shall be shared at (i) 70/30 (Tenant/Port) until Tenant receives a 25% IRR and then (ii) 60/40 (Tenant/Port) (collectively, the “IRR Hurdle Rates”). With respect to Tenant only, Actual Equity Capital Invested is defined as the actual amount of money Tenant invests in the Project as “Total Project Costs” through project completion, less tax credit equity, debt, and Port capital contributions made to the Project, if any. The Total Project Cost includes Tenant’s costs directly related to the development and construction of the Project incurred from and after the effective date of the ENA until and including opening of the hotel to the public as follows: (i) Tenant’s hard and soft fees and costs for design, government relations, development, permit processing, impact fees, insurance, and general and administration costs; (ii) all construction costs and fees, including all materials costs and fees, and contractor and subcontractor overhead costs and fees, insurance and performance and payment bonds and costs, and general

and administrative costs and fees; (iv) all legal and other professional costs and fees, (v) all financing costs and fees that are capitalized, (vi) all project-related expenses of Tenant, including reasonable costs incurred in opening the hotel and dinner theater and a proportionate share of Tenant's overhead such as salaries paid by Tenant for employees below the level of manager working directly on the Project, and (vii) a development fee of 5% of hard costs during the development phase of the Project.

The above definition of "Actual Equity Capital Invested" does not apply to subsequent Tenants."

Subject to Port's prior consent, which shall not be unreasonably conditioned, withheld, delayed or denied, future equity invested in the Project shall be entitled to receive the approved IRR Hurdle Rate on its invested equity based only on those amounts of equity that are actually invested into the acquisition, maintenance and operation of the Project, and not for a future equity investor's employment costs or management fees.

19. Port's Share of Excess Cash Flow: After Tenant has earned 18% IRR, Tenant, surplus cash flow shall be shared at (i) 70/30 (Tenant/Port) until TZK receives a 25% IRR and then (ii) 60/40 (Tenant/Port).
20. Port Share of Transfer and Refinance Proceeds: After Tenant has earned 18% IRR, net transfer and refinance proceeds shall be shared at (i) 70/30 (Tenant/Port) until Tenant receives a 25% IRR and then (ii) 60/40 (Tenant/Port).

Net transfer proceeds means all consideration received by or for the account of Tenant in connection with a Transfer less costs incurred in connection with the Transfer, such as legal and broker fees, and transfer proceeds applied so that Tenant can hit either the initial minimum IRR or subsequent IRR so that Port may share in the remaining net transfer proceeds, as further defined in the lease

Net Refinancing proceeds means all funds disbursed by a lender, less (i) funds used (a) to take out any existing loans secured by the leasehold estate, if any, (b) directly for the maintenance and repair of the project, (ii) legal fees associated with the financing, (iii) funds applied so that Tenant can hit either the initial minimum IRR or

subsequent IRR so that Port may share in the remaining net refinancing proceeds, all as further refined in the lease.

21. Security Deposit: Within 30 days prior to the applicable period, Tenant shall provide the Port with a Security Deposit in the following amounts:
- a Two months of Construction Period Rent prior to the commencement of the Construction Period,
 - b Tenant shall increase its Security Deposit every year prior to annual increase of Minimum Base Rent such that the security deposit always equals no less than 2 months of the then Minimum Base Rent.
22. Environmental Oversight Deposit: No later than 60 days prior to estimated opening date of the hotel, Tenant shall provide the Port with its operations plan related to use, storage and disposal of hazardous materials in the Project, which plan will include a list of hazardous materials and their quantities, in the Project. After Port's review of the operations plan, Port may require tenant to deposit an Environmental Oversight Deposit which can be provided through a cash deposit, a letter of credit or other mutually acceptable form of credit enhancement.
23. Payment of Impositions Tenant shall pay when due all impositions, such as possessory tax, license fee, or periodic permits, as applicable.
24. Uses: Approximately 180-200 room hotel, retail/commercial on the ground floor, dinner theater, and privately financed public park. Any change in use of the dinner-theater-performance space will be subject to Port's prior written consent, which consent will not be unreasonably withheld, conditioned or delayed.
25. As-Is Condition: Premises will be delivered in its as-is condition. Port will provide to Tenant all prior studies and reports in its possession pertaining to the Premises in advance of executing the LDDA.

26. Assignment:

Prior to completion of the Project and during the first seven (7) years of the Lease

Tenant may not assign its interest in the LDDA or Lease, as applicable, without the prior written consent of the Port subject to the following: Developer acknowledges that Port is entering into the LDDA and/or Lease on the basis of Developer's special skills, capabilities, and experience. This LDDA and the Lease are personal to Developer and neither is allowed to be Transferred without the Port's prior consent, which consent may not be unreasonably withheld, conditioned or delayed; provided, however, it will be reasonable for Port to withhold its consent to any assignment or transfer (i) that would result in a change in use of the dinner-theater operations and location and provided Port approves of the change in use, the percentage rent owed to Port from the gross revenues from such new use is less than the percentage rent received by Port for similar uses, or (ii) the initial and subsequent IRR thresholds are not reduced to account for the assignee's or transferee's reduced risk on its investment in the Project.

Under the LDDA and/or Lease, "**Transfer**" means: (1) dissolution, merger, consolidation, or other reorganization; (2) any cumulative or aggregate sale, assignment, encumbrance, or other transfer of (i) fifty (50) percent or more of, as applicable, Kenwood's or Tenant's legal or beneficial interests in Developer, or (ii) any percentage of TZZ's legal or beneficial interests in Developer, if applicable; (3) the withdrawal or substitution (whether voluntary, involuntary, or by operation of law and whether occurring at one time or over a period of time) of any member of Developer owning ten (10) percent or more of the interests in Developer or rights to its capital or profits; (4) the occurrence of any of the events described in (1), (2), or (3) with respect to either Kenwood Investments, LLC No. 6 or TZZ, LLC, or such other entity related to any subsequent assignee or transferee Port requires in connection with the applicable assignment or transfer; or (5) Darius Anderson or Norman Langill are no longer actively involved in the day-to-day operations of the Project.

No Transfer made with Port's consent, or as herein otherwise permitted, will be effective unless and until Port receives within thirty (30) days after the applicable transferor has entered into a transfer agreement with the

transferee, an executed counterpart of such transfer agreement and any changes or amendments of any operating agreement in connection with such Transfer.

27. Sublease: All subleases are subject to the prior written consent of Port, which consent will not be unreasonably withheld, conditioned or delayed; provided, however, it will be reasonable for Port to withhold its consent to any sublease that would result in a change in use of the dinner/theater operations and location and provided Port approves of the change in use, the percentage rent owed to Port from the gross revenues from such new use is less than the percentage rent received by Port for similar uses any change in use. All subleases are subject to Port Percentage and Participation Rents.
28. Leasehold Financing: Tenant has the right to obtain construction financing, mezzanine financing, other interim financings, and permanent take-out financing from bona fide institutional lenders for the development of the Project that will be secured by Tenant's leasehold interest.
29. Maintenance and Repair of all components of the Project, including the Park: Sole responsibility of Tenant.
30. Utilities: Port makes no representation regarding existing utilities (including water and sewer) or need to construct new utilities (including water and sewer) or relocate existing utilities (including water and sewer) for development of the Project. Sole responsibility of Tenant.
31. Hazardous Materials: Sole responsibility of Tenant, provided Tenant will not be responsible for any pre-existing hazardous materials so long as they are not released or exacerbated by Tenant or its agents or invitees.
32. The development must be self-supporting: Tenant is responsible for providing the Port with a balanced development pro forma that takes into account reasonable sources and uses, feasible financial projects and assumptions, the Equity IRR and Equity Return, all Port Rent of any kind and ample reserves for debt service,

maintenance and operation reserves. Hotel operator and management selection are also the responsibility of Tenant subject to Port consent as described below.

33.

Competent Hotel Management and Approval of Management Agreement Required; Approved Operating Standard:

Tenant's final selection of a hotel management company and the approval of the hotel management agreement are both subject to prior review, acceptance and approval by Port, which review and acceptance shall not be unreasonably withheld, conditioned or delayed.

Except as may otherwise determined by the Port Commission, at a minimum, any hotel management company must have no less than 10 years' of reputable experience operating no less than 3 boutique hotels, in a manner similar to Generally Accepted Operating Standards for downtown locations of major cities in the United States or if the operator does not meet the foregoing minimum qualifications, as may be otherwise determined by the Port in its sole discretion, which determination shall not be unreasonably withheld, conditioned or delayed.

The hotel management company must operate the hotel in a commercially reasonable manner that seeks to maximizes hotel gross revenues

After notice to Tenant, and good faith discussions between Tenant and Port, the Port may require Tenant to remove the then current hotel management company if the hotel is operated in a manner that is less than the manner for Generally Accepted Operating Standards for downtown locations in major cities in the United States and is not maximizing hotel gross revenues.

"Generally Accepted Operating Standard" shall be further defined in the Lease, but at a minimum, shall mean operation and maintenance of a hotel (including the public park) at a level that (i) meets hospitality and service standards at other comparably sized boutique hotels in San Francisco of the highest quality, and (ii) attains from and after the 2nd anniversary of hotel operations, an overall rating of at least 3 diamonds from the American Automobile Association ("AAA") at least 3 years out of each and every consecutive 4 year period during the lease term, (iii) incorporates 4 diamond standards, as

established by AAA, into the design, furniture, fixtures, equipment, utilities, finishes and ambiance of the lobby and guest room areas, and (iv) complies with Port's good neighbor policy.

"Boutique Hotel" means a public, lodging establishment having approximately 180-200 separately keyed guest rooms that provides superior services, facilities and amenities for its guests at no less than the Generally Accepted Operating Standards, but which do not necessarily provide all of the services of a full-service hotel, such as a full-service conference, meeting, food and beverage or catering facilities, a full-service health club and spa, or other full-service recreational facilities.

34. No Subordination of Fee Interest or Rent: Under no circumstance will Tenant place or suffer to be placed any lien or encumbrance on Port's fee interest in the Premises. Port will not subordinate its interest in the Premises nor its right to receive rent to any mortgagee.
35. Parking: Tenant has the responsibility to provide an off-site parking plan to accommodate the Project. The Port agrees to consider providing Tenant with off-site parking options that may become available on Port properties on the same terms and conditions that the Port provides to any other parking tenants or licensees.
36. Trust Consistency: Port requires Tenant to submit its Trust Consistency plan to the Port for review and comments. If appropriate or necessary, Port will work with Tenant to obtain trust consistency letter from State Lands Commission staff or approval of the proposed project, including rooms in the hotel for short-term use by artists from outside the Bay Area.
37. Regulatory Approval: Tenant is responsible for obtaining all regulatory approvals, at its sole cost and expense.
38. Public Park and Open Space: Tenant is responsible for funding the costs of construction, operation and maintenance of the proposed public park and during the Lease Term at its sole cost and expense.

39. Use Program and Conceptual Design: Tenant is responsible for providing the floor area square footages and schematic design diagrams for all major and minor categories of uses of the proposed Project as part of its efforts to entitle the Project.
40. Development Management Plan: Developer/Tenant is responsible for the legal, financial, and operation management plans for all phases of the proposed Development.
41. Initial Comprehensive Financial Plan Demonstrating Development Feasibility: Tenant is responsible for providing a preliminary comprehensive financial plan that supports the feasibility of the constituent elements of the proposed development, and the feasibility must be mutually agreed upon by the Port and Tenant, which agreement shall not be unreasonably withheld, conditioned or delayed.
42. List and Analysis of Public Benefits: Tenant is responsible for providing a list of the expected public benefits of the Development along with quantitative characterization of the benefits. The benefit list and its characterization are subject to the mutual determination of the Port and Tenant and Port shall not unreasonably withhold condition or delay its approval.
43. Standard Lease Terms The Lease will include other standard lease terms customary for a Port lease, including but not limited to force majeure event provisions.

Attached Exhibits:

- Exhibit "A," Site Map
- Exhibit "B," Preliminary Project Description
- Exhibit "C," Performance Schedule

Exhibit "A"
Project Description

Exhibit "B"
Preliminary Project Description

Exhibit "C,"
Performance Schedule



**City and County of San Francisco
Edwin M. Lee, Mayor**

EXCLUSIVE NEGOTIATION AGREEMENT

By and Between

**THE CITY AND COUNTY OF SAN FRANCISCO
acting by and through the
SAN FRANCISCO PORT COMMISSION**

And

**TZK BROADWAY, LLC
a California limited liability company**

SEAWALL LOTS 323 AND 324

San Francisco Port Commission

**Leslie Katz, President
Willie Adams, Vice President
Kimberly Brandon, Commissioner
Doreen Woo Ho, Commissioner**

**Monique Moyer
Executive Director**

September 10, 2015

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EXHIBITS

- Exhibit A: The Site
- Exhibit B: Performance Benchmarks
- Schedule 1: FEMA Disclosure Notice

EXCLUSIVE NEGOTIATION AGREEMENT

This Exclusive Negotiation Agreement (this "Agreement") dated as of September 10, 2015, for reference purposes only, is by and between the **CITY AND COUNTY OF SAN FRANCISCO** (the "City"), a municipal corporation acting by and through the **SAN FRANCISCO PORT COMMISSION** (the "Port" or the "Port Commission"), and **TZK BROADWAY, LLC**, a California limited liability company ("Developer" or "TZK"). Locations of defined terms are listed in *Section 17*.

RECITALS

A. Seawall Lot 323 ("SWL 323") and Seawall Lot 324 ("SWL 324") are two nearly triangular land parcels with a combined surface area of approximately 42,719 square feet with frontages on The Embarcadero, Broadway, Davis and Vallejo Streets (collectively, the "SWLs"). The SWLs are to be developed with the two abutting right-of-way parcels ("ROW") that form the terminus of Vallejo Street and Davis Street as they intersect The Embarcadero. The Vallejo Street ROW is approximately 4,842 square foot in area and the Davis Street ROW is approximately 9,619 in area. The SWLs and the two ROWs have a combined land area of 57,170 square feet and they collectively constitute the site for the proposed development described in this Agreement (the "Site").

B. SWL 323 and SWL 324 (part of City Assessor's Block 138 and 139 respectively) are part of the Northeast Waterfront area of Port of San Francisco Waterfront Land Use Plan. Hotel, entertainment, theatre and public open space are listed as acceptable uses for the SWLs in Port's Waterfront Land Use Plan, the City Planning Department's Northeastern Waterfront Subarea Plan, and the Planning Department's Northeast Embarcadero Study issued in June of 2013. The Site is also in the Northeast Waterfront Historic District and is within a C-2 (Community Business) zoning district and a 40-X Height and Bulk district. The Site is subject to the common law public trust doctrine, as well as the terms and conditions of the Burton Act, which is the trust grant from the State of California to the City (sometimes referred to collectively as the "public trust")

C. The Site is currently operated as a surface parking lot by Priority Parking CA pursuant to that certain Lease No. L- 14747 dated October 1, 2009 ("Existing Lease"). The Existing Lease generated approximately \$1 million in net revenue to Port in fiscal year 2014-2015. Port expects to solicit proposals for a new parking operator at the Site, select the next parking operator, and enter into a new agreement for parking operations at the Site sometime in 2016 (together with the Existing Lease, the "Parking Operation Agreements").

D. Port and One Reel, a Washington State nonprofit corporation ("Teatro"), entered into that certain Lease No. L-12847 in 1999 (as amended, the "Theater Lease") for Teatro to use certain portions of Piers 27 and 29 for its dinner theater and cabaret operations named Teatro ZinZanni. The Theater Lease expired in 2005, and continued on a holdover month-to-month basis until 2011. To accommodate the 34th America's Cup and the construction of the new James R. Herman Cruise Terminal on Pier 27, Port and Teatro mutually agreed to terminate the Theater Lease and identified a portion of SWL 324 as a potential relocation site pursuant to that certain Mutual Agreement for Lease Termination and Reservation of Rights Agreement dated August 12, 2011 ("Mutual Termination Agreement"). If Teatro satisfied certain pre-conditions (such as completion of environmental review and project design compatible with the Northeast Waterfront Historic District), the parties would enter into a new lease on a portion of SWL 324.

E. Teatro initially proposed using temporary structures for its operations on a portion of SWL 324, with a lease term not exceeding 10 years. But there were concerns from various stakeholders that temporary structures would be incompatible within the historic district.

F. In early 2013, Teatro concluded that for it to amortize the cost of constructing permanent structures, it would need a long-term lease of at least 10 years; an expanded land use program capable of generating the required revenues and investment returns to support the development cost; and a larger site to accommodate the expanded use program. It proposed that its leasehold premises be expanded to include all of SWL 324 and the adjacent SWL 323.

G. In late 2013, Teatro began seeking a lease with Port that would allow it to pursue the feasibility of its expanded proposal. The expanded proposal includes building a new privately financed, state-of-the-art theatre as a long-term home for Teatro's dinner theatre performance and a state-of-the-art boutique hotel comprised of a maximum of 200 rooms, including up to 10 transient residences for visiting Teatro artists, situated within a 40-foot, four-story building, together with related public infrastructure and access improvements and other improvements, including construction of a new public park at the north end of the Site (collectively, the "Project"). Teatro determined that it needed development expertise for the expanded program.

H. TZZ is partnering with Kenwood Investments specifically for its additional expertise on hotel development and project financing. Kenwood Investments has San Francisco Bay Area expertise in developing and obtaining project financing for a variety of developments throughout the Bay Area such as Treasure Island Community Development, the developer of Treasure Island, The Aquarium of the Bay at Pier 39, the approximately 400-slip marina proposed for the Treasure Island, a proposed 62-room hotel with 80-seat restaurant in Sonoma, Sonoma Ramekins Culinary School/event center/Inn, Cornerstone Event Center in Sonoma and Sonoma Media Investments, to name a few. Teatro is now operating as TZZ, LLC, a Washington limited liability company ("TZZ"). TZZ is also an affiliate of Teatro. TZZ, LLC and Kenwood Investments No. 6, LLC ("Kenwood"), an affiliate of Kenwood Investments, are the sole members of TZK.

I. The policy of the San Francisco Board of Supervisors (the "Board"), as set forth in Administrative Code Section 2.6-1, is to competitively bid opportunities to lease City property or facilities, except where competitive bidding is impractical or impossible. A significant number of neighbors and community stakeholders expressed supports for Teatro to reopen in the waterfront, and Teatro began seeking an exemption from the City's competitive bidding policy after consultation with Port.

J. On October 28, 2014, the Port Commission approved Resolution No. 14-58 directing Port staff to assist Teatro and Developer in developing and introducing a resolution to the San Francisco Board to consider exempting the proposed Project from the competitive bidding policy of Administrative Code Section 2.6-1 with respect to the potential lease of the Site to Developer.

K. On May 5, 2015, the Board adopted Resolution No. 170-15 (the "Board Resolution"), which found that the proposed Project is exempt from competitive bidding requirements of Administrative Code Section 2.6-1 on the following basis: the unique, one-of-a-kind attributes of Teatro; the unique opportunity presented by Developer's proposal to build and finance the Project; Teatro's position as a tenant in good standing under Port policies; the provisions of the Mutual Termination Agreement; and, in keeping with Administrative Code Chapter 90A to retain an important entertainment icon, provide performer lodging and workforce training, and numerous other public benefits to the City and the region that the proposed Project would produce, as further described in the Board Resolution.

L. The Board Resolution also (i) urged Port, Teatro and Developer to engage in continued outreach to affected and interested neighbors, community members and stakeholders to ensure that the proposed Project is designed with public input; (ii) urged Port to hire a third

party real estate economic consultant during negotiations with Developer to ensure Port receive fair market value for the lease of the Site; and (iii) directed Port to submit to the Clerk of the Board a copy of Port's real estate consultant's report confirming TZK's financial capacity and qualifications to develop the Project prior to the Port Commission hearing at which the Port Commission considers awarding the this Agreement to Developer.

M. Port staff and a Port-hired third-party real estate consultant reviewed Kenwood Investments' qualifications and financial capacity to develop the Project and issued a report confirming that Kenwood Investments is qualified to develop the Project ("**Qualification Determination**"). Port staff submitted a copy of the Qualifications Determination to the Clerk of the Board on August 18, 2015.

N. On September 8, 2015, the Port Commission adopted Resolution No. 15—31 and authorized and directed Port's Executive Director (the "**Executive Director**"), or her designee, to enter into this Agreement, with the understanding that the final terms and conditions of the Transaction Documents will be subject to approval by the Port Commission and, as applicable, the Board.

O. This Agreement sets forth the process, terms, and conditions upon which Port and Developer will negotiate terms for the lease disposition and development agreement ("**LDDA**"), long-term lease (the "**Lease**") and other related agreements and documents (collectively, the "**Transaction Documents**") for the development and operation of the proposed Project on the Site.

AGREEMENT

1. AGREEMENT.

1.1. *Conditions Precedent.* Before the Effective Date, Developer must deliver to Port the following items:

- (a) A \$25,000 check made payable to Port representing a portion of the Negotiation Fee;
- (b) The first Payment Advance of Forty-Five Thousand Dollars (\$45,000) to cover the anticipated Transaction Costs for the period from and including September 8, 2015 through and including December 31, 2015;
- (c) A copy of Developer's (and its managing member's) certificate of incorporation, certified by the California Secretary of State ("**Secretary of State**") as a true and correct copy on file with the Secretary of State; and
- (d) An original of Developer's (and its managing member's) certificate of good standing issued by the Secretary of State no earlier than thirty (30) days prior to the Effective Date.

1.2. *Exclusive Negotiations.*

(a) During the term of this Agreement (as extended or earlier terminated, the "**Exclusive Negotiation Period**"), and subject to *Section 2.4* (Port's Reserved Rights), Port will not solicit or consider any other proposals or negotiate with any other tenant or developer with respect to the long-term development of the Site without Developer's consent.

(b) Developer acknowledges that: (i) certain portions of the Site are subject to existing interim leases, licenses or other occupancy agreements and practices, including the Parking Operation Agreements; and (ii) as further provided in *Section 2.4*, Port has the continuing right to enter into additional interim leases, licenses and other occupancy and agreements at the Site, as long as Port delivers exclusive possession of the Site to Developer when required under the Transaction Documents, should the Project be approved.

2. TERM; EXTENSION OPTIONS; FORCE MAJEURE; PORT'S RESERVED RIGHTS.

2.1. Initial Term. The initial term of the Exclusive Negotiation Period (the "Initial Term") will commence on the date the Executive Director executes this Agreement (the "Effective Date") and will expire one (1) year after the Effective Date (the "Initial Expiration Date"), subject to extension or earlier termination as provided in this Agreement.

2.2. Extension Options.

(a) Subject to satisfaction of all the conditions set forth in this *Section 2.2*, Developer has four (4) consecutive options (each an "Extension Option") to extend the Exclusive Negotiation Period by an additional six (6) months each (each an "Extension Term"). If Developer fails to timely exercise any Extension Option in accordance with this *Section 2.2*, then such applicable Extension Option and any subsequent Extension Option or Extension Options will immediately and automatically terminate without the need for any action or documentation by either party.

(b) The term "First Extended Expiration Date" means the date that is six (6) months after the Initial Expiration Date. The term "Second Extended Expiration Date" means the date that is six (6) months after the First Extended Expiration Date. The term "Third Extended Expiration Date" means the date that is six (6) months after the Second Extended Expiration Date. The term "Extended Expiration Date" means as applicable, the First Extended Expiration Date, the Second Extended Expiration Date, or the Third Extended Expiration Date. The term "Expiration Date" means the Initial Expiration Date or if the term of this Agreement has been extended in accordance with this *Section 2.2*, then "Expiration Date" means the last day of the applicable Extension Term.

(c) In order to exercise any Extension Option, Developer must satisfy all of the following conditions:

(i) The Executive Director is satisfied in her reasonable judgment that Developer has satisfied, or is making good faith and reasonable efforts to satisfy, all of the Performance Benchmarks described in *Exhibit B* (the "Performance Benchmarks") by the Initial Expiration Date and the applicable Extended Expiration Date, as applicable;

(ii) There is no Developer Event of Default and there has been no event, with the passage of time, that would result in a Developer Event of Default;

(iii) Port has received Developer's written notice of its election to extend the Exclusive Negotiation Period at least two (2) weeks prior to, as applicable, the Initial Expiration Date or the applicable Extended Expiration Date; and

(iv) Port has received the Extension Fee prior to, as applicable, the Initial Expiration Date or the applicable Extended Expiration Date.

(d) Except for the Expiration Date and if applicable, the changes in the Performance Benchmark performance dates, all other terms and conditions of this Agreement will remain in full force and effect.

2.3. Force Majeure Event.

(a) If Developer is unable to satisfy any Performance Benchmark because of a Force Majeure Event, then Developer will have the option to extend the Exclusive Negotiation Period (a "Force Majeure Extension") upon notice to the Port (the "Force Majeure Notice"), which must be given within 30 days after Developer first learns of the Force Majeure Event. In the Force Majeure Notice, Developer must describe the Force Majeure Event and provide its good faith estimate of the dates by which Developer will be able to satisfy the remaining Performance Benchmarks, the last of which must be on or before the Upset Date. The dates for Developer's

performance of the remaining Performance Benchmarks will be extended to the dates specified in the Force Majeure Notice unless any of the following applies:

(i) The Port gives Developer notice within 10 days after Port's receipt of the Force Majeure Notice that, based on the Port's reasonable judgment, no basis for a Force Majeure Extension exists; or

(ii) A Terminating Event has occurred; or

(iii) An Event of Default, or an event that, with notice or the passage of time or both would constitute an Event of Default, has occurred and is uncured when Developer gives its Force Majeure Notice.

(b) Except for the Expiration Date and the changes in the Performance Benchmark performance dates, all other terms and conditions of the Agreement will remain in full force and effect during a Force Majeure Extension. With respect to any Force Majeure Event, the parties agree to proceed with due diligence and cooperate with one another to defend and resolve the dispute, and acknowledge that the resolution of the Force Majeure Event may affect Term Sheet provisions to which they have previously agreed and require additional Term Sheet negotiations.

(c) Under no circumstances may a Force Majeure Extension extend beyond the Upset Date unless expressly agreed in writing by both parties, in their respective sole and absolute discretion, and approved by the Port Commission, in its sole and absolute discretion.

(d) The following definitions apply in this Agreement.

(i) "Force Majeure Event" means any proceeding before any court, tribunal, or other judicial, adjudicative, or legislative decision-making body, including any administrative appeal that challenges the validity of any City or Port Regulatory Approval with respect to the Project, including any findings under CEQA, if the pendency of the proceeding is reasonably likely to prevent the parties from timely entering into the Transaction Documents. Force Majeure Events include litigation related to a Fiscal Feasibility Determination (if any), Port Endorsement or Board Endorsement, or approval of any of the Transaction Document by Port or the Board, as applicable. Force Majeure Events exclude any action or proceeding brought by any Developer Affiliate or their Affiliates, any Developer consultant, or any other third party assisted directly or indirectly by Developer.

(ii) "Upset Date" means the date that is 24 months after the Expiration Date applicable for the period covered by the most recent Extension Option exercised by Developer and granted by Port in accordance with *Section 2.2*.

2.4. Port's Reserved Rights. During the Exclusive Negotiation Period, the Port Commission reserves the right, in its sole discretion, to take or not take, any or all of the following actions:

(a) Enter into interim leases, licenses or other occupancy agreements, including the Parking Operation Agreements, for any portion of the Site Port' so long as they expire or are terminable by Port without penalty, cost or expense to Developer before the anticipated close of escrow under the LDDA;

(b) Direct the Executive Director to waive, extend or conditionally extend the time to complete the various Performance Benchmarks by the applicable dates set forth in *Exhibit B* attached hereto (the "Performance Dates");

(c) Extend the Exclusive Negotiation Period.

(d) If negotiations with Developer under this ENA are unsuccessful and do not lead to approval of a LDDA within the Exclusive Negotiation Period, to negotiate with

another developer for the long-term development of the Site or to undertake other efforts with the Site including, but not limited to, issuing a request for proposals.

(e) Expand or contract the scope of the Project by adding or removing minor areas to or from the Site, committing or withholding public financing, or otherwise altering the Project concept from that initially proposed to respond to new information, community, regulatory or environmental issues, or opportunities to improve the financial return to Port from the Project, or to enhance public benefits.

3. NEGOTIATION OF TERM SHEET

3.1. *Negotiating Principles.* During the Exclusive Negotiation Period, Port and Developer (i) will each assign a principal (i.e., an officer, board member, executive employee, or other agent with management level authority) who will negotiate on its behalf, and (ii) use commercially reasonable efforts to meet and negotiate to complete a Term Sheet and Transaction Documents conforming to the Term Sheet, in mutually satisfactory forms approved by the Office of the City Attorney.

3.2. *Term Sheet.*

(a) ***Generally.*** The parties will negotiate a non-binding term sheet for the Project (the "Term Sheet"). The Term Sheet will describe the basic elements of the Project, site plan, use program, economic parameters, and fundamental terms that will serve as a basis for negotiating the Transaction Documents. Except to the extent agreed otherwise, the Term Sheet must address the following terms:

(i) guaranteed minimum rent to Port equal to the higher of \$1,250,000 per year or the fair market rent, plus percentage rent, each subject to annual increases;

(ii) Port participation in sale and refinancing proceeds;

(iii) mechanisms to ensure that the Project is self-supporting;

(iv) Developer is solely responsible for all development and operating costs of the Project without any cost or liability to Port;

(v) acknowledgement that Port's interest in the land will be superior to any debt, and that Port will not incur costs for or otherwise subsidize the Project;

(vi) specific requirements for creating, maintaining, and retaining a public park and open space as permanent conditions of the Project;

(vii) a complete description of proposed design and use program for the Site that is consistent with the public trust;

(viii) the proposed use program and improvements to the Site, including height and massing, and conceptual substructure and seismic designs;

(ix) operation plan;

(x) a viable financial plan along with any proformas and financial information requested by Port to evaluate the Developer's financial proposal; and

(xi) necessary data to support an analysis of tax, economic and employment benefits of the Project.

3.3. *Fiscal Feasibility Determination.* The parties acknowledge that the Project may be subject to the Board finding that it is fiscally feasible under Administrative Code Chapter 29 ("Fiscal Feasibility Determination"). The parties further acknowledge that if a Fiscal Feasibility Determination is required, environmental review under the California Environmental Quality Act ("CEQA") cannot be commenced before the Board makes the Fiscal Feasibility Determination.

Whether Fiscal Feasibility Determination is required will be determined prior to presenting the Term Sheet for endorsement to the Port Commission.

3.4. Term Sheet Endorsements.

(a) **Port Endorsement.** After the parties agree on the Term Sheet, the Executive Director will recommend that the Port Commission endorse the Term Sheet ("Port Endorsement"). Following Port Endorsement, references to the Project in this Agreement will mean the Project as reflected in the Port Endorsement.

(b) **Board Endorsement.** Subject to Port Endorsement, Port will submit the Term Sheet to the Board for its review and endorsement ("Board Endorsement") concurrently with a request for Fiscal Feasibility Determination if required. Developer and Port agree to use reasonable efforts to coordinate and cooperate with the Board to schedule hearings on the earliest feasible dates. At Port's request, Developer will attend the hearings and, if requested, make presentations on the Project to the Port Commission, the full Board and any of its committees.

(c) **No Board Endorsement or No Fiscal Feasibility Determination.** If the Board does not issue a Board Endorsement or make a Fiscal Feasibility Determination if required, then the following will occur:

(i) Either party may initiate additional Term Sheet negotiations to address the Board's concerns by giving notice to the other party no later than five (5) days after the full Board Hearing to consider the Board Endorsement (a "Negotiation Notice"). The parties agree to negotiate in good faith to revise the Term Sheet during a 60-day period that starts immediately after delivery of the Negotiation Notice ("Negotiation Period"), but Port will not be required to agree to revise terms that would (1) violate the public trust or its goals and objectives under the Waterfront Land Use Plan in its reasonable judgment, or (2) increase Port's or City's liabilities or obligations or decrease Port's or City's financial return from the Term Sheet initially submitted to the Board. If the parties agree on the terms of a revised Term Sheet (the "Revised Term Sheet") within the Negotiation Period, the Executive Director will present the Revised Term Sheet to the Port Commission for its review and approval. If the Port Commission approves the Revised Term Sheet, Port will present the Revised Term Sheet to the Board for its endorsement. If the Board endorses the Revised Term Sheet, all references in this Agreement to the Term Sheet will mean the Revised Term Sheet where appropriate in context. If the Board does not endorse the Revised Term Sheet, this Agreement will automatically terminate.

(ii) Either party may terminate this Agreement on no less than five (5) days' notice given to the other party ("Termination Notice"). The Termination Notice must be delivered within fifteen (15) days after the Board's vote not to grant the Board Endorsement. But subject to the immediately following sentence, if the other party delivers a Negotiation Notice within the five (5)-day period under *Section 3.4(c)(i)*, the Termination Notice will be suspended during the Negotiation Period and be deemed rescinded if the parties agree to a Revised Term Sheet during the Negotiating Period. The suspension of the Termination Notice will apply only to the Board's failure to endorse the Term Sheet and will not apply to the Board's failure to endorse the Revised Term Sheet.

(iii) This Agreement will terminate automatically if any of the following occur: (1) neither party gives a timely Negotiation Notice or Termination Notice; (2) the parties do not agree on a Revised Term Sheet during the Negotiation Period; (3) the Port Commission does not endorse the Revised Term Sheet; or (4) the Board does not endorse the Revised Term Sheet.

(d) **Execution of Term Sheet.** Developer will execute the Term Sheet before it is submitted to the Port Commission and the Board for endorsement. Neither Port Executive Director nor any other City or Port official will have any obligation to execute the Term Sheet until both Port Endorsement and the Board Endorsement have become effective. The parties acknowledge that the Term Sheet is intended only to set forth general principles for negotiation

of the Transaction Documents. The Transaction Documents will be subject to review and approval by the parties, their respective legal counsel, and the Port Commission, and as applicable, by the Board (including approval of the Lease by the Board under Charter Section 9.118). Irrespective of whether the Term Sheet is executed by Port, the Port and the City cannot be bound by any of the Transaction Documents until the Transaction Documents are executed by Port only after approval by the Port Commission and as applicable, the Board, in their respective sole and absolute discretion.

3.5. Subsequent Changes. After execution of the Term Sheet, Developer may propose modifications or changes to the Term Sheet and Project (“Developer’s Proposed Changes”) if the changes are in response to any Regulatory Agency’s (including Port) request, guidance or requirements or if Developer reasonably believes the changes to be in the best interests of Port or the Project. If Port reasonably determines that Developer’s Proposed Changes would: (a) materially alter the Project described in the Term Sheet; (b) materially increase Port’s liability with respect to the Project; (c) materially adversely affect Port’s Management Obligations; or (d) materially decrease Port’s financial return from the Project as agreed in the Term Sheet then, within 45 days after Port notifies Developer of this determination, Developer must present Developer’s Proposed Changes to the Port Commission for consideration and endorsement. As part of any request for approval, Developer must present a detailed description of each of Developer’s Proposed Changes and explain the reasons supporting each change. The Port Commission, in its sole and absolute discretion, may approve or disapprove all or any of Developer’s Proposed Changes. None of Developer’s Proposed Changes will take effect until explicitly endorsed by the Port Commission. Additionally, Port, in its sole discretion, may submit Developer’s Proposed Changes to the Board for endorsement. Both the subsequent Port Endorsement and if determined by Port to be required, the Board Endorsement, of Developer’s Proposed Changes are conditions to Port Executive Director’s obligation to accept Developer’s Proposed Changes.

4. REQUIRED PAYMENTS.

In consideration of the right to negotiate exclusively with Port for the Site, Developer agrees to pay Port a non-refundable negotiation fee in accordance with *Section 4.1(a)* (the “Negotiation Fee”), non-refundable Extension Fees in accordance with *Section 4.1(b)* if the Term is extended (the “Extension Fee”), and the Transaction Costs in accordance with *Section 4.2*. Any sums payable to Port under this Agreement must be tendered in United States currency in immediately available funds when due. Time is of the essence regarding all such payments.

4.1. Negotiating Fee and Extension Fee.

(a) Negotiation Fee. As consideration for the right to negotiate exclusively with Port for the Site during the Initial Term, Developer will pay to Port a Negotiation Fee equal to a maximum of One Hundred Thousand Dollars (\$100,000). The Negotiation Fee is payable to Port in the following increments:

(i) Twenty-Five Thousand Dollars (\$25,000) before the Effective Date;

(ii) Twenty Five Thousand Dollars (\$25,000) on or before six (6) months after the Effective Date.

(iii) The balance of the Negotiation Fee in the amount of Fifty Thousand Dollars (\$50,000) on or before the date of the closing specified in the LDDA.

(b) Extension Fee. In consideration of the right to extend the Initial Term, Developer must pay an Extension Fee to Port in the amount of Fifty Thousand Dollars (\$50,000) for each six (6) month Extension Term on or before the Initial Expiration Date or if applicable, the applicable Extended Expiration Date.

(c) No Proration. The Negotiation Fee and the Extension Fees will not be prorated for any reason and are non-refundable.

4.2. Transaction Costs.

(a) In addition to the Negotiating Fee and if applicable, the Extension Fees, Developer agrees to pay all Transaction Costs that Port incurs from September 8, 2015 (the date the Port Commission authorized exclusive negotiations with Developer) through the expiration or earlier termination of the Exclusive Negotiation Period in accordance with this *Section 4.2*.

(b) Port will use Payment Advances as needed to reimburse Port for its Transaction Costs during the Exclusive Negotiation Period. The first Payment Advance is due prior to the Effective Date and covers the period from and including September 8, 2015 through and including December 31, 2015. Each subsequent Payment Advance is due on the first day of every subsequent calendar quarter (i.e., January 1, April 1, July 1, and October 1). The parties agree and acknowledge that a Payment Advance may not cover all of Port's Transaction Costs incurred for the period covered by such Payment Advance. Accordingly, irrespective of any Payment Advances paid to Port, Developer must pay any Underpayment to Port within five (5) business days after Port's delivery of the Port Statement showing an Underpayment. Within thirty (30) days after the end of each calendar quarter during the Exclusive Negotiation Period or following a termination or expiration of this Agreement, Port will provide Developer with a Port Statement for such applicable period. Developer's obligation to pay any Underpayments will survive the expiration or earlier termination of this Agreement.

(c) Developer expressly agrees that Port may apply any Overpayment against any Negotiating Fee then owed to Port after this Agreement terminates. Subject to the immediately following sentence, any remaining Overpayment will be returned to Developer within ninety (90) days after this Agreement terminates. The parties expressly agree and acknowledge that the LDDA will contain a provision for Developer's payment of Port's transaction costs (to be defined in the LDDA) incurred during the term of the LDDA, and that any Overpayment that Port holds when the LDDA is executed will be applied to transaction costs during the term of the LDDA.

(d) The following terms have the meanings set forth below:

"Consultant Invoice" means an invoice for Outside Transaction Costs.

"Outside Transaction Costs" means all reasonable costs that Port incurs for services of architect, engineering, appraisal, real estate, economics, and other professional consultants, construction management services, and City Attorney and outside counsel fees and costs.

"Overpayment" means Payment Advances paid by Developer in excess of the actual Transaction Costs for the periods covered.

"Payment Advance" means an installment payment by Developer to Port to be applied towards Port's Transaction Costs. Each Payment Advance will equal Forty-Five Thousand Dollars (\$45,000).

"Port Statement" means a reasonably detailed statement showing Transaction Costs incurred by Port for, and Port's application of previously paid Payment Advances during, the immediately preceding quarter, including a calculation of the difference between the amounts of the Payment Advance and actual Transactions Costs for the immediately preceding quarter. Port will include in Port Statement any Consultant Invoices for any Outside Transaction Costs paid during that quarter.

"Transaction Costs" means expenses reasonably incurred by Port during the Exclusive Negotiation Period for the Project, such as costs for: (i) Port staff time spent on the Project and Outside Transaction Costs; (ii) negotiating this Agreement, the Term Sheet, the LDDA, the Lease, and other Transaction Documents; (iii) CEQA review; (iv) obtaining entitlements for

which Port is required to be a co-permittee or co-applicant; (v) review of the Project's public trust consistency by State Lands, including, if necessary, any legislative process pursued to obtain legislative authorization of trust consistency; (vi) community outreach and other public meetings; (vii) materials prepared for the Port Commission and the Board, including studies, legislative reports, findings, and resolutions; and (viii) review of architectural design and schematic drawings, plans and specifications.

"Underpayment" means the amount of actual Transaction Costs incurred by Port to date as set forth in a Port Statement that exceeds the Payment Advance paid by Developer for such applicable period.

4.3. Survival. The provisions of this *Section 4* will survive the expiration or Termination of this Agreement.

4.4. Acknowledgements. The parties acknowledge and agree that: (a) under California Government Code section 87103.6, Developer's payments to Port and the City are not a "source of income" within the meaning of the California Political Reform Act; (b) Port reserves the full and sole discretion and authority to determine which consultants, contractors, or employees to hire or assign to work on Port's and City's behalf on the Project, to direct and evaluate their work and to establish the amount of compensation paid; (c) Developer will have no control over which Port or City account is used to pay for their consultants, contractors, or employees; (d) Developer will have no right to withhold payment of or recover from Port or the City any portion of the Negotiating Fee, Extension Fee or Transaction Costs that have become due and payable under this Agreement (regardless of whether or not a Term Sheet, LDDA, Lease and/or other Transaction Document is executed; and (f) Developer's obligation to pay any portion of the Negotiating Fee, Extension Fee, and Transaction Costs that have become due and payable will survive termination or expiration of this Agreement, and Port may offset any outstanding amounts due and payable (including amounts due and payable to Port under *Section 11.1* (Port's Remedies) following a Developer Event of Default) against such amounts before Port is obligated to refund any unused balance to Developer.

5. DEVELOPER'S OBLIGATIONS.

Developer must pursue diligently and in good faith to completion all of its obligations under this Agreement during the Exclusive Negotiation Period. In furtherance of this Agreement, Developer agrees as follows.

5.1. Developer's Costs. Developer will be solely responsible for all costs (including fees for its attorneys, architects, engineers, consultants, and other professionals) Developer incurs related to or arising from this Agreement, the development and construction of the Project, the negotiation and execution of any of the Transaction Documents, obtaining entitlements and other Regulatory Approvals required for the Project, CEQA review of the Project, and obtaining a Public Trust Determination. Developer will have no claims against Port or the City for reimbursement for Developer's costs even if, by way of example only and without limitation: (a) the Project is determined to be inconsistent with the public trust; (b) any Regulatory Agency (including Port) does not approve the required permits or issue required approvals; (c) the Port Commission fails to endorse the Term Sheet or to approve the LDDA, the Lease, or any other Transaction Documents; (e) the Board fails to endorse the Term Sheet, make a Fiscal Feasibility Determination if required, or approve any Transaction Documents that are subject to Board approval; or (f) the Planning Commission fails to certify the environmental impact report ("EIR") or other environmental approval under CEQA, or, if applicable, after an appeal of the EIR certification or other environmental approval under CEQA to the Board, the Board reverses the Planning Commission's determination.

5.2. Submittals to Port. Developer must: (a) undertake and complete its due diligence review of the Site; (b) provide copies to Port of Developer's final reports and studies on material physical aspects of the Project, such as engineering and geotechnical reports;

(c) prepare financial projections and complete concept plans and schematic design plans for the Project, including floor plans, elevations, and renderings; and (d) provide copies to Port of any new or amended documents relating to Developer's composition, members' obligations to Developer, and operations.

5.3. Community Outreach. Developer must present to Port for its approval Developer's proposed plans for conducting outreach to various community groups and stakeholders in the vicinity of the Project, for educating the public with respect to the Project, and for informing the Board and other Regulatory Agencies about the Project ("Community Outreach Program"). The Community Outreach Program must include: (i) Developer's plan for publicizing the Project (i.e., mailers, brochures, Press Releases, and forums educating the public); (ii) Developer's strategy for keeping the appropriate Regulatory Agencies apprised of the Project; (iii) a schedule of presentations to community groups, stakeholders, and Regulatory Agencies during the Exclusive Negotiation Period; and (iv) Developer's proposal for keeping Port informed of its activities during the Exclusive Negotiation Period.

5.4. Public Relations.

(a) PR Program.

(i) Developer must present to Port for its approval Developer's proposed public relations program ("PR Program"). The PR Program must include: (i) Developer's plan for publicizing the Project (i.e., mailers, brochures, Press Releases, and forums educating the public); (ii) Developer's strategy for keeping the appropriate Regulatory Agencies apprised of the Project; (iii) a schedule of presentations to community groups, stakeholders, and Regulatory Agencies during the Exclusive Negotiation Period; and (iv) Developer's proposal for keeping Port informed of its activities during the Exclusive Negotiation Period.

(ii) Following Port Executive Director's approval of the PR Program, it will govern Developer's media contacts, unless Port by written notice notifies Developer that Port believes that Developer has not kept Port informed of Developer's media activities with respect to the Project as provided in the PR Program. After the date specified in Port's notice, which will not be deemed a notice under *Section 10* (Default), Developer may not issue, or authorize any other party to issue, any written press release, advertisement, or other formal communication (individually and collectively, "Press Release") to any media outlet (including newspapers, radio and television stations, and web sites) relating to its negotiations with Port, including the public release or description of any of Developer's proposed development concepts and plans, phasing, or uses that have not been presented to Port and approved for public release (collectively, "Press Matters"), that is not covered by the PR Program without Port's prior consent. Developer agrees it will provide Port with a draft copy of any Press Release before its proposed release of the Press Release. Port will have the right to issue separate Press Releases.

(b) **Press Conference.** Developer agrees not to hold any press conference relating to Press Matters without first extending an invitation to Port to have a Port representative present at the press conference. Developer must provide Port with no less than two (2) full business days' prior notice of the date and time of any proposed press conference and state in detail the purpose of the press conference and the topics to be discussed ("Conference Summary"). Port agrees to review the Conference Summary promptly and advise Developer of any comments by 5:00 p.m. on the day before the press conference. If Port does not respond within 2 business days, the Conference Summary will be deemed approved. Developer must make efforts to schedule the press conference to accommodate the schedules of staff designated by Port to attend, but Developer will be permitted to proceed if it determines that rescheduling is infeasible.

(c) **Purpose of Port Review.** The sole purpose of Port's review of a Press Release or a Conference Summary will be to determine whether it would adversely affect Port's Management Obligations or Port's relationship with its constituents or another Regulatory

Agency. If after review of the Press Release or Conference Summary Port believes that revisions or changes are advisable and appropriate, Port may suggest revisions or changes, which Developer agrees to consider incorporating. If Port believes that a Press Release or Conference Summary cannot be revised or changed to its satisfaction, irrespective of whether it may further Developer's interests, or if Port believes that it would adversely affect Port's Management Obligations or Port's relationship with its constituents or another Regulatory Agency, then:

(i) Either: (A) Port may require by written notice to Developer that Developer add to the Press Release the following statement in bold type and no less than font size used in the body of the Press release: "After consultation with Port of San Francisco relating to the matters stated in this press release, Port Executive Director does not endorse any of the statements in this press release;" or (B) Port may issue its own Press Release responding to Developer's Press Release; and

(ii) Port may require by written notice to Developer that Developer make a statement at the press conference substantially consistent with the following: "After consultation with Port of San Francisco relating to the matters stated in this press conference, Port Executive Director does not endorse any statements made at this press conference."

(d) Port's Media Contact. Port will designate a staff person to receive and communicate with Developer about all media matters ("Media Contact"). Developer must give timely notice to Port of media inquiries and of Developer's response. Upon written or telephonic request by Developer to the Media Contact, Port in its discretion may waive any applicable notice periods otherwise required under this Section.

(e) Miscellaneous. This Section will not: (i) apply to non-substantive communications in the ordinary course of Developer's business and informational brochures, flyers, and similar materials describing the elements of Developer's proposed Project; or (ii) preclude Developer, its members, or its Agents from responding orally or in writing to media inquiries about its business, operations, or its role in the Project. Developer agrees in any case to make reasonable, good faith efforts to notify Port's Media Contact or Project Manager for the Project before issuing any media communications regarding the Project.

5.5. Public Trust Consistency.

(a) Developer acknowledges that the Site is subject to the public trust and that Port will not enter into the Transaction Documents with Developer until the Project is found by the Port Commission to be consistent with the public trust doctrine, which may be based on a California State Lands Commission ("State Lands") finding or an act of the California State Legislature (a "Public Trust Determination").

(b) Developer further acknowledges that: (i) obtaining a favorable Public Trust Determination may involve a lengthy and complex entitlement process, the result of which Port cannot guarantee; (ii) Port is making no representations or assurances regarding the Project's public trust consistency; (iii) Developer is assuming the risk of a Public Trust Determination that permits the development and construction of the Project not being granted; and (iv) other than as set forth in this Section, Developer is solely responsible for obtaining a Public Trust Determination for the Project and satisfying any conditions to approval.

(c) Developer must engage actively, along with Port in a process for obtaining each Public Trust Determination for the Project.

(i) This process will include regular discussions with State Lands staff regarding the trust consistent elements of the Project. Except for discussions in the ordinary course of business that do not involve substantive legal, strategic, project design, or other material issues affecting the Project, Developer agrees not to engage in any substantive discussions regarding the Project with State Lands staff or commissioners, the Attorney General's Office or other counsel without Port's prior consent. Port's failure to respond to

Developer's notice of any such discussions will not be deemed consent for Developer to confer with and meet without Port staff. Developer must provide Port with prior notice of any proposed course of substantive discussions with the Governor's Office or members of the State Legislature (including their respective staffs or counsel) regarding the Project or the general application of the public trust doctrine, or other policy. Port may elect to participate in any such discussions with State Lands staff or commissioners or Attorney General's Office or other counsel.

(ii) Developer must present to Port for its approval the basis upon which Developer proposes to obtain a favorable Public Trust Determination (the "Public Trust Consistency Proposal"). Developer shall make all good-faith efforts to incorporate into the Project's design and use program features that Port deem essential to obtaining the Public Trust Determination. Port may suggest reasonable revisions or changes to the proposed Public Trust Consistency Proposal, which Developer must consider in good faith. If Port withholds its consent to the proposed Public Trust Consistency Proposal, the parties will work together in good faith to develop and implement a Public Trust Consistency Proposal that is consistent with Port's Management Obligations. Developer acknowledges and agrees that maintaining professional working relations with State Lands and other Regulatory Agencies and undertaking the economic development, historic preservation, public access improvements, and the repair and replacement of Port facilities are critical to implementing Port's overall management goals for Port lands (the "Port's Management Obligations"). Accordingly, Developer must use its best efforts throughout the Exclusive Negotiation Period to take no actions relating to the Project that would adversely affect Port's relationship with State Lands and other Regulatory Agencies, or result in a Public Trust Determination that would adversely affect Port's ability to achieve Port's Management Obligations. Port shall not have any obligation to negotiate any terms regarding the Project or the Transaction Documents, or include anything in the applications for Public Trust Determinations, that would adversely affect Port's ability to achieve Port's Management Obligations.

(iii) When developing its proposed Public Trust Consistency Proposal, Developer must take into account the following factors:

- A. the fair market value of the Site;
- B. a hotel use to further the enjoyment of visitors to the waterfront and to reinforce the success of the Ferry Building waterfront;
- C. whether the proposed 10 transient residences for visiting Teatro artists conform to the public trust; and
- D. whether other uses ancillary to the proposed Project conform to the public trust.

(d) The Port will seek the Public Trust Determinations on the basis of the Public Trust Consistency Proposal developed collaboratively by Port and Developer. Port has final discretion over the form and substance of the applications for Public Trust Determinations, which discretion shall not be exercised unreasonably. Port will be an applicant for the Public Trust Determinations and may, at its sole discretion, determine that Developer should be a co-applicant.

5.6. Regulatory Approvals; Effective Date of Lease.

(a) In addition to obtaining Public Trust Determinations, the parties acknowledge that other regulatory approvals and permits are required for the development of the Project (each, a "Regulatory Approval"). Without limiting the foregoing, Developer understands and agrees that Port will have no obligation to advocate, promote or lobby any Regulatory Agency and/or any local, regional, state or federal official for any Regulatory Approval, Public Trust Determination, Fiscal Feasibility Determination, Port Endorsement or Board Endorsement, or for approval of the Project, this Agreement, the LDDA, the Lease or any other Transaction

Document. Any such advocacy, promotion or lobbying shall be done by Developer at Developer's sole cost and expense. Port's sole obligation shall be to negotiate with Developer in compliance with this Agreement and to present any final negotiated agreements to the Port Commission and, as applicable, the Board for their review and consideration.

(b) Before taking any action to obtain any Regulatory Approval other than a Public Trust Determination, Developer first must present to Port for Port Executive Director's approval, the basis upon which Developer proposes to obtain the required Regulatory Approvals (the "Regulatory Approval Strategy"). Port may suggest revisions or changes to the proposed Regulatory Approval Strategy, which Developer must consider in good faith. Developer acknowledges and agrees that maintaining professional working relations with other agencies with regulatory authority over the Project (each, including Port, a "Regulatory Agency") is critical to implementing Port's Management Obligations. Accordingly, Developer must use its best efforts throughout the Exclusive Negotiation Period to take no actions relating to the Project that would adversely affect Port's relationship with any other Regulatory Agency or adversely affect Port's ability to achieve Port's Management Obligations.

(c) Developer will be solely responsible for applying for, obtaining, and paying all costs associated with all Regulatory Approvals, and may not file any application for any Regulatory Approval without first obtaining Port's authorization, which Port will not unreasonably withhold or delay. Developer agrees that Port's withholding or delay in approving any application for a Regulatory Approval will be reasonable if the application conflicts with Port's Management Obligations, does not substantially conform to the Term Sheet or any subsequent development design and program to which Port and Developer agreed, or Port is a co-permittee to the application.

(d) Developer, at its sole cost and expense, will comply with the terms of all Regulatory Approvals and shall pay and discharge any fines or penalties imposed as a result of Developer's failure to comply with any Regulatory Approval, for which Port will have no monetary or other liability.

(e) Developer must submit to Port, State Lands, the City Planning Commission, the San Francisco Planning Department's Environmental Planning division, and any other Regulatory Agency having approval over any aspect of the Project all specifications, descriptive information, studies, reports, disclosures, and any other information as and when required to satisfy the application filing requirements of those departments or agencies.

(f) Close of escrow under the LDDA for the execution of the Lease will not occur until Developer has obtained all necessary Regulatory Approvals.

5.7. *No Representation or Warranty.* Developer acknowledges and agrees that neither Port nor the City has made any representation or warranty regarding any matters relating to the Site, including the suitability of the Site for construction of the Project, or the Project or Developer's ability to obtain the Regulatory Approvals. Developer further acknowledges and agrees that although Port is a Regulatory Agency, Port has no authority or influence over other City officials, departments, boards, commissions, or agencies or any other Regulatory Agency responsible for issuing required Regulatory Approvals (including Port, in its regulatory capacity) and that Port is entering into this Agreement in its capacity as a landowner with a proprietary interest in the Site and not as a Regulatory Agency with certain police powers. Accordingly, no guarantee or presumption exists that any of the Regulatory Approvals will be issued by the appropriate Regulatory Agency, and Port's status as a City Regulatory Agency will not limit Developer's obligation to obtain Regulatory Approvals from appropriate Regulatory Agencies that have jurisdiction over the Project.

5.8. *Quarterly Report.* Developer must prepare and submit to Port no later than the first day of each calendar quarter during the Exclusive Negotiation Period a meaningful summary of major activities to achieve each Performance Benchmark, including the status of the

Public Trust Determination, CEQA review and other Regulatory Approvals. The first report will be for the period from the Effective Date to December 31, 2015.

5.9. *Weekly Meetings.* Developer and Port will meet weekly to discuss Project coordination, Transaction Documents, entitlement issues, and other Project-related matters, unless waived or rescheduled by mutual agreement.

5.10. *FEMA Disclosure.* Developer represents and warrants to Port that Developer has received and reviewed the FEMA disclosure notice attached as *Schedule I*.

5.11. *Assignment of Project Materials.* Developer will make commercially reasonable efforts to include in all of its contracts with architects, engineers, and other consultants (collectively, "Project Consultants") to produce studies, applications, reports, permits, plans, drawings, and similar work product for the Project ("Project Materials") provisions assigning Project Materials to Port automatically if this Agreement is Terminated. Project Materials will be assigned to Port in accordance with *Section 9.4*.

6. PORT'S OBLIGATIONS .

Port agrees, subject to Port's rights under *Section 5.5* (Public Trust Consistency) and *Section 5.6* (Regulatory Approvals), to: (a) reasonably cooperate with Developer in filing for, processing, and obtaining all Public Trust Determinations and Regulatory Approvals in accordance with the Regulatory Approval Strategy; and (b) respond within a commercially reasonable time to requests for coordination, consultation, and scheduling additional meetings regarding the Project, including matters relating to Public Trust Determinations or any Regulatory Approval where Port is the co-applicant. This Section does not limit or otherwise constrain Port's discretion, powers, and duties as a Regulatory Agency.

7. FINAL ACTION SUBJECT TO ENVIRONMENTAL REVIEW.

The Project is subject to a process of thorough public review and input and all necessary and appropriate approvals; that process must include environmental review under CEQA, as amended, before Port may consider approving the Project; and the Project will require discretionary approvals by a number of government bodies after public hearings and environmental review. Nothing in this Agreement commits, or shall be deemed to commit Port or the City, or any other public agency to approve or implement the Project, and they may not do so until environmental review of the Project as required under applicable law has been completed; accordingly, the references to the "Project" or the like in this Agreement shall mean the proposed project subject to future environmental review and consideration by Port, the City, and other public bodies; further, Port, the City, and other public agencies with jurisdiction over any part of the proposed Project each shall have the absolute discretion before approving the project to: (i) make such modifications to the Project as may be necessary to mitigate significant environmental impacts; (ii) select other feasible alternatives to avoid or substantially reduce significant environmental impacts; (iii) require the implementation of specific measures to mitigate any specific impacts of the Project; (iv) balance the benefits of the Project against any significant environmental impacts before taking final action if such significant impacts cannot be otherwise be avoided; or (v) determine whether or not to proceed with the Project.

8. PROHIBITED ACTIONS

8.1. *Assignment.* Developer acknowledges that Port is entering into this Agreement on the basis of Developer's special skills, capabilities, and experience. This Agreement is personal to Developer and, except as provided in this Agreement, may not be Transferred without the Port Commission's prior consent, which may be withheld in the Port Commission's sole and absolute discretion. Any Transfer in violation of this Section will be an incurable Event of Default under this Agreement.

Under this Agreement, "Transfer" means: (1) dissolution, merger, consolidation, or other reorganization; (2) any cumulative or aggregate sale, assignment, encumbrance, or other transfer

of (i) fifty (50) percent or more of Kenwood's legal or beneficial interests in Developer, or (ii) any percentage of TZZ's legal or beneficial interests in Developer; (3) the withdrawal or substitution (whether voluntary, involuntary, or by operation of law and whether occurring at one time or over a period of time) of any member of Developer owning ten (10) percent or more of the interests in Developer or rights to its capital or profits; (4) the occurrence of any of the events described in (1), (2), or (3) with respect to either Kenwood Investments, LLC No. 6 or TZZ, LLC; or (5) Darius Anderson or Norman Langill are no longer actively involved in the day-to-day operations of the Project.

No Transfer made with Port's consent, or as herein otherwise permitted, will be effective unless and until Port receives within thirty (30) days after the applicable transferor has entered into a transfer agreement with the transferee, an executed counterpart of such transfer agreement and any changes or amendments of any operating agreement in connection with such Transfer.

8.2. Prohibited Payments. Developer may not pay, or agree to pay, any fee or commission, or any other thing of value contingent on entering into this Agreement, any other Transaction Document, or any other agreement with Port related to the Project, to any City or Port employee or official or to any contracting consultant hired by City or Port for the Project. By entering into this Agreement, Developer certifies to Port that Developer has not paid or agreed to pay any fee or commission, or any other thing of value contingent on entering into this Agreement, any other Transaction Document, or any other agreement with Port related to the Project, to any City or Port employee or official or to any contracting consultant hired by City or Port for the Project.

8.3. Ballot Measures. Developer expressly agrees not to initiate, promote, support or pursue, or authorize any other person or party to initiate, promote, support or pursue, any ballot measure relating to the Project without prior consultation with Port's Executive Director about the contents of the ballot measure and its intended benefit to the Project.

8.4. No Entry. Developer expressly acknowledges and agrees that this Agreement does not give Developer or any of its employees, officers, members, managers, directors, agents, contractors, consultants, architects, or engineers (collectively, "Agents") the right to enter or access the Site. If requested, Port agrees it will enter into a separate agreement with Developer specifying the terms and conditions of Developer's and its Agents' entry on and access to the Site, consistent with Port's standard practice for doing so, and subject to the terms of the Parking Operation Agreements or other interim leases or other occupancy agreements described in *Section 2.4(a)*.

9. TERMINATION.

9.1. Events Causing Termination. The occurrence of any of the following events (each, a "Terminating Event") will cause early termination of and extinguish this Agreement ("Termination"), without an opportunity to cure or further Port action:

(a) Subject to extension of the term in accordance with *Section 2.2* and a Force Majeure Event in accordance with *Section 2.3*, Developer fails to obtain Port Endorsement by the applicable Performance Date set forth in *Exhibit B*, as such Performance Date may have been extended by Port; or

(b) Subject to extension of the term in accordance with Section 2 (Term), Developer fails to obtain the Board Endorsement (and if applicable, the Fiscal Feasibility Determination) by the applicable Performance Date set forth in *Exhibit B*, as such Performance Date may have been extended by Port or either party elects to terminate this Agreement in accordance with *Section 3.4(c)(ii)*; or

(c) This Agreement Terminates in accordance with *Section 3.4(c)(iii)*.

(d) The Exclusive Negotiation Period expires before the LDDA is executed; or

- (e) Developer voluntarily withdraws from or abandons the Project; or
- (f) The Port exercises its right to Terminate this Agreement following an Event of Default by the Developer; or
- (g) Developer exercises its right to terminate this Agreement following a Port Event of Default by Port; or
- (h) A draft or final CEQA document (including an environmental impact report or "EIR") for the Project is published without Port's concurrence;
- (i) Developer submits an application for a conditional use permit or similar entitlement application to City Planning to entitle the Project without Port's concurrence; or
- (j) Developer fails to comply with *Section 8* (Prohibited Actions) or *Section 14.1* (Nondiscrimination in City Contracts and Benefits Ordinance).

9.2. Effect of Termination. Following a Termination, this Agreement will terminate and Developer, City and Port will be released from all liability under this Agreement except for any obligations that expressly survive the termination or expiration of this Agreement.

9.3. Port's Rights Following Termination. If negotiations with Developer are unsuccessful, leading to Termination, the Port Commission in its sole discretion may: (a) agree to reinstate and consent to an assignment of this Agreement; or (b) undertake other efforts to develop the Site, including issuing a request for proposals; (c) take any action with respect to the Site.

9.4. Project Assignment After Termination.

(a) If this Agreement is Terminated, Developer must within sixty (60) days after Port's notice:

- (i) provide to Port at no cost a Project Assignment of all Project Materials, to the extent permitted under its consulting contract;
- (ii) satisfy all outstanding fees relating to the Project Materials that are then due and payable or will become due and payable for services relating to the Project rendered by any of the Project Consultants up to the date of Termination and provide written evidence of satisfaction to Port; and
- (iii) deliver copies of all Project Materials in Developer's possession or, for materials not in Developer's possession, confirm, upon request from Project Consultants or Port, that Project Consultants are authorized to deliver or have delivered from the appropriate parties all Project Materials to Port. Developer's obligations under this *Section 9.4* will survive the expiration or earlier Termination of this Agreement.

(b) Developer will be permitted to disclaim any representations or warranties with respect to the Project Materials (other than Developer's payment of fees), and, at Developer's request, Port will provide Developer with a release from liability for future use of the applicable Project Materials, in a form acceptable to Developer and Port. Developer's acceptance of Port's release will be deemed to waive and release Port from any claims of proprietary rights or interest in the Project Materials, and Developer agrees that, following a Project Assignment, Port or its designee may use any of the Project Materials for any purpose, including pursuit of the same or a similar Project with a third party.

(c) "Project Assignment" means a contractual assignment of all of Developer's rights under a consulting contract with a Project Consultant, including any rights to use the Project Consultant's work product.

10. DEFAULT

10.1. Developer's Event of Default. In addition to Terminating Events under *Article 9* (Termination), the occurrence of any of the following events will constitute a default by Developer under this Agreement after the expiration of the applicable cure period, if any (each, an "Event of Default"):

- (a) Developer fails to pay any sum when due under this Agreement; or
- (b) Developer fails to achieve any of the Performance Benchmarks in the manner and by the Performance Dates set forth in *Exhibit B* as the Performance Dates may be extended or stayed in accordance with Sections 2.2 and 2.3, as applicable; or
- (c) Developer fails to comply with any other provision of this Agreement, if not cured within 30 days after Port's notice to Developer, but if the default cannot reasonably be cured within the 30-day cure period, Developer will not be in default of this Agreement if Developer commences to cure the default within the 30-day cure period and diligently and in good faith prosecutes the cure to completion; or
- (d) A voluntary or involuntary action is filed: (i) to have Developer adjudicated insolvent and unable to pay its debts as they mature or a petition for reorganization, arrangement or liquidation under any bankruptcy or insolvency law, or a general assignment by Developer for the benefit of creditors; or (ii) seeking Developer's reorganization, arrangement, liquidation, or other relief under any law relating to bankruptcy, insolvency, or reorganization or seeking appointment of a trustee, receiver, or liquidator of Developer or any substantial part of Developer's assets; or
- (e) Any of the events described in *Section 10.1(d)* occurs with respect to any members of Developer.

10.2. Port Event of Default. Port's failure to comply with any provision of this Agreement, if the failure is not cured within 30 days after Developer's notice to Port, will constitute an event of default by Port ("Port Event of Default"); but if Port Event of Default cannot reasonably be cured within the 30-day cure period, Port will not be in default of this Agreement if Port commences to cure Port Event of Default within the 30-day cure period and diligently and in good faith prosecutes the cure Port Event of Default to completion.

11. REMEDIES

11.1. Port's Remedies. Following a Developer Event of Default, Port may:

- (a) Terminate this Agreement by delivery of notice to Developer, and Developer, the City and Port will each be released from all liability under this Agreement (except for those obligations that survive Termination);
- (b) seek to enforce Developer's indemnity obligations;
- (c) seek to recover from Developer any funds due and owing to Port;
- (d) seek to obtain copies and/or assignments of the Project Materials to which Port is entitled; and
- (e) seek enforcement of any of its other remedies under this Agreement. These remedies are not exclusive, but are cumulative with any remedies now or later allowed by law or in equity.

11.2. Developer's Remedies. Following a Port Event of Default, Developer will have the option, as its sole and exclusive remedy at law or in equity, to: (a) Terminate this Agreement by delivery of notice to Port, and Developer, City and Port will each be released from all liability under this Agreement (except for those provisions that survive Termination); or (b) file in any court of competent jurisdiction an action for specific performance to require Port to perform under this Agreement (but Developer will not be entitled to recover monetary damages from Port in connection with Port Event of Default) if Port willfully and without good faith belief and an adequate basis for its belief under this Agreement breaches any of Port's material obligations under this Agreement in order to begin negotiations with another developer in violation of this Agreement. Developer waives any and all rights it may now or later have to pursue any other

remedy or recover any other damages on account of any Port breach or default, including loss of bargain, special, punitive, compensatory or consequential damages.

12. INDEMNITY; WAIVERS.

12.1. Developer's Duty to Indemnify. To the fullest extent permitted by law, and related to facts and circumstances arising from and after the Effective Date, Developer agrees to indemnify and hold City, Port and their respective Agents (collectively, the "Indemnified Parties") harmless from and against any loss, expense, cost, compensation, damages (including foreseeable and unforeseeable consequential damages), attorneys' fees, claims, liens, obligations, injuries, interest, penalties, fines, lawsuits and other proceedings, judgments, awards, or liabilities of any kind, known or unknown, contingent or otherwise, equitable relief, mandamus relief, specific performance, or any other relief (collectively, "Losses") that the Indemnified Parties may incur as a result of Developer's failure to: (a) obtain or comply with the terms and conditions of any Regulatory Approval; (b) reimburse Port for the Transaction Costs; or (c) comply with other the terms and conditions of this Agreement. Developer's obligations under this Section will survive the expiration or earlier Termination of this Agreement.

12.2. Developer's Releases. Developer, on behalf of itself and its members, affiliates, Agents, successors and assigns (collectively, "Developer Agents"), fully, unconditionally and irrevocably releases, discharges, and forever waives (collectively, "releases") any and all claims, demands, rights, and causes of action (collectively, "claims") against, and covenants not to sue or to pay the attorneys' fees and other litigation costs of any party to sue, Port or City, or any of their respective Agents (collectively, "City Agents"), for Losses arising from, accruing from, or due to, directly or indirectly: (i) the facts or circumstances of or alleged in connection with the Project to the extent arising before the Effective Date; and (ii) any Regulatory Agency's failure to issue any required Regulatory Approval.

12.3. Port's Releases. Port, on behalf of itself and City Agents, releases any and all claims against, and covenants not to sue or to pay the attorneys' fees and other litigation costs of any party to sue, Developer or any Developer Agents for Losses arising from, accruing from, or due to, directly or indirectly, the facts or circumstances of or alleged in connection with the Project to the extent arising before the Effective Date.

12.4. Acknowledgment. In providing the releases in this Section 12, Developer and Port understand that if any facts concerning the claims released in this Agreement should be found to be other than or different from the facts now believed to be true, Developer and Port each expressly accepts and assumes the risk of the possible difference in facts and agrees that the releases set forth in this Agreement will remain effective. Therefore, with respect to the claims released in this Agreement, Developer and Port each waive any rights or benefits provided by Section 1542 of the Civil Code, which reads as follows:

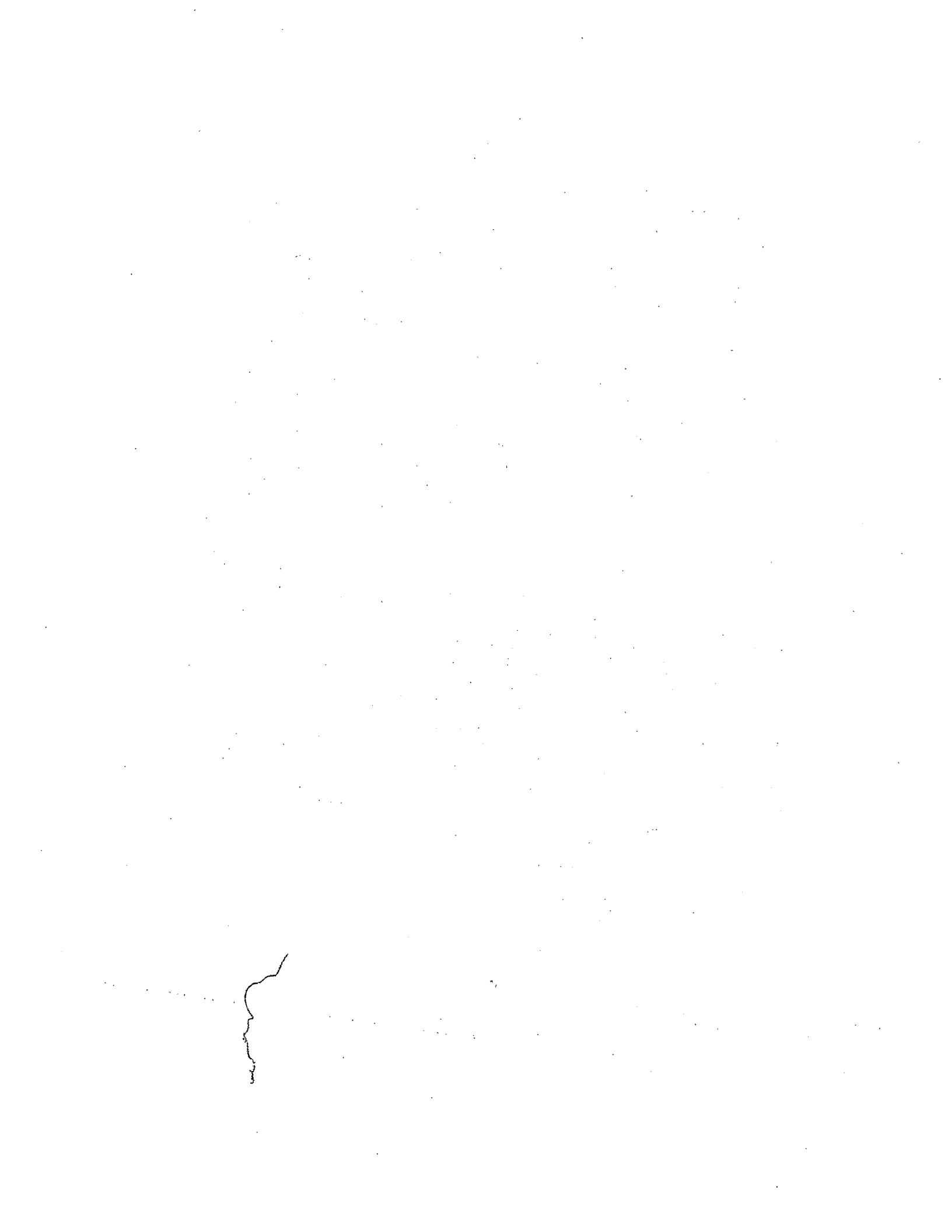
A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

By placing its initials below, Developer and Port each specifically acknowledges and confirms the validity of the release made above and the fact that Developer and Port were each represented by counsel who explained the consequences of the above release at the time this Agreement was made.

INITIALS: Developer: DA Port: MP

13. NOTICES.

Any notice given under this Agreement must be in writing delivered in person, by commercial courier, or by registered, certified mail or express mail, return receipt requested,



with postage prepaid, to the mailing addresses below. All notices under this Agreement will be deemed given, received, made or communicated on the date personal receipt actually occurs or, if mailed, on the delivery date or attempted delivery date shown on the return receipt. Any mailing address or telephone or facsimile number may be changed at any time by giving written notice of the change in the manner provided above at least ten (10) days before the effective date of the change.

For the convenience of the parties, copies of notices may also be given by email to the email address given below, by facsimile to the telephone number listed below, or other numbers as may be provided from time to time, but email, telephonic or facsimile notice will not be binding on either party. The effective time of a notice will not be affected by the receipt of the original or facsimile copy of the notice.

Port: Director, Planning & Development
Port of San Francisco
Pier 1
San Francisco, CA 94111
Telephone: (415) 274-0400
Facsimile: (415) 274-0495

With a copy to: City Attorney's Office
General Counsel to Port of San Francisco
Pier 1
San Francisco, CA 94111
Telephone: (415) 274-0485
Facsimile: (415) 274-0494

Developer: TZK Broadway, LLC (Developer)
1215 K Street, Suite 1150
Sacramento, CA 95814
Attn: Darius Andersen, Manager
Telephone: (916) 443-8891
Facsimile: (916) 443-8913
Email: dwa@platinumadvisors.com

With a copy to: Jay Wallace, Member
TZK Broadway, LLC
1010 B Street, Suite 300
San Rafael, CA 94901
Telephone: (415) 601-2081
Facsimile: (916) 443-8913
Email: jwallace@jaywallaceassociates.com

Annie Jamison, Chief Operating Officer
Teatro ZinZanni
4025 21st Street West
Seattle, WA 98199
Telephone: (206) 650-6316
Email: annie@zinzanni.com

14. CITY AND PORT REQUIREMENTS.

Developer has reviewed, understands, and is ready, willing, and able to comply with the terms and conditions of this Article, which summarizes special City and Port requirements as of the Effective Date, each of which is fully incorporated by reference. Developer acknowledges that City and Port requirements in effect when the Transaction Documents are executed will be incorporated into the Transaction Documents, as applicable, and will apply to all contractors, subcontractors, subtenants, and any other Developer parties, as applicable. City requirements of general applicability will apply to the Project even if not summarized below.

The following summary is for Developer's convenience only; Developer is obligated to become familiar with all applicable requirements and to comply with them fully as they are amended from time to time. City ordinances are currently available on the web at www.sfgov.org. References to specific laws in this Article refer to San Francisco municipal codes unless specified otherwise. Capitalized terms used in this Article and not defined in this Agreement will have the meanings assigned to them in the applicable ordinance.

14.1. *Nondiscrimination in City Contracts and Benefits Ordinance.*

(a) **Covenant Not to Discriminate:** In the performance of this Agreement, Developer covenants and agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), weight, height, association with members of classes protected under Administrative Code Chapter 12B or 12C, or in retaliation for opposition to any practices forbidden under Administrative Code Chapter 12B or 12C, or against any employee of Developer, any City employee working with Developer, any applicant for employment with Developer, or any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by Developer in the City.

(b) **Subleases and Other Contracts:** Developer must include in all subleases and other contracts relating to the Premises a nondiscrimination clause applicable to each subtenant or other contractor in substantially the form of Subsection (a). In addition, Developer must incorporate by reference in all subleases and other contracts the provisions of Administrative Code sections 12B.2(a), 12B.2(c)-(k) and 12C.3 and must require all subtenants and other contractors to comply with these provisions.

(c) **Nondiscrimination in Benefits:** Developer does not as of the date of this Agreement and will not at any time while this Agreement is in effect, in any of its operations in San Francisco or where the work is being performed for the City, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits, or travel benefits (collectively "**Core Benefits**") as well as any benefits other than the Core Benefits between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity under state or local Law authorizing such registration, subject to the conditions set forth in Administrative Code section 12B.2.

(d) **HRC Form:** Before the parties enter into the Lease, Developer must execute and deliver to Port the "Nondiscrimination in Contracts and Benefits" form approved by the San Francisco Human Rights Commission.

(e) **Penalties:** Developer understands that under Administrative Code section 12B.2(h), Developer may be subject to a monetary penalty (currently \$50) for each person for each calendar day during which Developer discriminated against that person.

14.2. Requiring Health Benefits for Covered Employees. Unless exempt, Developer agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance ("HCAO"), as set forth in Administrative Code chapter 12Q, including the implementing regulations.

(a) For each Covered Employee Developer shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO.

(b) Notwithstanding the above, if Developer meets the requirements of a "small business" by the City pursuant to Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with Section 28.2(a) above.

(c) If, within 30 days after receiving written notice of a breach of this Agreement for violating the HCAO, Developer fails to cure such breach or, if such breach cannot reasonably be cured within such 30-day period, Developer fails to commence efforts to cure within such period, or thereafter fails to diligently pursue such cure to completion, the City shall have the remedies set forth in Section 12Q.5(f). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(d) Any Subcontract or Contract regarding services to be performed on the Site entered into by Developer shall require the Its Subcontractor or Contractor and Subcontractors, as applicable, to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in Chapter 12Q of the Administrative Code. Developer shall notify the Office of Contract Administration when it enters into such a Subcontract or Contract and shall certify to the Office of Contract Administration that it has notified the Its Subcontractor or Contractor of the obligations under the HCAO and has imposed the requirements of the HCAO on the Its Subcontractor or Contractor through written agreement with such Its Subcontractor or Contractor. Developer shall be responsible for ensuring compliance with the HCAO for each Its Subcontractor, Contractor and Subcontractor performing services on the Site. If any Its Subcontractor, Contractor or Subcontractor fails to comply, the City may pursue the remedies set forth in Section 12Q.5 of the Administrative Code against Developer based on the Its Subcontractor's, Contractor's, or Subcontractor's failure to comply, provided that the Contracting Department has first provided Developer with notice and an opportunity to cure the violation.

(e) Developer shall not discharge, reprimand, penalize, reduce the compensation of, or otherwise discriminate against, any employee for notifying the City of any issue relating to the HCAO, for opposing any practice proscribed by the HCAO, for participating in any proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(f) Developer represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the requirements of the HCAO.

(g) Developer shall keep itself informed of the requirements of the HCAO, as they may change from time to time.

(h) Upon request, Developer shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Its Subcontractors, Contractors, and Subcontractors.

(i) Within ten (10) business days of any request, Developer shall provide the City with access to pertinent records relating to any Developer's compliance with the HCAO. In addition, the City and its agents may conduct random audits of Developer at any time during the Term. Developer agrees to cooperate with City in connection with any such audit.

(j) If a Contractor or Subcontractor is exempt from the HCAO because the amount payable to such Contractor or Subcontractor under all of its contracts with the City or relating to City-owned property is less than \$25,000.00 (or \$50,000.00 for nonprofits) in that

fiscal year, but such Contractor or Subcontractor later enters into one or more agreements with the City or relating to City-owned property that cause the payments to such Contractor or Subcontractor to equal or exceed \$75,000.00 in that fiscal year, then all of the Contractor's or Subcontractor's contracts with the City and relating to City-owned property shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements to equal or exceed \$75,000.00 in the fiscal year.

14.3. *First Source Hiring.* The City has adopted a First Source Hiring Program (San Francisco Administrative Code Sections 83.1 et seq.) which establishes specific requirements, procedures and monitoring for first source hiring of qualified economically disadvantaged individuals for entry-level positions as those terms are defined by the ordinance. Developer acknowledges receiving and reviewing the First Source Hiring Program materials and requirements and agrees to comply with all requirements of the ordinance as implemented by Port and/or City, including without limitation, notification of vacancies throughout the Term of the Lease and entering into a First Source Hiring Agreement, if applicable. Developer acknowledges and agrees that it may be subject to monetary penalties for failure to comply with the ordinance or a First Source Hiring Agreement and that such non-compliance shall be a default of the Lease.

14.4. *Resource Efficiency Requirements.* The Project will be subject to Chapter 7 of the San Francisco Environment Code. Accordingly, the Project must meet certain resource efficient requirements. Developer agrees that it will design the Project to comply with Chapter 7 of the San Francisco Environment Code, as may be amended from time to time, or any similar law.

14.5. *Tobacco and Alcohol Products Advertising Ban.* Developer acknowledges and agrees that no advertising of cigarettes, tobacco products, or alcoholic beverages is allowed on any real property owned by or under the control of the City. This prohibition includes the placement of the name of a company producing, selling or distributing cigarettes, tobacco products, or alcoholic beverages or the name of any cigarette, tobacco product, or alcoholic beverages in any promotion of any event or product. This prohibition does not apply to any advertisement sponsored by a state, local, nonprofit, or other entity designed to: (a) communicate the health hazards of cigarettes and tobacco products or alcoholic beverages; (b) encourage people not to smoke or to stop smoking, or not to drink alcohol or to stop drinking alcohol; or (c) provide or publicize drug or alcohol treatment or rehabilitation services.

14.6. *Restrictions on the Use of Pesticides.* Chapter 3 of the San Francisco Environment Code (the Integrated Pest Management Program Ordinance or "IPM Ordinance") describes an integrated pest management ("IPM") policy to be implemented by all City departments. Developer shall not use or apply or allow the use or application of any pesticides on the Site, and shall not contract with any party to provide pest abatement or control services to the Site, without first receiving City's written approval of an integrated pest management plan that (i) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Developer may need to apply to the Site during the term of this Agreement, (ii) describes the steps Developer will take to meet the City's IPM Policy described in Section 300 of the IPM Ordinance and (iii) identifies, by name, title, address and telephone number, an individual to act as the Developer's primary IPM contact person with the City. Developer shall comply, and shall require all of Developer's contractors to comply, with the IPM plan approved by the City and shall comply with the requirements of Sections 300(d), 302, 304, 305(f), 305(g), and 306 of the IPM Ordinance, as if Developer were a City department. Among other matters, such provisions of the IPM Ordinance: (a) provide for the use of pesticides only as a last resort, (b) prohibit the use or application of pesticides on property owned by the City, except for pesticides granted an exemption under Section 303 of the IPM Ordinance (including pesticides included on the most current Reduced Risk Pesticide List compiled by City's Department of the Environment), (c) impose certain notice requirements, and (d) require Developer to keep certain records and to report to City all pesticide use by Developer's staff or contractors. If Developer or Developer's

contractor will apply pesticides to outdoor areas, Developer must first obtain a written recommendation from a person holding a valid Agricultural Pest Control Advisor license issued by the California Department of Pesticide Regulation and any such pesticide application shall be made only by or under the supervision of a person holding a valid Qualified Applicator certificate or Qualified Applicator license under state law. City's current Reduced Risk Pesticide List and additional details about pest management on City property can be found at the San Francisco Department of the Environment website, <http://sfenvironment.org/ipm>.

14.7. *MacBride Principles Northern Ireland.* Port and the City urge companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. Port and the City urge San Francisco companies to do business with corporations that abide by the MacBride Principles.

14.8. *Tropical Hardwood and Virgin Redwood Ban.* Port and the City urge Developer not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood, or virgin redwood product. Except as expressly permitted by Environment Code sections 802(b) and 803(b), Developer may not provide any items to the construction of the Project, or otherwise in the performance of this Agreement that are tropical hardwoods, tropical hardwood wood products, virgin redwood, or virgin redwood wood products. If Developer fails to comply in good faith with any of the provisions of Environment Code chapter 8, Developer will be liable for liquidated damages for each violation in any amount equal to the contractor's net profit on the contract, or 5 percent of the total amount of the contract dollars, whichever is greater.

14.9. *Preservative-Treated Wood Containing Arsenic.* Developer may not purchase preservative-treated wood products containing arsenic in the performance of this Agreement unless the Department of Environment grants Developer an exemption from the requirements of Environment Code Chapter 13. The term "preservative-treated wood containing arsenic" means wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Developer may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude Developer from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" means a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

14.10. *Notification of Limitations on Contributions.* Developer acknowledges that it is familiar with Campaign and Governmental Conduct Code section 1.126 (the "Conduct Code"), which prohibits any person who contracts with the City for the sale or lease any land or building to or from the City whenever the transaction would require the approval by a City elective officer or the board on which that City elective officer serves, from making a contribution to the officer, or candidate for office, or committee controlled by the officer or candidate at any time from the commencement of negotiations for the contract until the termination of negotiations for the contract or a specified amount of time (currently 6 months) has elapsed from the date the contract is approved by the City elective officer, or the board on which that City elective officer serves.

14.11. *Sunshine Ordinance.* In accordance with Administrative Code section 67.24(e), contracts, contractors' bids, leases, agreements, responses to requests for proposals, and all other records of communications between Port and persons or firms seeking contracts will be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person's or organization's net worth or other proprietary financial data submitted for qualification for a contract, lease, agreement or other benefit until and unless that person or organization is awarded the contract, lease, agreement or benefit. Information

provided to Port that is within the scope of this Section will be made available to the public upon request.

14.12. *Conflicts of Interest.* Developer acknowledges that it is familiar with the provisions of San Francisco Charter, article III, chapter 2, section 15.103 of the City's Campaign and Governmental Conduct Code, and California Government Code sections 87100 *et seq.* and sections 1090 *et seq.*, certifies that it does not know of any facts that would constitute a violation of these provisions, and agrees that if Developer becomes aware of any such fact during the term of this Agreement, Developer will notify Port immediately.

14.13. *Drug-Free Workplace.* Developer acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1988 (41 U.S.C. §§ 8101 *et seq.*), the unlawful manufacture, distribution, possession or use of a controlled substance is prohibited on City or Port premises.

14.14. *Prevailing Wages and Working Conditions.* Developer's improvements and alterations and any construction, alteration, demolition, installation, maintenance, repair, or laying of carpet at, or hauling of refuse from, the Site comprise a public work if paid for in whole or in part out of public funds. The terms "public work" and "paid for in whole or in part out of public funds" as used in this Section are defined in California Labor Code Section 1720 *et seq.*, as amended. Developer agrees that any person performing labor on any public work at the Site shall be paid not less than the highest prevailing rate of wages consistent with the requirements of Section 6.22(E) of the San Francisco Administrative Code, and shall be subject to the same hours and working conditions, and shall receive the same benefits as in each case are provided for similar work performed in San Francisco County. Developer shall include in any contract for such labor a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Developer shall require any contractor to provide, and shall deliver to City upon request, certified payroll reports with respect to all persons performing such labor on the Project.

14.15. *Prevailing Wage Rate Requirement For Theatrical Workers.* City law entitles individual engaged in theatrical or technical services related to the presentation of a Show at the Site, including individuals engaged in rigging, sound, projection, theatrical lighting, videos, computers, draping, carpentry, special effects, and motion picture services, to be paid not less than the Prevailing Rate of Wages (including fringe benefits or matching equivalents) fixed by the Board of Supervisors, unless the Show is free and open to the public or meets any of the other exemptions in Administrative Code Section 21C.4(b). Capitalized terms in this *Section 14.15* shall have the meanings provided in Administrative Code Sections 21.C4 and 21.C7, as applicable. Accordingly, Developer, as a condition of this Agreement, agrees that:

(a) Developer shall comply with the obligations in San Francisco Administrative Code Section 21C.4, and shall require its contractors, and any subcontractors, to comply with the obligations in Section 21C.4, including the payment of Prevailing Rate of Wages to individuals engaged in theatrical or technical services related to the presentation of a Show. In addition, if Developer or its contractor (or any subcontractor) fails to comply with these obligations, the City shall have all available remedies against Developer to secure compliance and seek redress for workers who provided the services as described in Section 21C.7, together with the remedies set forth in this Agreement.

(b) To determine whether Developer is complying with Administrative Code Section 21C.4, the City may, without prior notice to Developer, (i) enter and inspect any workplace or job site pertaining to the presentation of a Show at the Site, and (ii) interview any individual who provides, or has provided, work involving theatrical or technical services for the Show at the Site; provided that the City agrees it will not conduct any such inspection or interview at a time or in a manner that would unreasonably interfere with performances at the Site.

(c) To determine whether Developer is complying with Administrative Code Section 21C.4, City has the right to inspect and copy all workers' time sheets, payroll records, and paychecks (collectively, "Payroll Records") in so far as they relate to the presentation of a Show at the Site. Developer will provide to the City (and will require any of its subtenant, contractor or subcontractor who maintains such Payroll Records to provide to the City) within seventy-two (72) hours after the City's written request to Developer, access to all such Payroll Records for inspection and/or copying between the hours of 9:00 a.m.—5:00 p.m., Mondays—Fridays ("Business Hours") in so far as they relate the presentation of a Show at the Site.

For current Prevailing Wage rates, see the Office of Labor Standard Enforcement's website or call the Office of Labor Standard Enforcement at 415-554-6235.

14.16. Prevailing Wage Rate Requirement For Trade Show and Special Event Work. Developer acknowledges that City law entitles individuals engaged in work involving the on-site installation, set-up, assembly, and dismantling of temporary exhibits, displays, booths, modular systems, signage, drapery, specialty furniture, floor coverings, and decorative materials in connection with trade shows, conventions, expositions, and other special events on City property to receive the Prevailing Rate of Wages (which includes fringe benefits or matching equivalents) fixed by the Board of Supervisors, unless the event is free and open to the public or meets any of the other exemptions in San Francisco Administrative Code Section 21C.8(b). Capitalized terms in this subsection shall have the meanings provided in Administrative Code Sections 21.C7 and 21.C8, as applicable. Accordingly, Developer, as a condition of this Agreement, agrees that:

(a) Developer will comply with the obligations in San Francisco Administrative Code Section 21C.8, and will require Developer's subtenants, contractors, and any subcontractors, to comply with the obligations in Section 21C.8, including the payment of Prevailing Wage Rates to workers engaged in On-site work on Trade Shows or Special Events. In addition, if Developer or its subtenant, contractor (or any subcontractor) fails to comply with these obligations, City will have all available remedies against Developer to secure compliance and seek redress for workers who provided the services as described in Section 21C.7, together with the remedies set forth in this Agreement.

(b) To determine whether Developer is complying with Administrative Code Section 21C.8, the City may, without prior notice to Developer, (i) enter and inspect any workplace or job site pertaining to On-site work on Trade Shows or Special Events at the Site, and (ii) interview any individual who provides, or has provided, On-site work on Trade Shows or Special Events at the Site; provided that the City agrees it will not conduct any such inspection or interview at a time or in a manner that would unreasonably interfere with performances at the Site.

(c) To determine whether Developer is complying with Administrative Code Section 21C.8, City has the right to inspect and copy all Payroll Records in so far as they relate to a Trade Show or Special Event at the Site. Developer will provide to the City (and will require any of its subtenant, contractor or subcontractor who maintains such records to provide to the City) within seventy-two (72) hours after the City's written request to Developer, access to all such Payroll Records for inspection and/or copying during Business Hours in so far as they relate a Trade Show or Special Event at the Site.

For current Prevailing Wage rates, see www.sfgov.org/olse/prevailingwages or call the City's Office of Labor Standard Enforcement at 415-554-6235.

14.17. Local Hire. Unless exempt, Developer agrees to comply with the Local Hiring Policy set forth in San Francisco Administrative Code Section 6.22(G) (the "Local Hiring Policy") in the performance of the work. Before starting any work, Developer shall contact City's Office of Economic Workforce and Development ("OEWD") to verify the Local Hiring Policy requirements that apply to the work and Developer shall comply with all such

requirements. Failure to comply shall be deemed a breach of this Agreement, and Developer may also be liable for penalties as set forth in Section 6.22(G). Without limiting the foregoing:

A. For Covered Projects that exceed \$750,000, Developer shall comply with the applicable mandatory participation levels for Project Work Hours performed by Local Residents, Disadvantaged Workers, and Apprentices as set forth in Section 6.22(G)(4).

B. For Covered Projects that exceed \$1,000,000, Developer shall prepare and submit to OEWD for approval a local hiring plan as set forth in Section 6.22(G)(6).

C. Developer shall comply with the applicable record keeping and reporting requirements and shall cooperate in City inspections and audits for compliance with the Local Hiring Policy.

Any capitalized term used in this Section that is not defined will have the meaning given to such term in the Local Hiring Policy.

14.18. Food Service Waste Reduction Ordinance. Developer agrees to comply fully with and be bound by the Food Service Waste Reduction Ordinance (Env. Code ch. 16), including implementing guidelines and rules. Developer agrees that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, Developer agrees that the sums of \$100 in liquidated damages for the first breach, \$200 in liquidated damages for the second breach in the same year, and \$500 in liquidated damages for subsequent breaches in the same year is an estimate of the damage that the City will incur based on a violation, established in light of the circumstances existing at the time this Agreement was made. These amounts will not be considered a penalty, but rather agreed monetary damages sustained by the City because of Developer's failure to comply with this provision.

14.19. Local Business Enterprises.

(a) The Port Commission encourages the participation of local business enterprises ("LBEs") in Developer's operations. Developer agrees to work with the City's Human Rights Commission (the "HRC") to develop and/or institute appropriate programs for achieving LBE participation in the Project. Architecture, Engineering, Laboratory Services (Materials Testing), Trucking and Hauling, and Security Guard Services are categories of services that may provide opportunities for certified LBE participation. City maintains a list of certified LBEs at: http://sfgov.org/site/uploadedfiles/sfhumanrights/directory/vlist_1.htm.

(b) Developer agrees that, for all trucking opportunities associated with the Project over which Developer has direct control, including hauling of materials on and off the Site, Developer will make good faith efforts to use local truckers, as defined in the LBE Ordinance ("Local Truckers"). To the extent that Developer in its sole discretion directly employs or directly contracts with truckers for hauling materials on or off the Site, Developer will cause not less than 60 percent of all materials to be hauled in trucks operated by Local Truckers. If Developer fails to meet the 60 percent threshold, Developer will not be in default of these requirements so long as Developer first offered trucking opportunities to Local Truckers, and the truckers were unavailable or unwilling to haul materials to or from the Site. During construction activities, Developer will provide Port with a monthly report setting forth the quantities of material hauled onto or off of the Site during the preceding month and identifying the Local Truckers utilized by Developer and the quantities of materials hauled by Local Truckers, and, if Developer failed to meet the 60 percent threshold, evidence and results of Developer's outreach to Local Truckers during the applicable period.

14.20. Card Check Ordinance. If applicable, Developer will be required to comply with the Card Check Ordinance (Admin. Code ch. 23). That ordinance requires employers of employees in hotel or restaurant projects on public property with more than 50 employees to enter into a "card check" agreement with a labor union regarding the preference of employees to be represented by a labor union to act as their exclusive bargaining representative.

14.21. San Francisco Bottled Water Ordinance. Tenant is subject to all applicable provisions of Environment Code Chapter 24 (the "Bottled Water Ordinance") prohibiting the sale or distribution of Bottled Water (as defined in the Bottled Water Ordinance) at any Event (as defined in the Bottled Water Ordinance) held on the Premises.

14.22. Consideration of Criminal History in Hiring and Employment Decisions.

(a) Developer agrees to comply with and be bound by all of the provisions of San Francisco Administrative Code Chapter 12T (Criminal History in Hiring and Employment Decisions; "Chapter 12T"), which are hereby incorporated, including the remedies and implementing regulations as may be amended from time to time, with respect to applicants and employees of Developer who would be or are performing work at the Site.

(b) Developer shall incorporate by reference the provisions of Chapter 12T in all Subcontracts related to the Project, and shall require all Subcontractors to comply with such provisions. Developer's failure to comply with the obligations in this subsection shall constitute a material breach of this Agreement.

(c) Developer and its Subcontractors shall not inquire about, require disclosure of, or if such information is received base an Adverse Action on an applicant's or potential applicant for employment, or employee's: (1) Arrest not leading to a Conviction, unless the Arrest is undergoing an active pending criminal investigation or trial that has not yet been resolved; (2) participation in or completion of a diversion or a deferral of judgment program; (3) a Conviction that has been judicially dismissed, expunged, voided, invalidated, or otherwise rendered inoperative; (4) a Conviction or any other adjudication in the juvenile justice system; (5) a Conviction that is more than seven years old, from the date of sentencing; or (6) information pertaining to an offense other than a felony or misdemeanor, such as an infraction; provided, however, that Developer or Subcontractors may inquire about, require disclosure of, base an Adverse Action on, or otherwise consider an infraction or infractions contained in an applicant or employee's driving record if driving is more than a de minimis element of the employment in question.

(d) Developer and its Subcontractors shall not inquire about or require applicants, potential applicants for employment, or employees to disclose on any employment application the facts or details of any conviction history, unresolved arrest, or any matter identified in subsection (c) above. Developer and Subcontractors shall not require such disclosure or make such inquiry until either after the first live interview with the person, or after a conditional offer of employment.

(e) Developer and its Subcontractors shall state in all solicitations or advertisements for employees that are reasonably likely to reach persons who are reasonably likely to seek employment with Developer or its Subcontractor at the Site that the Developer or its Subcontractor will consider for employment qualified applicants with criminal histories in a manner consistent with the requirements of Chapter 12T.

(f) Developer and its Subcontractors shall post the notice prepared by the Office of Labor Standards Enforcement ("OLSE"), available on OLSE's website, in a conspicuous place at the Site and at other workplaces within San Francisco where interviews for job opportunities at the Site occur. The notice shall be posted in English, Spanish, Chinese, and any language spoken by at least 5% of the employees at the Site or other workplace at which it is posted.

(g) Developer and its Subcontractors understand and agree that upon any failure to comply with the requirements of Chapter 12T, the City shall have the right to pursue any rights or remedies available under Chapter 12T or this Agreement, including but not limited to a penalty of \$50 for a second violation and \$100 for a subsequent violation for each employee, applicant or other person as to whom a violation occurred or continued, termination or suspension in whole or in part of this Agreement.

(h) If Developer has any questions about the applicability of Chapter 12T, it may contact Port for additional information. Port may consult with the Director of the City's Office of Contract Administration who may also grant a waiver, as set forth in Section 12T.8.

14.23. Diesel Fuel Measures. Developer must minimize exhaust emissions from operating equipment and trucks at the Site. At a minimum, Developer will maintain vehicles and equipment in good condition and well-tuned to minimize emissions, ensure that vehicles and equipment run only when necessary, and prohibit running engines when vehicles and equipment are not in use or when queuing. Developer must also make good faith efforts to use low-emission diesel fuel or alternative low-emission fuels for all petroleum hydrocarbon-powered equipment used on the Site, and to explore emerging new technologies for reducing diesel particulate matter, such as catalytic particulate traps, which currently are under study by the California Air Resources Board. Identifying sources of viable alternative low-emission fuels, retrofitting or purchasing new or late-model equipment to use such fuels to the extent reasonably feasible, and using low-emission fuels to the extent reasonably practicable are examples of "good faith efforts" under this Section." In addition, Developer will encourage independent truckers contracting with Developer to move materials to and from the Site to use low-emission fuels if possible, including, if reasonably feasible, providing the truckers with economic incentives to retrofit equipment or take other measures necessary to use low-emission fuels.

15. DEVELOPER REPRESENTATIONS AND WARRANTIES.

Developer represents, warrants and covenants to Port (and will cause its members, on behalf of themselves, to represent, warrant and covenant to Port) as follows, as of the date hereof and as of the commencement of any Extension Term:

(a) **Valid Existence; Good Standing.** Developer is a limited liability company duly incorporated and validly existing under the laws of the State of California. Developer has the requisite power and authority to own its property and conduct its business as presently conducted. Developer is in good standing in the State of California.

(b) **Authority.** Developer has the requisite power and authority to execute and deliver this Agreement and the agreements contemplated hereby and to carry out and perform all of the terms and covenants of this Agreement and the agreements contemplated hereby to be performed by Developer.

(c) **No Limitation on Ability to Perform.** Neither Developer's articles of organization or operating agreement, nor any applicable Law, prohibit Developer's entry into this Agreement or its performance hereunder. No consent, authorization or approval of, and no notice to or filing with, any governmental authority, Regulatory Agency or other Person is required for the due execution and delivery of this Agreement by Developer and Developer's performance hereunder, except for consents, authorizations and approvals which have already been obtained, notices which have already been given and filings which have already been made. There are no undischarged judgments pending against Developer, and Developer has not received notice of the filing of any pending suit or proceedings against Developer before any court, Regulatory Agency, or arbitrator, which might materially adversely affect the enforceability of this Agreement or the business, operations, assets or condition of Developer.

(d) **Valid Execution.** The execution and delivery of this Agreement and the performance by Developer hereunder have been duly and validly authorized. When executed and delivered by Port and Developer, this Agreement will be a legal, valid and binding obligation of Developer.

(e) **Defaults.** The execution, delivery and performance of this Agreement (i) do not and will not violate or result in a violation of, contravene or conflict with, or constitute a default by Developer under (1) any agreement, document or instrument to which Developer is a party or by which Developer is bound, (2) any Law applicable to Developer or its business, or (3) the articles of organization or the operating agreement of Developer, and (ii) do not result in

the creation or imposition of any lien or other encumbrance upon the assets of Developer, except as contemplated hereby.

(f) **Financial Matters.** Developer is not in default under, and has not received notice asserting that it is in default under, any agreement for borrowed money, Developer has not filed a petition for relief under any chapter of the U.S. Bankruptcy Code, there has been no event that has materially adversely affected Developer's ability to meet its Lease obligations hereunder, and to the best of Developer's knowledge, no involuntary petition naming Developer as debtor has been filed under any chapter of the U.S. Bankruptcy Code.

The representations and warranties herein will survive any termination of this Agreement.

16. MISCELLANEOUS.

16.1. **Attorneys' Fees.** If either party brings an action or proceeding at law or in equity against the other party to enforce any provision of this Agreement or to protect or establish any right or remedy under this Agreement, the unsuccessful party to the litigation must pay to the prevailing party all costs and expenses incurred by the prevailing party as determined by the court, including reasonable attorneys' fees. If the prevailing party obtains a judgment in any action or proceeding, costs, expenses, and attorneys' fees will be included in and be a part of the judgment. For purposes of this Agreement, reasonable fees of attorneys of the Office of the City Attorney will be based on the fees regularly charged by private attorneys with an equivalent number of years of professional experience (calculated by reference to earliest year of admission to the Bar of any State) who practice in the City in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney.

16.2. **California Law.** This Agreement must be construed and interpreted in accordance with the laws of the State of California and the City's Charter.

16.3. **Entire Agreement.** This Agreement contains all of the representations and the entire agreement between the parties with respect to the subject matter of this Agreement. Any prior correspondence, memoranda, agreements, warranties, or written or oral representations relating to its subject matter are superseded by this Agreement. No prior drafts of this Agreement or changes from those drafts to the executed version of this Agreement may be introduced as evidence in any litigation or other dispute resolution proceeding by any party or other person, and no court or other body should consider those drafts in interpreting this Agreement.

16.4. **Amendments.** No amendment to this Agreement will be valid unless it is in writing and signed by all of the parties.

16.5. **Severability.** Except as otherwise specifically provided in this Agreement, a judgment or court order invalidating any provision of this Agreement, or its application to any person, will not affect any other provision of this Agreement or its application to any other person or circumstance, and the remaining portions of this Agreement will continue in full force and effect, unless enforcement of this Agreement as invalidated would be unreasonable or grossly inequitable under all of the circumstances or would frustrate the purposes of this Agreement.

16.6. **No Party Drafter; Captions.** The provisions of this Agreement will be construed as a whole according to their common meaning and not strictly for or against any party in order to achieve the objectives and purposes of the parties. Any caption preceding the text of any section, paragraph or subsection or in the table of contents is included only for convenience of reference and will be disregarded in the construction and interpretation of this Agreement.

16.7. **Interpretation.** Whenever required by the context, the singular shall include the plural and vice versa, the masculine gender shall include the feminine or neuter genders, and vice versa, and defined terms encompass all correlating forms of the terms (e.g., the definition of "waive" applies to "waiver," "waived," "waiving"). In this Agreement, the terms

“include,” “included” and “including” will be deemed to be followed by the words “without limitation” or “but not limited to.”

16.8. Waiver. None of the following will constitute a waiver of any breach under, or of Port’s right to demand strict compliance with, this Agreement: (a) Port’s failure to insist upon Developer’s strict performance of any obligation under this Agreement; (b) Port’s failure to exercise any right, power, or remedy arising from Developer’s failure to perform its obligations for any length of time; or (c) Port’s acceptance of any full or partial payment, including any portion of the Negotiating Fee, during the continuance of the breach. Port’s consent to or approval of any act by Developer requiring Port’s consent or approval may not be deemed to waive or render unnecessary Port’s consent to or approval of any subsequent act by Developer. Any waiver by Port of any default must be in writing and will not be a waiver of any other default concerning the same or any other provision of this Agreement.

16.9. No Brokerage Fees. Port will not pay a finder’s or broker’s fee in connection with this Agreement or upon execution of any of the Transaction Documents. Developer agrees to indemnify and hold Port harmless from any costs, including attorneys’ fees, Port incurs if any broker or brokers claim a commission in connection with this Agreement or any of the Transaction Documents.

16.10. Time is of the Essence. Time is of the essence for each provision of this Agreement, including performance of the Performance Benchmarks.

17. DEFINED TERMS.

“Agents” is defined in Section 8.4.

“Agreement” is defined in Section Preamble.

“Business Hours” is defined in Section 14.15(c).

“Board” is defined in Recital I.

“Board Endorsement” is defined in Section 3.4(b).

“Board Resolution” is defined in Recital K.

“CEQA” is defined in Section 3.3.

“City” is defined in Preamble.

“City Agents” is defined in Section 12.2.

“claims” is defined in Section 12.2

“Community Outreach Program” is defined in Section 5.3.

“Conduct Code” is defined in Section 14.10

“Conference Summary” is defined in Section 5.4(b).

“Consultant Invoice” is defined in Section 4.2(d).

“Core Benefits” is defined in Section 14.1(c).

“Developer” is defined in Preamble

“Developer Agents” is defined in Section 12.2.

“Developer’s Proposed Changes” is defined in Section 3.5.

“Effective Date” is defined in Section 2.1.

“EIR” is defined in Section 5.1.

“Event of Default” is defined in Section 10.1.

“Exclusive Negotiation Period” is defined in Section 1.2(a).
“Executive Director” is defined in Recital N.
“Existing Lease” is defined in Recital C
“Extended Expiration Date” is defined in Section 2.2.
“Extension Fee” is defined in Section 4.
“Extension Option” is defined in Section 2.2.
“First Extended Expiration Date” is defined in Section 2.2.
“Force Majeure Event” is defined in Section 2.3(d).
“Force Majeure Extension” is defined in Section 2.3(a).
“Force Majeure Notice” is defined in Section 2.3(a).
“HCAO” is defined in Section 14.2.
“HRC” is defined in Section 14.19(a).
“Indemnified Parties” is defined in Section 12.1.
“Initial Expiration Date” is defined in Section 2.1.
“Initial Term” is defined in Section 2.1.
“IPM” is defined in Section 14.6.
“IPM Ordinance” is defined in Section 14.6.
“Kenwood” is defined in Recital H.
“LBES” is defined in Section 14.19(a).
“LDDA” is defined in Recital O.
“Lease” is defined in Recital O.
“Losses” is defined in Section 12.1.
“Media Contact” is defined in Section 5.4(d).
“Mutual Termination Agreement” is defined in Recital D.
“Negotiation Fee” is defined in Section 4.
“Negotiation Notice” is defined in Section 3.4(c)(i).
“Negotiation Period” is defined in Section 3.4(c)(i).
“Outside Transaction Costs” is defined in Section 4.2(d).
“Overpayment” is defined in Section 4.2(d).
“Payroll Records” is defined in Section 14.15(c).
“Payment Advance” is defined in Section 4.2(d).
“Performance Benchmarks” is defined in Section 2.2(c)(i) and Exhibit B.
“Performance Dates” is defined in Section 2.4(b) and Exhibit B.
“Pesticide Ordinance” is defined in Section 14.8.
“Port Endorsement” is defined in Section 3.4.
“Port Event of Default” is defined in Section 10.2.

"Port Statement" is defined in Section 4.2(d).

"Port's Management Obligations" is defined in Section 5.5(c)(ii).

"Parking Operation Agreements" is defined in Recital C.

"PR Program" is defined in Section 5.4(a)

"Press Matters" is defined in Section 5.4(a).

"Press Release" is defined in Section 5.4(a).

"Project" is defined in Recital D.

"Project Assignment" is defined in Section 9.4(c).

"Project Consultants" is defined in Section 5.11.

"Project Materials" is defined in Section 5.11.

"public trust" is defined in Section B

"Public Trust Determination" is defined in Section 5.5(a).

"Public Trust Consistency Proposal" is defined in Section 5.5(c)(ii).

"Regulatory Agency" is defined in Section 5.6(b).

"Regulatory Approval" is defined in Section 5.6(a).

"Regulatory Approval Strategy" is defined in Section 5.6(b).

"releases" is defined in Section 12.2.

"Revised Term Sheet" is defined in Section 3.4(c)(i).

"Second Extended Expiration Date" is defined in Section 2.2.

"Site" is defined in Recital A, Exhibit A.

"State Lands" is defined in Section 5.5.

"Tentro" is defined in Recital D.

"Term Sheet" is defined in Section 3.2.

"Terminating Event" is defined in Section 9.1.

"Termination" is defined in Section 9.1.

"Termination Notice" is defined in Section 3.4(c)(ii).

"Third Extended Expiration Date" is defined in Section 2.2.

"Transaction Costs" is defined in Section 4.2(d).

"Transaction Documents" is defined in Recital O.

"Transfer" is defined in Section 8.1.

"TZZ" is defined in Recital H.

"Underpayment" is defined in Section 4.2(d).


"Upset Date" is defined in Section 2.3(d)(ii).

[SIGNATURES ON FOLLOWING PAGE]

Developer and Port have executed this Agreement as of the last date written below.

DEVELOPER: **TZK BROADWAY, LLC** a California limited liability company

By: Kenwood Investments No. 6, LLC, a California limited liability company,
its Member and Manager

By: 
Darius Anderson, Managing Member

Date: 10/29/15

By: TZZ, LLC, a Washington limited liability company,
its Member

By: 
Norman Langill, Managing Member

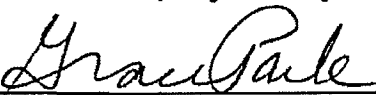
Date: 10/27/15

PORT: **CITY AND COUNTY OF SAN FRANCISCO,**
a municipal corporation, operating by and through the
SAN FRANCISCO PORT COMMISSION

By: 
Monique Moyer
Executive Director

Date: November 5, 2015

APPROVED AS TO FORM:
Dennis J. Herrera, City Attorney

By: 
Grace Park
Deputy City Attorney

Authorized by Port Resolution No. 15-31

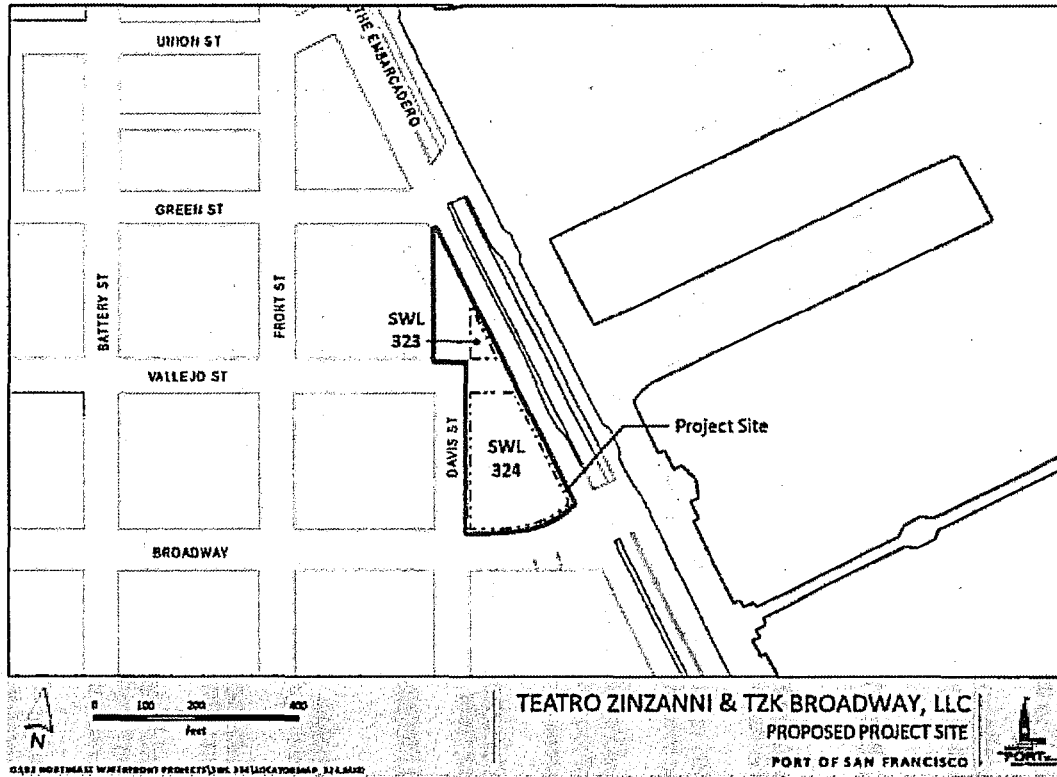


EXHIBIT A
THE SITE

EXHIBIT B
PERFORMANCE BENCHMARKS

Performance Benchmarks	Time for Performance
1. <u>Developer Formation Documents</u> : TZK to provide updates to Port if there are any material changes to the documents.	Ongoing.
2. <u>Updated Proposed Development Concept</u> : TZK must submit its updated development concept showing its preliminary massing and land use concept.	October 2015
3. <u>Community Outreach Plan</u> : TZK must submit its proposed Community Outreach Plan	October 2015
4. <u>Public Trust Consistency Proposal</u> : TZK must submit its proposed Public Trust Consistency Plan for the Site;	December 2015
5. <u>Deal Term Sheet</u> : TZK must submit its proposed Term Sheet of the Revised Development Proposal. What to cover in Term Sheet: <ol style="list-style-type: none"> 1. Lease terms and conditions (including all the terms set forth in Section 3.2 of the ENA) 2. Terms/conditions of related transaction documents 	January 2016
6. <u>Site Control for non-Port Parcels</u> : TZK must submit its plan for Site Control of DPW Street stubs	January 2016
7. <u>Regulatory Approval Strategy</u> : TZK must submit its proposed Regulatory Approval Strategy.	January 2016
8. <u>Design Review Submission</u> : TZK must submit its design concept for review by the applicable regulatory bodies.	February 2016
9. <u>Port Commission Endorsement</u> : TZK to obtain the Port Commission's endorsement of the Term Sheet.	February 2016
10. <u>Board Endorsement and Fiscal Feasibility Determination</u> : TZK to obtain the Board of Supervisors' endorsement of the Term Sheet and if required, Fiscal Feasibility Determination.	March 2016
11. <u>Implementation Strategies</u> : Traffic and parking impact mitigation, financing, franchising/branding, building operations, operation management, leasing, and public benefit improvements.	September 2015 -- April 2016
12. <u>CEQA Environmental Evaluation</u> : TZK to submit the environmental evaluation application for the Development with a timeline for the publication of certification of environmental review	September 2015 -- April 2016
13. <u>Due Diligence Investigation</u> : TZK must complete its due diligence investigation of the Site, including surveys, title, environmental site	April 2016

assessment, field measurements, samples, borings, soil and geotechnical analysis, utility availability, and any other investigations as required by its technical advisors.

14. Transaction Documents: TZK and Port must reach final agreement on the form of LDDA, Lease and all related transaction documents. June 2016
15. Port Commission adoption of CEQA Findings and Public Trust Consistency findings, and approval of final Transaction Documents. June 2016
16. Board of Supervisors' Adoption of CEQA Finding and Approval of Lease. September 2016

Schedule 1

FEMA Disclosure Notice

The Federal Emergency Management Agency ("FEMA") is revising Flood Insurance Rate Maps ("FIRMs") for San Francisco Bay Area communities. As part of this effort, FEMA plans to prepare a FIRM for the City and County of San Francisco for the first time. That process may have significant impacts for developing new structures and reconstructing or repairing existing structures on San Francisco's waterfront.

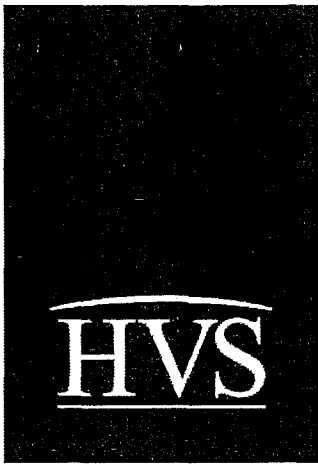
FIRMs identify areas that are subject to inundation during a flood having a 1% chance of occurrence in a given year (also known as a "base flood" or "100-year flood"). FEMA refers to an area that is at risk from a flood of this magnitude as a special flood hazard area ("SFHA").

On September 21, 2007, FEMA issued a preliminary FIRM of San Francisco tentatively identifying SFHAs along City's shoreline in and along the San Francisco Bay consisting of "A zones" (areas subject to inundation by tidal surge) and "V zones" (areas subject to the additional hazards that accompany wave action). These zones generally affect City property under the jurisdiction of Port of San Francisco and other areas of the San Francisco waterfront, including parts of Mission Bay, Hunters Point Shipyard, Candlestick Point, Treasure and Yerba Buena Islands, and an area adjacent to Islais Creek.

FEMA prepares the FIRMs to support the National Flood Insurance Program ("NFIP"), a federal program that enables property owners, businesses, and residents in participating communities to purchase flood insurance backed by the federal government. The San Francisco Board of Supervisors has adopted a floodplain management ordinance governing new construction and substantial improvements in flood prone areas of San Francisco and authorizing the City's participation in NFIP (as amended, the "Floodplain Ordinance"). The Floodplain Ordinance imposes requirements on any new construction or substantial improvement of structures in city-designated flood zones that are intended to minimize or eliminate flood hazard risks. NFIP regulations allow a local jurisdiction to issue variances to its floodplain management ordinance under certain narrow circumstances, without jeopardizing the local jurisdiction's eligibility in the NFIP. However, the particular projects that are granted variances by the local jurisdiction may be deemed ineligible for federally-backed flood insurance by FEMA.

FEMA is performing detailed coastal engineering analyses and mapping of the San Francisco Bay shoreline in accordance with FEMA's February 2005 Pacific guidelines for new coastal studies. The San Francisco Bay Area Coastal Study includes both regional hydrodynamic and wave modeling of the San Francisco Bay, as well as detailed onshore coastal analysis used to estimate wave run-up and overtopping, as well as overland wave propagation. These onshore analyses will form the basis for potential revisions to the Base Flood Elevations (BFEs) and Special Flood Hazard Areas (SFHAs) within the coastal areas. The new coastal study will revise and update the flood and wave data based on current conditions within the coastal Flood Insurance Study reports and Flood Insurance Rate Maps for each of the nine counties. For San Francisco, the preliminary FIRMs will replace the preliminary FIRMs issued in 2007. FEMA expects to issue preliminary FIRMs for San Francisco in early 2014, with an intended effective date in mid-2015.

The federal legislation and regulations implementing the NFIP are located at 42 U.S.C. §§ 4001 et seq.; 44 C.F.R. Parts 59-78, §§ 59.1-78.14. FEMA also publishes "Answers to Questions About the NFIP" and FEMA Publication 186 entitled "Mandatory Purchase of Flood Insurance Guidelines." Additional information on this matter can be found on the City's and FEMA's websites at the following links: <http://www.fema.gov/plan/prevent/fhm/index.shtm>; [http://www.r9map.org/Docs/Oct13-SanFranCo-FEMA_Factsheet_rev%20f2\).pdf](http://www.r9map.org/Docs/Oct13-SanFranCo-FEMA_Factsheet_rev%20f2).pdf); <http://www.fema.gov/business/nfip/index.shtm>; and <http://www.sfgov.org>.



FEASIBILITY STUDY

Proposed Waterfront Hotel

BROADWAY STREET & THE EMBARCADERO
SAN FRANCISCO, CALIFORNIA

SUBMITTED TO:

Mr. Ricky Tijani
Port of San Francisco
Pier 1, The Embarcadero
San Francisco, California 94111
ricky.tijani@sfport.com
+1 (415) 274-0680

PREPARED BY:

HVS Consulting and Valuation Services
Division of M&R Valuation Services, Inc.
100 Bush Street, Suite 750
San Francisco, California, 94104
www.hvs.com
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May 6, 2016

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Re: Proposed Waterfront Hotel
San Francisco, California
HVS Reference: 2015040272, 2015250020

Dear Mr. Tijani:

Pursuant to your request, we herewith submit our financial feasibility study pertaining to the above-captioned property. This report corresponds to Phase Four and Phase Five, Subsection 1 of our engagement with the Port of San Francisco; many of the data points and conclusions surrounding the market area and the proposed subject property were detailed in our market study that was submitted to you on January 15, 2016 as the first deliverable for Phases One and Two of our engagement. For more detailed information and support for the conclusions that are included in this report, please refer to our market study.

Our report was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation. We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

Sincerely,
M&R Valuation Services, Inc.

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1. Executive Summary

Objective of the Feasibility Study

HVS has been engaged by the Port of San Francisco to provide consulting services pertaining to the development of a mixed-use hotel/dinner theater complex on a commercial site located in San Francisco, California. A Phase One market study for the project has already been completed by HVS. Phase Four of this six-phase engagement is to perform a financial feasibility study in order to determine if the proposed project is financially viable, while Phase Five Subsection 1 of our engagement is to perform an analysis of the project developer's financing plan and strategy. Our work for Phase Four and Phase Five Subsection 1 is included in this report.

Identification of the Client, Intended User, and Intended Use of the Feasibility Study

The client for this assignment is the Port of San Francisco; this report is intended for the addressee firm and may not be distributed to or relied upon by other persons or entities. This feasibility study is being prepared for the Port of San Francisco's use in structuring a ground lease with the developer of the proposed subject property. We note that as a part of determining the feasibility of the project, we developed a prospective opinion of value as of the date of the property's assumed opening in order to compare the market value to the proposed development cost. Furthermore, internal rates of return to the developer were analyzed based on several different financing scenarios. The value conclusions set forth in this report are to be used in the context of determining feasibility and/or the expected rates of return to the investors; this report is not intended for use as an appraisal for project financing.

Key Analyses and Conclusions

The key Phase Four and Phase Five Subsection 1 analyses and conclusions regarding the proposed subject property and its development are summarized here. These topics are covered in more detail throughout the body of the report.

Market-wide Hotel Supply and Demand

- The San Francisco lodging market is currently very strong. In general, hotels are operating at peak levels of occupancy and average rate, resulting from the plethora of demand generators in and around the city, the balanced mix of market segments, and minimal supply growth in recent years. Overall occupancies have reached the mid- to high-80% range, and operators are expected to continue operating with price-driven revenue strategies. Double-digit average rate increases over the past five years have significantly improved the profitability of San Francisco hotels and have now reached a level that supports new hotel development.



- Although the San Francisco market offers a number of independent and boutique hotel properties, many of these hotels feature outdated improvements or aging structures that were converted to hotels from older existing buildings. There are few upper upscale, four star boutique/lifestyle hotels in San Francisco and even fewer hotels featuring ground-up construction within the past 20 years; furthermore, boutique hotel products are becoming increasingly more popular among travelers in the city and the industry at large. The proposed subject property is expected to provide a unique, upper upscale boutique lodging product in the highly desirable San Francisco market. “Upper upscale” is a product classification defined by Smith Travel Research (STR) that is positioned below a five-star luxury hotel and above three-star full- and select- service hotels.

Subject Site and Proposed Subject Property Positioning

- The subject site features an excellent location on The Embarcadero, across from the San Francisco waterfront. Its location is proximate to many of San Francisco’s major attractions and demand generators. Views of the San Francisco Bay, the Bay Bridge, and other scenery are available from the site. While a handful of hotels are located proximate to San Francisco’s waterfront, most of them are located in the tourist oriented Fisherman’s Wharf neighborhood. The closest comparable to the proposed subject property, both in terms of location and product offering, is the Hotel Vitale, which is positioned as San Francisco’s most successful boutique hotel. It is our opinion that an upper upscale boutique hotel product complete with a dinner theater operated by Teatro ZinZanni, as proposed by the developer, would be the highest and best use of the subject site.
- The developer of the project is known as TZK Broadway, LLC; current development plans for the subject site include an upscale boutique hotel and a dinner theater that will be operated by Teatro ZinZanni. It is important to note that a Teatro ZinZanni location existed on The Embarcadero at Pier 29 from 2000 to 2011, and was reported to be a very popular and sought-after venue. Given the subject site attributes and the expected quality of the proposed hotel, it would be reasonable to assume that the proposed subject property will be able to attain an occupancy level in the mid-80% range on a stabilized basis. Furthermore, we believe that the hotel could achieve an average rate at the high end of the range determined by comparable boutique properties in San Francisco, and at a slight discount to the rate of the Hotel Vitale. Our positioning of the proposed subject property’s average rate and its potential operating



performance are detailed in the Forecast of Income and Expense chapter of this report.

- The subject property is forecast to stabilize at an occupancy of 85% and an average rate of \$517.00 in 2023, ramping up from a projected 80% occupancy and an average rate of \$450.00 in 2019, the year that the hotel is anticipated to open. The proposed subject property is expected to be one of the city's highest rated boutique hotels.

Forecast of Income and Expense

- The consultants evaluated the pro forma prepared by TZK Broadway and benchmarked the projected performance against income and expense statements of comparable hotels. Based on this analysis, the developer's pro forma was considered well supported and attainable. As discussed in more detail in the Forecast of Income and Expense chapter of this report, HVS prepared a forecast of income and expense that was based in large part on the forecast that was prepared by TZK Broadway. However, some modifications were made to the developer's forecast, including the consolidation of certain line items and the use of our fixed and variable model in forecasting each line item. The following charts display our ten-year forecast of income and expense.



FIGURE 1-1 HVS FORECAST – TEN-YEAR FORECAST OF INCOME AND EXPENSE – PROPOSED WATERFRONT HOTEL, SAN FRANCISCO, CA

	Construction Period			Operation Period																			
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028										
Number of Rooms:				170	170	170	170	170	170	170	170	170	170										
Occupied Rooms:				49,640	52,743	52,743	52,743	52,743	52,743	52,743	52,743	52,743	52,743										
Occupancy:				80%	85%	85%	85%	85%	85%	85%	85%	85%	85%										
Average Rate:				\$450.00	% of \$473.00	% of \$487.00	% of \$502.00	% of \$517.00	% of \$533.00	% of \$549.00	% of \$565.00	% of \$582.00	% of \$599.00										
RevPAR:				\$360.00	Gross \$402.05	Gross \$413.95	Gross \$426.70	Gross \$439.45	Gross \$453.05	Gross \$466.65	Gross \$480.25	Gross \$494.70	Gross \$509.15										
OPERATING REVENUE																							
Rooms				\$22,623	64.9 %	\$25,241	65.9 %	\$25,988	65.6 %	\$26,788	65.4 %	\$27,589	65.0 %	\$28,416	65.0 %	\$29,269	65.0 %	\$30,147	65.0 %	\$31,051	65.0 %	\$31,983	65.0 %
Food & Beverage				6,803	19.5	7,330	19.1	7,565	19.1	7,807	19.0	8,056	19.0	8,314	19.0	8,580	19.0	8,838	19.0	9,103	19.0	9,376	19.0
Catering				4,093	11.8	4,365	11.4	4,637	11.7	4,909	12.0	5,248	12.4	5,405	12.4	5,567	12.4	5,734	12.4	5,906	12.4	6,083	12.4
Miscellaneous Income				1,315	3.8	1,375	3.6	1,426	3.6	1,479	3.6	1,534	3.6	1,580	3.6	1,627	3.6	1,676	3.6	1,726	3.6	1,778	3.6
Total Operating Revenue				34,834	100.0	38,311	100.0	39,616	100.0	40,983	100.0	42,426	100.0	43,715	100.0	45,043	100.0	46,395	100.0	47,787	100.0	49,220	100.0
DEPARTMENTAL EXPENSES*																							
Rooms				6,059	26.8	6,392	25.3	6,583	25.3	6,781	25.3	6,984	25.3	7,194	25.3	7,410	25.3	7,632	25.3	7,861	25.3	8,097	25.3
Food & Beverage				6,557	96.4	6,890	94.0	7,097	93.8	7,310	93.6	7,529	93.5	7,755	93.3	7,988	93.1	8,227	93.1	8,474	93.1	8,728	93.1
Catering				3,393	82.9	3,557	81.5	3,721	80.2	3,885	79.1	4,088	77.9	4,168	77.1	4,293	77.1	4,422	77.1	4,554	77.1	4,691	77.1
Total				16,010	46.0	16,899	44.0	17,401	43.9	17,975	43.9	18,601	43.8	19,117	43.7	19,690	43.7	20,281	43.7	20,889	43.7	21,516	43.7
DEPARTMENTAL INCOME				18,824	54.0	21,472	56.0	22,215	56.1	23,008	56.1	23,825	56.2	24,599	56.3	25,353	56.3	26,114	56.3	26,897	56.3	27,704	56.3
UNDISTRIBUTED OPERATING EXPENSES																							
Administrative & General				2,462	7.1	2,585	6.7	2,666	6.7	2,749	6.7	2,835	6.7	2,921	6.7	3,008	6.7	3,098	6.7	3,191	6.7	3,287	6.7
Marketing				1,116	3.2	1,172	3.1	1,208	3.1	1,246	3.0	1,285	3.0	1,324	3.0	1,364	3.0	1,405	3.0	1,447	3.0	1,490	3.0
Prop. Operations & Maint.				1,034	3.0	1,086	2.8	1,120	2.8	1,155	2.8	1,191	2.8	1,227	2.8	1,264	2.8	1,302	2.8	1,341	2.8	1,381	2.8
Utilities				690	2.0	724	1.9	747	1.9	770	1.9	794	1.9	818	1.9	843	1.9	868	1.9	894	1.9	921	1.9
Park Maintenance/Security				217	0.6	228	0.6	235	0.6	243	0.6	250	0.6	258	0.6	266	0.6	274	0.6	282	0.6	290	0.6
Total				5,520	15.9	5,796	15.1	5,976	15.1	6,163	15.0	6,357	15.0	6,547	15.0	6,744	15.0	6,946	15.0	7,155	15.0	7,369	15.0
GROSS HOUSE PROFIT				13,304	38.1	15,676	40.9	16,239	41.0	16,845	41.1	17,468	41.2	18,051	41.3	18,609	41.3	19,168	41.3	19,743	41.3	20,335	41.3
Management Fee				1,045	3.0	1,149	3.0	1,188	3.0	1,229	3.0	1,273	3.0	1,311	3.0	1,351	3.0	1,392	3.0	1,434	3.0	1,477	3.0
INCOME BEFORE NON-OPER. INC. & EXP.				12,259	35.1	14,527	37.9	15,050	38.0	15,616	38.1	16,195	38.2	16,740	38.3	17,258	38.3	17,776	38.3	18,309	38.3	18,858	38.3
NON-OPERATING INCOME AND EXPENSE																							
Property Taxes				1,640	4.7	1,673	4.4	1,706	4.3	1,740	4.2	1,775	4.2	1,811	4.1	1,847	4.1	1,884	4.1	1,922	4.0	1,960	4.0
Insurance				126	0.4	129	0.3	133	0.3	137	0.3	141	0.3	145	0.3	150	0.3	154	0.3	159	0.3	164	0.3
Ground Rent				1,582	4.5	1,710	4.5	1,763	4.4	1,818	4.4	1,876	4.4	1,936	4.4	2,000	4.4	2,066	4.4	2,131	4.4	2,199	4.4
Reserve for Replacement				697	2.0	1,149	3.0	1,585	4.0	1,639	4.0	1,697	4.0	1,749	4.0	1,802	4.0	1,856	4.0	1,911	4.0	1,969	4.0
Total				4,044	11.6	4,662	12.2	5,187	13.0	5,335	12.9	5,489	12.9	5,671	13.8	5,826	13.8	6,005	13.8	6,196	13.7	6,391	13.7
EBITDA LESS RESERVE				\$8,215	23.5 %	\$9,865	25.7 %	\$9,864	25.0 %	\$10,281	25.2 %	\$10,706	25.3 %	\$10,669	24.5 %	\$11,022	24.5 %	\$11,371	24.5 %	\$11,731	24.6 %	\$12,103	24.6 %

*Departmental expenses are expressed as a percentage of departmental revenues.



Ground Lease and Rental Payments to Port of San Francisco

- The subject site is currently owned by the Port of San Francisco and will be leased to the developers on a long-term ground lease. Specific terms of the lease are currently being negotiated by the Port and the developers; the most recent iteration of the ground lease features an initial term of 50 years plus a 16-year extension term. Ground rent payments are comprised of base rent and percentage rent, with percentage rent paid in excess of the base. The calculation of percentage rent is based on gross receipts from both the hotel's operation and the operation of the Teatro ZinZanni dinner theater, escalating over time from the hotel's opening to its anticipated stabilization period. The proposed ground lease assumptions, as provided by the client, are detailed in the following chart.

FIGURE 1-2 CURRENT GROUND LEASE TERMS/ASSUMPTIONS (CURRENTLY UNDER NEGOTIATION)

Assumptions and Definitions for Ground Rent Calculation
<p>Minimum Base Rent:</p> <ul style="list-style-type: none"> -If Hotel Occupancy reaches 80% or greater in first Two Operation Years, Base Rent for those years will equal 90% of Total Participation Rent -Minimum Base Rent set to \$875,000 in the two-year Construction Period -Minimum Base Rent set to \$1,366,000 in the Third Operation Year, CPI adjusted at 3% -Minimum Base Rent will be reset after each 10-year period (first reset in the Eleventh Operating Year) at 65% of the average Total Participation Rent for the 5 years prior to the reset year. Note that the reset Minimum Base Rent amount should not be less than the prior year's Minimum Base Rent CPI adjusted at 3%.
<p>Percentage Rent:</p> <ul style="list-style-type: none"> -Percentage Rent for the hotel component will be calculated at 3.5% of Gross Hotel Revenue LESS F&B Rental (first 5 years), 4.5% (next 5 years), 5.5% (next 10 years), 6.5% (remaining term) -Percentage Rent for the theater component will be calculated at 3.5% of Gross TZ Revenue for the entire lease term -Percentage Rent will be paid in excess of the Minimum Base Rent
<p>Gross Revenue (Hotel):</p> <p>Gross Hotel Revenue LESS \$390,000 (CPI adjusted at 3%) for the purposes of calculating the ground rent to the Port of San Francisco</p>
<p>Gross Revenue (Teatro ZinZanni (TZ)):</p> <p>Provided by Client (Forecast was reportedly completed by TZ)</p>

- The proposed lease terms for the subject property were compared to those of the Hotel Vitale's ground lease with the San Francisco Municipal Transportation Agency (SFMTA), given that it is a similar hotel product with a similar location that is encumbered by a ground lease with a San Francisco city agency. The terms of the Hotel Vitale lease are detailed in Figure 2-15 in the body of this report. Although the Hotel Vitale ground lease calls for higher rental payments to the lessor, the other terms of the lease must be considered in making such a comparison.



- Based on our forecast of income and expense for the subject property, the Teatro ZinZanni component (provided by client), and the current terms of the ground lease, the Port of San Francisco is projected to receive ground rent payments over the term of the lease as follows:



FIGURE 1-3 HVS FORECAST – GROUND RENT PAYMENTS TO THE PORT OF SAN FRANCISCO – INITIAL TERM (BASED ON CURRENT LEASE TERMS)

Year	Gross Revenue (Hotel)	Gross Revenue (Teatro ZinZanni)	Minimum Base Rent	Percentage Rent (Hotel)	Percentage Rent (TZ)	Total Percentage Rent	Final Ground Rent Payment to Port of SF
2017	Construction Period		\$875,000				\$875,000
2018	Construction Period		875,000				875,000
2019	\$34,443,581	\$10,744,604	1,423,428	\$1,205,525	\$376,061	\$1,581,586	1,581,586
2020	37,897,880	10,959,496	1,539,007	1,326,426	383,582	1,710,008	1,710,008
2021	39,190,181	11,178,685	1,666,000	1,371,656	391,254	1,762,910	1,762,910
2022	40,544,577	11,402,259	1,406,980	1,419,060	399,079	1,818,139	1,818,139
2023	41,974,744	11,630,305	1,449,189	1,469,116	407,061	1,876,177	1,876,177
2024	43,250,100	11,979,214	1,492,665	1,946,254	419,272	2,365,527	2,365,527
2025	44,564,231	12,338,591	1,537,445	2,005,390	431,851	2,437,241	2,437,241
2026	45,901,158	12,708,748	1,583,568	2,065,552	444,806	2,510,358	2,510,358
2027	47,278,193	13,090,011	1,631,075	2,127,519	458,150	2,585,669	2,585,669
2028	48,696,539	13,482,711	1,680,008	2,191,344	471,895	2,663,239	2,663,239
2029	50,157,435	13,887,192	1,730,408	2,758,659	486,052	3,244,711	3,244,711
2030	51,662,158	14,303,808	1,782,320	2,841,419	500,633	3,342,052	3,342,052
2031	53,212,022	14,732,922	1,835,790	2,926,661	515,652	3,442,314	3,442,314
2032	54,808,383	15,174,910	1,890,863	3,014,461	531,122	3,545,583	3,545,583
2033	56,452,635	15,630,157	1,947,589	3,104,895	547,056	3,651,950	3,651,950
2034	58,146,214	16,099,062	2,006,017	3,198,042	563,467	3,761,509	3,761,509
2035	59,890,600	16,582,034	2,066,198	3,293,983	580,371	3,874,354	3,874,354
2036	61,687,318	17,079,495	2,128,183	3,392,802	597,782	3,990,585	3,990,585
2037	63,537,938	17,591,880	2,192,029	3,494,587	615,716	4,110,302	4,110,302
2038	65,444,076	18,119,636	2,257,790	3,599,424	634,187	4,233,611	4,233,611
2039	67,407,398	18,663,225	2,596,147	4,381,481	653,213	5,034,694	5,034,694
2040	69,429,620	19,223,122	2,674,031	4,512,925	672,809	5,185,735	5,185,735
2041	71,512,509	19,799,816	2,754,252	4,648,313	692,994	5,341,307	5,341,307
2042	73,657,884	20,393,810	2,836,880	4,787,762	713,783	5,501,546	5,501,546
2043	75,867,620	21,005,625	2,921,986	4,931,395	735,197	5,666,592	5,666,592
2044	78,143,649	21,635,793	3,009,646	5,079,337	757,253	5,836,590	5,836,590
2045	80,487,958	22,284,867	3,099,935	5,231,717	779,970	6,011,688	6,011,688
2046	82,902,597	22,953,413	3,192,933	5,388,669	803,369	6,192,038	6,192,038
2047	85,389,675	23,642,015	3,288,721	5,550,329	827,471	6,377,799	6,377,799
2048	87,951,365	24,351,276	3,387,383	5,716,839	852,295	6,569,133	6,569,133
2049	90,589,906	25,081,814	4,028,342	5,888,344	877,863	6,766,207	6,766,207
2050	93,307,604	25,834,269	4,149,193	6,064,994	904,199	6,969,194	6,969,194
2051	96,106,832	26,609,297	4,273,668	6,246,944	931,325	7,178,269	7,178,269
2052	98,990,037	27,407,576	4,401,878	6,434,352	959,265	7,393,618	7,393,618
2053	101,959,738	28,229,803	4,533,935	6,627,383	988,043	7,615,426	7,615,426
2054	105,018,530	29,076,697	4,669,953	6,826,204	1,017,684	7,843,889	7,843,889
2055	108,169,086	29,948,998	4,810,051	7,030,991	1,048,215	8,079,205	8,079,205
2056	111,414,158	30,847,468	4,954,353	7,241,920	1,079,661	8,321,582	8,321,582
2057	114,756,583	31,772,892	5,102,984	7,459,178	1,112,051	8,571,229	8,571,229
2058	118,199,281	32,726,079	5,256,073	7,682,953	1,145,413	8,828,366	8,828,366
2059	121,745,259	33,707,861	5,413,755	7,913,442	1,179,775	9,093,217	9,093,217
2060	125,397,617	34,719,097	5,576,168	8,150,845	1,215,168	9,366,013	9,366,013
2061	129,159,545	35,760,670	5,743,453	8,395,370	1,251,623	9,646,994	9,646,994
2062	133,034,332	36,833,490	5,915,757	8,647,232	1,289,172	9,936,404	9,936,404
2063	137,025,361	37,938,494	6,093,229	8,906,648	1,327,847	10,234,496	10,234,496
2064	141,136,122	39,076,649	6,276,026	9,173,848	1,367,683	10,541,531	10,541,531
2065	145,370,206	40,248,949	6,464,307	9,449,063	1,408,713	10,857,777	10,857,777
2066	149,731,312	41,456,417	6,658,236	9,732,535	1,450,975	11,183,510	11,183,510
2067	154,223,252	42,700,110	6,857,923	10,024,511	1,494,504	11,519,015	11,519,015
2068	158,849,949	43,981,113	7,063,723	10,325,247	1,539,339	11,864,586	11,864,586
Total - 50-Year Initial Term							299,785,475



FIGURE 1-4 GROUND RENT PAYMENTS TO THE PORT OF SAN FRANCISCO – EXTENSION TERM (BASED ON CURRENT LEASE TERMS)

Year	Gross Revenue (Hotel)	Gross Revenue (Teatro ZinZanni)	Minimum Base Rent	Percentage Rent (Hotel)	Percentage Rent (TZ)	Total Percentage Rent	Final Ground Rent Payment to Port of SF
2069	163,615,448	45,300,546	7,275,634	10,635,004	1,585,519	12,220,523	12,220,523
2070	168,523,911	46,659,563	7,493,903	10,954,054	1,633,085	12,587,139	12,587,139
2071	173,579,628	48,059,350	7,718,720	11,282,676	1,682,077	12,964,753	12,964,753
2072	178,787,017	49,501,130	7,950,282	11,621,156	1,732,540	13,353,696	13,353,696
2073	184,150,628	50,986,164	8,188,791	11,969,791	1,784,516	13,754,307	13,754,307
2074	189,675,147	52,515,749	8,434,454	12,328,885	1,838,051	14,166,936	14,166,936
2075	195,365,401	54,091,221	8,687,488	12,698,751	1,893,193	14,591,944	14,591,944
2076	201,226,363	55,713,958	8,948,113	13,079,714	1,949,989	15,029,702	15,029,702
2077	207,263,154	57,385,377	9,216,556	13,472,105	2,008,488	15,480,593	15,480,593
2078	213,481,048	59,106,938	9,493,053	13,876,268	2,068,743	15,945,011	15,945,011
2079	219,885,480	60,880,146	9,777,844	14,292,556	2,130,805	16,423,361	16,423,361
2080	226,482,044	62,706,551	10,071,179	14,721,333	2,194,729	16,916,062	16,916,062
2081	233,276,506	64,587,747	10,373,315	15,162,973	2,260,571	17,423,544	17,423,544
2082	240,274,801	66,525,380	10,684,514	15,617,862	2,328,388	17,946,250	17,946,250
2083	247,483,045	68,521,141	11,005,050	16,086,398	2,398,240	18,484,638	18,484,638
2084	254,907,536	70,576,775	11,335,201	16,568,990	2,470,187	19,039,177	19,039,177
Total - 16-Year Extension Term							\$246,327,636
Grand Total - 66-Year Full Lease Term							\$546,113,111

Valuation & Feasibility Conclusion of the Proposed Subject Property

- Based on our forecast of income and expense for the proposed hotel, the net income generated by the operation of the hotel and theater was capitalized into an opinion of value, which is detailed in the Feasibility Analysis chapter of this report. The prospective opinion of value for the proposed subject property upon completion (assumed to be January 1, 2019) was derived using selected investment parameters that are supported by market rates of return. The discounted cash flow procedure detailing our opinion of the market value of the proposed subject property upon completion is displayed below.



FIGURE 1-5 PROSPECTIVE VALUE UPON COMPLETION VIA INCOME CAPITALIZATION APPROACH

Year	Net Income	Discount Factor @ 9.57%	Discounted Cash Flow
2019	\$8,214,723	0.91269	\$7,497,479
2020	9,865,000	0.83300	8,217,538
2021	9,864,000	0.76027	7,499,288
2022	10,281,000	0.69389	7,133,861
2023	10,706,000	0.63330	6,780,143
2024	10,669,000	0.57801	6,166,769
2025	11,022,000	0.52754	5,814,558
2026	11,371,000	0.48148	5,474,913
2027	11,731,000	0.43944	5,155,086
2028	196,875,000 *	0.40107	78,961,247
		Estimated Value	\$138,700,883
		(SAY)	\$139,000,000
		Per Room	\$818,000
Reversion Analysis			
	11th Year's Net Income		\$14,485,000
	Capitalization Rate		7.7%
	Total Sales Proceeds		\$188,542,941
	Less: Transaction Costs @ 2.0%		<u>3,770,859</u>
	Net Sales Proceeds		\$184,772,082

*10th year net income of \$12,103,000 plus sales proceeds of \$184,772,000

- Next, the estimated development cost of the proposed project was reviewed and compared to the development costs of comparable hotels in the San Francisco Bay Area. The total development cost for the proposed hotel and dinner theater were estimated by the developer as follows:



**FIGURE 1-6 ESTIMATED COST TO DEVELOP PROPOSED SUBJECT PROPERTY
(PROVIDED BY DEVELOPER)**

Category	Amount	Per Room	Per Square Foot
Pre-Development	\$754,015	\$4,189	\$4.31
Construction & Contingency	102,937,979	571,878	588.58
Fees & Permits	6,896,000	38,311	39.43
Off-Site/Utility	1,800,000	10,000	10.29
Pre-Opening & FF&E	8,300,000	46,111	47.46
Working Capital	1,500,000	8,333	8.58
Overhead	457,000	2,539	2.61
Construction Interest	1,724,599	9,581	9.86
Total Cost*	\$124,369,593	\$690,942	\$711.12
Total Cost (Hotel Only)**	\$104,244,122	\$613,201	\$711.12

*Per Room Cost Based on 180 Guestrooms (10 Extended-Stay Rooms Included)

**146,591 Square Feet x \$711.12 Per Square Foot. Per Room Cost Based on 170 Guestrooms

- The development cost comparables used for benchmarking the proposed project's development cost displayed above can be found in the body of this report, in Figure 3-2.
- Our opinion of the prospective value of the proposed subject property upon completion exceeds the total development cost by 11.5%, providing an adequate profit to the developer; therefore, this project is deemed to be feasible, as detailed below.

FIGURE 1-7 TOTAL PROJECT FEASIBILITY CONCLUSION

Feasibility	Amount	Per Room*	Per Square Foot
Total Hotel Value	\$138,700,000	\$816,000	\$793
Less: Total Cost to Develop	124,400,000	691,000	711
Total Profit to Developer	\$14,300,000	\$84,000	\$82
Profit % Total Value	10.3%		
Profit % Total Cost	11.5%		

*Per Room Amounts - Hotel Based on 170 Rooms; Cost Based on 180 Rooms



Internal Rates of Return (IRR) Analysis

- At the request of the client, the internal rate of return to the developer’s equity position, based on the debt level and terms stipulated by TZK Broadway, LLC (Scenarios 1 – 3) and based on a higher debt level assuming more leverage (Scenarios 4 – 6) was calculated under six separate scenarios. Details pertaining to the calculation of these IRRs will be provided in the Feasibility Analysis chapter of this report. A description of each scenario and the corresponding equity IRRs are displayed below.

FIGURE 1-8 INTERNAL RATES OF RETURN ON EQUITY – SIX SCENARIOS

Scenario	Description	Equity IRR
1	Assuming 10-Year Hold & Sale in Year 10 (Developer Loan Terms)	13%
2	Assuming Refinance in Year 6 & Sale in Year 10 (Developer Loan Terms)	15%
3	Assuming Refinance in Year 3 & Sale in Year 10 (Developer Loan Terms)	16%
4	Assuming 10-Year Hold & Sale in Year 10 (Higher Loan-to-Cost at 65%)	16%
5	Assuming Refinance in Year 6 & Sale in Year 10 (Higher Loan-to-Cost at 65%)	17%
6	Assuming Refinance in Year 3 & Sale in Year 10 (Higher Loan-to-Cost at 65%)	19%

- There are a number of motivations for a developer to refinance this type of project after it is developed, such as providing the return of the initial investment and obtaining more favorable financing terms, among other reasons. The refinance proceeds can be used in a variety of ways, including reinvestment into the project or other projects, and establishing operating, debt service, and capital reserve accounts.



FIGURE 1-9 EQUITY IRR CALCULATION – SCENARIO 1 – FIGURES IN 000'S

Number of Years	Year	Cash Flow Before Debt Service	Beginning Principal	Annual Debt Service	Interest Payment	Principal Payment	Ending Principal Balance	Net Income to Equity	Equity IRR
Construction Period	2016								
	2017							Initial Equity Investment	(\$64,110)
	2018							\$0	
1	2019	\$8,215	\$60,260	\$4,227	\$2,985	\$1,242	\$59,017	\$3,988	
2	2020	9,865	59,017	4,227	2,921	1,306	57,711	5,638	
3	2021	9,864	57,711	4,227	2,854	1,373	56,338	5,637	
4	2022	10,281	56,338	4,227	2,784	1,443	54,895	6,054	
5	2023	10,706	54,895	4,227	2,710	1,517	53,378	6,479	
6	2024	10,669	53,378	4,227	2,633	1,595	51,784	6,442	
7	2025	11,022	51,784	4,227	2,551	1,676	50,107	6,795	
8	2026	11,371	50,107	4,227	2,465	1,762	48,345	7,144	
9	2027	11,731	48,345	4,227	2,375	1,852	46,493	7,504	
10	2028	12,103	46,493	48,774	2,280	1,947	44,547	148,099	13%

-10th Year Annual Debt Service equal to \$4,227,000 plus outstanding mortgage balance of \$44,547,000

-10th Year Net Income to Equity equal to reversion proceeds of \$196,873,000 less \$48,774,000



FIGURE 1-10 EQUITY IRR CALCULATION – SCENARIO 2 – FIGURES IN 000'S

Number of Years	Year	Cash Flow Before Debt Service	Beginning Principal/ Refi Principal	Annual Debt Service	Interest Payment	Principal Payment	Ending Principal Balance	Net Income to Equity/ Refi Proceeds	Equity IRR
Construction Period	2016								
	2017							Initial Equity Investment	(\$64,110)
	2018								\$0
1	2019	\$8,215	\$60,260	\$4,227	\$2,985	\$1,242	\$59,017	\$3,988	
2	2020	9,865	59,017	4,227	2,921	1,306	57,711	5,638	
3	2021	9,864	57,711	4,227	2,854	1,373	56,338	5,637	
4	2022	10,281	56,338	4,227	2,784	1,443	54,895	6,054	
5	2023	10,706	54,895	4,227	2,710	1,517	53,378	6,479	
6	2024	10,669	53,378	4,227	2,633	1,595	51,784	70,611	
7	2025	11,022	117,124	8,216	5,801	2,415	114,709	2,806	
8	2026	11,371	114,709	8,216	5,678	2,539	112,170	3,155	
9	2027	11,731	112,170	8,216	5,548	2,668	109,502	3,515	
10	2028	12,103	109,502	114,913	5,411	2,805	106,697	81,960	15%

-Assumes Refinance in 6th Projection Year at 70% LTV (End of Year Discounting)

-6th Year Net Income to Equity of \$6,442,000 plus Net Refinance Proceeds to Equity of \$64,169,000

-10th Year Annual Debt Service equal to \$8,216,000 plus outstanding mortgage balance on new loan of \$106,697,000

-10th Year Net Income to Equity equal to reversion proceeds of \$196,873,000 less \$114,913,000

7th Year's Net Income Before Taxes	\$12,855
Capitalization Rate (Loaded w/Tax Rate)	7.7%
Value for Refinance (Reversion)	\$167,320
Assumed LTV for Refinance Loan	70.0%
Refinance Mortgage Component	\$117,124
Less:	
Cost to Refinance @ 1% of Refinance Value	1,171
Mortgage Balance (Original Loan)	51,784
Net Refinance Proceeds to Equity	64,169
Refinance Mortgage Component	\$117,124
Mortgage Constant	0.070151
Annual Debt Service	\$8,216



FIGURE 1-11 EQUITY IRR CALCULATION – SCENARIO 3 – FIGURES IN 000'S

Number of Years	Year	Cash Flow Before Debt Service	Beginning Principal/ Refi Principal	Annual Debt Service	Interest Payment	Principal Payment	Ending Principal Balance	Net Income to Equity/ Refi Proceeds	Equity IRR
Construction Period	2016 2017 2018								
							Initial Equity Investment	(\$64,110)	
								\$0	
1	2019	\$8,215	\$60,260	\$4,227	\$2,985	\$1,242	\$59,017	\$3,988	
2	2020	9,865	59,017	4,227	2,921	1,306	57,711	5,638	
3	2021	9,864	57,711	4,227	2,854	1,373	56,338	56,796	
4	2022	10,281	108,583	7,617	5,378	2,239	106,344	2,664	
5	2023	10,706	106,344	7,617	5,264	2,353	103,991	3,089	
6	2024	10,669	103,991	7,617	5,143	2,474	101,517	3,052	
7	2025	11,022	101,517	7,617	5,017	2,600	98,917	3,405	
8	2026	11,371	98,917	7,617	4,884	2,733	96,183	3,754	
9	2027	11,731	96,183	7,617	4,744	2,873	93,310	4,114	
10	2028	12,103	93,310	97,907	4,597	3,020	90,290	98,966	16%

-Assumes Refinance in 3rd Projection Year at 70% LTV (End of Year Discounting)

-Net Income to Equity of \$5,637,000 plus Net Refinance Proceeds to Equity of \$51,159,000

-10th Year Annual Debt Service equal to \$7,617,000 plus outstanding mortgage balance on new loan of \$90,290,000

-10th Year Net Income to Equity equal to reversion proceeds of \$196,873,000 less \$97,907,000

4th Year's Net Income Before Taxes	\$11,917
Capitalization Rate (Loaded w/Tax Rate)	7.7%
Value for Refinance (Reversion)	\$155,119
Assumed LTV for Refinance Loan	70.0%
Refinance Mortgage Component	\$108,583
Less:	
Cost to Refinance @ 1% of Refinance Value	1,086
Mortgage Balance (Original Loan)	56,338
Net Refinance Proceeds to Equity	51,159

Refinance Mortgage Component	\$108,583
Mortgage Constant	0.070151
Annual Debt Service	\$7,617



FIGURE 1-12 EQUITY IRR CALCULATION – SCENARIO 4 – FIGURES IN 000'S

Number of Years	Year	Cash Flow		Annual Debt Service	Interest Payment	Principal Payment	Ending Principal Balance	Net Income to Equity	Equity IRR
		Before Debt Service	Beginning Principal						
Construction Period	2016								
	2017							Initial Equity Investment	(\$43,529)
	2018								\$0
1	2019	\$8,215	\$80,840	\$5,671	\$4,004	\$1,667	\$79,173	\$2,544	
2	2020	9,865	79,173	5,671	3,919	1,752	77,421	4,194	
3	2021	9,864	77,421	5,671	3,829	1,842	75,579	4,193	
4	2022	10,281	75,579	5,671	3,735	1,936	73,643	4,610	
5	2023	10,706	73,643	5,671	3,636	2,035	71,608	5,035	
6	2024	10,669	71,608	5,671	3,532	2,139	69,469	4,998	
7	2025	11,022	69,469	5,671	3,422	2,249	67,221	5,351	
8	2026	11,371	67,221	5,671	3,307	2,364	64,857	5,700	
9	2027	11,731	64,857	5,671	3,186	2,485	62,372	6,060	
10	2028	12,103	62,372	65,432	3,059	2,612	59,761	131,441	16%

-10th Year Annual Debt Service equal to \$5,671,000 plus outstanding mortgage balance of \$59,761,000

-10th Year Net Income to Equity equal to reversion proceeds of \$196,873,000 less \$65,432,000



FIGURE 1-13 EQUITY IRR CALCULATION – SCENARIO 5 – FIGURES IN 000'S

Number of Years	Year	Cash Flow Before Debt Service	Beginning Principal/ Refi Principal	Annual Debt Service	Interest Payment	Principal Payment	Ending Principal Balance	Net Income to Equity/ Refi Proceeds	Equity IRR
Construction Period	2016								
	2017							Initial Equity Investment	(\$43,529)
	2018								\$0
1	2019	\$8,215	\$60,260	\$5,671	\$4,004	\$1,667	\$59,017	\$2,544	
2	2020	9,865	59,017	5,671	3,919	1,752	57,711	4,194	
3	2021	9,864	57,711	5,671	3,829	1,842	56,338	4,193	
4	2022	10,281	56,338	5,671	3,735	1,936	54,895	4,610	
5	2023	10,706	54,895	5,671	3,636	2,035	53,378	5,035	
6	2024	10,669	53,378	5,671	3,532	2,139	51,784	51,482	
7	2025	11,022	117,124	8,216	5,801	2,415	114,709	2,806	
8	2026	11,371	114,709	8,216	5,678	2,539	112,170	3,155	
9	2027	11,731	112,170	8,216	5,548	2,668	109,502	3,515	
10	2028	12,103	109,502	114,913	5,411	2,805	106,697	81,960	17%

-Assumes Refinance in 6th Projection Year at 70% LTV (End of Year Discounting)

-Net Income to Equity of \$4,998,000 plus Net Refinance Proceeds to Equity of \$46,483,000

-10th Year Annual Debt Service equal to \$8,216,000 plus outstanding mortgage balance on new loan of \$106,697,000

-10th Year Net Income to Equity equal to reversion proceeds of \$196,873,000 less \$114,913,000

7th Year's Net Income Before Taxes	\$12,855
Capitalization Rate (Loaded w/Tax Rate)	7.7%
Value for Refinance (Reversion)	\$167,320
Assumed LTV for Refinance Loan	70.0%
Refinance Mortgage Component	<u>\$117,124</u>
Less:	
Cost to Refinance @ 1% of Refinance Value	1,171
Mortgage Balance (Original Loan)	<u>69,469</u>
Net Refinance Proceeds to Equity	<u>46,483</u>
Refinance Mortgage Component	\$117,124
Mortgage Constant	<u>0.070151</u>
Annual Debt Service	\$8,216



FIGURE 1-14 EQUITY IRR CALCULATION – SCENARIO 6 – FIGURES IN 000’S

Number of Years	Year	Cash Flow Before Debt Service	Beginning Principal/ Refi Principal	Annual Debt Service	Interest Payment	Principal Payment	Ending Principal Balance	Net Income to Equity/ Refi Proceeds	Equity IRR
Construction Period	2016								
	2017								
	2018								
							Initial Equity Investment	(\$43,529)	
								\$0	
1	2019	\$8,215	\$60,260	\$5,671	\$4,004	\$1,667	\$59,017	\$2,544	
2	2020	9,865	59,017	5,671	3,919	1,752	57,711	4,194	
3	2021	9,864	57,711	5,671	3,829	1,842	56,338	36,111	
4	2022	10,281	108,583	7,617	5,378	2,239	106,344	2,664	
5	2023	10,706	106,344	7,617	5,264	2,353	103,991	3,089	
6	2024	10,669	103,991	7,617	5,143	2,474	101,517	3,052	
7	2025	11,022	101,517	7,617	5,017	2,600	98,917	3,405	
8	2026	11,371	98,917	7,617	4,884	2,733	96,183	3,754	
9	2027	11,731	96,183	7,617	4,744	2,873	93,310	4,114	
10	2028	12,103	93,310	97,907	4,597	3,020	90,290	98,966	19%

-Assumes Refinance in 3rd Projection Year at 70% LTV (End of Year Discounting)

-Net Income to Equity of \$4,193,000 plus Net Refinance Proceeds to Equity of \$31,918,000

-10th Year Annual Debt Service equal to \$7,617,000 plus outstanding mortgage balance on new loan of \$90,290,000

-10th Year Net Income to Equity equal to reversion proceeds of \$196,873,000 less \$97,907,000

4th Year's Net Income Before Taxes	\$11,917
Capitalization Rate (Loaded w/Tax Rate)	7.7%
Value for Refinance (Reversion)	\$155,119
Assumed LTV for Refinance Loan	70.0%
Refinance Mortgage Component	<u>\$108,583</u>
Less:	
Cost to Refinance @ 1% of Refinance Value	1,086
Mortgage Balance (Original Loan)	<u>75,579</u>
Net Refinance Proceeds to Equity	<u>31,918</u>
<hr/>	
Refinance Mortgage Component	\$108,583
Mortgage Constant	<u>0.070151</u>
Annual Debt Service	<u>\$7,617</u>



2. Forecast of Income and Expense

Description of Project and Important Information

According to information provided by the developers of the project, TZK Broadway, LLC, development plans for the proposed mixed-use subject include a 170-room boutique hotel (subject to a ground lease with the Port of San Francisco) and dinner theater (which will be subleased to and operated by Teatro ZinZanni.) Furthermore, the hotel component will include an additional 10 extended-stay guestrooms that will reportedly be leased on a monthly basis to the theater performers. The total size of the structure is expected to be 174,892 square feet, of which 146,591 square feet will be for the hotel component and the theater will occupy the remaining 28,301 square feet.

At the time of this feasibility analysis, some specifics of the development, including the potential brand of the property, its management, and the provision for parking, were unknown to the developers. Our conversations with TZK Broadway revealed that the hotel will most likely be operated independent of a major brand affiliation, but will be managed by a professional third-party management company; these assumptions are reflected in the financial projections. Furthermore, details pertaining to the parking situation have not yet been established; however, it is apparent that parking will not be provided on-site and therefore arrangements must be made for access to off-site parking. According to our discussions with the developers, the financial projections presented in this report do not include any income or expenses attributable to a parking operation. While these details are unknown at this time, the consultants were still able to conduct a feasibility analysis based on the proposed hotel's projected operating performance and the total project development cost.

Description of Analysis

Financial projections for the proposed subject property were prepared by TZK Broadway, LLC and were provided to us by the client. The projections were reviewed and considered in our forecast; more specifically, some of the line items were reallocated, and the stabilized income and expense margins as forecasted by the developer were input into our fixed and variable valuation model. Our forecast was then benchmarked against recent operating statements of comparable hotels. The forecast and comparable operating statement analysis will be presented in a subsequent chapter of this report.

Support for Developer's Forecast

The financial projections prepared by TZK Broadway appeared to be reasonable and are supported by data extracted from comparable operating statements. However, some of the expense ratios appeared to remain relatively fixed throughout the projection period, and as a result, we used our proprietary fixed



and variable model to reconstruct some areas of the developer forecast. The most significant drivers for the expected financial performance of the proposed subject property are the stabilized occupancy and average rate assumptions; as such, the following subsection details how the rooms revenue forecast conducted by TZK Broadway was supported.

Rooms Revenue:

In our previously submitted Phase One market study, occupancy and average rate statistics for the competitive market were researched and compiled. Two separate, customized STR trend reports were presented; one set represented all hotels in the city of San Francisco, regardless of the size of hotel or chain scale classification (Economy, Midscale, Upper Midscale, Upscale, Upper Upscale, and Luxury), while the second trend report comprised 20 upscale and luxury boutique hotels located throughout the city. These two trend reports are displayed in the following charts. Furthermore, a table summarizing the important operating characteristics of the selected boutique competitors is set forth. As mentioned in the market study, this information was compiled from personal interviews, inspections, lodging directories, and our in-house library of operating data.



FIGURE 2-1 HISTORICAL SUPPLY AND DEMAND TRENDS – COMP SET 1 – SAN FRANCISCO CITYWIDE

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2003	34,808	12,705,023	—	8,334,091	—	65.6 %	\$127.81	—	\$83.84	—
2004	34,845	12,718,311	0.1 %	8,895,701	6.7 %	69.9	130.94	2.4 %	91.58	9.2 %
2005	34,115	12,452,095	(2.1)	9,123,193	2.6	73.3	139.32	6.4	102.08	11.5
2006	34,551	12,610,955	1.3	9,319,338	2.1	73.9	152.72	9.6	112.86	10.6
2007	34,338	12,533,218	(0.6)	9,590,116	2.9	76.5	163.44	7.0	125.06	10.8
2008	34,344	12,535,379	0.0	9,632,002	0.4	76.8	172.54	5.6	132.58	6.0
2009	34,372	12,545,799	0.1	9,236,070	(4.1)	73.6	145.96	(15.4)	107.46	(18.9)
2010	34,059	12,431,466	(0.9)	9,598,453	3.9	77.2	149.76	2.6	115.63	7.6
2011	33,936	12,386,562	(0.4)	9,914,130	3.3	80.0	173.14	15.6	138.58	19.8
2012	33,929	12,384,238	(0.0)	10,059,053	1.5	81.2	190.49	10.0	154.73	11.6
2013	33,659	12,285,399	(0.8)	10,301,508	2.4	83.9	208.89	9.7	175.16	13.2
2014	33,612	12,268,483	(0.1)	10,422,755	1.2	85.0	231.63	10.9	196.78	12.3
Average Annual Compounded Change:										
2003 - 2014			(0.3) %		2.1 %			5.6 %		8.1 %
2003 - 2007			(0.3)		3.6			6.3		10.5
2007 - 2010			(0.3)		0.0			(2.9)		(2.6)
2010 - 2014			(0.3)		2.1			11.5		14.2
Year-to-Date Through July										
2014	33,544	7,111,252	—	5,959,370	—	83.8 %	\$220.17	—	\$184.50	—
2015	33,561	7,115,032	0.1 %	5,991,095	0.5 %	84.2	239.61	8.8 %	201.76	9.4 %

Source: STR

Note: This STR set includes all San Francisco hotels across all chain scale classifications



FIGURE 2-2 HISTORICAL SUPPLY AND DEMAND TRENDS – COMP SET 2 – SELECTED BOUTIQUES

Year	Average Daily Available Room			Occupied Room			Average			
	Room Count	Nights	Change	Nights	Change	Occupancy	Rate	Change	RevPAR	Change
2003	3,428	1,251,180	—	833,382	—	66.6 %	\$157.48	—	\$104.89	—
2004	3,645	1,330,425	6.3 %	945,272	13.4 %	71.1	163.06	3.5 %	115.85	10.5 %
2005	3,801	1,387,283	4.3	1,039,313	9.9	74.9	175.66	7.7	131.60	13.6
2006	3,832	1,398,680	0.8	1,051,992	1.2	75.2	190.88	8.7	143.57	9.1
2007	3,832	1,398,680	0.0	1,055,498	0.3	75.5	205.77	7.8	155.29	8.2
2008	3,832	1,398,680	0.0	1,065,302	0.9	76.2	209.75	1.9	159.76	2.9
2009	3,788	1,382,620	(1.1)	1,040,209	(2.4)	75.2	169.21	(19.3)	127.30	(20.3)
2010	3,788	1,382,620	0.0	1,113,920	7.1	80.6	172.20	1.8	138.74	9.0
2011	3,788	1,382,559	(0.0)	1,135,561	1.9	82.1	200.85	16.6	164.97	18.9
2012	3,742	1,365,853	(1.2)	1,127,057	(0.7)	82.5	222.45	10.8	183.56	11.3
2013	3,677	1,342,159	(1.7)	1,161,027	3.0	86.5	242.64	9.1	209.89	14.3
2014	3,748	1,367,899	1.9	1,194,886	2.9	87.4	263.56	8.6	230.22	9.7
Average Annual Compounded Change:										
2003-2014			0.8 %		3.3 %			4.8 %		7.4 %
Year-to-Date Through August										
2014	3,698	898,623	—	789,496	—	87.9 %	\$257.31	—	\$226.07	—
2015	3,853	936,319	4.2 %	805,106	2.0 %	86.0	273.66	6.4 %	235.31	4.1 %
Hotels Included in Sample				Number	Year	Year				
				of Rooms	Affiliated	Opened				
Joie De Vivre Hotel Vitale				200	Mar 2005	Mar 2005				
Argonaut Hotel				252	Jul 2015	Aug 2003				
W Hotel San Francisco				404	May 1999	May 1999				
Le Meridien San Francisco				360	May 2006	Jan 1989				
Hotel Zephyr				361	Jun 2015	Dec 1969				
Joie De Vivre Hotel Kabuki				218	Oct 2007	Jun 1968				
The Scarlet Huntington				134	May 2014	Jun 1947				
Autograph Collection Hotel Adagio				171	Mar 2013	Jun 1929				
The Prescott Hotel				164	Jul 2015	Jun 1917				
Cliff Hotel				372	Feb 1995	Jun 1915				
The Hotel California				83	Apr 2014	Jun 1913				
Hotel Zetta				116	Feb 2013	Jun 1913				
Joie De Vivre Galleria Park Hotel				177	Mar 2007	Jun 1911				
The Marker San Francisco				208	Jul 2015	Jun 1910				
Hotel G				150	May 2014	Jun 1908				
Hotel Zelos				202	Jul 2015	Jun 1908				
Harbor Court Hotel				131	Jul 2015	Jun 1907				
Hotel ABRI				91	Jun 1906	Jun 1906				
Hotel Griffon				62	Jun 1906	Jun 1906				
Total				3,856						

Source: STR Global



FIGURE 2-3 BOUTIQUE COMPETITORS – OPERATING PERFORMANCE

Property	Address	Number of Rooms	Est. Segmentation			Estimated 2014					
			Commercial	Meeting and Group	Leisure	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Hotel Vitale	8 Mission St	200	45	40	15	200	85	380.00	323.00	97.2	140.2
W Hotel San Francisco	181 Third Street	404	35	35	30	404	89	327.00	291.03	101.8	126.3
Argonaut Hotel San Francisco	495 Jefferson Street	252	30	15	55	252	94	299.00	281.06	107.5	122.0
Hotel Zetta	55 Fifth Street	116	50	30	20	116	88	295.00	259.60	100.7	112.7
Le Meridien San Francisco	333 Battery Street	360	70	15	15	360	93	277.00	257.61	106.4	111.8
Hotel Zelos	12 Fourth Street	202	40	25	35	202	88	276.00	242.88	100.7	105.4
Clift Hotel San Francisco	495 Geary Street	372	40	40	20	372	87	275.00	239.25	99.5	103.8
Marker San Francisco	501 Geary Street	208	40	40	20	208	88	267.00	234.96	100.7	102.0
Harbor Court Hotel	165 Steuart Street	131	35	25	40	131	86	260.00	223.60	98.4	97.0
Hotel Adagio	550 Geary Street	171	45	40	15	171	88	250.00	220.00	100.7	95.5
Galleria Park Hotel	191 Sutter Street	177	45	15	40	177	83	230.00	190.90	94.9	82.9
Prescott Hotel	545 Post Street	164	35	15	50	164	88	215.00	189.20	100.7	82.1
Zephyr Hotel	250 Beach Street	361	20	10	70	361	87	212.00	184.44	99.5	80.1
Huntington Hotel	1075 California Street	134	45	15	40	83	70	200.00	140.00	80.1	60.8
Hotel California	580 Geary Street	83	35	10	55	83	86	200.00	172.00	98.4	74.7
Hotel G San Francisco	386 Geary Street	150	35	10	55	93	65	200.00	130.00	74.4	56.4
Hotel Kabuki San Francisco	1625 Post Street	218	10	20	70	218	90	198.00	178.20	103.0	77.3
Hotel Abri	127 Ellis Street	91	15	15	70	91	88	195.00	171.60	100.7	74.5
Hotel Griffon	155 Steuart Street	62	25	10	65	62	87	185.00	160.95	99.5	69.9
Totals/Averages	Totals/Averages	3,856	38 %	24 %	38 %	3,748	87.4 %	\$263.57	\$230.40	100.0 %	100.0

As presented in the preceding tables, San Francisco hotels are operating at peak levels of occupancy and average rate. The citywide STR trend displays that overall occupancies are reaching the mid-80% range in this market, while the upscale boutique properties are operating in the high-80% range. Given the very limited amount of new supply anticipated to enter the market over the foreseeable future, it would be reasonable to assume that the proposed subject property would be able to attain an occupancy level in the mid- to high- 80% range on a stabilized basis.

Furthermore, the average rates displayed in the preceding tables illustrate a wide range of pricing between the hotels. With many of the market's hotels achieving near-peak occupancies due to strong demand levels and capacity constraints of the existing supply of hotel rooms, operators are expected to continue with price-driven revenue strategies. It is clear that the Hotel Vitale achieves the highest estimated average rate of all the selected comparables. Given its location in the waterfront district, its high-quality improvements featuring views of the San Francisco Bay, its affiliation with Joie de Vivre, and other features such as its size and facility offerings, a high average rate is to be expected from this property. The



Hotel Vitale is also recognized as the most like-kind property to the proposed subject hotel because of the aforementioned locational and building attributes and its upper upscale orientation. As such, it is reasonable to assume that the proposed subject property could command rates at the high end of the range indicated by the boutique hotel comparables and similar to the operating performance of the Hotel Vitale.

The Hotel Vitale's 2015 average rate, which is estimated to have been in excess of \$400, was used to position the subject property's base-year average rate. The proposed subject's average rate was positioned as if the hotel was open and operating at a stabilized level in 2015; this average rate was then grown at rates consistent with those projected for the market. In order to reflect a ramp-up in occupancies and pricing, an opening discount was applied to the first two projection years following the opening of the proposed subject property. The proposed subject's base-year (2015) average rate was positioned at \$385, reflecting an estimated 5% discount to the Hotel Vitale and at the high end of the range of the selected boutique hotels. Note that the operating statistics presented in Figure 2-3 represent estimated 2014 figures, reflecting what was set forth in our Phase One market study. The following table details our average rate forecast for the market and for the proposed subject property.

FIGURE 2-4 BOUTIQUE COMPETITORS – OPERATING PERFORMANCE

2015 ADR Positioning - Subject Property

\$385.00

		OPENING YEAR							
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Market-Based ADR Growth Rate		6.5%	5.5%	5.0%	4.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject ADR (before discount)	\$385.00	\$410.03	\$432.58	\$454.21	\$472.37	\$486.54	\$501.14	\$516.18	\$531.66
Opening Discount					5.0%	3.0%	0.0%	0.0%	0.0%
Proposed Subject ADR (after discount)					\$448.75	\$471.95	\$501.14	\$516.18	\$531.66
% Change						5.2%	6.2%	3.0%	3.0%

Based on the above forecast, the proposed subject property's 2015 average rate positioning of \$385 amounts to an approximately \$450 average rate in its opening year, taking into consideration the discounts. This average rate is in line with the developer's forecast of \$450 in the opening year.

Comparable Operating Statements:

In order to project future income and expense for the proposed subject hotel, we have included a sample of individual comparable operating statements from our database of hotel statistics. All financial data are presented according to the three most common measures of industry performance: ratio to sales (RTS), amounts



per available room (PAR), and amounts per occupied room night (POR). These historical income and expense statements represent mid-sized boutique and full-service hotels located in the San Francisco Bay Area, and were used as benchmarks in our forthcoming forecast of income and expense. The stabilized operating performance of the subject property, expressed in deflated 2015 dollars, is presented to the right of the comparable statements for comparison purposes. The proposed hotel's house profit is projected to be in line with four of the five comparables.

FIGURE 2-5 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized \$
Number of Rooms:	180 to 220	70 to 100	300 to 380	170 to 220	220 to 280	170
Occupied Rooms:	61,320	16,654	106,624	58,782	79,791	52,743
Days Open:	365	243	365	366	365	365
Occupancy:	84%	80%	87%	82%	87%	85%
Average Rate:	\$407	\$402	\$307	\$235	\$216	\$408
RevPAR:	\$342	\$320	\$266	\$193	\$187	\$347
REVENUE						
Rooms	66.6 %	71.8 %	80.3 %	78.3 %	76.4 %	65.0 %
Food & Beverage	28.7	27.9	16.6	20.8	20.7	19.0
Other Operated Departments (Catering)	0.0	0.0	0.0	0.0	0.0	12.4
Rentals & Other Income	4.6	0.3	3.0	0.9	2.9	3.6
Total	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*						
Rooms	25.5	19.7	27.9	25.5	25.0	25.3
Food & Beverage	90.2	82.2	90.0	86.9	81.6	93.5
Other Operated Departments (Catering)	0.0	0.0	0.0	0.0	0.0	77.9
Total	42.9	37.1	38.8	38.1	36.0	43.8
DEPARTMENTAL INCOME						
	57.1	62.9	61.2	61.9	64.0	56.2
OPERATING EXPENSES						
Administrative & General	7.7	9.2	8.3	11.0	9.5	6.7
Marketing	3.0	5.0	6.4	5.9	4.3	3.0
Property Operations & Maintenance	2.8	2.2	4.1	2.7	2.5	2.8
Utilities	1.3	1.0	2.6	2.2	2.0	1.9
Total	14.8	17.4	21.4	21.8	18.4	15.0
HOUSE PROFIT						
	42.3	45.5	39.8	40.1	45.6	41.2

* Departmental expense ratios are expressed as a percentage of departmental revenues



FIGURE 2-6 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER AVAILABLE ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized \$
Number of Rooms:	180 to 220	70 to 100	300 to 380	170 to 220	220 to 280	170
Occupied Rooms:	61,320	16,654	106,624	58,782	79,791	52,743
Days Open:	365	243	365	366	365	365
Occupancy:	84%	80%	87%	82%	87%	85%
Average Rate:	\$407	\$402	\$307	\$235	\$216	\$408
RevPAR:	\$342	\$320	\$266	\$193	\$187	\$347
REVENUE						
Rooms	\$124,907	\$77,861	\$97,036	\$70,785	\$68,417	\$128,110
Food & Beverage	53,838	30,274	20,100	18,831	18,540	37,411
Other Operated Departments (Catering)	0	0	0	0	0	24,367
Rentals & Other Income	8,700	360	3,659	795	2,563	7,123
Total	187,445	108,495	120,795	90,410	89,520	197,011
DEPARTMENTAL EXPENSES						
Rooms	31,903	15,364	27,118	18,062	17,131	32,432
Food & Beverage	48,561	24,884	18,082	16,369	15,127	34,962
Other Operated Departments	0	0	1,625	0	0	18,983
Total	80,465	40,248	46,825	34,431	32,258	86,377
DEPARTMENTAL INCOME						
	106,980	68,248	73,970	55,979	57,262	110,634
OPERATING EXPENSES						
Administrative & General	14,450	10,029	9,970	9,933	8,520	13,167
Marketing	5,691	5,405	7,718	5,359	3,893	5,969
Property Operations & Maintenance	5,227	2,402	4,931	2,456	2,258	5,531
Utilities	2,380	1,082	3,189	1,979	1,774	3,689
Total	27,748	18,918	25,809	19,728	16,444	29,518
HOUSE PROFIT						
	79,232	49,330	48,161	36,251	40,818	81,115



FIGURE 2-7 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER OCCUPIED ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized \$
Number of Rooms:	180 to 220	70 to 100	300 to 380	170 to 220	220 to 280	170
Occupied Rooms:	61,320	16,654	106,624	58,782	79,791	52,743
Days Open:	365	243	365	366	365	365
Occupancy:	84%	80%	87%	82%	87%	85%
Average Rate:	\$407	\$402	\$307	\$235	\$216	\$408
RevPAR:	\$342	\$320	\$266	\$193	\$187	\$347
REVENUE						
Rooms	\$407.39	\$402.07	\$306.70	\$234.82	\$216.08	\$412.93
Food & Beverage	175.60	156.33	63.53	62.47	58.55	120.58
Other Operated Departments (Catering)	0.00	0.00	0.00	0.00	0.00	78.54
Rentals & Other Income	28.38	1.86	11.56	2.64	8.10	22.96
Total	611.37	560.26	381.79	299.92	282.73	635.01
DEPARTMENTAL EXPENSES						
Rooms	104.05	79.34	85.71	59.92	54.10	104.53
Food & Beverage	158.39	128.50	57.15	54.30	47.77	112.69
Other Operated Departments	0.00	0.00	5.14	0.00	0.00	61.19
Total	262.44	207.84	148.00	114.22	101.88	278.41
DEPARTMENTAL INCOME	348.92	352.43	233.79	185.70	180.85	356.59
OPERATING EXPENSES						
Administrative & General	47.13	51.79	31.51	32.95	26.91	42.44
Marketing	18.56	27.91	24.40	17.78	12.29	19.24
Property Operations & Maintenance	17.05	12.40	15.59	8.15	7.13	17.83
Utilities	7.76	5.59	10.08	6.57	5.60	11.89
Total	90.50	97.69	81.57	65.45	51.94	95.14
HOUSE PROFIT	258.42	254.74	152.22	120.26	128.91	261.45



Fixed and Variable Component Analysis

HVS uses a fixed and variable component model to project a lodging facility's revenue and expense levels. This model is based on the premise that hotel revenues and expenses have one component that is fixed and another that varies directly with occupancy and facility usage. A projection can be made by taking a known level of revenue or expense and calculating its fixed and variable components. The fixed component is then increased in tandem with the underlying rate of inflation, while the variable component is adjusted for a specific measure of volume such as total revenue.

The actual forecast is derived by adjusting each year's revenue and expense by the amount fixed (the fixed expense multiplied by the inflated base-year amount) plus the variable amount (the variable expense multiplied by the inflated base-year amount) multiplied by the ratio of the projection year's occupancy to the base-year occupancy (in the case of departmental revenue and expense) or the ratio of the projection year's revenue to the base year's revenue (in the case of undistributed operating expenses). Fixed expenses remain fixed, increasing only with inflation. Our discussion of the revenue and expense forecast in this report is based upon the output derived from the fixed and variable model. This forecast of revenue and expense is accomplished through a systematic approach, following the format of the *Uniform System of Accounts for the Lodging Industry (USALI)*. Each category of revenue and expense is estimated separately and combined at the end in the final statement of income and expense.

Inflation Assumption

A general rate of inflation must be established that will be applied to most revenue and expense categories. The following table shows inflation estimates made by economists at some noted institutions and corporations.



FIGURE 2-8 INFLATION ESTIMATES

Name (Sample from Survey)	Firm	Projected Increase in Consumer Price Index (Annualized Rate Versus 12 Months Earlier)				
		Dec 2015	June 2016	Dec 2016	June 2017	Dec 2017
Lewis Alexander	Nomura Securities International	0.8	0.9	1.9	2.2	2.2
Paul Ashworth	Capital Economics	0.6	2.1	2.4	2.5	2.7
Bernard Baumohl	Economic Outlook Group	0.6	1.2	1.6	2.2	2.7
Nariman Behraves	IHS Global Insight	0.4	0.7	2.7	3.2	3.6
David Berson	Nationwide Insurance	0.9	1.5	2.2	2.4	2.5
Brian Bethune	Tufts University	0.2	1.0	1.8	2.0	2.2
Ram Bhagavatula	Combinatorics Capital	1.2	2.4	2.4	2.4	2.4
Steven Blitz	ITG Investment Research	0.2	1.5	2.0	0.8	0.4
Beth Ann Bovino	Standard and Poor's	0.4	1.3	2.1	2.5	2.3
Michael Carey	Credit Agricole CIB	0.8	0.9	2.4	2.3	2.1
Joseph Carson	AllianceBernstein	0.7	1.5	2.3	2.5	2.5
Mike Cosgrove	Econoclast	0.6	2.1	2.4	2.3	2.2
Lou Crandall	Wrightson ICAP	0.8	1.3	2.3	2.3	2.4
David Crowe	National Association of Home Builders	0.9	1.6	1.9	2.0	2.1
J. Dewey Daane	Vanderbilt University	0.3	1.5	2.0	2.0	2.0
Greg Daco	Oxford Economics	0.5	1.9	2.4	2.0	1.9
Rajeev Dhawan	Georgia State University	0.1	1.2	2.3	2.4	2.4
Douglas Duncan	Fannie Mae	0.5	1.5	2.0	2.0	2.1
Robert Dye	Comerica Bank	0.7	1.9	2.3	2.2	2.1
Marla Florini Ramirez/Joshua Shapiro	MFR, Inc.	0.6	1.7	2.2	—	—
Mike Fratantoni	Mortgage Bankers Association	0.3	1.3	1.9	2.1	2.2
Michael Gapan	Barclays Capital	0.8	0.9	1.8	2.1	2.5
Michael Gregory	BMO Capital	0.9	1.4	2.4	2.3	2.3
Ethan Harris	Bank of America Securities	0.9	1.2	2.2	—	—
Maury Harris	UBS	0.6	1.1	2.2	2.9	2.3
Derek Holt	Scotiabank	0.6	1.4	2.2	2.3	2.2
Constance Hunter	KPMG	0.3	1.8	2.0	2.1	2.2
Nathaniel Karp	BBVA Compass	1.1	1.5	1.8	2.0	2.2
Jack Kleinhenz	National Retail Federation	0.7	1.6	2.1	2.3	2.4
Joseph LaVorgna	Deutsche Bank Securities, Inc.	0.9	1.8	2.0	2.3	2.4
Edward Leamer/David Shulman	UCLA Anderson Forecast	0.7	1.3	3.2	3.5	3.2
Don Leavens/Tim Gill	NEMA Business Information Services	0.2	1.0	1.9	2.2	2.3
Kevin Logan	HSBC Securities	0.7	1.1	2.0	2.1	2.2
John Lonski	Moody's Investors Service	0.7	0.8	1.5	1.6	1.7
Aneta Markowska	Societe Generale	0.3	1.3	2.9	3.4	2.7
Jim Meil	ACT Research	0.7	1.3	2.4	2.2	2.2
Robert Mellman	JP Morgan Chase & Co.	0.9	1.2	2.0	2.3	2.4
Michael Moran	Daiwa Capital	0.9	1.4	2.0	2.2	2.3
Chad Moutray	National Association of Manufacturers	0.6	1.8	2.4	2.7	2.8
Mark Nielson	MacroEcon Global Advisors	0.3	1.2	1.4	1.6	2.2
Jim O'Sullivan	High Frequency Economics	1.1	2.2	2.4	2.6	2.7
Lindsey Piegza	Stifel, Nicolaus and Company, Inc.	0.0	0.5	0.7	—	—
Tom Porcelli	RBC Capital	0.4	1.6	2.1	2.1	2.1
Russell Price	Ameriprise Financial	0.9	1.3	2.0	2.3	2.3
Arun Raha	Eaton Corp.	0.5	1.0	1.1	1.5	1.8
Lynn Reaser	Point Loma Nazarene University	0.8	1.1	1.7	2.0	2.1
Martin Regalia	Chamber of Commerce	0.8	1.8	1.9	1.9	1.8
Ian Shepherdson	Pantheon Macroeconomics	0.6	0.3	1.5	2.5	2.5
John Silvia	Wells Fargo & Co.	1.0	1.4	2.3	2.3	2.1
Allen Sinai	Decision Economics, Inc.	0.8	1.1	2.0	2.1	2.3
James F. Smith	Parsec Financial Management	0.2	1.0	1.4	1.6	1.7
Sean M. Snaith	University of Central Florida	0.1	0.8	2.1	2.2	2.4
Sung Won Sohn	California State University	1.8	1.6	1.6	1.5	1.7
Stephen Stanley	Pierpont Securities	0.9	1.5	2.8	3.2	3.3
Susan M. Sterne	Economic Analysis Associates Inc.	0.8	1.8	2.1	2.1	2.9
James Sweeney	CSFB	1.0	0.9	1.5	—	—
Kevin Swift	American Chemistry Council	0.5	1.5	2.3	2.5	2.3
Diane Swonk	Mesrow Financial	0.7	1.3	2.0	2.2	2.2
Carl Tannenbaum	The Northern Trust	1.1	1.3	1.8	1.9	1.9
US Economics Team	BNP Paribas	0.9	1.3	2.6	2.3	2.1
Bart van Ark	The Conference Board	1.1	1.6	2.0	—	—
Brian S. Wesbury/ Robert Stein	First Trust Advisors, L.P.	1.1	2.0	2.5	2.7	2.8
William T. Wilson	The Heritage Foundation	0.2	0.4	0.6	0.7	1.0
Lawrence Yun	National Association of Realtors	0.0	2.2	2.6	3.0	3.0

Averages: 0.7 % 1.4 % 2.1 % 2.2 % 2.3 %

Source: Wall Street Journal Economic Forecasting Survey, December 2015



As the preceding table indicates, the financial analysts who were surveyed in December 2015 anticipated inflation rates ranging from 0.3% to 2.4% (on an annualized basis) for June 2016; the average of these data points was 1.4%. The same group expects annualized inflation rates of 2.1% and 2.2% for December 2016 and June 2017, respectively, slightly lower than the inflation rate forecasts for December 2017, which average 2.3%.

As a further check on these inflation projections, we have reviewed historical increases in the Consumer Price Index (CPI-U). Because the value of real estate is predicated on cash flows over a relatively long period, inflation should be considered from a long-term perspective.

FIGURE 2-9 NATIONAL CONSUMER PRICE INDEX (ALL URBAN CONSUMERS)

Year	National Consumer Price Index	Percent Change from Previous Year
2005	195.3	—
2006	201.6	3.2 %
2007	207.3	2.8
2008	215.3	3.8
2009	214.5	-0.4
2010	218.1	1.6
2011	224.9	3.1
2012	229.6	2.1
2013	233.0	1.5
2014	234.8	0.8
2015	236.5	0.7
Average Annual Compounded Change		
	2005 - 2015:	1.9 %
	2010 - 2015:	1.6

Source: Bureau of Labor Statistics

Between 2005 and 2015, the national CPI increased at an average annual compounded rate of 1.9%; from 2010 to 2015, the CPI rose by a slightly lower average annual compounded rate of 1.6%. In 2015, the CPI rose by 0.7%, a decrease from the level of 0.8% recorded in 2014.

In consideration of the most recent trends, the projections set forth previously, and our assessment of probable property appreciation levels, we have applied underlying inflation rates of 2.0%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2015. This stabilized inflation rate takes into account normal, recurring inflation cycles. Inflation is likely to fluctuate above and



below this level during the projection period. Any exceptions to the application of the assumed underlying inflation rate are discussed in our write-up of individual income and expense items.

Forecast of Income and Expense

As stated previously, following our review of the developer's forecast, the projections appeared to be reasonable and were supported by metrics evidenced by the comparable operating statements. However, some minor changes were made to the developer's forecast, including the consolidation of certain line items in order to reflect *USALI*. The stabilized year's income, as forecast by the developers, was deflated to base-year (2015) dollars, forming the basis for the inputs into our fixed and variable model. Although both our forecast and the developer's forecast are displayed below, only the financial forecast produced by HVS was considered in this feasibility study. The developer forecast is being shown for comparative purposes only.

The following three charts set forth:

- 1) The Developer's five year forecast of income and expense with operating metrics including operating ratios, and dollar amounts per available room and per occupied room, as calculated by HVS;
- 2) The HVS forecast of income and expense through stabilization with similar operating metrics;
- 3) A ten-year forecast of income and expense prepared by HVS with operating ratio metrics only. The ten-year forecast is derived by inflating each revenue and expense line item from year five onward by the assumed annual inflation rate of 3.0%.



FIGURE 2-10 DEVELOPER'S FORECAST OF INCOME AND EXPENSE – PROPOSED WATERFRONT HOTEL, SAN FRANCISCO, CA

	2019 (Calendar Year)				2020				2021				2022				Stabilized			
Number of Hotel Rooms:	170				170				170				170				170			
Occupancy:	80%				85%				85%				85%				85%			
Occupied Rooms:	49,640				52,743				52,743				52,743				52,743			
Average Rate:	\$450.00				\$473.00				\$487.00				\$502.00				\$517.00			
RevPAR:	\$360.00				\$402.05				\$413.95				\$426.70				\$439.45			
Number of Extended Stay Rooms:	10				10				10				10				10			
Occupancy:	95%				95%				95%				95%				95%			
Occupied Rooms:	114				114				114				114				114			
Monthly Rate:	\$2,500.00				\$2,575.00				\$2,652.00				\$2,732.00				\$2,814.00			
RevPAR:	\$2,375.00				\$2,446.25				\$2,519.40				\$2,595.40				\$2,673.30			
Days Open - Hotel Rooms:	365				365				365				365				365			
Months Open - Extended Stay Rooms:	12				12				12				12				12			
Total Occupied Rooms:	49,754	%Gross	PAR	POR	52,857	%Gross	PAR	POR	52,857	%Gross	PAR	POR	52,857	%Gross	PAR	POR	52,857	%Gross	PAR	POR
OPERATING REVENUE																				
Hotel Rooms	\$22,338	64.4 %	\$131,400	\$450.00	\$24,921	65.0 %	\$146,593	\$472.50	\$25,668	64.7 %	\$150,991	\$486.67	\$26,464	64.5 %	\$155,672	\$501.76	\$27,258	64.2 %	\$160,342	\$516.81
Extended-Stay Rooms	285	0.8	28,500	2,500.00	294	0.8	29,355	2,575.00	302	0.8	30,236	2,652.25	311	0.8	31,143	2,731.82	321	0.8	32,077	2,813.77
Hotel Food & Beverage	6,662	19.2	39,188	134.21	7,395	19.3	43,499	140.21	7,631	19.2	44,881	144.69	7,876	19.2	46,327	149.32	8,128	19.1	47,810	154.10
Other Operated Departments (Net)	925	2.7	5,441	18.63	962	2.5	5,659	18.24	1,000	2.5	5,885	18.97	1,040	2.5	6,121	19.73	1,082	2.5	6,365	20.52
Catering	4,093	11.8	24,077	82.45	4,365	11.4	25,677	82.76	4,637	11.7	27,278	87.92	4,909	12.0	28,878	93.08	5,248	12.4	30,868	99.49
Teatro Zinzanni Rent	390	1.1	2,294	7.86	413	1.1	2,432	7.84	426	1.1	2,505	8.07	439	1.1	2,580	8.32	452	1.1	2,657	8.56
Total Operating Revenues	34,693	100.0	204,077	698.89	38,350	100.0	225,587	727.11	39,666	100.0	233,328	752.05	41,040	100.0	241,409	778.11	42,488	100.0	249,929	805.57
DEPARTMENTAL EXPENSES *																				
Rooms	6,031	27.0	35,478	121.22	6,729	27.0	39,580	127.30	6,930	27.0	40,768	131.12	6,881	26.0	40,475	130.18	7,087	26.0	41,689	134.08
Food & Beverage	6,396	96.0	37,621	128.54	7,025	95.0	41,324	132.91	7,174	94.0	42,197	135.72	7,403	94.0	43,548	140.06	7,640	94.0	44,941	144.54
Catering	3,393	82.9	19,961	68.20	3,557	81.5	20,924	67.30	3,721	80.2	21,887	70.40	3,885	79.1	22,851	73.49	4,088	77.9	24,048	77.34
Total	15,820	45.6	93,060	317.97	17,311	45.1	101,828	327.51	17,825	44.9	104,852	337.23	18,168	44.3	106,873	343.73	18,815	44.3	110,678	355.97
DEPARTMENTAL INCOME																				
	18,873	54.4	111,017	379.32	21,039	54.9	123,758	398.04	21,841	55.1	128,476	413.21	22,871	55.7	134,536	432.70	23,673	55.7	139,251	447.87
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	2,425	7.0	14,265	48.74	2,588	6.7	15,225	48.97	2,677	6.7	15,746	50.64	2,769	6.7	16,290	52.39	2,867	6.7	16,863	54.24
Marketing	1,155	3.3	6,792	23.21	1,189	3.1	6,996	22.50	1,225	3.1	7,205	23.17	1,262	3.1	7,422	23.87	1,300	3.1	7,644	24.59
Prop. Operations & Maint.	1,070	3.1	6,294	21.51	1,102	2.9	6,483	20.85	1,135	2.9	6,677	21.48	1,169	2.8	6,878	22.12	1,204	2.8	7,084	22.78
Utilities	714	2.1	4,198	14.34	735	1.9	4,324	13.91	757	1.9	4,453	14.32	780	1.9	4,587	14.75	803	1.9	4,724	15.20
Park Maintenance/Security	225	0.6	1,324	4.52	232	0.6	1,363	4.38	239	0.6	1,404	4.52	246	0.6	1,446	4.65	253	0.6	1,490	4.79
Total	5,588	16.1	32,872	112.32	5,846	15.2	34,390	110.61	6,033	15.2	35,486	114.13	6,226	15.1	36,622	117.79	6,427	15.1	37,806	121.59
GROSS HOUSE PROFIT																				
	13,285	38.3	78,145	267.01	15,193	39.7	89,368	287.43	15,808	39.9	92,990	299.08	16,645	40.6	97,914	314.92	17,246	40.6	101,445	326.27
Management Fee	1,041	3.0	6,122	20.92	1,150	3.0	6,768	21.77	1,190	3.0	7,000	22.51	1,231	3.0	7,242	23.29	1,275	3.0	7,498	24.12
INCOME BEFORE NON-OPER. INC. & EXP.	12,244	35.3	72,022	246.09	14,042	36.7	82,601	265.66	14,618	36.9	85,990	276.57	15,414	37.6	90,672	291.62	15,971	37.6	93,947	302.16
NON-OPERATING INCOME AND EXPENSE																				
Possessory Interest Tax	1,341	3.9	7,887	26.95	1,347	3.5	7,922	25.48	1,353	3.4	7,958	25.59	1,359	3.3	7,994	25.71	1,365	3.2	8,030	25.83
Insurance	117	0.3	687	2.35	129	0.3	761	2.45	134	0.3	787	2.53	138	0.3	814	2.62	143	0.3	843	2.71
Ground Rent	850	2.5	5,000	17.08	850	2.2	5,000	16.08	1,250	3.2	7,353	23.65	1,250	3.0	7,353	23.65	1,250	2.9	7,353	23.65
Reserve for Replacement	763	2.2	4,490	15.34	1,150	3.0	6,768	21.77	1,190	3.0	7,000	22.51	1,582	3.9	9,908	29.94	1,638	3.9	9,636	30.99
Total	3,071	8.9	18,064	61.72	3,477	9.0	20,451	65.78	3,927	9.9	23,098	74.29	4,330	10.5	25,470	81.92	4,397	10.3	25,862	83.18
EBITDA LESS RESERVE	\$9,173	26.4 %	\$53,959	\$184.37	\$10,565	27.7 %	\$62,149	\$199.89	\$10,692	27.0 %	\$62,892	\$202.28	\$11,084	27.1 %	\$65,202	\$209.71	\$11,575	27.3 %	\$68,085	\$218.98

*Departmental expenses are expressed as a percentage of departmental revenues.

FIGURE 2-11 HVS FORECAST – DETAILED FORECAST OF INCOME AND EXPENSE – PROPOSED WATERFRONT HOTEL, SAN FRANCISCO, CA

	2019 (Calendar Year)				2020				2021				2022				Stabilized			
Number of Rooms:	170				170				170				170				170			
Occupancy:	80%				85%				85%				85%				85%			
Average Rate:	\$450.00				\$473.00				\$487.00				\$502.00				\$517.00			
RevPAR:	\$360.00				\$402.05				\$413.95				\$426.70				\$439.45			
Days Open:	365				365				365				365				365			
Occupied Rooms:	49,640	%Gross	PAR	POR	52,743	%Gross	PAR	POR	52,743	%Gross	PAR	POR	52,743	%Gross	PAR	POR	52,743	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	\$22,623	64.9 %	\$133,076	\$455.74	\$25,241	65.9 %	\$148,475	\$478.57	\$25,988	65.6 %	\$152,870	\$492.73	\$26,788	65.4 %	\$157,578	\$507.91	\$27,589	65.0 %	\$162,286	\$523.08
Food & Beverage	6,803	19.5	40,015	137.04	7,330	19.1	43,118	138.98	7,565	19.1	44,497	143.42	7,807	19.0	45,921	148.01	8,056	19.0	47,391	152.75
Catering	4,093	11.8	24,077	82.45	4,365	11.4	25,677	82.76	4,637	11.7	27,278	87.92	4,909	12.0	28,878	93.08	5,248	12.4	30,868	99.49
Miscellaneous Income	1,315	3.8	7,735	26.49	1,375	3.6	8,091	26.08	1,426	3.6	8,390	27.04	1,479	3.6	8,700	28.04	1,534	3.6	9,023	29.08
Total Operating Revenues	34,834	100.0	204,903	701.72	38,311	100.0	225,360	726.38	39,616	100.0	233,035	751.12	40,983	100.0	241,077	777.04	42,426	100.0	249,568	804.41
DEPARTMENTAL EXPENSES *																				
Rooms	6,059	26.8	35,643	122.07	6,392	25.3	37,597	121.18	6,583	25.3	38,725	124.82	6,781	25.3	39,887	128.56	6,984	25.3	41,084	132.42
Food & Beverage	6,557	96.4	38,569	132.09	6,890	94.0	40,531	130.64	7,097	93.8	41,747	134.56	7,310	93.6	42,999	138.59	7,529	93.5	44,289	142.75
Catering	3,393	82.9	19,961	68.36	3,557	81.5	20,924	67.44	3,721	80.2	21,887	70.55	3,885	79.1	22,851	73.65	4,088	77.9	24,048	77.51
Total	16,010	46.0	94,174	322.51	16,839	44.0	99,052	319.27	17,401	43.9	102,359	329.93	17,975	43.9	105,737	340.81	18,601	43.8	109,420	352.68
DEPARTMENTAL INCOME																				
	18,824	54.0	110,730	379.21	21,472	56.0	126,308	407.12	22,215	56.1	130,676	421.20	23,008	56.1	135,341	436.23	23,825	56.2	140,147	451.72
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	2,462	7.1	14,483	49.60	2,585	6.7	15,208	49.02	2,666	6.7	15,681	50.54	2,749	6.7	16,170	52.12	2,835	6.7	16,679	53.76
Marketing	1,116	3.2	6,565	22.48	1,172	3.1	6,894	22.22	1,208	3.1	7,108	22.91	1,246	3.0	7,330	23.63	1,285	3.0	7,561	24.37
Prop. Operations & Maint.	1,034	3.0	6,084	20.84	1,086	2.8	6,388	20.59	1,120	2.8	6,587	21.23	1,155	2.8	6,793	21.90	1,191	2.8	7,007	22.58
Utilities	690	2.0	4,058	13.90	724	1.9	4,261	13.73	747	1.9	4,393	14.16	770	1.9	4,530	14.60	794	1.9	4,673	15.06
Park Maintenance/Security	217	0.6	1,279	4.38	228	0.6	1,343	4.33	235	0.6	1,385	4.46	243	0.6	1,428	4.60	250	0.6	1,473	4.75
Total	5,520	15.9	32,470	111.20	5,796	15.1	34,094	109.89	5,976	15.1	35,154	113.31	6,163	15.0	36,252	116.85	6,357	15.0	37,393	120.52
GROSS HOUSE PROFIT																				
	13,304	38.1	78,260	268.01	15,676	40.9	92,214	297.23	16,239	41.0	95,522	307.89	16,845	41.1	99,088	319.38	17,468	41.2	102,755	331.20
Management Fee	1,045	3.0	6,147	21.05	1,149	3.0	6,761	21.79	1,188	3.0	6,991	22.53	1,229	3.0	7,232	23.31	1,273	3.0	7,487	24.13
INCOME BEFORE NON-OPER. INC. & EXP.																				
	12,259	35.1	72,113	246.96	14,527	37.9	85,454	275.43	15,050	38.0	88,531	285.35	15,616	38.1	91,856	296.07	16,195	38.2	95,267	307.07
NON-OPERATING INCOME AND EXPENSE																				
Property Taxes	1,640	4.7	9,649	33.04	1,673	4.4	9,841	31.72	1,706	4.3	10,035	32.35	1,740	4.2	10,235	32.99	1,775	4.2	10,441	33.65
Insurance	126	0.4	738	2.53	129	0.3	760	2.45	133	0.3	783	2.52	137	0.3	807	2.60	141	0.3	831	2.68
Ground Rent	1,582	4.5	9,303	31.86	1,710	4.5	10,059	32.42	1,763	4.4	10,370	33.42	1,818	4.4	10,695	34.47	1,876	4.4	11,036	35.57
Reserve for Replacement	697	2.0	4,098	14.03	1,149	3.0	6,761	21.79	1,585	4.0	9,321	30.04	1,639	4.0	9,643	31.08	1,697	4.0	9,983	32.18
Total	4,044	11.6	23,788	81.47	4,662	12.2	27,421	88.38	5,187	13.0	30,510	98.34	5,335	12.9	31,380	101.14	5,489	12.9	32,291	104.08
EBITDA LESS RESERVE																				
	\$8,215	23.5 %	\$48,324	\$165.49	\$9,865	25.7 %	\$58,032	\$187.05	\$9,864	25.0 %	\$58,021	\$187.01	\$10,281	25.2 %	\$60,476	\$194.93	\$10,706	25.3 %	\$62,976	\$202.99

*Departmental expenses are expressed as a percentage of departmental revenues.



FIGURE 2-12 HVS FORECAST – TEN-YEAR FORECAST OF INCOME AND EXPENSE – PROPOSED WATERFRONT HOTEL, SAN FRANCISCO, CA

	2019		2020		2021		2022		2023		2024		2025		2026		2027		2028	
Number of Rooms:	170		170		170		170		170		170		170		170		170		170	
Occupied Rooms:	49,640		52,743		52,743		52,743		52,743		52,743		52,743		52,743		52,743		52,743	
Occupancy:	80%		85%		85%		85%		85%		85%		85%		85%		85%		85%	
Average Rate:	\$450.00	% of	\$473.00	% of	\$487.00	% of	\$502.00	% of	\$517.00	% of	\$533.00	% of	\$549.00	% of	\$565.00	% of	\$582.00	% of	\$599.00	% of
RevPAR:	\$360.00	Gross	\$402.05	Gross	\$413.95	Gross	\$426.70	Gross	\$439.45	Gross	\$453.05	Gross	\$466.65	Gross	\$480.25	Gross	\$494.70	Gross	\$509.15	Gross
OPERATING REVENUE																				
Rooms	\$22,623	64.9 %	\$25,241	65.9 %	\$25,988	65.6 %	\$26,788	65.4 %	\$27,589	65.0 %	\$28,416	65.0 %	\$29,269	65.0 %	\$30,147	65.0 %	\$31,051	65.0 %	\$31,983	65.0 %
Food & Beverage	6,803	19.5	7,330	19.1	7,565	19.1	7,807	19.0	8,056	19.0	8,314	19.0	8,580	19.0	8,838	19.0	9,103	19.0	9,376	19.0
Catering	4,093	11.8	4,365	11.4	4,637	11.7	4,909	12.0	5,248	12.4	5,405	12.4	5,567	12.4	5,734	12.4	5,906	12.4	6,083	12.4
Miscellaneous Income	1,315	3.8	1,375	3.6	1,426	3.6	1,479	3.6	1,534	3.6	1,580	3.6	1,627	3.6	1,676	3.6	1,726	3.6	1,778	3.6
Total Operating Revenue	34,834	100.0	38,311	100.0	39,616	100.0	40,983	100.0	42,426	100.0	43,715	100.0	45,043	100.0	46,395	100.0	47,787	100.0	49,220	100.0
DEPARTMENTAL EXPENSES*																				
Rooms	6,059	26.8	6,392	25.3	6,583	25.3	6,781	25.3	6,984	25.3	7,194	25.3	7,410	25.3	7,632	25.3	7,861	25.3	8,097	25.3
Food & Beverage	6,557	96.4	6,890	94.0	7,097	93.8	7,310	93.6	7,529	93.5	7,755	93.3	7,988	93.1	8,227	93.1	8,474	93.1	8,728	93.1
Catering	3,393	82.9	3,557	81.5	3,721	80.2	3,885	79.1	4,088	77.9	4,168	77.1	4,293	77.1	4,422	77.1	4,554	77.1	4,691	77.1
Total	16,010	46.0	16,839	44.0	17,401	43.9	17,975	43.9	18,601	43.8	19,117	43.7	19,690	43.7	20,281	43.7	20,889	43.7	21,516	43.7
DEPARTMENTAL INCOME	18,824	54.0	21,472	56.0	22,215	56.1	23,008	56.1	23,825	56.2	24,599	56.3	25,353	56.3	26,114	56.3	26,897	56.3	27,704	56.3
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	2,462	7.1	2,585	6.7	2,666	6.7	2,749	6.7	2,835	6.7	2,921	6.7	3,008	6.7	3,098	6.7	3,191	6.7	3,287	6.7
Marketing	1,116	3.2	1,172	3.1	1,208	3.1	1,246	3.0	1,285	3.0	1,324	3.0	1,364	3.0	1,405	3.0	1,447	3.0	1,490	3.0
Prop. Operations & Maint.	1,034	3.0	1,086	2.8	1,120	2.8	1,155	2.8	1,191	2.8	1,227	2.8	1,264	2.8	1,302	2.8	1,341	2.8	1,381	2.8
Utilities	690	2.0	724	1.9	747	1.9	770	1.9	794	1.9	818	1.9	843	1.9	868	1.9	894	1.9	921	1.9
Park Maintenance/Security	217	0.6	228	0.6	235	0.6	243	0.6	250	0.6	258	0.6	266	0.6	274	0.6	282	0.6	290	0.6
Total	5,520	15.9	5,796	15.1	5,976	15.1	6,163	15.0	6,357	15.0	6,547	15.0	6,744	15.0	6,946	15.0	7,155	15.0	7,369	15.0
GROSS HOUSE PROFIT	13,304	38.1	15,676	40.9	16,239	41.0	16,845	41.1	17,468	41.2	18,051	41.3	18,609	41.3	19,168	41.3	19,743	41.3	20,335	41.3
Management Fee	1,045	3.0	1,149	3.0	1,188	3.0	1,229	3.0	1,273	3.0	1,311	3.0	1,351	3.0	1,392	3.0	1,434	3.0	1,477	3.0
INCOME BEFORE NON-OPER. INC. & EXP.	12,259	35.1	14,527	37.9	15,050	38.0	15,616	38.1	16,195	38.2	16,740	38.3	17,258	38.3	17,776	38.3	18,309	38.3	18,858	38.3
NON-OPERATING INCOME AND EXPENSE																				
Property Taxes	1,640	4.7	1,673	4.4	1,706	4.3	1,740	4.2	1,775	4.2	1,811	4.1	1,847	4.1	1,884	4.1	1,922	4.0	1,960	4.0
Insurance	126	0.4	129	0.3	133	0.3	137	0.3	141	0.3	145	0.3	150	0.3	154	0.3	159	0.3	164	0.3
Ground Rent	1,582	4.5	1,710	4.5	1,763	4.4	1,818	4.4	1,876	4.4	1,936	4.4	2,000	4.4	2,068	4.4	2,136	4.4	2,208	4.4
Reserve for Replacement	697	2.0	1,149	3.0	1,585	4.0	1,639	4.0	1,697	4.0	1,749	4.0	1,802	4.0	1,856	4.0	1,911	4.0	1,969	4.0
Total	4,044	11.6	4,662	12.2	5,187	13.0	5,335	12.9	5,489	12.9	5,607	12.9	5,726	12.9	5,846	12.9	5,967	12.9	6,089	12.9
EBITDA LESS RESERVE	\$8,215	23.5 %	\$9,865	25.7 %	\$9,864	25.0 %	\$10,281	25.2 %	\$10,706	25.3 %	\$10,669	24.5 %	\$11,022	24.5 %	\$11,371	24.5 %	\$11,791	24.6 %	\$12,103	24.6 %

*Departmental expenses are expressed as a percentage of departmental revenues.



**Summary of Changes
Made to Developer
Projections**

As stated previously, some minor modifications were made to the proforma submitted by TZK Broadway; a review of these changes and/or details surrounding our line-item forecast is summarized as follows:

Revenues:

- Room Revenue - "Total Room Revenue" and "Extended Stay Revenue" as presented in the TZK proforma were consolidated into the Rooms Revenue line item of the HVS forecast. The TZK forecast does not contain any departmental operating expenses attributable to the cost of operating the 10 additional rooms. Our fixed and variable model takes into account the Extended Stay Revenue in order to account for some of the additional expenses that will be generated by the operation of these rooms, including the leasing costs, maintenance and housekeeping, and other overhead expenses. The following tables illustrate how this line item was calculated.



FIGURE 2-13 ROOMS REVENUE FORECAST

	2019 (Calendar Year)				2020				2021				2022				Stabilized			
Number of Hotel Rooms:	170				170				170				170				170			
Occupancy:	80%				85%				85%				85%				85%			
Occupied Rooms:	49,640				52,743				52,743				52,743				52,743			
Average Rate:	\$450.00				\$473.00				\$487.00				\$502.00				\$517.00			
RevPAR:	\$360.00				\$402.05				\$413.95				\$426.70				\$439.45			
Number of Extended Stay Rooms:	10				10				10				10				10			
Occupancy:	95%				95%				95%				95%				95%			
Occupied Rooms:	114				114				114				114				114			
Monthly Rate:	\$2,500.00				\$2,575.00				\$2,652.00				\$2,732.00				\$2,814.00			
RevPAR:	\$2,375.00				\$2,446.25				\$2,519.40				\$2,595.40				\$2,673.30			
Days Open - Hotel Rooms:	365				365				365				365				365			
Months Open - Extended Stay Rooms:	12				12				12				12				12			
Total Occupied Rooms:	49,754	%Gross	PAR	POR	52,857	%Gross	PAR	POR	52,857	%Gross	PAR	POR	52,857	%Gross	PAR	POR	52,857	%Gross	PAR	POR
Hotel Rooms	22,338	64.4	\$131,400	\$450.00	24,947	65.0	\$146,748	\$473.00	25,686	64.7	\$151,092	\$487.00	26,477	64.5	\$155,746	\$502.00	27,268	64.2	\$160,399	\$517.00
Extended-Stay Rooms	285	0.8	28,500	2,500.00	294	0.8	29,355	2,575.00	302	0.8	30,233	2,652.00	311	0.8	31,145	2,732.00	321	0.8	32,080	2,814.00
Total Rooms Revenue	22,623	65.2	159,900	2,950	25,241	65.8	176,103	3,048	25,988	65.5	181,325	3,139	26,788	65.3	186,890	3,234	27,589	65.0	192,479	3,331

Note: Rooms Revenue dollar amounts vary slightly to developer proforma because of small rounding errors in occupancy and average rate calculations



- Food and Beverage Revenue – this line item was adjusted per our fixed and variable model and was based on the stabilized year amounts from the developer proforma (deflated to base-year dollars).
- Catering Revenue – this line item was forecast in line with the developer proforma, as the catering revenue forecast was based in part on information from a separate forecast for the Teatro ZinZanni component. We also reviewed the Teatro ZinZanni financial projections as part of our analysis; this forecast appeared to be reasonable and appropriate for the proposed theater operation. We note that our conversations with TZK Broadway indicated that the Teatro ZinZanni forecast was based on its 11-year operating history prior to its closure, but we were not provided any of the historical data with which to confirm this statement.
- Miscellaneous Income – “Other Hotel Income (Net)” and “ZinZanni Rent” as presented in the TZK proforma were consolidated into Miscellaneous Income line item, per *USALI* and to remain consistent with the comparable operating statements.

Departmental Expenses:

- Rooms Expense – this line item was adjusted per our fixed and variable model and was based on the stabilized year amounts from the developer proforma (deflated to base-year dollars).
- Food & Beverage Expense – this line item was adjusted per our fixed and variable model and was based on the stabilized year amounts from the developer proforma (deflated to base-year dollars).
- Catering Expense – this line item was forecast in line with the developer proforma. Please refer to our explanation of the catering line item in the revenue category.

Undistributed Operating Expenses:

- Administrative & General Expense – this line item was adjusted per our fixed and variable model and was based on the stabilized year amounts from the developer proforma (deflated to base-year dollars).
- Marketing Expense – this line item was adjusted per our fixed and variable model and was based on the stabilized year amounts from the developer proforma (deflated to base-year dollars).
- Property Operations & Maintenance Expense – this line item was adjusted per our fixed and variable model and was based on the stabilized year amounts from the developer proforma (deflated to base-year dollars).



- Utilities Expense – this line item was adjusted per our fixed and variable model and was based on the stabilized year amounts from the developer proforma (deflated to base-year dollars).
- Park Maintenance/Security Expense – this line item was adjusted per our fixed and variable model and was based on the stabilized year amounts from the developer proforma (deflated to base-year dollars).

Other Expenses:

- Management Fees – this line item was forecast consistent with a market supported rate of 3.0% of total revenues.
- Property Taxes – real estate in the state of California is assessed at 100% of market value upon the sale, expansion, or new construction of a property. Once established, the assessed value of a property can increase by no more than 2.0% per year, according to state law. A reassessment is triggered by the sale, expansion, or improvement of a property. In this analysis, the first year’s property taxes were forecast based on the leasehold value of the subject property (the tax rate multiplied by the leasehold value); thereafter, property taxes are forecast to increase at 2.0% per year. The following chart details our property tax assumption.

Estimated Market Value of Leasehold Interest		Tax Rate	First Year's Tax Burden
\$138,700,000	x	1.1826%	\$1,640,266

Note: This Market Value opinion will be detailed in a subsequent section of this chapter

- Insurance – this line item was adjusted per our fixed and variable model and was based on the stabilized year amounts from the developer proforma (deflated to base-year dollars).
- Ground Rent – the forecast prepared by the developers does not include a percentage rent component; the rental payments are fixed at \$1,250,000 after a two-year ramp-up period. It was reported to us and displayed in the developer’s forecast that a percentage ground rent amount was calculated on the basis of 3.0% of total revenue (less food & beverage and ancillary departments). However, this percentage rent amount did not exceed the minimum base rent and thus does not appear in the net income calculation in the developer’s proforma.

Furthermore, we note that the developers are currently in negotiations with the Port of San Francisco to determine an appropriate ground rent



amount for the subject property. At the request of the client, we researched and compiled long-term ground lease agreements encumbering existing hotels. When possible, ground leases under high-profile assets with strong locations were selected in order to facilitate a comparison with the subject site, which features an excellent location in San Francisco's waterfront district. Additionally, the ground lease encumbering Hotel Vitale (lease agreement was provided by the client) was reviewed in order to extract its payment terms for comparative purposes. After reviewing the ground lease, we had a phone conversation with SFMTA, who administers the lease, to confirm that Hotel Vitale is currently paying rent as defined by the terms in the lease and that there have not been any amendments that have altered the lease term or ground rent payments. Our findings of comparable ground lease terms are presented in Figure 2-14 below and Hotel Vitale's lease terms are summarized in more detail on Figure 2-15.

FIGURE 2-14 SUMMARY OF SELECTED HOTEL GROUND LEASES

Hotel	City	ST	Number of Rooms	Ground Lease Formula	Rental Based on Stabilized Revenue 200-Unit Subject Property		
					Dollar Amount (+000)	Percentage of Rooms Revenue	Percentage of Total Revenue
Hotel Vitale	San Francisco	CA	200	Period 1: The greater of (a) \$300,000 or (b) the sum of 3% of gross revenue (less F&B), 7.5% of F&B rental revenue, and 0.75% of F&B revenue; Period 2: The greater of (a) \$350,000 or (b) the sum of 3% of gross revenue (less F&B), 7.5% of F&B rental revenue, and 0.75% of F&B revenue; Period 3: The greater of (a) \$400,000 or (b) the sum of 3% of gross revenue (less F&B), 7.5% of F&B rental revenue, and 0.75% of F&B revenue; Period 4: The greater of (a) \$800,000 or (b) the sum of 6% of gross revenue (less F&B), 15% of F&B rental revenue, and 1.5% of F&B revenue; Period 5: The greater of (a) \$1,000,000 or (b) the sum of 6.75% of gross revenue (less F&B), 30% of F&B rental revenue, and 2.5% of F&B revenue; Period 6: The greater of (a) \$1,250,000 or (b) the sum of 7.125% of gross revenue (less F&B), 30% of F&B rental revenue, and 2.75% of F&B revenue; Period 7: The greater of (a) Fair Market Value or (b) the sum of 8% of gross revenue (less F&B), 30% of F&B rental revenue, and 2.75% of F&B revenue	\$2,108	9.7%	6.3%
San Diego-Marriott & Marina	San Diego	CA	1364	Year 1: \$200,000; years 2-5: \$400,000, years 6-25: 6% of rooms revenue, 3% of food revenue, 3% of beverage revenue, 5% of shop revenue, 3% of food revenue, 3% of beverage revenue, 5% of shop boat rentals	\$1,721	7.9%	5.1%
Hyatt Regency	San Diego	CA	875	7% of rooms revenue, 4% of food and beverage revenue, and 3% to 25% of other revenue, against a minimum	\$1,706	7.8%	5.1%
Hilton Hotel	San Diego	CA	357	7% of rooms revenue, 1% of food revenue, 5% of beverage revenue, and 7% of other revenue	\$1,609	7.4%	4.8%
JW Marriott Hotel	San Francisco	CA	348	The greater of a CPI-adjusted minimum rent or, after year 5, the sum of 6% of rooms revenue, 1% of food revenue, 5% of beverage revenue, 3% of	\$1,488	6.8%	4.4%
Airport Hilton	San Francisco	CA	544	5.5% of rooms revenue	\$1,197	5.5%	3.6%
San Francisco Airport Marriott	Burlingame, CA	CA	695	Year 1: 5% of rooms revenue; year 2: 5.25% of rooms revenue; years 3+: 5.5% of rooms revenue, against a minimum	\$1,197	5.5%	3.6%
Holiday Inn Fisherman's Wharf	San Francisco	CA	339	5% of rooms revenue and 2.5% of food and beverage revenue	\$1,089	5.0%	3.2%

FIGURE 2-15 SUMMARY OF HOTEL VITALE GROUND LEASE TERMS

Lease Terms	Lease is dated September 30, 2003 According to SFMTA, lease payments commenced in 2005
Term	51 years from commencement with one 14-year extension option (with 18-36 months notice)
Payment	<p><u>Rent Period 1: (2005 to 2006)</u></p> <p>Minimum \$300,000 Participation Sum of 3% Gross Revenue (Less F&B) + 7.5% F&B Rental Revenue + 0.75% Gross F&B Revenue</p> <p><u>Rent Period 2: (2006 to 2007)</u></p> <p>Minimum \$350,000 Participation Sum of 3% Gross Revenue (Less F&B) + 7.5% F&B Rental Revenue + 0.75% Gross F&B Revenue</p> <p><u>Rent Period 3: (2007 to 2008)</u></p> <p>Minimum \$400,000 Participation Sum of 3% Gross Revenue (Less F&B) + 7.5% F&B Rental Revenue + 0.75% Gross F&B Revenue</p> <p><u>Rent Period 4: (2008 to 2014)</u></p> <p>Minimum \$800,000 CPI adjusted Participation Sum of 6% Gross Revenue (Less F&B) + 15% F&B Rental Revenue + 1.5% Gross F&B Revenue</p> <p><u>Rent Period 5: (2014 to 2020, CURRENT RENT PERIOD)</u></p> <p>Minimum \$1,000,000 CPI adjusted Participation Sum of 6.75% Gross Revenue (Less F&B) + 30% F&B Rental Revenue + 2.5% Gross F&B Revenue</p> <p><u>Rent Period 6: (2020 to 2035)</u></p> <p>Minimum \$1,250,000 CPI adjusted Participation Sum of 7.125% Gross Revenue (Less F&B) + 30% F&B Rental Revenue + 2.75% Gross F&B Revenue</p> <p><u>Rent Period 7: (2035 to 2055, END OF INITIAL TERM)</u></p> <p>Minimum Appraisal required Participation Sum of 8% Gross Revenue (Less F&B) + 30% F&B Rental Revenue + 2.75% Gross F&B Revenue</p>
Note: Participation Rent Paid in Excess of Minimum Base Rent	



Based on the information displayed in the preceding tables, the hotel ground lease payments range from approximately 5% to 8% of rooms revenue, and 3% to 5% of total revenue. The lease terms for Hotel Vitale reflect payments that are on the high end of the range because of its very strong location in San Francisco and other attributes that were detailed previously.

As discussed in the Executive Summary, terms of the lease are still under negotiation between the Port of San Francisco and the developers; the most recent iteration of the ground lease features an initial term of 50 years plus a 16-year extension term. Ground rent payments are comprised of base rent and percentage rent; percentage rent exceeding the base rent is paid once the break-point is reached. The calculation of percentage rent is based on gross receipts from both the hotel's operation and the operation of the Teatro ZinZanni dinner theater, escalating over time from the hotel's opening to its anticipated stabilization period. The proposed ground lease terms are detailed in the following chart, as provided by the client.

FIGURE 2-16 CURRENT GROUND LEASE TERMS/ASSUMPTIONS (CURRENTLY UNDER NEGOTIATION)

Assumptions and Definitions for Ground Rent Calculation

Minimum Base Rent:

- If Hotel Occupancy reaches 80% or greater in first Two Operation Years, Base Rent for those years will equal 90% of Total Participation Rent
- Minimum Base Rent set to \$875,000 in the two-year Construction Period
- Minimum Base Rent set to \$1,366,000 in the Third Operation Year, CPI adjusted at 3%

- Minimum Base Rent will be reset after each 10-year period (first reset in the Eleventh Operating Year) at 65% of the average Total Participation Rent for the 5 years prior to the reset year. Note that the reset Minimum Base Rent amount should not be less than the prior year's Minimum Base Rent CPI adjusted at 3%.

Percentage Rent:

- Percentage Rent for the hotel component will be calculated at 3.5% of Gross Hotel Revenue LESS F&B Rental (first 5 years), 4.5% (next 5 years), 5.5% (next 10 years), 6.5% (remaining term)
- Percentage Rent for the theater component will be calculated at 3.5% of Gross TZ Revenue for the entire lease term
- Percentage Rent will be paid in excess of the Minimum Base Rent

Gross Revenue (Hotel):

Gross Hotel Revenue LESS \$390,000 (CPI adjusted at 3%) for the purposes of calculating the ground rent to the Port of San Francisco

Gross Revenue (Teatro ZinZanni (TZ)):

Provided by Client (Forecast was reportedly completed by TZ)

Based on the terms detailed above, our ground rent forecast for the subject property is displayed in the following charts.

FIGURE 2-17 GROUND RENT FORECAST – PROPOSED WATERFRONT HOTEL, SAN FRANCISCO, CA (FIGURES DISPLAYED IN 000'S)

Ground Lease Calculation	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Minimum Base Rent*	\$1,423	\$1,539	\$1,366	\$1,407	\$1,449	\$1,493	\$1,537	\$1,584	\$1,631	\$1,680
Percentage Rent (See Schedule A)	1,582	1,710	1,763	1,818	1,876	2,366	2,437	2,510	2,586	2,663
Total Rent Calculated	3,005	3,249	3,129	3,225	3,325	3,858	3,975	4,094	4,217	4,343
(Less: Minimum Base Rent)**	(1,423)	(1,539)	(1,366)	(1,407)	(1,449)	(1,493)	(1,537)	(1,584)	(1,631)	(1,680)
Total Ground Lease Payment	1,582	1,710	1,763	1,818	1,876	2,366	2,437	2,510	2,586	2,663
% of Rooms Revenue	7.0%	6.8%	6.8%	6.8%	6.8%	8.3%	8.3%	8.3%	8.3%	8.3%
% of Total Revenue	4.5%	4.5%	4.4%	4.4%	4.4%	5.4%	5.4%	5.4%	5.4%	5.4%

*Minimum Base Rent based on terms provided by client: \$875,000/year for 1st & 2nd Year, or 90% of percentage rent if occupancy exceeds 82.5%. 3rd Year Base Rent set to \$1,366,000.

FIGURE 2-18 SCHEDULE A – PERCENTAGE RENT CALCULATION (FIGURES DISPLAYED IN 000'S)

Schedule A - Percentage Rent Calculation	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Percentage Rent: Variable % of Gross Hotel Revenue (LESS F&B Rental)*	1,206	1,326	1,372	1,419	1,469	1,946	2,005	2,066	2,128	2,191
Percentage Rent: 3.5% of Teatro ZinZanni (TZ) Gross Revenue**	376	384	391	399	407	419	432	445	458	472
Total Percentage Rent	1,582	1,710	1,763	1,818	1,876	2,366	2,437	2,510	2,586	2,663
% Change	—	8.1%	3.1%	3.1%	3.2%	26.1%	3.0%	3.0%	3.0%	3.0%

*3.5% (first 5 years), 4.5% (next 5 years), 5.5% (next 10 years), 6.5% (remaining term) of Gross Hotel Revenue LESS F&B Rental Revenue
(F&B Rental Revenue is equal to \$390,000 Rental Expense from Teatro ZinZanni (TZ) to Hotel, CPI adjusted)

**Per Teatro ZinZanni (TZ) Proforma, Provided by Client (Displayed in Schedule B)

FIGURE 2-19 SCHEDULE B – TEATRO ZINZANNI REVENUES FOR GROUND RENT CALCULATION (PROVIDED BY CLIENT)

Schedule B - Teatro ZinZanni (TZ) Revenue: Provided by Client	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Ticket Sales & Food Revenue	8,594,621	8,766,513	8,941,843	9,120,680	9,303,094	9,582,187	9,869,652	10,165,742	10,470,714	10,784,836
Beverage Revenue	2,149,983	2,192,983	2,236,842	2,281,579	2,327,211	2,397,027	2,468,938	2,543,006	2,619,296	2,697,875
Total	10,744,604	10,959,496	11,178,685	11,402,259	11,630,305	11,979,214	12,338,591	12,708,748	13,090,011	13,482,711
% Change		2.00%	2.00%	2.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%



- The ground rent calculation for the proposed subject property was expanded for the entire term of the lease, including the extension term, in order to determine the total rent amount that the Port of San Francisco would receive if the lease runs full term. The net income for the hotel and the gross revenues for the theater component were inflated by 3.0% per year for the purposes of the ground rent calculation. The amounts are presented as follows:



FIGURE 2-20 GROUND RENT PAYMENTS TO THE PORT OF SAN FRANCISCO – INITIAL TERM (BASED ON CURRENT LEASE TERMS)

Year	Gross Revenue (Hotel)	Gross Revenue (Teatro ZinZanni)	Minimum Base Rent	Percentage Rent (Hotel)	Percentage Rent (TZ)	Total Percentage Rent	Total Ground Rent Payment to Port of SF
2017			\$875,000				\$875,000
2018			875,000				875,000
2019	\$34,443,581	\$10,744,604	1,423,428	\$1,205,525	\$376,061	\$1,581,586	1,581,586
2020	37,897,880	10,959,496	1,539,007	1,326,426	383,582	1,710,008	1,710,008
2021	39,190,181	11,178,685	1,566,000	1,371,656	391,254	1,762,910	1,762,910
2022	40,544,577	11,402,259	1,406,980	1,419,060	399,079	1,818,139	1,818,139
2023	41,974,744	11,630,305	1,449,189	1,469,116	407,061	1,876,177	1,876,177
2024	43,250,100	11,979,214	1,492,665	1,946,254	419,272	2,365,527	2,365,527
2025	44,564,231	12,338,591	1,537,445	2,005,390	431,851	2,437,241	2,437,241
2026	45,901,158	12,708,748	1,583,568	2,065,552	444,806	2,510,358	2,510,358
2027	47,278,193	13,090,011	1,631,075	2,127,519	458,150	2,585,669	2,585,669
2028	48,696,539	13,482,711	1,680,008	2,191,344	471,895	2,663,239	2,663,239
2029	50,157,435	13,887,192	1,730,408	2,258,659	486,052	3,244,711	3,244,711
2030	51,662,158	14,303,808	1,782,320	2,841,419	500,633	3,342,052	3,342,052
2031	53,212,022	14,732,922	1,835,790	2,926,661	515,652	3,442,314	3,442,314
2032	54,808,383	15,174,910	1,890,863	3,014,461	531,122	3,545,583	3,545,583
2033	56,452,635	15,630,157	1,947,589	3,104,895	547,056	3,651,950	3,651,950
2034	58,146,214	16,099,062	2,006,017	3,198,042	563,467	3,761,509	3,761,509
2035	59,890,600	16,582,034	2,066,198	3,293,983	580,371	3,874,354	3,874,354
2036	61,687,318	17,079,495	2,128,183	3,392,802	597,782	3,990,585	3,990,585
2037	63,537,938	17,591,880	2,192,029	3,494,587	615,716	4,110,302	4,110,302
2038	65,444,076	18,119,636	2,257,790	3,599,424	634,187	4,233,611	4,233,611
2039	67,407,398	18,663,225	2,596,147	4,381,481	653,213	5,034,694	5,034,694
2040	69,429,620	19,223,122	2,674,031	4,512,925	672,809	5,185,735	5,185,735
2041	71,512,509	19,799,816	2,754,252	4,648,313	692,994	5,341,307	5,341,307
2042	73,657,884	20,393,810	2,836,880	4,787,762	713,783	5,501,546	5,501,546
2043	75,867,620	21,005,625	2,921,986	4,931,395	735,197	5,666,592	5,666,592
2044	78,143,649	21,635,793	3,009,646	5,079,337	757,253	5,836,590	5,836,590
2045	80,487,958	22,284,867	3,099,935	5,231,717	779,970	6,011,688	6,011,688
2046	82,902,597	22,953,413	3,192,933	5,388,669	803,369	6,192,038	6,192,038
2047	85,389,675	23,642,015	3,288,721	5,550,329	827,471	6,377,799	6,377,799
2048	87,951,365	24,351,276	3,387,383	5,716,839	852,295	6,569,133	6,569,133
2049	90,589,906	25,081,814	4,028,342	5,888,344	877,863	6,766,207	6,766,207
2050	93,307,604	25,834,269	4,149,193	6,064,994	904,199	6,969,194	6,969,194
2051	96,106,832	26,609,297	4,273,668	6,246,944	931,325	7,178,269	7,178,269
2052	98,990,037	27,407,576	4,401,878	6,434,352	959,265	7,393,618	7,393,618
2053	101,959,738	28,229,803	4,533,935	6,627,383	988,043	7,615,426	7,615,426
2054	105,018,530	29,076,697	4,669,953	6,826,204	1,017,684	7,843,889	7,843,889
2055	108,169,086	29,948,998	4,810,051	7,030,991	1,048,215	8,079,205	8,079,205
2056	111,414,158	30,847,468	4,954,353	7,241,920	1,079,661	8,321,582	8,321,582
2057	114,756,583	31,772,892	5,102,984	7,459,178	1,112,051	8,571,229	8,571,229
2058	118,199,281	32,726,079	5,256,073	7,682,953	1,145,413	8,828,366	8,828,366
2059	121,745,259	33,707,861	5,413,755	7,913,442	1,179,775	9,093,217	9,093,217
2060	125,397,617	34,719,097	5,576,168	8,150,845	1,215,168	9,366,013	9,366,013
2061	129,159,545	35,760,670	5,743,453	8,395,370	1,251,623	9,646,994	9,646,994
2062	133,034,332	36,833,490	5,915,757	8,647,232	1,289,172	9,936,404	9,936,404
2063	137,025,361	37,938,494	6,093,229	8,906,648	1,327,847	10,234,496	10,234,496
2064	141,136,122	39,076,649	6,276,026	9,173,848	1,367,683	10,541,531	10,541,531
2065	145,370,206	40,248,949	6,464,307	9,449,063	1,408,713	10,857,777	10,857,777
2066	149,731,312	41,456,417	6,658,236	9,732,535	1,450,975	11,183,510	11,183,510
2067	154,223,252	42,700,110	6,857,983	10,024,511	1,494,504	11,519,015	11,519,015
2068	158,849,949	43,981,113	7,063,723	10,325,247	1,539,339	11,864,586	11,864,586
Total - 50-Year Initial Term							299,785,475



FIGURE 2-21 GROUND RENT PAYMENTS TO THE PORT OF SAN FRANCISCO – EXTENSION TERM (BASED ON CURRENT LEASE TERMS)

Year	Gross Revenue (Hotel)	Gross Revenue (Teatro ZinZanni)	Minimum Base Rent	Percentage Rent (Hotel)	Percentage Rent (TZ)	Total Percentage Rent	Total Ground Rent Payment to Port of SF
2069	163,615,448	45,300,546	7,275,634	10,635,004	1,585,519	12,220,523	12,220,523
2070	168,523,911	46,659,563	7,493,903	10,954,054	1,633,085	12,587,139	12,587,139
2071	173,579,628	48,059,350	7,718,720	11,282,676	1,682,077	12,964,753	12,964,753
2072	178,787,017	49,501,130	7,950,282	11,621,156	1,732,540	13,353,696	13,353,696
2073	184,150,628	50,986,164	8,188,791	11,969,791	1,784,516	13,754,307	13,754,307
2074	189,675,147	52,515,749	8,434,454	12,328,885	1,838,051	14,166,936	14,166,936
2075	195,365,401	54,091,221	8,687,488	12,698,751	1,893,193	14,591,944	14,591,944
2076	201,226,363	55,713,958	8,948,113	13,079,714	1,949,989	15,029,702	15,029,702
2077	207,263,154	57,385,377	9,216,556	13,472,105	2,008,488	15,480,593	15,480,593
2078	213,481,048	59,106,938	9,493,053	13,876,268	2,068,743	15,945,011	15,945,011
2079	219,885,480	60,880,146	9,777,844	14,292,556	2,130,805	16,423,361	16,423,361
2080	226,482,044	62,706,551	10,071,179	14,721,333	2,194,729	16,916,062	16,916,062
2081	233,276,506	64,587,747	10,373,315	15,162,973	2,260,571	17,423,544	17,423,544
2082	240,274,801	66,525,380	10,684,514	15,617,862	2,328,388	17,946,250	17,946,250
2083	247,483,045	68,521,141	11,005,050	16,086,398	2,398,240	18,484,638	18,484,638
2084	254,907,536	70,576,775	11,335,201	16,568,990	2,470,187	19,039,177	19,039,177
Total - 16-Year Extension Term							\$246,327,636
Grand Total - 66-Year Full Lease Term							\$546,113,111

- Reserve for Replacement – this line item was forecast consistent with a market supported rate of 4.0% of total revenues. Note that we have assumed a two-year ramp up in this expense, with 2.0% of total revenue in Year 1 and 3.0% of total revenue in Year 2, before increasing to 4.0% of total revenue. A ramp-up in reserve payments is common for new hotels.

Forecast Conclusion

In conclusion, our analysis reflects a profitable operation, with net income expected to total 25.3% of total revenue by the stabilized year. The stabilized total revenue comprises primarily rooms and food and beverage revenue, with a secondary portion derived from other income sources. Additionally, the proposed subject property’s catering service for the Teatro ZinZanni is forecast to generate a strong portion of revenue and net income for the hotel. On the cost side, departmental expenses total 43.8% of revenue by the stabilized year, while undistributed operating expenses total 15.0% of total revenues; this assumes that the property will be operated as an independent hotel with no franchise fee expense. We further assume that the hotel will be competently managed by an established professional hotel operator. Gross House Profit is forecast to stabilize at 41.2% of revenue, which is in line with the house profit ratios of the comparable hotels. After a 3.0% of total revenues management fee, and 12.9% of total revenues in fixed expenses (including the ground rent), a net income ratio of 25.3% is forecast by the stabilized year.



3. Feasibility Analysis

The feasibility of a project may be determined by comparing total project cost with the economic value of the property upon completion; if the economic value based on market rates of return exceeds total development cost the project is determined to be feasible. Project feasibility may also be evaluated based on a return on investment analysis. Return on investment can be defined as the future benefits of an income-producing property relative to its acquisition or construction cost. The first step in performing a return on investment analysis is to determine the amount to be initially invested. For a proposed property, this amount is most likely to be the development cost of the hotel. The financing of the project is then considered by calculating the contributions of debt and equity capital. Internal rates of return can be calculated based on 1) the net income before debt service and return on equity generated by the property as it relates to total invested capital, and 2) the net income after debt service (net income to equity) as it relates to the equity investment. The internal rates of return are evaluated to determine if they are in line with market rates of return and adequate to attract the required debt and equity capital.

Construction Cost Estimate

Because the subject property is a proposed hotel, we have relied upon the actual development budget for the proposed subject hotel in performing a cost analysis. As this budget takes into consideration all of the physical, structural, and design elements specific to the property, it is believed to be the most accurate assessment of the actual cost of developing a hotel facility of this type. The details of this budget, prepared by the developers of the proposed subject property, are presented in the following table.



FIGURE 3-1 PROPOSED SUBJECT PROPERTY CONSTRUCTION BUDGET

# Rooms*	180 Rooms
Size (GSF)	174,892 SF
Size (Hotel Only)	146,591 SF
Size (Theater)	28,301 SF
SF Per Room (GSF)	971.6 SF
SF Per Room (Hotel Only)	862.3 SF

Category	Amount	Per Room	Per Square Foot
Pre-Development	\$754,015	\$4,189	\$4.31
Construction & Contingency	102,937,979	571,878	588.58
Fees & Permits	6,896,000	38,311	39.43
Off-Site/Utility	1,800,000	10,000	10.29
Pre-Opening & FF&E	8,300,000	46,111	47.46
Working Capital	1,500,000	8,333	8.58
Overhead	457,000	2,539	2.61
Construction Interest	1,724,599	9,581	9.86
Total Cost*	\$124,369,593	\$690,942	\$711.12
Total Cost (Hotel Only)**	\$104,244,122	\$613,201	\$711.12

*Per Room Cost Based on 180 Guestrooms (10 Extended-Stay Rooms Included)

**146,591 Square Feet x \$711.12 Per Square Foot. Per Room Cost Based on 170 Guestrooms

As indicated above, the total development cost for the subject property is estimated at \$691,000 per room; this cost includes the construction of the theater, which is a unique addition for a boutique hotel. As such, the estimated cost of the theater was removed from the total development cost in order to facilitate a more accurate comparison with other hotels. After the allocation, the total development cost of the hotel component is estimated to be \$613,000 per room. Note that these cost figures are exclusive of land, which will be leased.

As a benchmark for the subject property's development cost presented above, we have reviewed development budgets for boutique hotels (excluding land) located in high-barrier-to-entry markets in California. Given that San Francisco and many other parts of the Bay Area have extremely high barriers to entry, few new full-service hotels have been proposed or developed during the current development cycle. The following table displays actual hotel development cost comparables for relevant projects.



FIGURE 3-2 DEVELOPMENT COST COMPARABLES

	Hotel #1	Hotel #2	Hotel #3	Hotel #4	Hotel #5
	Boutique*	Boutique	Upper Upscale	Upper Upscale*	Upper Upscale
Location	Palo Alto, CA	San Francisco, CA	Menlo Park, CA	San Francisco, CA	Napa, CA
Budget Year	2014	2014	2015	2015	2015
F&B Outlets	A Restaurant and Lounge	A Restaurant and Lounge, a Burger Joint, a Coffee Shop, a Rooftop Bar, and a Speakeasy	A Restaurant and Lounge, and a Coffee Shop/Bakery	A Restaurant and Lounge, a Rooftop Bar, a Dinner Only Restaurant, and a Coffee Shop/Bakery	A Restaurant and Lounge, and a Wine Salon
Total Indoor Meeting Space (SF)	650	4,585	9,777	1,100	3,905
# of Rooms	86	200	250	135	68
Meeting Space SF/Room	8	23	39	8	57
Facilities/Amenities	Business Center	Fitness Room, Wellness Center, and Business Center	Outdoor Pool/Whirlpool, Business Center, Concierge Club Lounge, and Fitness Room	Business Center, Concierge Club Room, and Fitness Room	Fitness Room, Spa, Outdoor Pool, Living Room, and Business Center
Item (Cost per Room)					
Building	\$219,929	\$229,000	\$343,632	\$550,053	\$361,081
Soft Costs	40,287	84,100	92,028	78,244	113,974
Pre-Opening and Working Capital	27,903	—	23,652	11,481	16,283
FF&E	24,091	22,500	40,092	28,911	87,132
Total Development Cost (without land)	\$312,210	\$335,600	\$499,404	\$668,689	\$578,470

*Gut renovation of existing building

As indicated above, the comparable development costs vary within a wide range depending on the size of the property, location, quality, facilities offered, and many other factors. Given the unique nature of the proposed subject property, its location, anticipated market position as one of the premier upper upscale boutique products in the city, its affiliation with Teatro ZinZanni, and other characteristics, we would expect that the cost to develop this project would be at the higher end of the range indicated by the comparables. We note that no luxury hotel product has been developed in San Francisco or the surrounding sub-markets since before the last recession, and the cost of a top-tier luxury hotel would be expected to be significantly higher than what is indicated by the comparables. The proposed development cost of the subject property (after the removal of the theater component) is in the range indicated by two of the four-star boutique comparables displayed in the preceding chart.



Estimate of Market Value Upon Completion

The proposed subject property (upon completion) has been valued via the income approach through the application of a ten-year mortgage-equity technique and a discounted-cash-flow analysis. The conversion of the subject property's forecasted EBITDA Less Replacement Reserve into an estimate of value was based on the premise that investors typically leverage their real estate investments to enhance their equity yield. Typically, the majority of a transaction is capitalized with mortgage financing (50% to 80%), with equity comprising the balance (20% to 50%). The amounts and terms of available mortgage financing and the rates of return that are required to attract sufficient equity capital formed the basis for allocating the net income between the mortgage and equity components and deriving a value estimate.

Mortgage Component

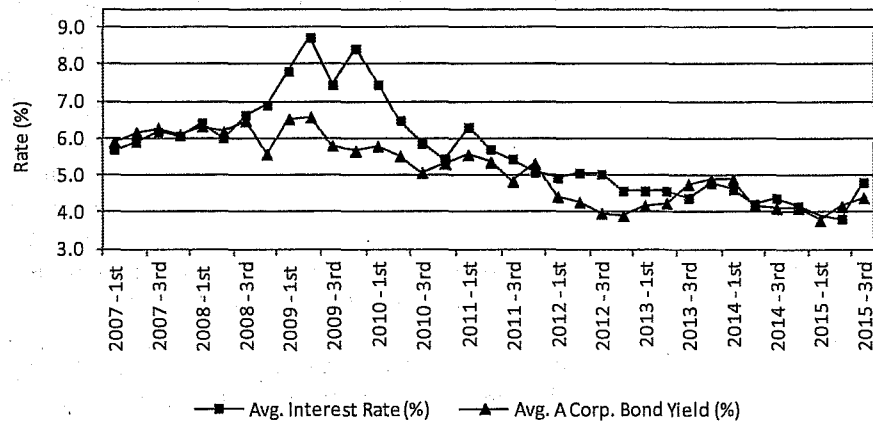
Hotel financing is currently active at all tiers of the lodging industry. Lenders are attracted to the lodging industry because of the higher yields generated by hotel financing relative to other commercial real estate, and the industry continues to perform strongly, with supply growth increasing but still constrained in San Francisco. Commercial banks, mortgage REITs, insurance companies, and CMBS and mezzanine lenders are pursuing deals, however we note that underwriting standards have become more stringent since the beginning of 2016 due to current market volatility, and debt has become somewhat more difficult to obtain for new hotel construction. Data for the mortgage component may be developed from statistics of actual hotel mortgages made by long-term lenders. The American Council of Life Insurance, which represents 20 large life insurance companies, publishes quarterly information pertaining to the hotel mortgages issued by its member companies.

Because of the six- to nine-month lag time in reporting and publishing hotel mortgage statistics, it was necessary to update this information to reflect current lending practices. Our research indicates that the greatest degree of correlation exists between the average interest rate of a hotel mortgage and the concurrent yield on an average-A corporate bond.

The following chart summarizes the average mortgage interest rates of the hotel loans made by these lenders. For the purpose of comparison, the average-A corporate bond yield (as reported by *Moody's Bond Record*) is also shown.



FIGURE 3-3 AVERAGE MORTGAGE INTEREST RATES AND AVERAGE-A CORPORATE BOND YIELDS



Sources: American Council of Life Insurance, Moody's Bond Record, HVS

The relationship between hotel interest rates and the yields from the average-A corporate bond can be detailed through a regression analysis, which is expressed as follows.

$$Y = 0.94917166 X + 0.84208352$$

Where: Y = Estimated Hotel Mortgage Interest Rate
 X = Current Average-A Corporate Bond Yield
 (Coefficient of correlation is 94%)

The February 10, 2016, average yield on average-A corporate bonds, as reported by Moody's Investors Service, was 4.14%. When used in the previously presented equation, a factor of 4.14 produces an estimated hotel/motel interest rate of 4.77% (rounded).

Yields on U.S. treasuries and average-A corporate bonds remain at low levels due to Federal Reserve policy and the strengthening of the dollar, providing a very favorable financing environment. Interest rates for single hotel assets are currently ranging from 4.4% to 6.0%, depending on the type of debt, loan-to-value ratio, and the quality of the asset and its market.



In addition to the mortgage interest rate estimate derived from this regression analysis, HVS constantly monitors the terms of hotel mortgage loans made by our institutional lending clients. Fixed-rate debt is being priced at roughly 250 to 400 basis points over the corresponding yield on treasury notes. As of February 10, 2016, the yield on the ten-year T-bill was 2.00%, indicating an interest rate range from 4.0% to 6.0%. The hotel investment market has been very active given the low interest rates over the last few years. The Federal Reserve, which raised interest rates slightly at the close of 2015, is anticipated to raise interest rates only modestly throughout 2016. Real investment experts do not anticipate any significant impact on hotel values in the near term, as the operating performance of these assets should be maintained or should continue to improve in tandem with the growth of the strong U.S. economy. At present, we find that lenders that are active in the market are using loan-to-value ratios of 60% to 75% and amortization periods of 20 to 30 years.

Based on our analysis of the current lodging industry mortgage market and adjustments for specific factors, such as the proposed property's location and conditions in the San Francisco hotel market, it is our opinion that a 5.00% interest, 25-year amortization mortgage with a 0.070151 constant is appropriate for the proposed subject hotel. In the mortgage-equity analysis, we have applied a loan-to-value ratio of 65%, which is reasonable to expect based on this interest rate and current parameters.

Equity Component

The remaining capital required for a hotel investment generally comes from the equity investor. The rate of return that an equity investor expects over a ten-year holding period is known as the equity yield. Unlike the equity dividend, which is a short-term rate of return, the equity yield specifically considers a long-term holding period (generally ten years), annual inflation-adjusted cash flows, property appreciation, mortgage amortization, and proceeds from a sale at the end of the holding period. To establish an appropriate equity yield rate, we have used two sources of data: past appraisals and investor interviews.

Hotel Sales – Each appraisal performed by HVS uses a mortgage-equity approach in which income is projected and then discounted to a current value at rates reflecting the cost of debt and equity capital. In the case of hotels that were sold near the date of our valuation, we were able to derive the equity yield rate and unlevered discount rate by inserting the ten-year projection, total investment (purchase price and estimated capital expenditure and/or PIP) and debt assumptions into a valuation model and solving for the equity yield. The overall capitalization rates for the historical income and projected first-year income are based on the sales price “as is.” The following table shows a representative sample of hotels that were sold on or about the time that we appraised them, along with



the derived equity return and discount rates based on the purchase price and our forecast.



FIGURE 3-4 SAMPLE OF HOTELS SOLD – FULL-SERVICE & LUXURY

Hotel	Location	Number of Rooms	Date of Sale	Total		Overall Rate Based on Sales Price	
				Property Yield	Equity Yield	Historical Year	Projected Year One
Embassy Suites	Denver, CO	403	Nov-15	8.7 %	17.6 %	6.8 %	7.0 %
London NYC	New York, NY	562	Nov-15	7.2	10.7	3.2	4.0
Le Meridien	Dallas, TX	170	Nov-15	9.7	18.3	6.9	8.2
Hotel Indigo	Scottsdale, AZ	126	Oct-15	10.0	18.4	7.1	9.6
DoubleTree	Orlando, FL	742	Sep-15	10.1	18.4	8.4	8.9
3 Palms	College Park, GA	243	Sep-15	11.7	19.5	—	5.2
Hotel Durant	Berkeley, CA	144	Sep-15	9.9	17.6	5.1	6.1
Embassy Suites	Valencia, CA	156	Sep-15	10.1	18.4	7.3	7.9
Holiday Inn Hotel & Suites	Phoenix, AZ	228	Jul-15	11.0	19.5	6.2	7.4
Cobblestone Inn	Carmel, CA	24	Jul-15	10.9	18.3	6.0	7.3
Sheraton	Raleigh, NC	353	Jul-15	11.0	18.5	7.6	8.1
Holiday Inn Hotel & Suites	Phoenix, AZ	228	Jul-15	11.0	19.5	6.2	7.4
Sheraton Suites	Key West, FL	184	Jun-15	9.0	16.0	5.8	6.8
Sheraton	Ann Arbor, MI	197	Jun-15	9.9	18.2	6.7	7.6
Holiday Inn	Princeton, NJ	182	Jun-15	12.8	22.9	8.6	9.5
DoubleTree	Charlotte, NC	173	Jun-15	18.8	11.1	9.9	8.7
Sunset Tower Hotel	West Hollywood, CA	74	Jun-15	9.2	16.5	5.6	6.0
Marriott	Irvine, CA	485	Jun-15	9.6	16.2	7.1	7.7
Wyndham Riverwalk	Jacksonville, FL	323	Jun-15	12.0	18.3	—	—
Marriott	New York, NY	655	May-15	9.0	15.3	3.8	5.3
Fairmont	Kohala Coast, HI	540	May-15	8.2	14.3	5.3	5.9
Belamar Hotel	Manhattan Beach, CA	127	May-15	10.3	17.8	8.0	7.7
Hyatt Regency	Bethesda, MD	390	May-15	9.6	16.9	6.8	5.4
Embassy Suites	Orange, CA	230	May-15	9.6	17.3	6.2	7.2
Grand Del Mar & Golf Course	San Diego, CA	249	Apr-15	8.5	14.6	2.4	4.3
Mandarin Oriental	San Francisco, CA	155	Apr-15	8.1	12.4	2.7	2.7
Renaissance	Fort Lauderdale, FL	236	Apr-15	10.3	18.6	7.5	7.8
Harbourtowne Resort	Saint Michaels, MD	111	Mar-15	11.0	18.3	2.5	4.8
Westin	Itasca, IL	408	Mar-15	10.8	17.7	6.5	8.0
Hilton Albany	Albany, NY	385	Mar-15	10.8	20.0	9.4	7.9
Holiday Inn Historic District	Savannah, GA	127	Feb-15	10.4	18.3	4.1	7.4
Hilton Houston Westchase	Houston, TX	297	Feb-15	11.1	19.7	7.8	8.1
Shorebreak Hotel	Huntington Beach, CA	157	Feb-15	10.2	18.2	6.1	6.9
Marriott Memphis East	Memphis, TN	232	Feb-15	11.0	18.5	7.1	8.0
Doubletree	New Orleans, LA	367	Feb-15	10.7	18.9	8.9	7.6
Embassy Suites	Raleigh, NC	225	Feb-15	10.2	18.2	8.7	8.2
Lakeway Resort	Austin, TX	175	Feb-15	10.9	18.1	7.1	7.6

Source: HVS



Investor Interviews - During the course of our work, we continuously monitor investor equity-yield requirements through discussions with hotel investors and brokers. While equity still looks to yield high returns for the risk of hotel investment, the low-yield environment, coupled with increased competition for quality assets, has placed downward pressure on equity-yield returns. We find that equity-yield rates currently range from a low in the low-to-mid teens for high-barrier-to-entry "trophy assets"; the upper teens for high quality, institutional-grade assets in strong markets; and the upper teens to low 20s for quality assets in more typical markets. Equity yields have increased moderately because of higher leverage levels, though competition for quality assets continues to place downward pressure on return requirements. Equity return requirements also vary with an investment's level of leverage, with greater leverage requiring higher returns.

The following table summarizes the range of equity yields indicated by hotel sales and investor interviews. We note that there tends to be a lag between the sales data and current market conditions, and thus, the full effect of the change in the economy and capital markets may not yet be reflected.

FIGURE 3-5 SUMMARY OF EQUITY YIELD OR INTERNAL RATE OF RETURN REQUIREMENTS

Source	Data Point Range	Average
HVS Hotel Sales - Full-Service & Luxury	10.7% - 22.9%	17.5%
HVS Hotel Sales - Select-Service & Extended-Stay	14.3% - 21.9%	18.9%
HVS Hotel Sales - Budget/Economy	18.6% - 25.5%	21.4%
HVS Investor Interviews	12% - 22%	

Based on the assumed 65% loan-to-value ratio, the asset's leasehold interest, the new high-quality construction of the hotel, its boutique orientation, its location in the Embarcadero neighborhood of San Francisco, and the anticipated position of the subject property relative to its competitive set, it is our opinion that an equity investor is likely to require an equity yield rate of 15.0%.

Terminal Capitalization Rate

Inherent in this valuation process is the assumption of a sale at the end of the ten-year holding period. The estimated reversionary sale price as of that date is calculated by capitalizing the projected eleventh-year net income by an overall terminal capitalization rate. An allocation for the selling expenses is deducted from this sale price, and the net proceeds to the equity interest (also known as the



equity residual) are calculated by deducting the outstanding mortgage balance from the reversion.

We have reviewed several recent investor surveys. The following chart summarizes the averages presented for terminal capitalization rates in various investor surveys during the past decade. Note that survey data lag the market and do not necessarily reflect the most current market conditions.

FIGURE 3-6 HISTORICAL TRENDS OF TERMINAL CAPITALIZATION RATES

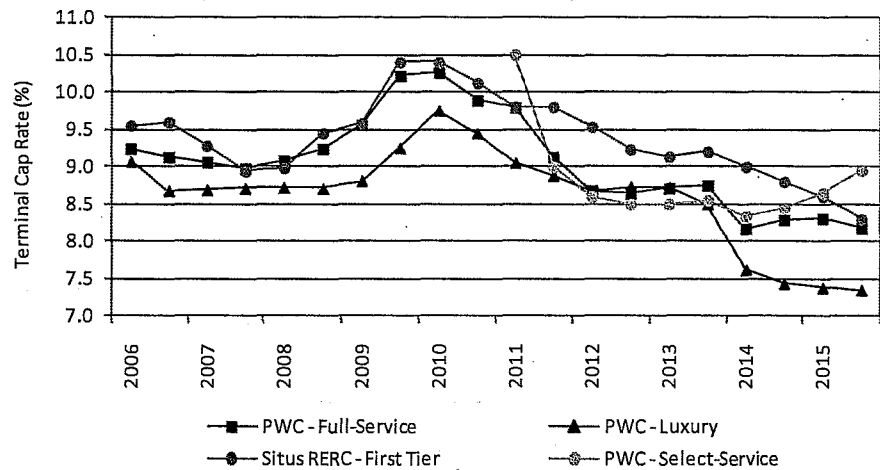


FIGURE 3-7 TERMINAL CAPITALIZATION RATES DERIVED FROM INVESTOR SURVEYS

Source	Data Point Range	Average
PWC Real Estate Investor Survey - 3rd Quarter 2015		
Select-Service Hotels	7.0% - 11.0%	9.0%
Full-Service Hotels	6.5% - 10.0%	8.2%
Luxury Hotels	6.0% - 10.0%	7.4%
USRC Hotel Investment Survey - Mid-Year 2015		
Full-Service Hotels	6.5% - 10.0%	8.1%
Situs RERC Real Estate Report - Fall 2015		
First Tier Hotels	6.5% - 10.5%	8.3%



For purposes of this analysis, we have applied a terminal capitalization rate of 6.5%. Our final position for the terminal capitalization rate reflects the unique nature of the proposed subject property. The chosen rate reflects the proposed hotel's location within a desirable neighborhood of San Francisco, the planned high-quality structure featuring views of the San Francisco Bay, and the current market for hotel investments. In tandem with overall lower return expectations, terminal capitalization rates for quality hotel assets in markets with high barriers to entry have declined to new lows.

Mortgage-Equity Valuation

The valuation of the mortgage and equity components is accomplished using an algebraic equation that calculates the exact amount of debt and equity that the hotel will be able to support based on the anticipated cash flow (as estimated by the forecast of income and expense) and the specific return requirements demanded by the mortgage lender (interest) and the equity investor (equity yield). Thus, the anticipated net income (before debt service and depreciation) is allocated to the mortgage and equity components based on market rates of return and loan-to-value ratios. The total of the mortgage component and the equity component equals the value of the property. Using this method of the income capitalization approach with the variables set forth, we estimate the prospective market value of the leasehold interest in the proposed subject property, as of January 1, 2019, to be \$138,700,000, or \$815,900 per room.

Mathematical Proof of Value

The value is mathematically proven by confirming that the market-derived yields are met for the lender and equity participant during the projection period. Using the assumed financial structure set forth in the previous calculations, market value can be allocated between the debt and equity as follows.

Mortgage Component (65%)	\$90,156,000
Equity Component (35%)	<u>48,545,000</u>
Total	\$138,701,000

The annual debt service is calculated by multiplying the mortgage component by the mortgage constant.

Mortgage Component	\$90,156,000
Mortgage Constant	<u>0.070151</u>
Annual Debt Service	\$6,324,516

The eleven-year forecast of net income and ten-year forecast of net income to equity are presented in the following table.



FIGURE 3-8 ELEVEN-YEAR FORECAST OF NET INCOME AND TEN-YEAR FORECAST OF NET INCOME TO EQUITY

Year	Net Income Before			Debt Coverage	Cash-on-Cash
	Debt Service	Less: Debt Service	Net Income to Equity	Ratio	Return
2019	\$8,214,723	6,324,000	\$1,890,723	1.30	3.9 %
2020	9,865,000	6,324,000	3,541,000	1.56	7.3
2021	9,864,000	6,324,000	3,540,000	1.56	7.3
2022	10,281,000	6,324,000	3,957,000	1.63	8.2
2023	10,706,000	6,324,000	4,382,000	1.69	9.0
2024	10,669,000	6,324,000	4,345,000	1.69	9.0
2025	11,022,000	6,324,000	4,698,000	1.74	9.7
2026	11,371,000	6,324,000	5,047,000	1.80	10.4
2027	11,731,000	6,324,000	5,407,000	1.85	11.1
2028	12,103,000	6,324,000	5,779,000	1.91	11.9
2029	14,485,000				

* The eleventh year's net income is projected prior to the deduction of real estate taxes. The overall going-out rate used to capitalize the eleventh year's net income is loaded with the applicable real estate tax rate to derive a reversionary value estimate, as of the end of year ten, which takes into account the reassessment of the property upon sale.

The net proceeds to equity upon sale of the property were determined by deducting sales expenses (brokerage and legal fees) and the outstanding mortgage balance.

The equity residual at the end of the tenth year is calculated by deducting brokerage and legal fees and the mortgage balance from the reversionary value. The reversionary value is calculated as the eleventh year's net income (before property tax expense, if a California property) capitalized by the terminal capitalization rate (loaded with the tax rate, if a California property). Note that this calculation is based on the sale of the leasehold interest only, since a possessory interest is taxed on the leasehold only, excluding the value of the land. This calculation is shown as follows.

11th Year's Net Income Before Taxes	\$14,485,000
Capitalization Rate (Loaded w/Tax Rate)	7.7%
Reversionary Value	<u>\$188,543,000</u>
Less:	
Brokerage and Legal Fees	3,771,000
Mortgage Balance	<u>66,647,000</u>
Net Sale Proceeds to Equity	\$118,125,000



The discount rate (before assumed debt service), the yield to the lender, and the yield to the equity position have been calculated by computer with the following results, as based on the developer's assumed loan terms.

FIGURE 3-9 TOTAL DEVELOPMENT COST AND INTERNAL RATES OF RETURN

Position	Value	Projected Yield (Internal Rate of Return) Over Holding Period
Total Property	\$138,701,000	9.6 %
Mortgage	\$90,156,000	4.9
Equity	\$48,545,000	15.0

Note: Whereas the mortgage constant and value are calculated on the basis of monthly mortgage payments, the mortgage yield in this proof assumes single annual payments. As a result, the proof's derived yield may be slightly less than that actually input.

The position of the total property yield or unlevered discount rate reflects the current cost of both debt and equity capital, as well as the subject property's anticipated market position, its location in the waterfront district of San Francisco, and the extent of the improvements including a distinct dinner theater operated by Teatro ZinZanni. Since the third quarter of 2013, lenders have been very active, with capital available from numerous sources. Equity and mezzanine financing is also available due to the attractive yields being generated by hotels when compared with other forms of commercial real estate. However, as previously mentioned, financing for hotel investments, including new construction, has become somewhat more difficult since the beginning of 2016 due to current market volatility.

The following tables demonstrate that the property receives its anticipated yields, proving that the value is correct based on the assumptions used in this approach.



FIGURE 3-10 RETURN TO THE LENDER

Year	Total Annual Debt Service		Present Worth of \$1 Factor at 4.9%	=	Discounted Cash Flow
2019	\$6,324,000	x	0.952969	=	\$6,027,000
2020	6,324,000	x	0.908150	=	5,743,000
2021	6,324,000	x	0.865438	=	5,473,000
2022	6,324,000	x	0.824736	=	5,216,000
2023	6,324,000	x	0.785947	=	4,970,000
2024	6,324,000	x	0.748983	=	4,737,000
2025	6,324,000	x	0.713758	=	4,514,000
2026	6,324,000	x	0.680189	=	4,302,000
2027	6,324,000	x	0.648199	=	4,099,000
2028	72,972,000 *	x	0.617713	=	45,076,000
Value of Mortgage Component					\$90,157,000

*10th year debt service of \$6,324,000 plus outstanding mortgage balance of \$66,647,000

FIGURE 3-11 EQUITY COMPONENT YIELD

Year	Net Income to Equity		Present Worth of \$1 Factor at 15.0%	=	Discounted Cash Flow
2019	\$1,890,723	x	0.869558	=	\$1,644,000
2020	3,541,000	x	0.756130	=	2,677,000
2021	3,540,000	x	0.657499	=	2,328,000
2022	3,957,000	x	0.571733	=	2,262,000
2023	4,382,000	x	0.497155	=	2,179,000
2024	4,345,000	x	0.432305	=	1,878,000
2025	4,698,000	x	0.375914	=	1,766,000
2026	5,047,000	x	0.326879	=	1,650,000
2027	5,407,000	x	0.284240	=	1,537,000
2028	123,904,000 *	x	0.247163	=	30,625,000
Value of Equity Component					\$48,546,000

*10th year net income to equity of \$5,779,000 plus sales proceeds of \$118,125,000

Feasibility Conclusion

In determining the potential feasibility of the proposed subject property, we analyzed the lodging market, researched the area's economics, reviewed the estimated development cost, and prepared a ten-year forecast of income and expense, which was primarily based on the developer's proforma, which in our opinion is well supported by the operating statements of comparable hotels. Based on our analysis, the proposed project would provide for a profit to the developer, as displayed in the following chart.



FIGURE 3-12 TOTAL PROJECT FEASIBILITY CONCLUSION

Feasibility	Amount	Per Room*	Per Square Foot
Total Hotel Value	\$138,700,000	\$816,000	\$793
Less: Total Cost to Develop	(124,400,000)	(691,000)	(711)
Total Profit to Developer	\$14,300,000	\$84,000	\$82
Profit % Total Value	10.3%		
Profit % Total Cost	11.5%		

**Per Room Amounts - Hotel Based on 170 Rooms; Cost Based on 180 Rooms*

Our opinion of the prospective value of the proposed subject property upon completion exceeds the total cost to develop it; therefore, this project is deemed to be feasible with a profit to the developer equal to 11.5% of the development cost.

Developer Rates of Return

At the request of the client, an analysis of the rates of return on the total project cost was completed. Six distinct scenarios were considered in our IRR analysis, as described below:

- **Scenario 1:** Assuming a 10-year holding period with TZK Broadway LLC's debt and equity terms in place and the sale of the property at the end of the tenth year. In this scenario, the IRRs for the total project and the debt were also calculated, in addition to the IRR on the equity investment.
- **Scenario 2:** Assuming a 10-year holding period with TZK Broadway LLC's debt and equity terms in place, a refinance of the loan at the end of the sixth year (2024) at 70% leverage, and a sale of the property at the end of the tenth year.
- **Scenario 3:** Assuming a 10-year holding period with TZK Broadway LLC's debt and equity terms in place, a refinance of the loan at the end of the third year (2021) at 70% leverage, and a sale of the property at the end of the tenth year.
- **Scenario 4:** Assuming a 10-year holding period with higher leverage at 65% of total development cost and a sale of the property at the end of the tenth year.
- **Scenario 5:** Assuming a 10-year holding period with higher leverage at 65% of total development cost, a refinance of the loan at the end of the sixth year (2024) at 70% leverage, and a sale of the property at the end of the tenth year.



- **Scenario 6:** Assuming a 10-year holding period with higher leverage at 65% of total development cost, a refinance of the loan at the end of the third year (2021) at 70% leverage, and a sale of the property at the end of the tenth year.
- In Scenarios two through six, only the IRR to the equity investor was computed.

Scenario 1:

Based on data provided by the client, the financing plan for the subject property details a loan-to-value ratio (LTV) equal to 48% of the cost, or approximately \$124,370,000, as displayed below.

Estimated Total Development Cost	\$124,370	
Funding Sources		
Mortgage Component	60,260	48%
Equity Component	64,110	52%
Total Funding Sources (=Cost)	\$124,370	100%

Figures displayed in 1,000s

The annual debt service is calculated by multiplying the assumed mortgage component, as provided by the developers, by the mortgage constant.

Mortgage Component	\$60,259,623
Mortgage Constant	<u>0.070151</u>
Annual Debt Service	\$4,227,261

The eleven-year forecast of net income, as presented earlier, and ten-year forecast of net income to equity after the developer's assumed debt terms are presented in the following table.



FIGURE 3-13 ELEVEN-YEAR FORECAST OF NET INCOME AND TEN-YEAR FORECAST OF NET INCOME TO EQUITY – ASSUMING LOAN TERMS PROVIDED BY DEVELOPER

Year	Net Income Before			Debt Coverage	Cash-on-Cash
	Debt Service	Less: Debt Service	Net Income to Equity	Ratio	Return
2019	\$8,214,723	4,227,000	\$3,987,723	1.94	6.2 %
2020	9,865,000	4,227,000	5,638,000	2.33	8.8
2021	9,864,000	4,227,000	5,637,000	2.33	8.8
2022	10,281,000	4,227,000	6,054,000	2.43	9.4
2023	10,706,000	4,227,000	6,479,000	2.53	10.1
2024	10,669,000	4,227,000	6,442,000	2.52	10.0
2025	11,022,000	4,227,000	6,795,000	2.61	10.6
2026	11,371,000	4,227,000	7,144,000	2.69	11.1
2027	11,731,000	4,227,000	7,504,000	2.78	11.7
2028	12,103,000	4,227,000	7,876,000	2.86	12.3
2029	14,485,000 *				

* The eleventh year's net income is projected prior to the deduction of real estate taxes. The overall going-out rate used to capitalize the eleventh year's net income is loaded with the applicable real estate tax rate to derive a reversionary value estimate, as of the end of year ten, which takes into account the reassessment of the property upon sale.

The net proceeds to equity upon sale of the property were determined by deducting sales expenses (brokerage and legal fees) and the outstanding mortgage balance.

The equity residual at the end of the tenth year is calculated by deducting brokerage and legal fees and the mortgage balance from the reversionary value, as explained previously. The calculation is shown as follows.

11th Year's Net Income Before Taxes	\$14,485,000
Capitalization Rate (Loaded w/Tax Rate)	7.7%
Reversionary Value	<u>\$188,543,000</u>
Less:	
Brokerage and Legal Fees	3,771,000
Mortgage Balance	<u>44,547,000</u>
Net Sale Proceeds to Equity	\$140,225,000

The discount rate (before debt service), the yield to the lender, and the yield to the equity position have been calculated by computer with the following results.



FIGURE 3-14 INTERNAL RATES OF RETURN BASED ON TOTAL DEVELOPMENT COST AND LOAN TERMS PROVIDED BY DEVELOPER

Position	Total Cost	Projected Yield (Internal Rate of Return) Over Holding Period
Project Cost	\$124,370,000	11.1 %
Mortgage	\$60,260,000	4.9
Equity	\$48,545,000	15.1

Note: Whereas the mortgage constant and value are calculated on the basis of monthly mortgage payments, the mortgage yield in this proof assumes single annual payments. As a result, the proof's derived yield may be slightly less than that actually input.

The projected cash flow and reversionary sales proceeds generate internal rates of return of 11.1% on project cost, and 15.1% on equity. Both these metrics are favorable and sufficient to attract debt and equity capital for new development. The internal rate of return on equity of 15.1% is comparable to the internal rate of return considered to be appropriate in the market valuation (15%), but given the significantly lower leverage based on the developer's financing, which reduces risk to the investor, it is considered favorable.

The following tables demonstrate that the property receives its anticipated yields, proving that the total cost is correct based on the assumptions used in this approach.



FIGURE 3-15 RETURN TO THE LENDER – DEVELOPER’S ASSUMED DEBT TERMS AND TOTAL DEVELOPMENT COST

Year	Total Annual Debt Service		Present Worth of \$1 Factor at 4.9%	=	Discounted Cash Flow
2019	4,227,000	x	0.952968	=	4,028,000
2020	4,227,000	x	0.908148	=	3,839,000
2021	4,227,000	x	0.865436	=	3,658,000
2022	4,227,000	x	0.824733	=	3,486,000
2023	4,227,000	x	0.785944	=	3,322,000
2024	4,227,000	x	0.748980	=	3,166,000
2025	4,227,000	x	0.713754	=	3,017,000
2026	4,227,000	x	0.680185	=	2,875,000
2027	4,227,000	x	0.648194	=	2,740,000
2028	48,774,000 *	x	0.617709	=	30,128,000
Value of Mortgage Component					60,259,000

*10th year debt service of \$4,227,000 plus outstanding mortgage balance of \$44,547,000

FIGURE 3-16 EQUITY COMPONENT YIELD – DEVELOPER’S ASSUMED DEBT TERMS AND TOTAL DEVELOPMENT COST

Year	Net Income to Equity		Present Worth of \$1 Factor at 14.8%	=	Discounted Cash Flow
2019	4,738,619	x	0.870832	=	4,127,000
2020	6,518,000	x	0.758349	=	4,943,000
2021	5,405,000	x	0.660394	=	3,569,000
2022	5,808,000	x	0.575093	=	3,340,000
2023	6,218,000	x	0.500809	=	3,114,000
2024	6,606,000	x	0.436121	=	2,881,000
2025	6,964,000	x	0.379788	=	2,645,000
2026	7,318,000	x	0.330732	=	2,420,000
2027	7,683,000	x	0.288012	=	2,213,000
2028	138,982,000 *	x	0.250810	=	34,858,000
Value of Equity Component					64,110,000

*10th year net income to equity of \$8,059,000 plus sales proceeds of \$130,923,000



Scenario 2:

As detailed previously, this scenario includes a refinance of the loan (assuming TZK Broadway LLC's loan is in place) at the end of the sixth forecast year, after the first ground rent escalation. The value of the hotel for refinance and the corresponding mortgage component was calculated as follows:

7th Year's Net Income Before Taxes	\$12,855
Capitalization Rate (Loaded w/Tax Rate)	7.7%
Value for Refinance (Reversion)	<u>\$167,320</u>
Assumed LTV for Refinance Loan	70.0%
Refinance Mortgage Component	<u>\$117,124</u>
Less:	
Cost to Refinance @ 1% of Refinance Value	1,171
Mortgage Balance (Original Loan)	<u>51,784</u>
Net Refinance Proceeds to Equity	<u>64,169</u>

(Figures in 000's)

The annual debt service was then calculated by multiplying the refinance mortgage component at the end of the sixth year by the mortgage constant.

Refinance Mortgage Component	\$117,124
Mortgage Constant	<u>0.070151</u>
Annual Debt Service	<u>\$8,216</u>

(Figures in 000's)

The forecast of net income to equity and corresponding IRR calculation are presented in the following table. Note that the balance of the original loan is assumed to be paid off and the net refinancing proceeds to equity are realized in the refinance year, 2024, and the new debt service begins in the seventh year.



FIGURE 3-17 SCENARIO 2 – NET INCOME TO EQUITY AND EQUITY IRR – FIGURES IN 000’S

Number of Years	Year	Cash Flow Before Debt Service	Beginning Principal/ Refi Principal	Annual Debt Service	Interest Payment	Principal Payment	Ending Principal Balance	Net Income to Equity/ Refi Proceeds	Equity IRR
Construction Period	2016								
	2017						Initial Equity Investment	(\$64,110)	
	2018							\$0	
1	2019	\$8,215	\$60,260	\$4,227	\$2,985	\$1,242	\$59,017	\$3,988	
2	2020	9,865	59,017	4,227	2,921	1,306	57,711	5,638	
3	2021	9,864	57,711	4,227	2,854	1,373	56,338	5,637	
4	2022	10,281	56,338	4,227	2,784	1,443	54,895	6,054	
5	2023	10,706	54,895	4,227	2,710	1,517	53,378	6,479	
6	2024	10,669	53,378	4,227	2,633	1,595	51,784	70,611	
7	2025	11,022	117,124	8,216	5,801	2,415	114,709	2,806	
8	2026	11,371	114,709	8,216	5,678	2,539	112,170	3,155	
9	2027	11,731	112,170	8,216	5,548	2,668	109,502	3,515	
10	2028	12,103	109,502	114,913	5,411	2,805	106,697	81,960	15%

-Assumes Refinance in 6th Projection Year at 70% LTV (End of Year Discounting)

-6th Year Net Income to Equity of \$6,442,000 plus Net Refinance Proceeds to Equity of \$64,169,000

-10th Year Annual Debt Service equal to \$8,216,000 plus outstanding mortgage balance on new loan of \$106,697,000

-10th Year Net Income to Equity equal to reversion proceeds of \$196,873,000 less \$114,913,000

In this scenario, the IRR to the equity investor is calculated to be 15%.

Scenario 3:

As detailed previously, this scenario includes a refinance of the loan at the end of the third forecast year, Developer’s typically refinance as soon as a property has proven cash flow to enhance their equity yield through higher leverage. The value of the hotel for refinance and the corresponding mortgage component was calculated as follows:



4th Year's Net Income Before Taxes	\$11,917
Capitalization Rate (Loaded w/Tax Rate)	<u>7.7%</u>
Value for Refinance (Reversion)	\$155,119
Assumed LTV for Refinance Loan	<u>70.0%</u>
Refinance Mortgage Component	\$108,583
Less:	
Cost to Refinance @ 1% of Refinance Value	1,086
Mortgage Balance (Original Loan)	<u>56,338</u>
Net Refinance Proceeds to Equity	51,159

(Figures in 000's)

The annual debt service was then calculated by multiplying the refinance mortgage component at the end of the third year by the mortgage constant.

Refinance Mortgage Component	\$108,583
Mortgage Constant	<u>0.070151</u>
Annual Debt Service	\$7,617

(Figures in 000's)

The forecast of net income to equity and corresponding IRR calculation are presented in the following table. Note that the balance of the original loan is assumed to be paid off and the net refinancing proceeds to equity are realized in the refinance year, 2021, and the new debt service begins in the fourth year.



FIGURE 3-18 SCENARIO 3 – NET INCOME TO EQUITY AND EQUITY IRR – FIGURES IN 000'S

Number of Years	Year	Cash Flow Before Debt Service	Beginning Principal/ Refi Principal	Annual Debt Service	Interest Payment	Principal Payment	Ending Principal Balance	Net Income to Equity/ Refi Proceeds	Equity IRR
Construction Period	2016								
	2017							Initial Equity Investment	(\$64,110)
	2018								\$0
1	2019	\$8,215	\$60,260	\$4,227	\$2,985	\$1,242	\$59,017	\$3,988	
2	2020	9,865	59,017	4,227	2,921	1,306	57,711	5,638	
3	2021	9,864	57,711	4,227	2,854	1,373	56,338	56,796	
4	2022	10,281	108,583	7,617	5,378	2,239	106,344	2,664	
5	2023	10,706	106,344	7,617	5,264	2,353	103,991	3,089	
6	2024	10,669	103,991	7,617	5,143	2,474	101,517	3,052	
7	2025	11,022	101,517	7,617	5,017	2,600	98,917	3,405	
8	2026	11,371	98,917	7,617	4,884	2,733	96,183	3,754	
9	2027	11,731	96,183	7,617	4,744	2,873	93,310	4,114	
10	2028	12,103	93,310	97,907	4,597	3,020	90,290	98,966	16%

-Assumes Refinance in 3rd Projection Year at 70% LTV (End of Year Discounting)

-Net Income to Equity of \$5,637,000 plus Net Refinance Proceeds to Equity of \$51,159,000

-10th Year Annual Debt Service equal to \$7,617,000 plus outstanding mortgage balance on new loan of \$90,290,000

-10th Year Net Income to Equity equal to reversion proceeds of \$196,873,000 less \$97,907,000

In this scenario, the IRR to the equity investor is calculated to be 16%.

Scenario 4:

As detailed previously, this scenario includes financing based on a higher leverage on the total development cost, as the current financing structure includes an LTV of less than 50%. An LTV of 65% of the development cost, or approximately \$124,370,000, was utilized, as displayed below.

Estimated Total Development Cost		\$124,370
Funding Sources		
Mortgage Component	80,840	65%
Equity Component	43,529	35%
Total Funding Sources (=Cost)	\$124,370	100%

Figures displayed in 000's

The annual debt service is calculated by multiplying the assumed mortgage component, as provided by the developers, by the mortgage constant.



Mortgage Component	\$80,840,235
Mortgage Constant	<u>0.070151</u>
Annual Debt Service	\$5,671,008

The forecast of net income to equity and corresponding IRR calculation are presented in the following table. Note that the balance of the original loan is assumed to be paid off and the net refinance proceeds to equity are realized in the refinance year, 2021, and the new debt service begins in the fourth year.

FIGURE 3-19 SCENARIO 4 – NET INCOME TO EQUITY AND EQUITY IRR – FIGURES IN 000'S

Number of Years	Year	Cash Flow Before Debt Service	Beginning Principal	Annual Debt Service	Interest Payment	Principal Payment	Ending Principal Balance	Net Income to Equity	Equity IRR
Construction Period	2016								
	2017							Initial Equity Investment	(\$43,529)
	2018								\$0
1	2019	\$8,215	\$80,840	\$5,671	\$4,004	\$1,667	\$79,173	\$2,544	
2	2020	9,865	79,173	5,671	3,919	1,752	77,421	4,194	
3	2021	9,864	77,421	5,671	3,829	1,842	75,579	4,193	
4	2022	10,281	75,579	5,671	3,735	1,936	73,643	4,610	
5	2023	10,706	73,643	5,671	3,636	2,035	71,608	5,035	
6	2024	10,669	71,608	5,671	3,532	2,139	69,469	4,998	
7	2025	11,022	69,469	5,671	3,422	2,249	67,221	5,351	
8	2026	11,371	67,221	5,671	3,307	2,364	64,857	5,700	
9	2027	11,731	64,857	5,671	3,186	2,485	62,372	6,060	
10	2028	12,103	62,372	65,432	3,059	2,612	59,761	131,441	16%

-10th Year Annual Debt Service equal to \$5,671,000 plus outstanding mortgage balance of \$59,761,000

-10th Year Net Income to Equity equal to reversion proceeds of \$196,873,000 less \$65,432,000

In this scenario, the IRR to the equity investor is calculated to be 16%.

Scenario 5:

As detailed previously, this scenario includes a refinance of the loan (assuming higher leverage to total development cost at 65%) at the end of the sixth forecast year, after the first ground rent escalation. The value of the hotel for refinance and the corresponding mortgage component was calculated as follows:



7th Year's Net Income Before Taxes	\$12,855
Capitalization Rate (Loaded w/Tax Rate)	<u>7.7%</u>
Value for Refinance (Reversion)	\$167,320
Assumed LTV for Refinance Loan	<u>70.0%</u>
Refinance Mortgage Component	\$117,124
Less:	
Cost to Refinance @ 1% of Refinance Value	1,171
Mortgage Balance (Original Loan)	<u>69,469</u>
Net Refinance Proceeds to Equity	46,483

(Figures in 000's)

The annual debt service was then calculated by multiplying the refinance mortgage component at the end of the sixth year by the mortgage constant.

Refinance Mortgage Component	\$117,124
Mortgage Constant	<u>0.070151</u>
Annual Debt Service	\$8,216

(Figures in 000's)

The forecast of net income to equity and corresponding IRR calculation are presented in the following table. Note that the balance of the original loan is assumed to be paid off and the net refinancing proceeds to equity are realized in the refinance year, 2024, and the new debt service begins in the seventh year.



FIGURE 3-20 SCENARIO 5 – NET INCOME TO EQUITY AND EQUITY IRR – FIGURES IN 000'S

Number of Years	Year	Cash Flow Before Debt Service	Beginning Principal/ Refi Principal	Annual Debt Service	Interest Payment	Principal Payment	Ending Principal Balance	Net Income to Equity/ Refi Proceeds	Equity IRR
Construction Period	2016								
	2017							Initial Equity Investment	(\$43,529)
	2018								\$0
1	2019	\$8,215	\$60,260	\$5,671	\$4,004	\$1,667	\$59,017	\$2,544	
2	2020	9,865	59,017	5,671	3,919	1,752	57,711	4,194	
3	2021	9,864	57,711	5,671	3,829	1,842	56,338	4,193	
4	2022	10,281	56,338	5,671	3,735	1,936	54,895	4,610	
5	2023	10,706	54,895	5,671	3,636	2,035	53,378	5,035	
6	2024	10,669	53,378	5,671	3,532	2,139	51,784	51,482	
7	2025	11,022	117,124	8,216	5,801	2,415	114,709	2,806	
8	2026	11,371	114,709	8,216	5,678	2,539	112,170	3,155	
9	2027	11,731	112,170	8,216	5,548	2,668	109,502	3,515	
10	2028	12,103	109,502	114,913	5,411	2,805	106,697	81,960	17%

-Assumes Refinance in 6th Projection Year at 70% LTV (End of Year Discounting)

-Net Income to Equity of \$4,998,000 plus Net Refinance Proceeds to Equity of \$46,483,000

-10th Year Annual Debt Service equal to \$8,216,000 plus outstanding mortgage balance on new loan of \$106,697,000

-10th Year Net Income to Equity equal to reversion proceeds of \$196,873,000 less \$114,913,000

In this scenario, the IRR to the equity investor is calculated to be 17%.

Scenario 6:

As detailed previously, this scenario includes a refinance of the loan (assuming higher leverage to total development cost at 65%) at the end of the third forecast year. Developer's typically refinance as soon as a property has proven cash flow to enhance their equity yield through higher leverage. The value of the hotel for refinance and the corresponding mortgage component was calculated as follows:



4th Year's Net Income Before Taxes	\$11,917
Capitalization Rate (Loaded w/Tax Rate)	<u>7.7%</u>
Value for Refinance (Reversion)	\$155,119
Assumed LTV for Refinance Loan	<u>70.0%</u>
Refinance Mortgage Component	\$108,583
Less:	
Cost to Refinance @ 1% of Refinance Value	1,086
Mortgage Balance (Original Loan)	<u>75,579</u>
Net Refinance Proceeds to Equity	31,918
(Figures in 000's)	

The annual debt service was then calculated by multiplying the refinance mortgage component at the end of the sixth year by the mortgage constant.

Refinance Mortgage Component	\$108,583
Mortgage Constant	<u>0.070151</u>
Annual Debt Service	\$7,617
(Figures in 000's)	

The forecast of net income to equity and corresponding IRR calculation are presented in the following table. Note that the balance of the original loan is assumed to be paid off and the net refinancing proceeds to equity are realized in the refinance year, 2021, and the new debt service begins in the fourth year.



FIGURE 3-21 SCENARIO 6 – NET INCOME TO EQUITY AND EQUITY IRR – FIGURES IN 000'S

Number of Years	Year	Cash Flow Before Debt Service	Beginning Principal/ Refi Principal	Annual Debt Service	Interest Payment	Principal Payment	Ending Principal Balance	Net Income to Equity/ Refi Proceeds	Equity IRR
Construction Period	2016								
	2017								
	2018								
							Initial Equity Investment	(\$43,529)	
								\$0	
1	2019	\$8,215	\$60,260	\$5,671	\$4,004	\$1,667	\$59,017	\$2,544	
2	2020	9,865	59,017	5,671	3,919	1,752	57,711	4,194	
3	2021	9,864	57,711	5,671	3,829	1,842	56,338	36,111	
4	2022	10,281	108,583	7,617	5,378	2,239	106,344	2,664	
5	2023	10,706	106,344	7,617	5,264	2,353	103,991	3,089	
6	2024	10,669	103,991	7,617	5,143	2,474	101,517	3,052	
7	2025	11,022	101,517	7,617	5,017	2,600	98,917	3,405	
8	2026	11,371	98,917	7,617	4,884	2,733	96,183	3,754	
9	2027	11,731	96,183	7,617	4,744	2,873	93,310	4,114	
10	2028	12,103	93,310	97,907	4,597	3,020	90,290	98,966	19%

-Assumes Refinance in 3rd Projection Year at 70% LTV (End of Year Discounting)

-Net Income to Equity of \$4,193,000 plus Net Refinance Proceeds to Equity of \$31,918,000

-10th Year Annual Debt Service equal to \$7,617,000 plus outstanding mortgage balance on new loan of \$90,290,000

-10th Year Net Income to Equity equal to reversion proceeds of \$196,873,000 less \$97,907,000

In this scenario, the IRR to the equity investor is calculated to be 19%.

**Internal Rates of
Return Matrix**

As displayed in the Executive Summary chapter of this report, the IRRs calculated for each of the four scenarios discussed previously are detailed in the following chart.

FIGURE 3-22 INTERNAL RATES OF RETURN ON EQUITY – SIX SCENARIOS

Scenario	Description	Equity IRR
1	Assuming 10-Year Hold & Sale in Year 10 (Developer Loan Terms)	13%
2	Assuming Refinance in Year 6 & Sale in Year 10 (Developer Loan Terms)	15%
3	Assuming Refinance in Year 3 & Sale in Year 10 (Developer Loan Terms)	16%
4	Assuming 10-Year Hold & Sale in Year 10 (Higher Loan-to-Cost at 65%)	16%
5	Assuming Refinance in Year 6 & Sale in Year 10 (Higher Loan-to-Cost at 65%)	17%
6	Assuming Refinance in Year 3 & Sale in Year 10 (Higher Loan-to-Cost at 65%)	19%



4. Statement of Assumptions and Limiting Conditions

1. This report is set forth as a feasibility study of the proposed subject hotel; this is not an appraisal report.
1. This report is to be used in whole and not in part; furthermore, this report is based on assumptions and conclusions that were drawn from our analysis, research, and findings as presented in our market study that was delivered to the client on January, 15, 2016.
2. No responsibility is assumed for matters of a legal nature, nor do we render any opinion as to title, which is assumed marketable and free of any deed restrictions and easements. The property is evaluated as though free and clear unless otherwise stated.
3. We assume that there are no hidden or unapparent conditions of the sub-soil or structures, such as underground storage tanks, that would affect the property's development potential. No responsibility is assumed for these conditions or for any engineering that may be required to discover them.
4. We have not considered the presence of potentially hazardous materials or any form of toxic waste on the project site. We are not qualified to detect hazardous substances and urge the client to retain an expert in this field if desired.
5. The Americans with Disabilities Act (ADA) became effective on January 26, 1992. We have assumed the proposed hotel would be designed and constructed to be in full compliance with the ADA.
6. We have made no survey of the site, and we assume no responsibility in connection with such matters. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the described real estate will be within the boundaries of the property described, and that no encroachment will exist. We have not been provided with details of the subject property's improvements and proposed market positioning.
7. All information, financial operating statements, estimates, and opinions obtained from parties not employed by M&R Valuation Services, Inc. are assumed true and correct. We can assume no liability resulting from misinformation.
8. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.



9. The property is assumed to be in full compliance with all applicable federal, state, local, and private codes, laws, consents, licenses, and regulations, and that all licenses, permits, certificates, franchises, and so forth can be freely renewed or transferred to a purchaser.
10. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.
11. None of this material may be reproduced in any form without our written permission, and the report cannot be disseminated to the public through advertising, public relations, news, sales, or other media.
12. We are not required to give testimony or attendance in court because of this analysis without previous arrangements, and shall do so only when our standard per-diem fees and travel costs have been paid prior to the appearance.
13. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
14. We take no responsibility for any events or circumstances that take place subsequent to the date of our field inspection.
15. This analysis assumes continuation of all Internal Revenue Service tax code provisions as stated or interpreted on either the date of value or the date of our field inspection, whichever occurs first.
16. Many of the figures presented in this report were generated using sophisticated models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded to the nearest tenth of a percent. Thus, these figures may be subject to small rounding errors.
17. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
18. Evaluating and comprising financial forecasts for hotels is both a science and an art. Although this analysis employs various mathematical calculations to provide value indications, the final forecasts are subjective and may be influenced by our experience and other factors not specifically set forth in this report.
19. This study was prepared by M&R Valuation Services, Inc. All opinions, recommendations, and conclusions expressed during the course of this



assignment are rendered by the staff of M&R Valuation Services, Inc. as employees, rather than as individuals.



5. Certification

The undersigned hereby certify that, to the best of our knowledge and belief:

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;
4. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
6. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined result or direction in performance that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this study;
7. our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
8. Aaron Solaimani and Suzanne R. Mellen, MAI, CRE, FRICS, ISHC personally inspected the site described in this study;
9. Aaron Solaimani provided significant assistance to Suzanne R. Mellen, MAI, CRE, FRICS, ISHC, and that no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this report; Suzanne R. Mellen, MAI, CRE, FRICS, ISHC has not performed appraisal/consulting work on this property within the past three years;
10. the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute;



11. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and
12. as of the date of this report, Suzanne R. Mellen, MAI, CRE, FRICS, ISHC has completed the continuing education program for Designated Members of the Appraisal Institute.

A handwritten signature in black ink, appearing to read 'ASol'.

Aaron Solaimani
Senior Project Manager

A handwritten signature in black ink, appearing to read 'Suzanne R. Mellen'.

Suzanne R. Mellen, MAI, CRE, FRICS, ISHC
Senior Managing Director
M&R Valuation Services, Inc.



Aaron J. Solaimani

EMPLOYMENT

2012 – present

HVS
San Francisco, California
Senior Associate

2008 – 2012

Starwood Hotels & Resorts
Bay Area, CA
Finance
(Analysis, Budgeting, Forecasting, Strategic Planning, Marketing Analysis)

2005 - 2008

Westin Bellevue Hotel
Bellevue, WA
Operations
(Operations Manager)

2004

HMS Host
Seattle, WA
Operations
(Operations Manager)

PROFESSIONAL AFFILIATIONS

National Society of Minorities in Hospitality, WSU Chapter
President: 2006-2008

EDUCATION

Bachelor of Arts, Hospitality Business Management
Washington State University, Pullman, WA



**EXAMPLES OF
CORPORATE AND
INSTITUTIONAL CLIENTS
SERVED**

Archetype Mortgage Capital
Bank of Jackson Hole
Bank of the West
Butler Burgher Group
Cantor Fitzgerald
Comerica Bank
CWCcapital
Deutsche Bank
East West Bank
HSBC
JP Morgan Chase & Company
Ladder Capital Finance
LNR Partners LLC
Prime Group
Restoration Saint Louis
Silvergate Bank
Thorofare Capital
UBS
United Overseas Bank
US Bancorp



**EXAMPLES OF
PROPERTIES APPRAISED
OR EVALUATED**

ALABAMA

Fairfield Inn & Suites by Marriott Birmingham
Bessemer

ARIZONA

FireSky Resort & Spa
Hampton Inn Lake Havasu City
Montelucia Resort & Spa Scottsdale

CALIFORNIA

Bernardus Lodge
Proposed Crown Plaza and Staybridge Suites
Executive Inn & Suites
Grand Del Mar San Diego
Proposed Hotel Burlingame
Holiday Inn Sacramento Northeast
Hyatt Regency San Francisco
Larkspur Landing Pleasanton
Larkspur Landing Milpitas
Marriott Walnut Creek
Residence Inn by Marriott San Diego Downtown
Residence Inn by Marriott Milpitas
Renoir Hotel
Sheraton Carlsbad Resort & Spa

FLORIDA

Hyatt Regency Jacksonville Riverfront
LaPlaya Beach & Golf Resort
Little Palm Island
Ocean Key Resort & Spa
Pelican Grand Beach Resort
Watercolor Inn & Resort Santa Rosa Beach

GEORGIA

Courtyard by Marriott Atlanta Norcross
Peachtree Corners
Courtyard by Marriott Atlanta Marietta Windy
Hill

Courtyard by Marriott Atlanta Marietta I-75
North

HAWAII

Kahala Hotel & Resort Honolulu

LOUISIANA

DoubleTree Hotel New Orleans
Proposed Boutique Hotel

MICHIGAN

Courtyard by Marriott Detroit Southfield

OHIO

Courtyard by Marriott Cleveland Beachwood
Fairfield Inn & Suites by Marriott Cleveland
Beachwood

OREGON

Shilo Inn Suites Oceanfront Seaside
Surfsand Resort

TEXAS

Courtyard by Marriott Addison Midway
Courtyard by Marriott Dallas LBJ at Josey
Element Dallas Fort Worth Airport North
La Quinta Inn & Suites South Grand Prairie

UTAH

Hampton Inn & Suites Park City
Holiday Inn Express Park City

WISCONSIN

Wyndham Milwaukee Airport Hotel and
Convention Center



Suzanne R. Mellen, CRE, MAI, FRICS, ISHC

EMPLOYMENT

- 1985 to present* HVS
San Francisco and Los Angeles, California; Las Vegas, Nevada
Senior Managing Director – Consulting and Valuation Division
President – Gaming Services Division
(Hotel-Gaming Valuations, Market Studies, Feasibility Reports, and Investment Counseling)
- 1981 to 1985* HOSPITALITY VALUATION SERVICES
Mineola, New York
Director of Consulting and Valuation Services
(Hotel-Motel Valuations, Market Studies, Feasibility Reports, and Investment Counseling)
- 1980 to 1981* MORGAN GUARANTY TRUST COMPANY
New York, New York
Real Estate Appraiser and Consultant
(Real Estate Investment Valuation and Analysis)
- 1980* LAVENTHOL & HORWATH
New York, New York
Senior Consultant
(Management Advising Services Market and Feasibility Studies)
- 1976 to 1978* WESTERN INTERNATIONAL HOTELS
The Plaza, New York City
Management Trainee
(Rooms Operations, Accounting)
- 1976* HARLEY, LITTLE ASSOCIATES
Toronto, Canada
Junior Consultant
(Food Facilities Design, Market Studies)



PROFESSIONAL AFFILIATIONS

Appraisal Institute Member (MAI)

- Board of Directors – San Francisco Bay Area Chapter (1994, 1995)
- Education Committee Chairperson – Northern California Chapter 11
- Workshop Committee Chairperson – Northern California Chapter 11
- Division of Courses National Committee
- Continuing Education Committee – New York Committee
- Director, Real Estate Computer Show – New York Chapter

American Society of Real Estate Counselors – Member (CRE)

- Vice Chair – Northern California Chapter (1994, 1995)
- Chair – Northern California Chapter (1996)

National Association of Review Appraisers & Mortgage Underwriters (CRA)
International Society of Hospitality Consultants – Member (ISHC)
Fellow of the Royal Institution of Chartered Surveyors (FRICS)
Cornell Center for Real Estate and Finance – Fellow
Cornell Hotel Society
Cornell University School of Hotel Administration - Dean's Advisory Board
American Hotel & Motel Association
California Hotel & Motel Association
Urban Land Institute

EDUCATION

B.S., School of Hotel Administration, Cornell University
Liberal Arts Undergraduate Study, Carnegie Mellon University
Completion of MAI course work, Appraisal Institute
New York University, School of Continuing Education Real Estate Division

STATE CERTIFICATION

Arizona, California, Colorado, Georgia, Hawaii, Illinois, Iowa, Louisiana, New Jersey, Oregon, Pennsylvania, Texas, Utah, Washington, Washington DC

ARTICLES AND PUBLICATIONS

"Steady Cap Rates Support Strong Hotel Value Gains," *The HVS Journal – ALIS Edition*, January 2015
"Hotel Capitalization Rates and the Impact of Cap Ex," *The HVS Journal – ALIS Edition*, January 2014
"Hotel Capitalization Rates Stabilize as Market Forces Create State of Equilibrium," *The HVS Journal – ALIS Edition*, January 2013
"Hotel Valuation," in *Hotel Investments: Issues and Perspectives*, 5th ed. (AmericanHotel & Lodging Educational Institute), 2012
"Hotel Transaction Activity Slows, Cap Rates Rise," *The HVS Journal – ALIS Edition*, January 2012
"Dramatic Decline in Hotel Capitalization Rates Reflects Shift in Market Sentiment," *The HVS Journal – ALIS Edition*, January 2011
"The Impact of Seller Financing upon Hotel Values," *The HVS Journal – ALIS Edition*, January 2010
"Hotel Values in Transition—An Appraisal Technique for These Uncertain Times," *The HVS Journal – ALIS Edition*, January 2009
"Hotel Values in Transition—An Appraisal Technique for these Uncertain Times," *Real Estate Finance Journal*, January 2009
"Hotel Capitalization Rates on the Rise," *The HVS Journal – ALIS Edition* and the *Real Estate Finance Journal*, January 2009
"Hotel Cap Rates and Values in a Changing Market Environment," *The HVS Journal – ALIS Edition*, January 2008
"Does Your Underwriting Adequately Compensate for the Timing of Future Cash Flow?," *The HVS Journal – ALIS Edition*, January 2007
"Hotel Capitalization Rates Bottom Out," *The HVS Journal – ALIS Edition*, January 2007
"Low Cap Rates Drive Gain in Hotel Values: Will Today's Underwriting Sustain Future Appreciation?" *Real Estate Finance Journal*, June 2006
"Forecasting Market-Wide Gaming Revenue (Win) for the Macau Special Administrative Region," with Shannon Okada. *The HVS Journal–ALIS Edition*, January 2006



ARTICLES AND PUBLICATIONS, CONTINUED

- "Low Cap Rates Drive Gain in Hotel Values: Will Today's Underwriting Sustain Future Appreciation?," *The HVS Journal – ALIS Edition*, January 2006
- "Allure of Hotel Investments Expected to Moderate Rise in Capitalization Rates as Rebound Takes Hold," *The HVS Journal – ALIS Edition*, January 2005
- "Low Interest Rates and High Demand for Hotel Assets Fuels Value Gains," *The HVS Journal*, January 2004
- "Fed Policies Stabilize Hotel Cap Rates in Uncertain Times," *The HVS Journal – ALIS Edition*, January 2003
- "Valuing Hotels Is A Challenge During Uncertain Times," *The Hotel Journal*, June 2003
- "Hotel Land Values and the Ground Lease Approach," *The HVS Journal – ALIS Edition*, January 2001
- "Hotel Land Values and the Ground Lease Approach," *Real Estate Finance Journal*, Spring 2001
- "CapEx 2000 – A Study on Capital Expenditures in the Hotel Industry," *International Society of Hospitality Consultants (ISHC)*, October 2000
- "Consulting on Finance" (Interview), *Lodging*, June 1999
- "Hotel Cap Rates and Values – The 1998 Rollercoaster Ride and What Lies Ahead," *The HVS Journal – ALIS Edition*, January 1999
- "Strong Rates of Return Driving Hotel Development," *The HVS Journal – ALIS Edition*, January 1998
- Hotel Investments Handbook*, Contributing Editor, 1997
- "Only Innovated Operators Will Profit in an Oversupplied Middle East," *Hotels*, June 1996
- "How Much Should I Pay For the Land?," *The Hotel Valuation Journal*, January 1996
- "The Future of Full-Service Hotel Development," *The Hotel Valuation Journal*, Winter 1995
- "European Hotel Values Poised for Recovery," *Hotels*, October 1994
- "Hotel Valuations – A Modern Approach," (Co-author) *The HVS International Journal*, Winter 1993/4
- "Hotel Value Trends and UK Gateway Cities," (Co-author) *The HVS International Journal*, Summer 1993
- "Value and Proper Use of Feasibility Studies," *California InnTouch Magazine*, December 1990
- "How to Review a Hotel Appraisal," *Appraisal Review & Mortgage Underwriting Journal*, November 1989
- "Simultaneous Valuation: A New Technique," *The Appraisal Journal*, April 1983

COMPUTER SOFTWARE

- "Simultaneous Valuation Formula," a mortgage-equity income capitalization formula for variable income properties
- Refinancing model for hotel investments

APPEARANCE AS AN EXPERT WITNESS

- American Arbitration Association, Los Angeles, CA
- American Arbitration Association, San Francisco, CA
- City Hall Property Tax Hearing, San Francisco, CA
- County Board of Equalization of Utah County, State of Utah
- Cuyahoga County Court of Common Pleas, Cleveland, Ohio
- District Court of Bexar County, Texas, 285th Judicial District
- District Court of Harris County, Texas, 127th Judicial District
- Family Court of the First Circuit, State of Hawaii
- Federal Bureau of Investigation, New York, New York
- Federal Tax Court, New York, New York
- Hillsboro City Municipal Court, Oregon
- JAMS Arbitration, Orange County, California
- JAMS Arbitration, San Francisco, California
- San Francisco Assessment Appeals Board
- Sonoma County Courthouse, Santa Rosa, CA
- Superior Court of Guam
- Superior Court of the State of Arizona, County of Maricopa
- Superior Court of the State of California, City and County of San Francisco
- Superior Court of the State of California, County of Alameda
- Superior Court of the State of California, County of Los Angeles
- Superior Court of the State of California, County of Orange, Central Justice Center
- Superior Court of the State of California, County of San Diego, Central Division



**APPEARANCE AS AN
EXPERT WITNESS,
CONTINUED**

Superior Court of the State of California, County of San Diego, North County Branch
Superior Court of the State of California, County of San Luis Obispo
Superior Court of the State of California, County of San Mateo
Superior Court of the State of California, County of Santa Clara
Superior Court of the State of California, County of Santa Cruz
Supreme Court of New York County
Tax Court of New Jersey
Tax Appeals Boards:
California: Los Angeles County, Contra Costa County, Orange County, San Francisco County,
San Mateo County, Santa Barbara
Hawaii
Utah: Utah County
Washington, D.C.
U.S. 2nd Circuit Court of Appeals
U.S. Bankruptcy Court, Central District of California, Los Angeles Division
U.S. Bankruptcy Court, District of Alaska
U.S. Bankruptcy Court, District of Colorado
U.S. Bankruptcy Court, District of Delaware
U.S. Bankruptcy Court, District of Nevada
U.S. Bankruptcy Court, District of Utah
U.S. Bankruptcy Court, Eastern District of California
U.S. Bankruptcy Court, Eastern District of Pennsylvania
U.S. Bankruptcy Court, Eastern District of Texas, Sherman Division
U.S. Bankruptcy Court, Northern District of Illinois, Eastern Division
U.S. Bankruptcy Court, Northern District of California Santa Rosa Division
U.S. Bankruptcy Court, Northern District of Texas, Dallas Division
U.S. Bankruptcy Court, Southern District of California
U.S. Bankruptcy Court, Southern District of Texas, Houston Division
U.S. Court of Appeals for the Eighth Circuit
U.S. District Court, Central District of California
U.S. District Court, Eastern District of Arkansas, Little Rock
U.S. District Court, Eastern District of California
U.S. District Court, Northern District of California, San Francisco
U.S. District Court, Southern District of California
U.S. District Court, Southern District of New York
U.S. District Court, Southern District of Texas, Houston Division
U.S. District Court, Western District of New York
U.S. District Court, Western District of Washington at Seattle

**PARTIAL LIST OF
SPEAKING AND LECTURE
APPEARANCES**

American Bar Association
Property Tax Seminar 1992 – *Income Approach*
Property Tax Seminar 2015 – *Casino Valuation*
American Institute of Real Estate Appraisers – Approved Instructor *Hotel/Motel Valuations*
Americas Lodging Industry Summit (ALIS) – 2002-2015
Appraisal Foundation Appraisal Practices Board – Panel Discussion *Separating Tangible and
Intangible Assets*, October 2, 2014
Appraisal Institute:
Summer Seminar Spectacular '98 *National and International Hospitality Markets*
National Summer Conference 2002 *The Aftermath: Our World Post September 11 – A Hospitality
Perspective*
Northern California Chapter 2001 Annual Fall Conference – *Valuing Intangible Assets for
Property Tax Assessment Purposes*
San Francisco Bay Area Chapter 1996 – *Motel Valuation Case Study*
Instructor – *Hotel Valuation* Online Seminar
Hotel Valuation Workshop, 2012
Appraisal Foundation, Appraisal Practice Board Panel Discussion – *Separating Tangible and
Intangible Assets*, 2014



**PARTIAL LIST OF
SPEAKING AND LECTURE
APPEARANCES,
CONTINUED**

California Assessors Association Annual Conference – *Hotel Valuation and Trends*, October 26, 2009
California Hotel & Lodging Association Hotel Owners Conference – *Hotel Values & Cap Rates*, June 12, 2014
California Hotel and Motel Association – 1985 Annual Convention *Development Overview*
1995 Annual Meeting – *Capital Expenditure Requirements*
1997 – *Roses or Weeds? What Does the Future Hold for California's Lodging Industry?*
California Receivers Forum – *The Receiver as Innkeeper: A Primer on Valuation, Operation and Strategic Disposition of Hotels*, 2002
Citibank, N.A. *Hotel/Motel Valuations*
Commercial Real Estate Women (CREW-SF) & Real Estate Investment Advisory Council (REIAC) – *The San Francisco Hotel Boom* (with Chip Conley, president of Joie de Vivre Hospitality), 1998
Cornell Center for Professional Development – *Hotel Workouts; Computerized Approach to Hotel Valuations and Market Studies*, 1990
Cornell University *Real Estate Finance; Lessons Learned: Slide Rules to Spreadsheets*, 2004
Cornell University, School of Hotel Administration: Dean's Distinguished Lecture Series – *The Road Taken: Career of an Entrepreneurial Consultant*, September 2010
Counselors of Real Estate – *Hotel Valuations: New Techniques for Today's Uncertain Times*, 2010
Country Hospitality Conference – *Hotel Development Challenges in the Nineties*
Econo-Travel Motor Hotel Corp., Annual Financial Seminar – *Hotel Valuation*
Fishing for Solutions – *Servicing Hotel Defaults in Troubled Waters*, 2002, 2003, 2004
Hotel Asset Managers Association – *San Francisco Bay Area Market Overview*, 2003
Hotel Design – HD Town Hall Meeting – *The State of Our Industry*, 2002, 2004
Hotel Industry Investment Conference, 14th Annual – *Numbers, Numbers & More Numbers....Where Are We, and Where Are We Headed??*
International Association of Assessing Officers, Los Angeles Chapter – Fall Appraisal Seminar, *Going Concern and Intangibles: The Battle Goes On!*, October 8, 2014
IIUSA EB-5 International Investment & Economic Development Forum 2013 – *Visitor Spending Economic Impact Model*
Institute of Property Taxation – 1984 Real Estate Symposium – *Simultaneous Valuation*
Jeffer, Mangels, Butler & Marmaro – Meet the Money, 1998-2014
Jeffer, Mangels, Butler & Marmaro Executive Briefing 2013 – *Hotels and Mixed-Use Development*
Jeffer, Mangels, Butler & Marmaro Forum – *Answers to Three of the Most Provocative Questions in Hotel Valuation Today*
KW Commerical – Webinar, 2012
Law Seminars International – *Buying & Selling Hotels*, 2008
Lodging Conference – 1999, 2000
Midwest Lodging Investors Summit – 2009
Napa Valley Women's Real Estate Roundtable – *HotHotHot—Hospitality*, 2004
National Association of Review Appraisers and Mortgage Underwriters – *Reviewing a Hotel Appraisal Report*, 1990
National Conference of State Tax Judges – *Valuation and the Hospitality Industry*
National Association of Property Tax Attorneys (NAPTA) – *Hotel Valuation*, 2012
Northwest Center for Professional Development – *Hotel Development Seminars*, 1986-87
NYU Hospitality Industry Investment Conference – 1991-1995, 2003
Orange County Appraisal Society Real Estate Conference – *Hotel Valuation and Trends*, 2009
Southampton College – *Feasibility Studies and Appraisals*
Special American Business Internship Training (SABIT) – *Hotel Management Program*, 2006
Strategic Hotel Default Lender Summit – *Servicing Loan Defaults in Today's Uncertain Times*, 2003
UCLA Hotel Industry Investment Conference, 1995 –2001
ULI San Francisco – Brownbag Seminar: *Trends in Casino Hotel Properties*, 2008
University of Denver *Hotel/Motel Valuation*
US Hotel Market Connections Conference – *Panel Discussion Moderator*, 2013
USF 20th Annual Hospitality Industry Symposium – *Prognosis for the Hospitality Industry*, 2010
VALCON 2010 *Real Estate: the Economics and Future of Malls, Hotels and Gaming* (with Anne Lloyd-Jones), February 24-26, 2010



**EXAMPLES OF CORPORATE
AND INSTITUTIONAL
CLIENTS SERVED**

12 West Capital Management
1875 N Palm Canyon Gateway Partners II LLC
510 Corporation
909 North Michigan Avenue Corporation
1023576 Alberta Ltd.
AA Capital Partners
Aareal Bank AG
ABF, Inc.
Abu Dhabi Investment Authority
Acclarit Group, Inc.
Accor Economy Lodging
Accord/BEV L.P. EPAM Corporation
Accord/PAS Associates, LP
Ackman Ziff
Adams & Jones, Certified
ADS, Inc.
Aegon USA Realty Advisors, Inc.
Aetna Life Insurance Co.
Aetna Real Estate Investment
Africa Israel Investments
Aileron Capital Management
AIG
Airport Industrial Park Associates II
Ajalat, Polley, Ayoob & Matarese
Akin Gump Strauss Hauer & Feld, LLP
Alaska Resort Hotels Company, Inc.
Allen Matkins Leck Gamble Mallory & Natsis
Alley Associates I, Inc.
Allegiant Bank
Alliance Ventures
Allied Capital Advisors, Inc.
Alzheimer & Gray
AMC of America
American Hotels, Inc.
American Pacific International Capital
American Racing & Entertainment
American Realcorp
American Realty Capital Advisors
America West Bank
Amfac Parks & Resorts
AMRESO
Amrit Wellness Spa Resort
Amstar Group, Inc.
Annaly Capital Management
Andrew Daveridge Corp.
Apollo Global Management
Archer Norris
Archetype Mortgage Capital
Archon Group
ARCON, Inc.
Aries Capital
Arnold & Porter
Arsenal Real Estate Funds
Ascher Law
Ashford Financial Corporation
Ashford Hospitality Trust
Aspen Companies
Auberge Resorts
Avalon Holdings
Avista
AZ Sourcing
Azul Hospitality Group
Baha Mar Development Company

Bank of America
Bank Boston
Bankers Mortgage
Bankers Trust Company
Bank of Bermuda Limited
Bank of Jackson Hole
The Bank of New York
Bank of Nova Scotia
Bank of the Orient
Bank of San Francisco
Bank of Southern California
Bank of the West
Bank One
Banque Nationale de Paris
Barclays
Bavarian Inn Lodge
B.B. Patel
The Beacon Companies
Bear Stearns & Co., Inc.
Beau Rivage Casino & Resort
Bendet, Fidell, Sakai & Lee
Bennett Carter Holdings
Bentall Kennedy
Benton Investment
Berger Company
Bergeson Eliopoulos, LLP
Bethel Family Worship Center
BF Hospitality
BlackHawk Capital Management
Block, Plant, Eisner, Fiorito & Belak-Berger
Blue Falcon 52 East
BlueMountain Capital Management
Blu Hotel Investors, LP
BMC Capital
BNP Paribas
BNY Asset Solutions, LLC
BNY Mellon
Boies, Schiller & Flexner, LP
Bongo II, Inc.
Borden Ladner Gervais
Borel Private Bank & Trust Company
Boulder Bay
Boyd Gaming
Boykin Management Co.
Breeze Capital Management
Briarcliff Development Company
Bridge Bank N.A.
Bridge Capital, Inc.
Broadreach Capital Partners
Broad, Schultz, Larson & Wineberg
Brookfield Asset Management
Broughton Hospitality Group
Brown Nester Hospitality Services
Bryan Cave
Buchanan Ingersoll & Rooney PC
Buckingham Companies
Bucks County Board of Assessment (PA)
Builders Bank
Burlingame Bank and Trust Comp.
Business Loan Capital
Buss-Shelger Associates
Butler Burgher Group
Cabazon Band of Mission Indians

Cable, Huston, Benedict, Haagensen & Lloyd, LLP
Caesars Entertainment Corporation
Caesars World Gaming
CA First Boston
Cahill Davis & O'Neill
Cahill Gordon & Reindel
Cairn Mountain Associates
Cala Properties
California Bank & Trust
California Federal Bank
California Department of Transportation
California State University at Bakersfield
Callahan Property Company
California Real Estate Regional Center
Calyon
Campbell Creekside
Canadian Imperial Bank of Commerce
Cannery Casino Resorts
Cantor Fitzgerald
Canyon Equity
Capital Source Bank
Capitol Valley Bank
Capmark Finance
C.A. Rickert & Associates
Carlsbad Estate Holdings, Inc.
The Caryle Group
Carpenters Pension Trust for Southern California
Carr McClellan Ingersoll Thompson & Horn
Carroll, Burdick, McDonough
Cas Bon
Casa de Fruta
Cascade Bancorp/Bank of the Cascades
CASC Corporation
Case, Knowlson, Moblely, Burnett and Lubert
Case Lombardi & Pettit
Cassidy Turley
Cathay Bancorp
CB Richard Ellis
CDC Mortgage Capital, Inc.
Centerline Capital Group/C-III
Central Core Corp.
Centro Empresarial Tauro de Tacate S de RL de CV
Century Bank
Champion Development Group
Charter One Bank, N.A.
Chartres Lodging Group
Chartwell Leisure
Chase Manhattan Bank
Chase Real Estate Finance Group
Chatham Lodging Trust
Chemical Bank
Chrysos Development & Management Co.
Churchill Mortgage Corporation
CIBC World Markets
CIGNA Capital Advisors, Inc.
Citibank
Citicorp Real Estate, Inc.
Citigroup
Citizens Community Bank
Citizens Bank/RBS Citizens



CLIENTS - CONTINUED

City and County of San Francisco, CA	Crowell & Moring	Executive Hotels & Resorts
City of Albuquerque, NM	Crown International Corporation	Extended Stay Hotels
City of Berkeley, CA	CSUF Foundation	Fair Enterprises
City of Boulder, CO	Cupertino National Bank and Trust	Fairmont Hotels & Resorts
City of El Cajon, CA	CWCapital, LLC	Farallon Capital Management, LLC
City of Florence, OR	Dai-Ichi Kangyo Bank, Ltd.	Far East National Bank
City of Guadalupe, CA	Daimler Chrysler Capital Services	Farella, Braun & Martel, LLP
City of Huntington Beach, CA	Daiwa Bank	Farmers & Merchants Bank
City of Los Altos, CA	Daniel Coker Horton & Bell, P.A.	Farmers National Bank
City of Marysville, CA	Danson Equities Corporation	FelCor Lodging Trust
City of Monterey, CA	Dauphin County	Fennemore Craig
City of Napa Redevelopment Agency, CA	Days Inns	FJM Investments
City of Niagara Falls, ON, CA	DBS Bank	Fidelity Bancorp Funding
City of Oakland, CA	DekaBank	Fidelity Federal Savings & Loan
City of Placerville, CA	Deloitte & Touche	Fillmore Redevelopment Agency
City of Phoenix, AZ	Denver Hotel Associates, LP	Financial Funding
City of Torrance, CA	DePfa Bank AG	Finova
City of Rancho Palos Verdes, CA	Desai Hospitality Group	First Bank & Trust
City of San Antonio, TX	Desert Troon Companies	First Boston
City of San Diego, CA	Destination Properties	First Credit Commercial Capital Corp.
City of San Jose, CA	Deutsche Bank	First Federal Savings and Loan
City of Santa Ana, CA	Dev-Con International	First International Bank
City of Tacoma, WA	De Witte Mortgage Investors Fund	First Interstate Bank
City of Visalia, CA	Dimensions Development Company	First National Bank
City of West Allis, WI	DiNapoli Capital Partners	First Pioneer Farm Credit
City of Watsonville, CA	Disney Development Company	First Security
Claremont Companies	DivcoWest Properties	First Team Real Estate
Clarion Partners	Diversified Financial Management Corp.	First Union Securities
Cleary, Gottlieb, Steen & Hamilton	DLA Piper	Flagship Community Bank
Cliff Castle Casino	Dollar Savings and Loan	Forest City Development
CNL Hospitality Corporation	Dolphin Associates, Inc.	Formation Capital
Coast Commercial Bank	Donaldson, Lufkin and Jenrette	Fornine Investment Company
Bedrock Capital Associates	Doris N. Stern Trust	Fox Hotel Investors
Colliers International	Doubletree Inns	Fox, Rothschild LLP
Colony Capital	Dresdner Bank AG	Fred Reed & Associates
Column Financial, Inc.	Drury Inns	Fremont Investment & Loan
Compass Bank	DRW Trading Group	Friedman McCubbin Spalding Bilter Roosevelt Montgomery & Hastings
Contra Costa County	Duane Morris	Fuji Bank, Ltd.
Cooley Godward Kronish	Duckor & Spradling	Fuji Corporate Advisory Co., Ltd.
Coopers & Lybrand	Dwight Nelson	Fullerton Redevelopment Agency
Comerica Bank	Eagle Bank & Trust	G6 Hospitality
Commercial Bank of San Francisco	EastWest Bank	Gaims, Weil, West & Epstein, LLP
Commercial Bank of Korea, Ltd.	EB5 Capital	Gaming Capital Group
Commerzbank AG	EB5Global	GE Capital Franchise Finance Corp.
Compass Bank	EDA, U.S. Government	GE Capital Real Estate
Concept Hotels	EDAW, Inc.	GECC Commercial Real Estate
Congdon Real Estate	Edgewood Companies	Geller & Company
Contrarian Capital Management	Equitable Life & Casualty Insurance Company	GEM Realty Capital
CorAmerica Capital	Estein & Associates USA	Gemstone Hotels & Resorts
CoreCapital Hospitality	Elad Group	General Electric Capital Company
Core Development	Elkor Commercial Properties	General Electric Franchise Finance Corp.
Cornerstone Real Estate Advisors, Inc.	Enterprise Financial	Genting Group
Corus Bank	Equitable Life Assurance Society	George Smith Partners
Coudert Brothers	Equitable Real Estate Investment Management	Geweke Real Estate
County Bank	Ervin, Cohen and Jessup	GMAC Commercial Mortgage Corp.
Country Inn & Suites	E. S. Merriman & Sons	Gibraltar Savings and Loan
Countrywide Commercial Real Estate	Estate of Allen E. Paulson	Gibson, Dunn & Crutcher, LLP
Coury Properties	Estate of James Campbell	GIC Real Estate
Credit Agricole Corporate & Investment Bank	Estein & Associates USA	Gilroy Gardens Family Theme Park
Credit Lyonnais	Eureka Bank	Glacier Bancorp
Credit Suisse	Eurohypo AG	Golden Eagle Ventures
Crescent Hotels & Resorts	Europe Arab Bank	Goldfarb & Lipman
Criimi Mae Services	Eustis Commercial Mortgage Corporation	Goldman Sachs
Crosson Dannis, Inc.	Everingham Associates	Goodwin Procter
Croudace & Dietrich	Excel Realty Holdings	Graham Taylor Hospitality Group
	Exchange Bank	

CLIENTS - CONTINUED

Grand Pacific Resorts	Ian Schrager Hotels	Keystone Construction/Keystone Realty Group
Grant Williams and Dangerfield	ICBC International	Kimberley Clark
Gray, Cary, Ware & Freidenrich	Impac Hotel Group	Kimpton Hotel & Restaurant Group, Inc.
Great Eagle Holding Limited	IMS	Kitchell Corporation
Greater Bay Bancorp	Indymac Bank	Kor Hotel Group
Greenberg Traurig	ING Group	Korman Communities
Greenwich Capital Markets, Inc.	Innkeepers USA Trust	KPMG
Greystone	Inn Ventures, Inc.	KSL Capital Partners
Griffin Capital	Integrated Capital	Kwahn Corporation
Grubarges Inversion Hotelera	InterBank Brener Hospitality	Kwong Hing Investment Center
Grupo Consorcio	InterContinental	LACERA
Gurewitz, David M.	Inter-Mountain Management, Inc.	Ladco Company Ltd.
Gustin Property Group	International Bank of California	Ladder Capital Finance
Gwire Law Offices	International Bank of Singapore	La Jolla Pacific Development Group
Haberhill	International Game Technology	Lake County Business Outreach and Response Team
Halgiman Lottner Rubin & Fishman	International Commercial Bank of China	Lalique Properties
Hall Equities Group	IHDA	Landesbank Baden-Wuerttemberg (LBBW)
Hampshire Real Estate Companies	Intracorp Developments, Ltd.	Lankford & Associates
Hanover Street Capital	Intrawest Corporation	Larkspur Hospitality Company, LLC
Harbor Urban	Intrawest Travel & Leisure Group	LaSalle Bank NA
Hardage Group, The	Invesco	Las Vegas Sands
Hard Rock Hotels	Iowa State University	Latham & Watkins
Haynes & Boone, LLP	ISIS Hotels	Laurence Peters & Co.
Hardage Suite Hotels	iStar Financial	Lauricella Land Company
Hardin Capital, LLC	ITM Commercial	Laurus Corporation
Hard Rock Hotels	ITT Sheraton Corporation	Lauth Development
Hare, Brewer & Kelley, Inc.	Ivanhoé Cambridge (SITQ)	Law & Associates
Haruyoshi Kanko K.K.	Jackson State Bank & Trust	Law Offices of John Dioguardi, Esq.
HC Investment Associates LP	Jadi Singh	Laxmi Hotels
HCV Pacific Partners, LLC	James T. Kelly & Associates	Legacy Real Estate Investment Trust
HEI Hospitality, LLC	Japan Airlines	Lehman Brothers, Inc.
Heller, Ehrman, White & McAuliffe	Jason Daniel	Leisure Hotel Group
Heller Real Estate Financial Services	J. Atkins Advisors	Leisure Sports, Inc.
Hennigan Bennett & Dorman	Jay Paul Company	Lender's Depot
Hensel Phelps Construction Company	JC Partners	Lend Lease Mortgage Capital, Inc.
The Heritage Organization LLC	JC Resorts	Lend Lease Real Estate Investments
Hersha Hospitality	Jeffer, Mangels, Butler, & Marmaro	Lennar Partners, Inc.
The Heymann Group, Inc.	Jefferies LoanCore	Leonard, Street & Deinard
Hibernia Bank	Jelinek & Associates	Lion Builders
Higgs, Fletcher & Mack LLP	J.E. Robert Company, Inc.	Lislewood Corporation
Hilton Hotel Corporation	JMIR – Del Mar Hotel, LLC	Lizard Capital LLC
Hilton Worldwide	John B. Coleman & Co.	LJ Melody & Co.
HMG Lodging Management	John Dioguardi, Esq.	LNR Property Corporation
Hodges Ward Elliott	John Q. Hammons	LoanCore Capital Partners
Holiday Inns	John Hancock Life Insurance	Local Federal Bank, F.S.B.
Holliday Fenoglio Fowler, LP	Johnson Redevelopment Corporation	Local Oklahoma Bank, NA
Holualoa Companies	Joie De Vivre Hotels	Lodgeworks Corporation
HongKong & Shanghai Hotels, Ltd.	Jones, Day, Reavis & Pogue	Lodging Advisory Services
Hospital Group	Jones Lang LaSalle	Loeb & Loeb
Hospitality Development Solutions, Inc.	Jorgenson, Siegel, McClure & Flegel	LoanCore Capital Partners
Host Hotels & Resorts	JPMorgan Chase and Co.	Long Term Credit Bank of Japan, Ltd.
The Hotel Group, Inc.	JPMorgan Mortgage Capital Inc.	Lorber Greenfield & Polito
Hotel Hilo, LLC	JPMorgan Real Estate Structured Finance	Lovitt & Hannan, Inc.
Hotel Investors Trust	J. W. Colachis Company	Lowe Enterprises Investment Mgt., Inc.
Hotel Whitcomb	KHM Management	LRP Landesbank Rheinland-Pfalz
Houlihan Lokey Howard & Zukin	KSC Management	Luce, Forward, Hamilton & Scripps
Howard Johnson's	Kar Properties	Lynch Gilardi & Grummer
HSBC Bank USA	Katten Muchin Rosenman	M&T Bank
HSH Nordbank	Katzoff & Riggs	Mable Commercial Funding, Limited
Hudson Hotels Corporation	Kaye Scholar LLP	MacFarlane Partners
Hume Smith Geddes Green & Simmons	Keen Partners	The Maher Company
Huntington Bank	Kennedy Wilson	Maingate Hotel Company
Huntington Hotel Group	KeyBank National Association	Management Services, Inc.
Hutton Development	Key Corporation	Manchester Financial Group
Hyatt Development Corporation	Keys Associates	Mansur Real Estate Services, Inc.
HYPO Securities	Keyser Martin Associates, Inc.	



CLIENTS - CONTINUED

Macquarie Group	New York Life Investment Management, LLC	Pen Resort, B.V.
Maricopa County Assessor's Office	Nexus Companies	Perkins Coie
Maritz, Wolf & Company	NFLP	Personality Hotels
Marriott Hotels International	Mr. Nishu Jain	Peterson Companies
The Marshall Group	Niven & Smith	Phillips, Haskett & Ingwaldson
Marshall, Miller & Schroeder Investments Corp.	Noble House Hotels & Resorts	Phillips Realty Capital
Maximum Holdings, Inc.	Nolan & Heller	Picadilly Inns
Mayer, Brown & Platt	Nomura Asset Capital Corp.	Pickwick Partners
McCandless Management Corporation	Nomura Credit & Capital, Inc.	Pillsbury, Madison & Sutro, LLP
McCament & Rogers	Nomura Securities International, Inc.	Piper Jaffray
McCarthy Tetrault	Norcott Hospitality	Pitzer Law
McLarens Young International	Northern Nevada Bank (NNB)	Placer County Assessor's Office
McDermott Will & Emery	Northampton County Pennsylvania	PNC Bank
McKenna Long and Aldridge	Northmarq Capital	Portigon
Mega International Commercial Bank Co. Ltd.	North Valley Bank	Portland Development Commission
Melhana Development Company	Northwinds N.V.	Portman Holdings
Mercury Savings and Loan	NS Development Co.	Port of Oakland (CA)
Merrill Lynch Capital	Nyemaster, Goode, Voigts, West Ancell & O'Brien	Port of San Francisco (CA)
Merrill Lynch Global Media Group	Ny West Development	PPM Finance, Inc.
Merrill Lynch Global Principal Investments	OCBC Bank	Preferred Bank
Metacorp	Ocean Links Corp.	Premier West Bank
MetLife	OConnell Mahon Architects	Presidio Hotel Group
Metropolitan Life Insurance Company	Octavian, Inc.	Prime Capital Advisors
MGM Resorts International	The Olmick Organization, Inc.	Prime Finance
MidFirst Bank	Olympic Investors	Prime Group
Midland Loan Services	Olympus Real Estate Partners	Principal Real Estate Investors
Midwest, Inc.	O'Neill Hotels & Resorts	Procaccianti Group (TPG)
MiG Construction Group	OneWest Bank, FSB	Property Capital Trust
Milbank Tweed Hadley & McCloy	Onex Corporation	Property Management Group
Milepost Industries	Operating Engineers' Trust Fund	Provenance Hotels
Millennium & Cophorne Hotels	OptAsia Capital Company	Prudential Financial
Millennium Sportsclub	Orient Express Hotels	Prudential Mortgage Capital Company
Minneapolis City Attorney's Office	Orix Corp.	Prudential Realty Group
Miramar Asset Management, Inc.	Orrick, Herrington & Sutcliffe	Pullman Bank
Miramar Pacific Capital	Outlook Income Fund	Punjab National Bank
Mitsubishi Ltd.	Outrigger Enterprises, Inc.	Pyramid Companies
Mitsui Trust & Banking Co., Ltd.	Outrigger Hotels & Resorts	Quadrangle Development Corporation
M&M Development Co.	Overseas Chinese Banking Corporation	Queen Emma Foundation
MM&M Investments Corporation	Overseas Union Enterprise	Queste Capital
MM&S Investments Corporation	OZ Resorts and Entertainment	Rabobank
Morrison & Foerster LLP	The Pacific & Caribbean Hotel Group	Radisson Hospitality Worldwide
The Money Store Commercial Mortgage, Inc.	The Pacific Bank	Raffles International Hotels & Resorts
Monterey Bay Bank	Pacific Coast Capital Partners	Raleigh Enterprises
Monterey Plaza Hotel Limited Partnership	Pacific Hotel Group	Rancho La Puerta
Morgan Guaranty Trust	Pacific Life Insurance Company	R.A. Rauch & Associates, Inc.
Morgan Stanley & Co.	Pacific National Bank	RBS Greenwich Capital Markets
Morgan Stanley Japan, Ltd.	Pacific Premier Bank	R.C. Hedreen Co.
Morrison & Foerster	Pacific Southwest Realty Services	RCI First Pathway Partners
Mortenson Development	Pacific Union Company	RDR Group
MT3 Partners	PacTrust Bank	Real Estate Finance Group
Mullen & Henzell	Palm Springs New Millennium Development	Ramada Inns
Mr. Narendra (Nick) Dahya	Page-One, LLC	Ramsfield Hospitality Finance
Napa Partners	Page Street Properties, LLC	Rancho La Puerta
Narven Enterprises	Pannell Kerr Forster	RCI First Pathway Partners
Nathan L. Topol Group	Parabas Bank	Real Estate Capital Markets
National Bank of Kuwait (NBK)	Paragon Canada	Realty Executives
National Cooperative Bank	Park Cattle Company	Red Lion Hotels & Inns
National Real Estate Advisors	Parker Poe Adams & Bernstein	Redwood Capital Advisors LLC
Nations Credit Commercial Corp.	Park Place Entertainment	Resort Group
Nations Financial Capital Corp.	Park Plaza International	Remington Hotel Company
Natixis Real Estate Capital	Patrick M. Nesbitt Associates, Inc.	Restoration Saint Louis (Innkeeper Hospitality Services)
Network Mortgage Services	Patriot American Hospitality	Richard E Jacobs Group
New City Development	Paul, Hastings, Janofsky & Walker, LLP	Richfield Hospitality
New England Financial Trust	Pedregal de Cabo San Lucas	Riggs & Company, Trust Division
NewTower Trust Company	Peninsula Bank of Commerce	The RIM Corp.



CLIENTS - CONTINUED

Riva D'Lago
Riverboat Delta King, Inc.
RiverPlace Associates
R.L. Pearson & Associates, Inc.
Robertson Properties Group
RockBridge Capital
Rosenbach & Rosenbach
Rosling King
Royal Bank of Scotland Group (RBS)
Royale Resorts
RSBA & Associates
RSM Investments, Inc.
RT Capital Corporation
Ryan
Ryder, Stilwell Properties, Inc.
Sage Hospitality Resources, Inc.
Salomon Brothers Realty Corp./Salomon Smith Barney
San Bernardino Redevelopment Agency
Sand Hill Property Company
San Diego National Bank
San Francisco International Airport
San Leandro Development Services Dept.
San Jose National Bank
Santa Ana F/C Development Venture
Santa Barbara Bank & Trust
Santa Cruz County Bank
Saratoga Gaming & Raceway
Save Westwood Village
Seafirst Bank
Secured Capital Corporation
Security Pacific National Bank
Sand Hill Property Company
Saratoga Gaming & Raceway
Scotiabank
Scotia Capital
SCS Advisors, Inc.
S.D. Malkin Properties, Inc.
Selvig Development
Seven Seas Associates, LLC
The Schnitzer Group
Schnitzer Northwest, LLC
Secured Capital Corporation
Shaner Hotels
Shanghai Commercial Bank
Shearman & Sterling
Shell Vacations LLC
Sheppard Mullin Richter & Hampton
Shilla Hotels & Resorts
Sidley Austin
Sills Cummis & Gross
Silvergate Bank
Simeon Commercial Properties
Simpson, Thatcher & Bartlett
Situs Companies
Skyline Investments
SmithAmundsen
S.M. Smith Advisory Services, LLC
Snyder & Associates
Société Generale
Solana Advisors
Solit Interest Group
Sonnenblick-Goldman Co.
Sonoma County Tourism Bureau
Sonoma Valley Bank
Southern California Savings
South Johnson
South Valley Bank & Trust
South Valley Developers
Southwest Guaranty
Southwest Horeca Development N.V.
Sperry Van Ness
Spieler Properties
Ssang Yong Engineering & Construction Co., Ltd.
Stanford Management Company
Stanford University
Starwood Capital/Starwood Asset Management
Starwood Hotel Investors, Inc.
Starwood Property Trust
Stein & Lubin, LLP
Stephen W. Noey & Associates
Sterling Savings Bank
Stern & Goldberg
Stevenson Real Estate Services
Stinson Morrison Hecker
Stockbridge Capital Group
Stonebridge Companies
Stonebridge Realty Advisors
Stone-Levy, LLC
Strategic Asset Services
Strategic Hotels & Resorts
Strategic Hotel Capital, Inc.
Strategic Property Advisers
Strategic Property Partners
Strategic Realty Advisors, Inc.
Streich Lang
Suburban Capital Markets, Inc.
Suislaw Valley Bank
Sullivan & Worcester
Sumitomo Mitsui Banking Corporation
Summit Development Group
Sun & Sun Capital Holdings
Sunburst Hospitality
Sun International
Sunriver Resort
SunRiver Saint George Development
Sunstone Hotel Investors, Inc./Hotel Management LLC
Sunterra Corporation
Sussman Shank, LLP
Swig Investment Company
SyWest Development
Taihook Associates
Tanner Consulting Group
Tarsadia Hotels
TCF Bank
TCMB, a subsidiary of Thorofare Capital, Inc.
TD Bank Financial Group
TD Banknorth
Teatro Tower Investors LLC
Templeton Group
Terra Capital Partners
Texas Capital Bank
TFG Properties, Inc.
Thayer Lodging Group
Thompson Law Office
Thorofare Capital
Three Sisters Resorts
TIAA-CREF
Tipton Management
Tokai Bank
Tom Grant, Jr.
Torchlight Investors
TotalBank
Towne Properties
Town of Speedway, Indiana
Transamerica Realty Services, Inc.
Transworld Management/Concord Int'l.
The Travelers Companies
Treadway Hotels
Tri City National Bank
Trimont Real Estate Advisors
Trinity Hotel Advisors, LLC
Trinity Investment Trust
TrizecHahn Development
Tule River Tribal Council
Tully & Wezelman, P.C.
Turtle Bay Exploration Park
TYBA Group, Inc.
UBS Warburg Real Estate Investments
Umpqua Bank
Unico Properties, Inc.
Unified Port of San Diego
Union BanCal Corporation
Union Bank of California
United Overseas Bank
United Pacific Bank
United Security Bank
University of California at Davis
University of Minnesota
University Place City Hall
Urban Housing Group
Urban Partners
US Bancorp
U.S. Bank
U.S. Department of Labor
USL Property Management, Inc.
U.S. Trust Company
Valencia Group
Vance Hotel Associates, LP
Venable
V Group USA
Villa del Lago Associates
Village of Sandia Pueblo (NM)
Village of Sugar Grove, IL
Vintage Bank
Wachovia Corporation
Wailua Associates
Waldron H Rand & Company
Waller, Kaufman & Sutter
Washington Real Estate Holdings
Wasserman Real Estate Capital
Wave Hospitality Advisors
Weil Gotshal & Manges
Weintraub Financial Services
Wells Fargo Bank
Westbank Associates
West Coast Bancorp
Westdeutsche Immobilien Bank
Westdeutsche Landesbank
Western International
Western Security Bank
Western States Management
Westfield Group
West LB AG
Westin Hotels & Resorts



CLIENTS - CONTINUED

Westmont Hospitality Group
Wharf Enterprises, Inc.
W.H. Holdings, LLC
Wilderness Gate
Williams & Dame Development
Williams Coulson LLP
Willow Capital Group
Wilmorite, Inc.
Windsor Capital Group
Wingate Realty Finance Corporation
Wing Lung Bank
Winston & Strawn LLP
Win Time Hotels
WJ Commercial Enterprises
Woffinden Law Group
Wolf, Rifkin & Shapiro
Wong & Mak, LLP
Woodfin Suite Hotel Co.
Woodside Hotels & Resorts
Wrather Corp.
W.R.C. Properties, Inc.
WR Henderson Construction
Wyandotte County Appraisers Office
Xanterra Parks and Resorts
Yavapai-Apache Nation
Yasuda Trust and Banking Co., Ltd.
Zurich Structured Finance, Inc.



**EXAMPLES OF
PROPERTIES APPRAISED
OR EVALUATED**

** Denotes Gaming Property*

Alabama

Fairfield Inn & Suites by Marriott, Bessemer
Homestead Studio Suites Perimeter Park
South, Birmingham
Fairfield Inn, Birmingham
Hilton Perimeter Park, Birmingham
Country Crossing, Cottonwood
Ramada Inn, Gadsden
Homewood Suites by Hilton, Huntsville
Hotel, Proposed, Mobile
Marriott Mobile, Mobile
Fairfield Inn, Montgomery
Holiday Inn, Montgomery
Home-Town Suites of Montgomery,
Montgomery
Howard Johnson's, Montgomery
Residence Inn, Montgomery
Courtyard by Marriott, Prattville
Country Crossing, Shorter
*VictoryLand, Quincy's 777 Bingo Casino, and
Oasis Hotel, Shorter

Alaska

Best Western Barratt Inn, Anchorage
Clarion Suites Hotel, Anchorage
Hawthorne Suites, Anchorage
Holiday Inn, Anchorage
Homewood Suites, Prop. and Existing,
Anchorage
Hotel Captain Cook, Anchorage
Northern Lights Hotel, Anchorage
Rose Garden Hotel, Anchorage
Sheraton Hotel Anchorage, Anchorage
Alyeska Prince Hotel, Girdwood
Coast International Hotel, Girdwood
Resort Hotel, Proposed, Wasilla

Arizona

Lodging Facility, Proposed, Camp Verde
Hotel, Proposed Casa Grande
Renaissance ClubSport, Chandler
Sheraton San Marcos Hotel, Chandler
Best Western, Flagstaff
Embassy Suites Hotel, Flagstaff
Hotel & Conference Center, Prop., Flagstaff
Motel 6, Flagstaff
Rodeway Inn, Flagstaff
Woodlands Plaza Hotel, Flagstaff
Townplace Suites by Marriott, Goodyear
Bright Angel Lodge, Grand Canyon
El Tovar Hotel, Grand Canyon
Kachina Lodge, Grand Canyon
Maswik Lodge, Grand Canyon
Moqui Lodge, Grand Canyon
Phantom Ranch, Grand Canyon
Thunderbird Lodge, Grand Canyon
Yavapai Lodge, Grand Canyon
Best Western Green Valley, Green Valley
Hampton Inn, Proposed, Holbrook
Best Western Wayfarers Inn, Kingman
Rodeway Inn, Kingman
Hampton Inn, Lake Havasu
Nautical Inn, Lake Havasu
Wigwam Resort & Golf Club, Litchfield Park

Ritz-Carlton Dove Mountain, Marana
Hyatt Place Phoenix Mesa, Mesa
Quality Inn Americana Hotel, Nogales
Marriott Fairfield Inn & Suites, Page
Arizona Biltmore Resort, Phoenix
Best Western Executive Park Hotel, Phoenix
Bobby McGee's Conglomeration, Phoenix
Caravan Inn, Phoenix
Courtyard by Marriott, Phoenix/Mesa
Courtyard by Marriott Metro Center, Phoenix
Crescent Hotel, Phoenix
Crowne Plaza, Phoenix
DoubleTree Inn, Phoenix
Embassy Suites-Camelback, Phoenix
Embassy Suites-Camelhead, Phoenix
Fountain Suites Hotel, Phoenix
Four Points Sheraton, Phoenix
Full-Service Hotel, Proposed, Phoenix
Granada Royale Camelhead, Phoenix
Holiday Inn, Phoenix
Crowne Plaza, Phoenix
Homestead Studio Suites, Phoenix
Homewood Suites, Phoenix
Hyatt Regency, Phoenix
JW Marriott Desert Ridge Resort, Phoenix
Knights Inn, Phoenix
Marriott Phoenix Airport, Phoenix
Omni Adams Hotel, Phoenix
Phoenix Inn, Phoenix
Pointe Hilton Squaw Peak Resort, Phoenix
Pointe Hilton at Tepatio Cliffs, Phoenix
Quality Inn, Phoenix
Ramada Inn MetroCenter, Phoenix
Residence Inn by Marriott, Phoenix
Ritz-Carlton Phoenix, Phoenix
Sheraton Crescent Hotel, Phoenix
Sleep Inn, Phoenix
Caleo Hotel, Scottsdale
Chaparral Suites Resort, Scottsdale
Courtyard by Marriott, Scottsdale
Doubletree Inn, Scottsdale
Fairmont Scottsdale Princess and Excess Land,
Scottsdale
FireSky Resort and Spa, Scottsdale
Gainey Suites Hotel, Scottsdale
Hilton Scottsdale Resort & Villa, Scottsdale
Holiday Inn Old Town, Scottsdale
Hotel, Proposed, Scottsdale
Marriott Camelback Inn, Scottsdale
Mondrian Hotel, Scottsdale
Phoenician Resort, Scottsdale
Red Lion-La Posada, Scottsdale
Rodeway Inn, Scottsdale
Scottsdale Conference Resort, Scottsdale
Scottsdale Hilton Resort, Scottsdale
Scottsdale Waterfront Condominium Hotel,
Proposed, Scottsdale
Summerfield Suites, Proposed, Scottsdale
Sunburst Resort Hotel & Conference Center,
Scottsdale
Westin Kierland, Scottsdale
W Hotel, Scottsdale
Xona Resort Suites, Scottsdale
Hilton Garden Inn, Proposed, Sedona
L'Auberge de Sedona, Sedona

Los Abrigados, Sedona
Orchard's Inn & Grill, Sedona
Motel 6, Sierra Vista
Sonoita Village Resort & Spa, Prop., Sonoita
Country Inn & Suites Hotel, Tempe
Marriott Buttes Resort, Tempe
Renaissance Hotel, Proposed, Tempe
Wyndham Buttes Resort, Tempe
Mixed-Use Development, Tuba City
Canyon Ranch Resort, Tucson
Clarion Tucson, Tucson
Country Inn & Suites & Courtyard by Marriott,
Tucson
DoubleTree Inn, Tucson
Hilton El Conquistador Golf & Tennis Resort,
Tucson
Hilton Garden Inn, Proposed, Tucson
Holiday Inn Express, Prop., Tucson
Holiday Inn Hotel, Tucson
Hotel Arizona, Tucson
Hotel, Proposed, Tucson
Holiday Inn Express, Tucson
Loews Ventana Canyon Resort, Tucson
Lodge at Ventana Canyon, Tucson
Marriott Hotel & Starr Pass Golf Course, Prop.
and Existing, Tucson
Microtel Inn, Proposed, Tucson
Miraval Resort & Spa, Tucson
Radisson Suite Hotel, Tucson
Ritz-Carlton, Proposed, Tucson
Rodeway Inn, Tucson
Tucson Convention Center, Tucson
Westin La Paloma Resort, Tucson
Westward Look Resort, Tucson
Wig Wam Resort & Golf Club, Woodfield Park
Candlewood Suites, Proposed, Yuma
Shilo Inn, Yuma

Arkansas

Fairfield Inn & Suites, Conway
Hilton, Hot Springs
Holiday Inn, Little Rock
Red Carpet Inn, Little Rock
Holiday Inn Northwest Arkansas, Springdale

California

Radisson Hotel, Agoura Hills
Ramada Inn, Agoura Hills
Hampton Inn & Suites OAK Alameda, Alameda
Renaissance ClubSport, Prop. and Existing,
Aliso Viejo
Holiday Inn Express, Prop., American Canyon
Anaheim Marriott, Anaheim
Baymont Inn & Suites, Anaheim
Best Western Anaheim Inn, Anaheim
Best Western Stovall's Inn, Anaheim
Best Western Pavilions Inn, Anaheim
Boulevard Inn, Anaheim
Candlewood Suites, Proposed, Anaheim
Carousel Inn and Suites, Anaheim
Comfort Inn, Anaheim
Courtyard by Marriott, Anaheim
Desert Palm Inn & Suites, Anaheim
Disneyland Hotel, Anaheim



PROPERTIES - CONTINUED

* Denotes Gaming Property

DoubleTree Guest Suites Hotel, Prop. and Existing, Anaheim	Beverly Hills Country Club, Beverly Hills	Courtyard by Marriott, Prop. and Existing, Campbell
Extended StayAmerica, Anaheim	Beverly Hilton, Beverly Hills	Hilton Garden Inn, Campbell
Golden Forest Motel, Anaheim	Beverly Pavilion Hotel, Beverly Hills	Hilton Hotel, Proposed, Campbell
Hilton Hotel & Towers, Anaheim	Beverly Wilshire, Beverly Hills	Larkspur Landing Hotel, Campbell
Hilton Suites Anaheim, Anaheim	Crescent at Beverly Hills Apartments, Beverly Hills	Pruneyard Inn, Campbell
Holiday Inn, Anaheim	Crowne Plaza Hotel, Beverly Hills	Inn & Spa at Rispin Mansion, Prop., Capitola
Howard Johnson Hotel, Anaheim	Four Seasons Hotel, Beverly Hills	Carlsbad Inn, Carlsbad
Hyatt Anaheim, Anaheim	Holiday Inn Select, Beverly Hills	Courtyard by Marriott, Carlsbad
Jolly Roger, Anaheim	Maison 140 Hotel, Beverly Hills	Extended StayAmerica, Carlsbad
Pan Pacific Hotel, Anaheim	Montage, Beverly Hills	Park Hyatt Aviara, Carlsbad
Pitcairn Inn, Anaheim	Peninsula Beverly Hills, Beverly Hills	Hilton Garden Inn, Carlsbad
La Quinta Inn & Suites, Proposed, Anaheim	Raffles L'Ermitage, Beverly Hills	Inn of America, Carlsbad
Quality Hotel, Anaheim	Regent Beverly Wilshire Hotel, Beverly Hills	La Costa Resort and Spa, Carlsbad
Raffles Inn & Suites, Anaheim	Renaissance Hotel, Beverly Hills	LEGOLAND Resort, Prop. and Existing, Carlsbad
Ramada Maingate Hotel, Anaheim	Thompson Beverly Hills, Beverly Hills	Olympic Resort, Carlsbad
Red Lion Anaheim Maingate Hotel, Anaheim	Best Western, Big Bear Lake Hotel, Proposed, Big Bear Lake	Sheraton Carlsbad Resort & Spa, Carlsbad
Residence Inn, Anaheim	Motel 6, Big Bear Lake	Carmel Mission Inn, Carmel
Sheraton Hotel, Anaheim	Post Ranch Inn, Big Sur	Carmel Valley Ranch, Carmel
Site of 2 Prop. Hotels, GardenWalk, Anaheim	Ventana Inn, Big Sur	Cobblestone Inn, Carmel
Station Inn, Anaheim	Rodeway Inn, Blythe	Highlands Inn, Carmel
Travelodge Inn at the Park, Anaheim	Bodega Bay Lodge, Bodega Bay	Luxury Hotel, Proposed, Carmel
WestCoast Anaheim Hotel, Anaheim	Chase Suites Brea, Brea	Quail Lodge Resort & Golf Club, Carmel
Residence Inn, Anaheim Hills	Embassy Suites Hotel, Brea	Wyndham Carmel Valley, Carmel
Fairfield Suites, Proposed, Arcadia	Woodfin Suites Hotel, Brea	Bernardus Lodge, Carmel Valley
Hilton Garden Inn, Proposed, Arcadia	Holiday Inn, Brentwood	Hilton Garden Inn, Carmel Valley
Santa Anita Park, Arcadia	Hilton Residential Suites, Brisbane	Robles del Rio Lodge, Carmel Valley
Comfort Inn, Arcata	Radisson SFO Sierra Point, Brisbane	Valley Lodge, Carmel Valley
Hampton Inn & Suites, Prop., Arroyo Grande	Extended-Stay Hotel, Prop., Buellton	Holiday Inn Express, Carpinteria
Carlton Hotel, Atascadero	Courtyard by Marriott, Buena Park	DoubleTree by Hilton Hotel, Carson
Auburn Inn, Auburn	Fairfield Inn, Buena Park	Econo Lodge, Castro Valley
Sleep Inn, Auburn	Hampton Inn, Buena Park	Doral Desert Princess Resort, Cathedral City
Ramada, Augora Hills	Red Roof Inn, Buena Park	DoubleTree Hotel, Cathedral City
Villa Portofino Hotel, Avalon	Burbank Airport Hilton, Burbank	Holiday Inn Express, Cathedral City
Allstar Inn, Bakersfield	Hilton Hotel, Burbank	Hotel, Proposed, Cathedral City
CSU Bakersfield Hotel, Proposed, Bakersfield	Ramada Inn, Burbank	Sheraton Cerritos Towne Center, Cerritos
Clarion Suites, Bakersfield	350 Airport Boulevard, Burlingame	Sheraton Hotel, Cerritos
Courtyard by Marriott, Bakersfield	Holiday Inn Express SFO, Burlingame	Neighborhood Inn, Proposed, Chatsworth
DoubleTree Hotel, Bakersfield	Hotel, Proposed, Burlingame	Days Inn, Chico
Economy Inn, Bakersfield	Hyatt Regency SFO, Burlingame	Holiday Inn, Chico
La Quinta, Bakersfield	Airport Marriott, Burlingame	Microtel Inn and Suites, Proposed, Chico
Marriott Bakersfield at the Convention Center, Bakersfield	Radisson Plaza-Proposed, Burlingame	Red Lion Hotel, Chico
Red Lion Hotel, Bakersfield	Ramada Inn, Burlingame	La Quinta Inn, Chula Vista
Residence Inn, Bakersfield	Hotel, Proposed, Burney	Otay Valley Travel Lodge, Chula Vista
Sheraton Hotel, Bakersfield	Good Nite Inn, Buttonwillow	Harris Ranch, Coalinga
SpringHill Suites, Bakersfield	Country Inn & Suites, Calabassas	Howard Johnson's, Colton
Travelodge Hotel, Bakersfield	Good Nite Inn, Calabassas	DoubleTree Hotel, Commerce
Hilton Hotel, Baldwin Park	Calistoga Spa Hot Springs, Calistoga	Ramada Commerce, Commerce
Fairfield Inn, Baltimore	Calistoga Ranch Resort, Prop., Calistoga	Wyndham Hotel, Commerce
Allstar Inn, Barstow	Hotel & Ancillary Facilities, Prop., Calistoga	Clarion Hotel, Concord
Economy Inn, Barstow	Indian Springs Lodge, Calistoga	Concord Hilton, Concord
Proposed Hotel, Bay Point	Indian Springs Resort & Spa - Parcel of Land, Calistoga	Sheraton Hotel, Concord
Bear Valley Ski Resort, Bear Valley	Palisades Resort & Spa, Prop., Calistoga	Trees Inn, Concord
Holiday Inn Express, Belmont	Silver Rose Inn, Spa, & Winery, Calistoga	Holiday Inn Express, Proposed, Corona
Motel 6, Belmont	Solage Resort & Spa, Prop. and Existing, Calistoga	Motel 6, Corona
Summerfield Suites, Prop. & Existing, Belmont	Del Norte Inn, Camarillo	Hotel Del Coronado, Coronado
Berkeley Marina Marriott, Berkeley	Good Nite Inn, Camarillo	Loews Coronado Bay Resort, Coronado
DoubleTree Hotel & Executive Meeting Center, Berkeley	Cambria Pines Lodge, Cambria	Hilton Garden Inn, Prop., Corte Madera
Hotel Durant, Berkeley	Fireside Inn, Cambria	Ha'Penny Inn, Costa Mesa
La Quinta Inn, Berkeley	Fog Catcher Inn, Cambria	Hilton Hotel, Costa Mesa
Shattuck Hotel, Berkeley	Pelican Inn & Suites, Cambria	La Quinta Inn, Costa Mesa
University Inn, Berkeley	Campbell Inn, Campbell	Mandarin Oriental, Prop., Costa Mesa
Westin Hotel, Proposed, Berkeley		Marriott Suites, Costa Mesa
AKA Hotel, Proposed, Beverly Hills		Red Lion Hotel, Costa Mesa
		Residence Inn, Costa Mesa



PROPERTIES - CONTINUED

* Denotes Gaming Property

Courtyard Los Angeles Westside, Culver City
 Extended-Stay Hotel, Proposed, Culver City
 Four Points Barcelo Hotel, Culver City
 Hotel & Condo Hotel, Prop., Culver City
 Pacifica Hotel & Conference Center, Culver City
 Ramada Inn, Culver City
 Washington/National Hotel, Proposed, Culver City
 Aloft Hotel, Cupertino
 Boutique Hotel, Proposed, Cupertino
 Courtyard by Marriott, Cupertino
 Cypress Hotel, Cupertino
 Hilton Garden Inn, Cupertino
 Proposed Limited-Service Hotel, Cupertino
 Two Proposed Hotel Sites, Cupertino
 Courtyard by Marriott, Cypress
 Woodfin Suites Hotel, Cypress
 Hampton Inn San Francisco Daly City, Daly City
 Hotel, Proposed, Daly City
 Marriott Laguna Cliffs Resort, Dana Point
 Quality Inn, Dana Point
 Ritz-Carlton Laguna Niguel, Dana Point
 St. Regis Monarch Beach Resort & Spa, Dana Point
 Vacation Ownership Property, Dana Point
 Column Financial Appraisal Review Howard Johnson Hotel, Davis
 Hotel, Proposed, Davis
 Hyatt Place Hotel, Proposed, Davis
 Furnace Creek Inn & Ranch, Death Valley
 Stove Pipe Wells Village, Death Valley
 Shilo Inn, Delano
 Grand Del Mar, Prop. and Existing, Del Mar
 Hampton Inn, Del Mar
 Hilton Hotel, Del Mar
 Marriott Hotel, Del Mar
 Marriott Resort & Spa, Desert Springs
 Days Inn Diamond Bar, Diamond Bar
 Holiday Inn Select, Diamond Bar
 Embassy Suites Los Angeles Downey, Downey
 Scott's Restaurant and Banquet/Conference Center, Prop., Dublin
 Hilton Garden Inn, Proposed, El Cajon
 Lodging Development, Prop., El Dorado Hills
 Holiday Inn Express & Suites, Elk Grove
 Cambria Hotel & Suites, Prop., El Segundo
 Hilton Garden Inn LAX El Segundo, El Segundo
 Best Western, El Toro
 Days Inn, Emeryville
 Hardage Suites Hotel Site, Emeryville
 Sheraton Four Points, Emeryville
 Woodfin Suite Hotel, Prop. and Existing, Emeryville
 Comfort Inn, Escondido
 Hilton Garden Inn, Prop., Escondido
 Red Lion Hotel, Eureka
 Courtyard Fairfield/Napa Valley, Fairfield
 Pala Mesa Golf Resort, Fallbrook
 Hotel, Proposed, Fillmore
 Marriott Tenaya Lodge, Fish Camp
 Hotel, Proposed, Folsom
 Hampton Inn & Suites, Folsom
 Larkspur Landing Hotel, Folsom
 Hilton Garden Inn, Fontana
 Golden Gate National Recreation Area, Fort Baker

All-Suites Hotel, Proposed, Foster City
 Clubtel, Proposed, Foster City
 Courtyard by Marriott, Foster City
 Holiday Inn, Foster City
 La Quinta Inn & Suites, Proposed, Fowler
 Comfort Inn Silicon Valley East Fremont, Fremont
 Courtyard by Marriott, Fremont
 EconoLodge, Fremont
 Hilton Hotel, Fremont
 La Quinta, Fremont
 Marriott Hotel, Fremont
 Motel 6, Fremont
 Quality Inn, Fremont
 Westin ClubSport, Proposed, Fremont
 Allstar Inn, Fresno
 Chateau Inn, Fresno
 Economy Inn, Fresno
 Hacienda Resort & Conference Center, Fresno
 Hampton Inn & Suites, Fresno
 Holiday Inn, Fresno
 Proposed Hotel, Fresno
 Courtyard by Marriott, Fresno
 Picadilly Inn, Fresno
 Travelers Inn, Fresno
 Sierra Sport and Racquet Club, Fresno
 Chase Suites Hotel, Fullerton
 Griswold's Hotel, Fullerton
 Marriott Hotel, Fullerton
 Embassy Suites Anaheim South, Garden Grove
 Marriott Suites Anaheim, Garden Grove
 Residence Inn Anaheim Resort Area, Garden Grove
 *River Rock Casino, Geyserville
 Gilroy Gardens Site, Gilroy
 Boutique Hotel, Proposed, Glendale
 Hilton Executive Meeting Center, Glendale
 Hilton Hotel, Glendale
 Hotel, Proposed, Glendale
 Red Lion Hotel, Glendale
 60-Unit Hotel, Prop., Morton's Warm Springs, Glen Ellen
 Gaige House, Glen Ellen
 Bacara Resort, Goleta
 Courtyard by Marriott, Goleta
 El Capitan Canyon Campgrounds, Goleta
 Hyatt Regency, Proposed, Goleta
 Hotel & RV Park, Proposed, Guadalupe
 Half Moon Bay Lodge, Half Moon Bay
 Ocean Colony Resort, Half Moon Bay
 Ritz-Carlton Hotel, Prop. and Existing, Half Moon Bay
 Mainstay Suites, Hayward
 Super 8, Hayward
 Best Western Dry Creek Inn, Healdsburg
 Hotel Healdsburg, Healdsburg
 Healdsburg Plaza Hotel, Prop., Healdsburg
 Casa de Fruta, Hollister
 Canyon Ranch Living, Proposed, Hollister
 Hard Rock Hotel, Proposed, Hollywood
 Holiday Inn, Hollywood
 Hollywood Clarion Roosevelt, Hollywood
 Hollywood Palm Hotel, Hollywood
 Hyatt Hotel, Hollywood
 Renaissance Hollywood Hotel, Hollywood
 Wyndham Hotel, Hollywood

Extended StayAmerica, Huntington Beach
 Hyatt Grand Champions Resort, Indian Wells
 Indian Wells Town Center Resort, Prop., Indian Wells
 Miramonte Resort, Indian Wells
 Remington Condo Hotel, Prop., Indian Wells
 Arena/Convention Center Amenity, Prop., Indio
 Resort Hotel, Proposed, Indio
 RV Park, Proposed, Indio
 Courtyard by Marriott, Irvine
 Element Hotel, Proposed, Irvine
 Hilton Orange County Airport, Irvine
 La Quinta Inn, Irvine
 Marriott Inn, Irvine
 Registry Hotel, Irvine
 Amador Inn, Jackson
 Konocti Harbor Resort & Spa, Kelseyville
 Kenwood Inn & Spa, Kenwood
 Mortons Sonoma Springs Resort, Kenwood
 Sonoma Country Inn, Prop., Kenwood
 Hotel, Proposed, Kern County
 Cal Neva Resort, Kings Beach
 Lafayette Park Hotel, Lafayette
 Best Western Laguna Brisas Spa Hotel, Laguna Beach
 Montage Resort & Spa, Laguna Beach
 Surf & Sand Hotel, Laguna Beach
 Vacation Village Repositioning, Laguna Beach
 Select-Service Hotel, Proposed, Laguna Niguel
 Embassy Suites La Jolla, La Jolla
 Empress Hotel, La Jolla
 Hilton Torrey Pines, La Jolla
 Hotel La Jolla, La Jolla
 Hyatt Regency Hotel at Aventine, La Jolla
 La Jolla Village Inn, La Jolla
 Lodge at Torrey Pines, La Jolla
 Mandarin Oriental Hotel, Proposed, La Jolla
 Radisson Inn, La Jolla
 Residence Inn, La Jolla
 Scripps Inn, La Jolla
 Sheraton Hotel, La Jolla
 Lake Arrowhead Resort, Lake Arrowhead
 Saddleback Inn, Lake Arrowhead
 Holiday Inn San Diego La Mesa, La Mesa
 Holiday Inn Select, La Mirada
 Hilton Lodge, Lake Arrowhead
 Hotel, Proposed, Lake Country
 Embassy Suites Hotel, Lake Tahoe
 Lake Shore Inn, Proposed, Lake Tahoe
 Resort at Squaw Creek, Lake Tahoe
 Holiday Inn, La Mesa
 La Quinta Hotel & Resort, La Quinta
 Courtyard by Marriott, Larkspur
 La Quinta Inn & Suites, Las Palma
 Embassy Suites, La Quinta
 *Thunder Valley Casino, Lincoln
 50-Unit Motel, Proposed, Little Lake
 Heritage House Resort, Little River
 Courtyard by Marriott, Livermore
 Diva Hospitality, Livermore
 Hilton Garden Inn, Livermore
 Hotel, Proposed, Livermore
 Residence Inn by Marriott, Livermore
 Motel 6, Proposed, Livingston
 Hampton Inn and Suites, Lodi



PROPERTIES - CONTINUED

* Denotes Gaming Property

Lodi Motor Inn, Lodi	SLS Hotel, Prop. and Existing, Los Angeles	DoubleTree Hotel, Modesto
Embassy Suites, Lompoc	Sofitel Hotel, Los Angeles	Hotel, Proposed, Modesto
Breakers Hotel, Long Beach	Summerfield Suites, Los Angeles	Motel Orleans, Modesto
Holiday Inn, Long Beach	Sunset Strip Development, Los Angeles	Red Lion Hotel, Modesto
Holiday Inn Airport, Long Beach	UCLA Hotel, Proposed, Los Angeles	Four Points Barcelo Hotel, Monrovia
Hyatt Regency, Long Beach	W Hotel, Los Angeles	Renaissance ClubSport, Prop., Monrovia
Marriott Hotel, Long Beach	Westin Bonaventure, Los Angeles	Miramar Resort Hotel, Montecito
Queen Mary & Related Real Estate, Long Beach	Westmoreland Place, Los Angeles	DeAnza Ballroom, Monterey
Residence Inn, Long Beach	Hotel & Restaurant, Proposed, Los Gatos	Doubletree Fisherman's Wharf, Monterey
West Coast Hotel & Marina, Long Beach	Hotel Los Gatos, Prop. and Existing, Los Gatos	Doubletree Inn, Monterey
Courtyard by Marriott, Prop., Los Altos	Los Gatos Lodge, Los Gatos	Hotel Pacific, Monterey
Hotel, Proposed, Los Altos	Toll House Hotel, Los Gatos	Hotel, Proposed, Monterey
Residence Inn, Prop. and Existing, Los Altos	Fess Parker's Wine Country Inn & Spa, Los Olivos	InterContinental The Clement Monterey, Monterey
Argyle Hotel, Los Angeles	Economy Inns of America Motel, Madera	Monterey Bay Inn, Monterey
Beverly Hills Residence Inn, Los Angeles	Hotel ApCal Winery, Proposed, Madera	Monterey Marriott Hotel, Monterey
Biltmore Hotel, Los Angeles	Aman Resort Malibu Canyon, Prop., Malibu	Monterey Peninsula Hotel, Prop., Monterey
Boutique Hotel, Proposed, Los Angeles	Malibu Beach Inn, Malibu	Monterey Plaza Hotel, Monterey
Carlyle Inn, Los Angeles	Rancho Malibu, Prop., and Land Valuation, Malibu	Sheraton Hotel, Monterey
Checkers Hotel, Los Angeles	80/50 Private Residence Club, Mammoth Lakes	Victorian Inn, Monterey
Concourse Hotel (formerly Radisson Hotel LAX), Los Angeles	Condominium Hotel, Prop., Mammoth Lakes	Spindrift Inn, Monterey
Courtyard by Marriott, Los Angeles	Luxury Resort Hotel, Prop., Mammoth Lakes	Lincoln Plaza Hotel, Monterey Park
Crowne Plaza LAX, Los Angeles	Barnaby's Hotel, Manhattan Beach	Inn at Morro Bay, Morro Bay
DoubleTree Hotel at LAX, Los Angeles	Belamar Hotel, Manhattan Beach	Inn at Morgan Hill, Morgan Hill
DoubleTree LA Downtown, Los Angeles	SpringHill Suites, Manhattan Beach	Inn At Morro Bay, Morro Bay
Downtown Boutique Hotel, Prop., Los Angeles	TownePlace Suites, Manhattan Beach	Hilton Garden Inn, Prop., Mountain View
EconoLodge, Proposed, Los Angeles	Hotel, Proposed, Manteca	Holiday Inn Express, Mountain View
Embassy Suites, Los Angeles	Marina Dunes Resort, Marina	Hotel Vue, Mountain View
Four Points by Sheraton LAX, Los Angeles	Sanctuary Beach Resort, Marina	Westin ClubSport, Prop., Mountain View
Four Seasons, Los Angeles	Courtyard, Proposed, Marina del Rey	Aetna Springs Resort, Proposed, Napa
Hilton LAX, Los Angeles	Courtyard and Residence Inn, Proposed, Marina del Rey	California Boulevard Hotel, Prop., Napa
Holiday Inn Brentwood/Bel Air, Los Angeles	DoubleTree Hotel, Marina del Rey	City of Napa Market Study, Napa
Holiday Inn-LAX, Los Angeles	Holiday Inn, Marina del Rey	Condo Hotel, Proposed, Napa
Hotel & Condo Project Koreatown, Prop., Los Angeles	Holiday Inn Express, Marina del Rey	Hilton Garden Inn, Prop. and Existing, Napa
Hotel Angeleno, Los Angeles	Inn at Marina del Rey, Marina del Rey	Intrawest Resort, Proposed, Napa
Hotel InterContinental, Los Angeles	Marina del Rey Hotel & Bungalows/Marinas, Marina del Rey	Hotel, Proposed, Napa
Hotel Palomar, Los Angeles	Marina Suites Hotel, Marina del Rey	Hotel, Prop./Timeshare, Napa Gateway, Napa
Hotel, Prop., Westfield Century City, Los Angeles	Marina Beach Hotel, Marina del Rey	Kimpton Hotel, Proposed, Napa
Hotel Sofitel Ma Maison, Los Angeles	Marriott Hotel, Marina del Rey	Lodge on Napa River, Napa
Hyatt House at USC Medical Center, Proposed, Los Angeles	Suite Hotel, Proposed, Marina del Rey	Marriott Hotel, Napa
Hyatt Regency Hotel, Los Angeles	Marysville Hotel, Proposed, Marysville	Milliken Creek Inn and Spa, Napa
The James Hotel, Proposed, Los Angeles	Hill House, Mendocino	Montalcino Resort, Proposed, Napa
JJ Grand Hotel, Los Angeles	Renaissance ClubSport, Prop., Menlo Park	Motel 6, Napa
JW Marriott, Proposed, Los Angeles	Rosewood Sand Hill Hotel, Menlo Park	La Residence, Napa
Le Meridien Hotel Beverly Hills, Los Angeles	Stanford Park Hotel, Menlo Park	Napa Valley Marriott, Napa
Le Montrose, Los Angeles	Comfort Inn, Millbrae	Randean Way Hotel, Proposed, Napa
Loews Santa Monica Beach, Los Angeles	Millbrae Station Hotel Project, Millbrae	Residence Inn, Proposed, Napa
Mandarin Oriental Hotel, Prop., Los Angeles	Beverly Heritage Hotel, Milpitas	Sheraton Inn Napa Valley, Napa
Marriott Downtown, Los Angeles	Candlewood Hotel, Milpitas	Stanly Ranch Project, Proposed, Napa
Marriott Hotel - LAX, Los Angeles	Courtyard by Marriott, Milpitas	Timeshare Development, Prop., Napa
Mondrian Hotel, Los Angeles	Days Inn, Milpitas	Westin Verasa Napa, Napa
New Seoul Hotel, Los Angeles	Extended-Stay Hotel Site, Milpitas	Auberge du Soleil, Napa Valley
Playa Vista Development, Los Angeles	Hilton Garden Inn, Milpitas	Best Western Inn, Napa Valley
Quality Hotel Airport, Los Angeles	Holiday Inn, Milpitas	Clarion Inn, Napa Valley
Radisson Hotel Westside, Los Angeles	Larkspur Landing Hotel, Milpitas	Inn at Napa Valley, Napa Valley
Renaissance Beverly Hills, Los Angeles	Renaissance Hotel, Proposed, Milpitas	Silverado, Napa Valley
Renaissance Hotel, Proposed, Los Angeles	Residence Inn by Marriott, Milpitas	Windmill Inn, Proposed, Napa Valley
Residence Inn & Courtyard Hotels, Prop., Los Angeles	Sheraton Beverly Heritage Hotel, Milpitas	Best Western Marina Gateway, National City
Residence Inn Beverly Hills, Prop. and Existing, Los Angeles	TownePlace Suites, Milpitas	Comfort Inn, National City
Ritz-Carlton Hotel, Prop., Los Angeles	Holiday Inn, Miramar	Courtyard by Marriott, Newark
Sheraton Gateway Los Angeles, Los Angeles	Courtyard by Marriott, Mira Mesa	Hilton Newark/Fremont, Newark
	Courtyard by Marriott, Modesto	Park Inn, Newark
		Residence Inn by Marriott, Newark
		Woodfin Suites Hotel, Newark
		W Suites Hotel, Proposed, Newark
		Fairmont, Newport Beach



PROPERTIES - CONTINUED

* Denotes Gaming Property

Hyatt Newporter, Newport Beach	Shilo Inn, Palm Springs	Quality Suites, Rancho Cordova
Marriott Suites, Newport Beach	Wyndham Hotel, Palm Springs	Homewood Suites by Hilton, Rancho Cucamonga
Newport Coast Development, Prop., Newport Beach	Creekside Inn, Palo Alto	*Agua Caliente Casino & Resort, Prop., Rancho Mirage
Newporter Resort Hotel, Newport Beach	Cardinal Hotel, Palo Alto	Ritz-Carlton, Rancho Mirage
Sheraton Hotel, Newport Beach	The Epiphany, Palo Alto	Murieta Inn, Proposed, Rancho Murieta
Sutton Place Hotel, Newport Beach	Holiday Inn, Palo Alto	Five-Star Resort & Golf Course, Prop., Rancho Palos Verdes
Holiday Inn Universal Studios Hollywood Hotel, North Hollywood	Hotel, Proposed, Palo Alto	Terranea Resort, Rancho Palos Verdes
Best Western Novato Oaks Inn, Novato	Sheraton Hotel, Palo Alto	Inn at Rancho Santa Fe, Rancho Santa Fe
Courtyard by Marriott, Novato	Stanford Park Hotel, Palo Alto	110-Room Full-Service Hotel, Prop., Redding
Hilton Garden Inn, Proposed, Novato	Stanford Terrace Inn, Palo Alto	Bridge Bay Marina, Proposed, Redding
Shilo Inn, Oakhurst	Staybridge Suites, Proposed, Palo Alto	Element Hotel, Proposed, Redding
Courtyard Oakland Airport, Oakland	Upscale Boutique Hotel, Prop., Palo Alto	Fairfield Inn & Suites, Proposed, Redding
Courtyard Oakland Downtown, Oakland	Ambassador College Hotel, Prop., Pasadena	Grand Manor Inn, Redding
Economy Inn, Oakland	Courtyard by Marriott, Pasadena	La Quinta Inn, Redding
Executive Inn & Suites, Oakland	Holiday Inn Express, Pasadena	Microtel Inn & Suites, Redding
Hilton Oakland Airport, Oakland	Langham Huntington Hotel & Spa, Pasadena	Motel Orleans East, Redding
Holiday Inn Express & Suites Oakland Airport, Oakland	Hotel, Proposed, Paso Robles	Motel 6, Redding
Holiday Inn Hotel & Suites, Oakland Airport, Oakland	Best Western Villa Del Lago, Patterson	Park Terrace, Redding
Homewood Suites, Oakland	Hacienda Hotel, Patterson	Red Lion Hotel, Redding
Hotel, Proposed, Oakland Airport, Oakland	*Hotel and Casino, Proposed, Patterson	Red Lion Inn, Redding
Marriott Oakland City Center – Land Valuation, Oakland	Hotel and Restaurant, Proposed, Patterson	Shasta Inn, Redding
Parc Oakland Hotel, Oakland	Cascade Ranch Lodge, Pescadero	Sheraton Hotel at Sundial Bridge, Prop., Redding
Prop. Hotel Oakland Coliseum City, Oakland	Elks Lodge, Petaluma	TownePlace Suites, Proposed, Redding
Unused Land Lease Parcel, Oakland	Quality Inn, Petaluma	Turntable Bay Marina, Prop. and Existing, Redding
Waterfront Plaza Hotel, Oakland	Beverly Hills Residence Inn, Pico	Good Nite Inn, Redlands
Resort At Squaw Creek, Olympic Valley	Hotel, Proposed, Pinole	Portofino Hotel & Yacht Club, Redondo Beach
Clarion Hotel, Ontario	Beachwalk Hotel, Pismo Beach	Sheraton Redondo Beach, Redondo Beach
Doubletree Hotel Ontario Airport, Ontario	Best Western Grande Arroyo, Pismo Beach	Best Western, Redwood City
Hampton Inn & Suites, Ontario	Cottage Inn by the Sea, Pismo Beach	Hotel, Prop. (Blair Towers), Redwood City
Holiday Inn, Ontario	Hilton, Proposed, Pismo Beach	Softel San Francisco Bay, Redwood City
La Quinta Inn, Ontario	Hotel, Proposed, Pismo Beach	Super 8, Redwood City
Marriott Ontario Airport, Ontario	Quality Inn, Pismo Beach	Carriage Inn, Ridgecrest
Red Lion Hotel, Ontario	Sandcastle Inn, Pismo Beach	Holiday Inn Select, Riverside
Residence Inn, Ontario	Seacrest Resort, Pismo Beach	Marriott Hotel, Riverside
Sheraton Ontario Airport, Ontario	Sea Venture Hotel, Pismo Beach	Mission Inn, Riverside
Extended StayAmerica, Orange	Spyglass Inn, Pismo Beach	Rocklin Park Hotel, Rocklin
Hilton Suites Anaheim Orange, Orange	Fairfield Inn, Placentia	DoubleTree Sonoma County, Rohnert Park
Residence Inn, Orange	Hotel, Proposed, Placerville	Good Nite Inn, Rohnert Park
Woodfin Suite Hotel, Orange	AmeriSuites & Homestead Village, Pleasant Hill	Ramada Limited Hotel, Rohnert Park
Hilton Garden Inn, Proposed, Oxnard	Black Angus Restaurant, Pleasant Hill	Red Lion Hotel, Rohnert Park
Holiday Inn, Oxnard	Embassy Suites, Pleasant Hill	Hampton Inn & Suites, Roseville
Best Western Lighthouse Hotel, Pacifica	Pleasant Hill Inn, Pleasant Hill	Hilton Garden Inn, Roseville
Hotel, Proposed, Pacifica	Residence Inn, Pleasant Hill	Hotel & Convention Center, Prop., Roseville
Pacifica Quarry Site, Pacifica	Savoy Restaurant, Pleasant Hill	Larkspur Landing Hotel, Roseville
Hilton Garden Inn, Palmdale	Summerfield Suites Hotel, Prop. and Existing, Pleasant Hill	Pali Mountain Retreat and Conference Center, Running Springs
Super 8 Motel, Palmdale	Woodfin Suite Hotel, Prop., Pleasant Hill	Auberge Du Soleil, Rutherford
Embassy Suite, Palm Desert	Candlewood Hotel, Pleasanton	Rancho Caymus Inn, Rutherford
Hawthorne Suites, Palm Desert	Courtyard by Marriott, Pleasanton	60-Unit Hotel, Proposed, Sacramento
Ace Hotel, Proposed, Palm Springs	Hilton Hotel, Pleasanton	Allstar Inn, Sacramento
*Agua Caliente Casino & Resort, Palm Springs	Holiday Inn, Pleasanton	ARCO Arena, Sacramento
Canyon Resort Hotel, Palm Springs	Larkspur Landing Hotel, Pleasanton	Boutique Hotel Conversion, Sacramento
Horizon Hotel, Palm Springs	Pleasanton Hilton Hotel, Pleasanton	Candlewood Hotel, Prop. and Existing, Sacramento
Desert Princess, Palm Springs	Sierra Suites, Pleasanton	Citizen Hotel, Sacramento
Horizon Hotel, Palm Springs	Summerfield Suites, Pleasanton	Clarion Hotel, Sacramento
Hotel, Proposed, Palm Springs	Wyndham Garden, Pleasanton	Convention Hotel, Proposed, Sacramento
Hyatt Regency Suites Hotel, Palm Springs	Shilo Inn Pomona Hilltop Suites, Pomona	Courtyard by Marriott, Sacramento
Infusion Beach and Hotel, Prop., Palm Springs	Hampton Inn, Proposed, Porterville	Crowne Plaza Sacramento, Sacramento
Korakia Pensione, Palm Springs	Country Inn, Port Hueneme	Docks Hotel, Proposed, Sacramento
Marriott Rancho Las Palma, Palm Springs	Residence Inn, Poway	Dodge City Motel, Sacramento
Palm Canyon, Palm Springs	SpringHill Suites, Poway	
Palm Springs Spa Hotel, Palm Springs	Ragged Point Inn, Ragged Point	
	Holiday Inn, Rancho Bernardo	
	Courtyard by Marriott, Rancho Cordova	
	Economy Inn, Rancho Cordova	
	Hallmark Suites Hotel, Rancho Cordova	



PROPERTIES - CONTINUED

* Denotes Gaming Property

DoubleTree Hotel, Sacramento	Comfort Inn Old Town, San Diego	Marriott Suites, San Diego
Embassy Suites Riverfront Promenade, Sacramento	Comfort Suites Mira Mesa, San Diego	Meridien Hotel, San Diego
Fairfield Inn & Suites, Sacramento	Courtyard Mission Valley, San Diego	Mission Valley Inn, San Diego
Hampton Inn & Suites Sacramento Airport Natomas, Sacramento	Courtyard by Marriott, Prop. and Existing, San Diego	Mission Valley Hilton, San Diego
Hampton Inn, Proposed, Sacramento	Crown Plaza and Staybridge Suites, Proposed, San Diego	Omni Hotel, San Diego
Hawthorn Suites, Sacramento	Dana on Mission Bay, San Diego	Pacific Terrace Inn, San Diego
Hilton Garden Inn, Sacramento	Days Inn Hotel Circle, San Diego	Paradise Point Resort, San Diego
Hilton Hotel, Sacramento	Del Mar Marriott, San Diego	Pickwick Hotel, San Diego
Holiday Inn Express & Suites Sacramento Airport Natomas, Sacramento	Diegan Hotel, Proposed, San Diego	Prava Hotel, San Diego
Holiday Inn Sacramento Northeast, Sacramento, Sacramento	DoubleTree Club Hotel, San Diego	Quality Inn & Suites, San Diego
Hyatt Regency, Sacramento	DoubleTree Hotel at Horton Plaza, San Diego	Quality Suites & Holiday Inn Express Mira Mesa San Diego, San Diego
La Quinta Hotel Downtown, Sacramento	Embassy Suites San Diego La Jolla, San Diego	Radisson Hotel, San Diego
La Quinta Hotel North, Sacramento	Estancia La Jolla Hotel and Spa, San Diego	Ramada Limited Suites, San Diego
Larkspur Landing Hotel, Sacramento	Executive Lodge, San Diego	Rancho Bernardo Inn & Oaks Golf Course, San Diego
Larkspur Landing Hotel, Sacramento	Golden Door Spa, San Diego	Red Lion Hotel, San Diego
Limited-Service Hotel, Prop., Sacramento	Grand Del Mar National Golf Course, San Diego	Residence Inn San Diego Carmel Valley/Del Mar, Proposed, San Diego
Marriott Hotel & Conference Center, Proposed Sacramento	Grand Hyatt, San Diego	Residence Inn by Marriott San Diego Downtown, San Diego
Motel Orleans, Sacramento	Hampton Inn San Diego Del Mar, San Diego	Residence Inn Mission Valley, San Diego
Peregrine Real Estate Trust, Sacramento	Hampton Inn Downtown, San Diego	Renaissance Hotel, Prop., San Diego
Radisson Hotel, Sacramento	Hampton Inn SeaWorld Airport, San Diego	San Diego Yacht Club, San Diego
Red Lion Hotel-Sacramento, Sacramento	Hanalei Hotel, San Diego	Select-Service Hotel, Prop., San Diego
Red Lion-Sacramento Inn, Sacramento	Harbour Lights, San Diego	Setai Hotel San Diego, Prop., San Diego
Residence Inn by Marriott Cal Expo, Sacramento	Hard Rock Hotel, Proposed, San Diego	Shelter Pointe Hotel & Marina, San Diego
Residence Inn, Proposed, Sacramento	Hilton Convention Center Hotel, Prop., San Diego	Sheraton Grand, San Diego
Residence Inn South Natomas, Sacramento	Hilton Garden Inn Del Mar, San Diego	Sheraton Harbor Island East, San Diego
Riverboat Delta King, Sacramento	Hilton Garden Inn, Prop. and Existing, San Diego	Sheraton Hotel & Marina, San Diego
Sacramento Hilton, Sacramento	Hilton Garden Inn Shelter Island, Prop., San Diego	Sheraton Suites, San Diego
Sacramento Inn, Sacramento	Hilton Gaslamp Lasalle, San Diego	Sommerset Suites Hotel, San Diego
Sierra Inn, Sacramento	Hilton Harbor Island, San Diego	Summer House Inn, San Diego
SpringHill Suites, Proposed, Sacramento	Hilton Hotel, Proposed, San Diego	Super 8 Motel-Point Loma, San Diego
Sterling Hotel, Sacramento	Hilton San Diego Bayfront, San Diego	Symphony Towers, San Diego
Three Franchised Marriott Hotels, Prop., Sacramento	Holiday Inn Express Mira Mesa, San Diego	Town and Country Hotel, San Diego
TownePlace Suites by Marriott, Sacramento	Holiday Inn Express Hotel & Suites Otay Mesa, San Diego	U.S. Grant Hotel, San Diego
Travelers Inn, Sacramento	Holiday Inn Express SeaWorld, San Diego	Westin, San Diego
Vizcaya Catering Hall, Prop., Sacramento	Homewood Suites, Proposed, San Diego	Westin Horton Plaza, San Diego
Woodlake Inn, Sacramento	Homewood Suites & Hilton Garden Inn, Proposed, San Diego	W Hotel, San Diego
Las Alcobas Resort, Proposed, St. Helena	Hotel, Proposed, San Diego	Woodfin Suites Hotel, San Diego
Wine Country Inn & Gardens, St. Helena	Hotel San Diego, San Diego	Wyndham Emerald Plaza Hotel, San Diego
Wydown Hotel, St. Helena	Hotel Santee, Proposed, San Diego	Proposed Hotel, 144 King Street, San Francisco
La Quinta Inn, San Bernardino	Howard Johnson, San Diego	ANA Hotel, San Francisco
San Savain Redevelopment Project Area, San Bernardino	Hyatt Islandia, San Diego	Aquarium of the Bay, San Francisco
Courtyard by Marriott, San Bruno	Hyatt Manchester Grand, San Diego	Argent Hotel, San Francisco
Boutique Hotel, Proposed, San Clemente	Hyatt Regency Mission Bay Spa & Marina, San Diego	Argonaut Hotel, San Francisco
500 West Broadway, San Diego	InterContinental Hotel, San Diego	Bedford Hotel, San Francisco
Bahia Resort Hotel, San Diego	Island Palms Hotel, San Diego	Bellevue Hotel, San Francisco
Ballpark and Redevelopment Project, San Diego	Ivy Hotel, San Diego	Beresford Hotel, San Francisco
Best Western Bayside Inn, San Diego	Kings Inn, San Diego	Best Western Canterbury Inn, San Francisco
Best Western Blue Sea Lodge, San Diego	La Jolla Village Inn, San Diego	Bix Restaurant, San Francisco
Best Western Hanalei, San Diego	Lane Field Full-Service Hotel, Prop., San Diego	Broadway Hotel Site, Prop., San Francisco
Best Western Island Palms Resort, San Diego	Lane Field South Dual-Branded Hotel Project, San Diego	Campton Place Hotel, San Francisco
Best Western Seven Seas, San Diego	La Quinta Inn, San Diego	Candlestick Center Hotel, Prop., San Francisco
Bridgeworks Mixed-Use Development, San Diego	Manchester Gateway Development, Proposed, San Diego	Cartwright Hotel, San Francisco
Carmel Highland Doubletree, San Diego	Manchester Grand Hyatt, San Diego	Chancellor Hotel, San Francisco
Catamaran Resort Hotel, San Diego	Marriott Hotel and Marina, San Diego	Clift Hotel, San Francisco
Clarion Bay View Hotel, San Diego	Marriott Mission Valley, San Diego	Comfort Inn by the Bay, San Francisco
Comfort Inn & Suites SeaWorld, San Diego		Courtyard by Marriott, San Francisco
Comfort Inn-Gaslamp, San Diego		Donatello Hotel, San Francisco

PROPERTIES - CONTINUED

** Denotes Gaming Property*

Fairmont Hotel, San Francisco	Marriott Fisherman's Wharf, San Francisco	Fairmont Hotel, San Jose
Four Seasons Hotel, San Francisco	Marriott Hotel, San Francisco	Fontaine Inn San Jose Downtown Fairgrounds, San Jose
Galleria Park Hotel, San Francisco	Masa's Restaurant, San Francisco	Hayes Mansion Conference Center, San Jose
Grand Hyatt, San Francisco	Maxwell Hotel, San Francisco	Holiday Inn, San Jose
Harbor Court Hotel, San Francisco	Mission & Steuart Hotel, Prop., San Francisco	Homewood Suites, San Jose
Hard Rock Hotel, Proposed, San Francisco	Mission Bay Community Center, San Francisco	Hotel, Proposed, San Jose
Haslett Warehouse Hotel, Prop., San Francisco	Mission Bay Hotel, Proposed, San Francisco	Hotel Sierra, Proposed, San Jose
Hilton Financial District, San Francisco	Miyako Hotel, San Francisco	Hotel Valencia, San Jose
Hilton Fisherman's Wharf, San Francisco	Nob Hill Lamborne Hotel & Prop. Timeshare, San Francisco	Hyatt San Jose, San Jose
Hilton Garden Inn, Prop., San Francisco	Olympic Hotel & Delicatessen, San Francisco	Hyatt St. Claire, San Jose
Hilton Hotel SFO, San Francisco	Orchard Hotel, San Francisco	Marriott Hotel, San Jose
Hilton San Francisco & Towers, San Francisco	Palace Hotel, San Francisco	Moorpark Hotel, San Jose
Hilton Union Square, San Francisco	Palomar Hotel, San Francisco	Ramada Renaissance Hotel, San Jose
Holiday Inn-Civic Center, San Francisco	Pan Pacific Hotel, San Francisco	Radisson Plaza Hotel Airport, San Jose
Holiday Inn Express & Suites Fisherman's Wharf, San Francisco	Parc Fifty-Five, San Francisco	Red Lion-San Jose, San Jose
Holiday Inn Express Union Square, Proposed, San Francisco	Park Hyatt, San Francisco	Renaissance ClubSport, Prop., San Jose
Holiday Inn Fisherman's Wharf, San Francisco	Piers 30/32, San Francisco	Residence Inn, San Jose
Holiday Inn-Golden Gateway, San Francisco	Portman Hotel, San Francisco	Residence Inn & SpringHill Suites, Prop., San Jose
Holiday Inn, Proposed, San Francisco	Prescott Hotel and Postrio Restaurant, San Francisco	Marriott Hotel, San Jose
Holiday Inn-SFO, San Francisco	Presidio Travelodge, San Francisco	Sierra Suites, Proposed, San Jose
Holiday Inn Select Financial District, San Francisco	Queen Anne Hotel, San Francisco	Springhill Suites, San Jose
Holiday Lodge, San Francisco	Radisson Hotel at Fisherman's Wharf, San Francisco	Starwood Hotel Proposed, San Jose
Hotel Abri, San Francisco	Ramada Inn Fisherman's Wharf, San Francisco	TownePlace Suites by Marriott, San Jose
Hotel Adagio Union Square, San Francisco	Ramada Inn at Union Square, San Francisco	Winchester Boulevard Site, Prop., San Jose
Hotel Bijoux, San Francisco	Ramada Plaza Hotel, San Francisco	Residence Inn, San Juan Capistrano
Hotel Cosmo, San Francisco	Red Roof Inn & Studio 6, Prop., San Francisco	Islander Lodge Motel, San Leandro
Hotel Diva, San Francisco	Regis Hotel, San Francisco	Marina Inn on San Francisco Bay, San Leandro
Hotel Frank, San Francisco	Renaissance ClubSport, Prop., San Francisco	Apple Farm Inn, San Luis Obispo
Hotel Griffon, San Francisco	Renaissance Parc 55, San Francisco	Embassy Suites Hotel, San Luis Obispo
Hotel Kabuki, San Francisco	Renaissance Stanford Court Hotel & Parking Garage, San Francisco	Holiday Inn Express, San Luis Obispo
Hotel Majestic, San Francisco	Renoir Hotel, San Francisco	Pacific Suites Hotel, San Luis Obispo
Hotel Monaco, San Francisco	Residence Inn, Proposed, San Francisco	Quality Suites, San Luis Obispo
Hotel Nikko, San Francisco	Richelieu Hotel, San Francisco	Sycamore Mineral Springs Resort, San Luis Obispo
Hotel Palomar, San Francisco	Ritz-Carlton, Proposed, San Francisco	Twin Oaks Golf Course, San Marcos
Hotel, Proposed, San Francisco	Rosewood Hotel, San Francisco	Benjamin Franklin Hotel, San Mateo
Proposed Hotel Component of a Mixed-Use Project, San Francisco	San Francisco Airport Hilton, San Francisco	Dunfey Hotel, San Mateo
Hotel Rex, San Francisco	San Francisco Hotel, San Francisco	Extended-Stay Hotel, Prop., San Mateo
Hotel Triton, San Francisco	San Francisco Wharf Retail, San Francisco	Holiday Inn, San Mateo
Hotel Union Square, San Francisco	Savoy Hotel, San Francisco	Holiday Inn Express, San Mateo
Hotel Vintage Court, San Francisco	Serrano Hotel, San Francisco	Hotel, Proposed, San Mateo
Hotel Whitcomb, San Francisco	Shangri-La Hotel, Prop., San Francisco	Marriott San Mateo (SFO), San Mateo
Howard Johnson's Pickwick Hotel, San Francisco	Shannon Court Hotel, San Francisco	Residence Inn by Marriott, San Mateo
Huntington Hotel, San Francisco	Sheraton Fisherman's Wharf, San Francisco	Villa Hotel, San Mateo
Hyatt at Fisherman's Wharf, San Francisco	Sir Francis Drake Hotel, San Francisco	DoubleTree Hotel, San Pedro
Hyatt Regency Embarcadero, San Francisco	St. Regis Hotel, Prop. & Existing, San Francisco	Hilton Hotel, San Pedro
Inn at 2961 Pacific Avenue, Prop., San Francisco	Steinhart Hotel, San Francisco	Embassy Suites, San Rafael
Inn at Fisherman's Wharf, Prop., San Francisco	Super 8 Motel at Fisherman's Wharf	Extended Stay Hotel, San Rafael
Inn at the Opera, San Francisco	Taj Campton Place Hotel, San Francisco	Four Points by Sheraton, San Rafael
InterContinental Hotel, San Francisco	Transcontinental Majestic Hotel, San Francisco	Hotel, Proposed, San Ramon
Juliana Hotel, San Francisco	Triton Hotel, San Francisco	Marriott Hotel, San Ramon
JW Marriott Hotel, San Francisco	Tuscan Inn, San Francisco	Residence Inn, San Ramon
King George Hotel, San Francisco	Villa Florence & Kuleto's, San Francisco	Sierra Suites Hotel, Prop. and Existing, San Ramon
King Street Hotel, Prop., San Francisco	Westin Hotel Market Street, San Francisco	California Palms, Santa Ana
Lambourne Hotel, San Francisco	Westin St. Francis Hotel, San Francisco	Compri Hotel, Santa Ana
Langham Hotel, Prop., San Francisco	Whitehall Inn, San Francisco	Embassy Suites, Santa Ana
Leased Land - 495 Geary Street, San Francisco	Courtyard by Marriott SFO, San Francisco	Executive Lodge, Santa Ana
Le Meridien Hotel, San Francisco	Hilton Los Angeles San Gabriel, San Gabriel	Orange County Ramada Hotel, Santa Ana
The Majestic, San Francisco	300-Room Hotel Site, San Jose	Quality Suites, Santa Ana
Mandarin Hotel, San Francisco	400-Room Hotel Site, San Jose	Westin Hotel, Proposed, Santa Ana
Mark Twain Hotel, San Francisco	Clarion San Jose Airport, San Jose	Woolley's Petite Suites, Santa Ana
	Crowne Plaza, San Jose	Bacara Resort & Spa, Santa Barbara
	DoubleTree by Hilton Hotel, San Jose	Best Western Beachside Inn, Santa Barbara



PROPERTIES - CONTINUED

* Denotes Gaming Property

Canary Hotel, Santa Barbara	Flamingo Hotel, Santa Rosa	Good Nite Inn, Sylmar
El Encanto Hotel & Garden Villas, Santa Barbara	Fountain Grove Inn, Santa Rosa	Embassy Suites, Temecula
Fess Parker's DoubleTree Resort, Santa Barbara	Hilton Sonoma County, Santa Rosa	Ramada Inn, Temecula
Fess Parker's El Marisol Resort, Prop., Santa Barbara	Holiday Inn, Santa Rosa	Temecula Inn, Temecula
Fess Parker's Red Lion Resort, Santa Barbara	Hyatt Vineyard Creek, Santa Rosa	Lodge at Tiburon, Tiburon
Four Seasons Biltmore Resort, Santa Barbara	Alta Mira Hotel, Sausalito	Conference Center, Proposed, Torrance
Holiday Inn Express, Santa Barbara	Casa Madrona Hotel, Sausalito	Hilton Hotel, Torrance
Hotel Oceana, Santa Barbara	Horizons Restaurant, Sausalito	Holiday Inn Torrance, Torrance
Miramar Hotel, Santa Barbara	Poggio Restaurant, Sausalito	Residence Inn, Torrance
Montecito Inn, Santa Barbara	Lexington Hotel, Proposed, Scotts Valley	Larkspur Hotel Truckee Tahoe, Truckee
Ramada Inn & IHOP Restaurant, Santa Barbara	Days Inn Seaside, Seaside	Northstar California Resort, Truckee
Resort Hotel, Santa Barbara	Embassy Suites, Seaside	Ritz-Carlton Highlands Lake Tahoe, Truckee
Santa Barbara Inn, Santa Barbara	Four-Star Hotel/Fairmont Hotel, Prop., Seaside	Hilton Garden Inn, Proposed, Tulare
Santa Barbara Club Resort & Spa, Santa Barbara	Holiday Inn Express, Seaside	Hilton Hotel, Universal City
San Ysidro Ranch, Santa Barbara	Seaside 8, Seaside	MCA Hotel, Proposed, Universal City
Waterfront Vacant Land, Santa Barbara	Radisson Valley Center Hotel, Sherman Oaks	Sheraton Universal, Universal City
Avatar Hotel, Santa Clara	Ramada Inn, Solana Beach	Hotel, Proposed, Upland
Budget Inn, Santa Clara	Danish Country Inn, Solvang	Courtyard by Marriott, Vacaville
Embassy Suites, Santa Clara	Best Western Sonoma Valley Inn, Sonoma	Holiday Inn Express & Suites, Vacaville
Hilton Silicon Valley, Santa Clara	Fairmont Sonoma Mission Inn, Sonoma	Extended-Stay Hotel, Proposed, Valencia
Holiday Inn Great America, Santa Clara	Hilton Hotel Sonoma, Sonoma	Hilton Garden Inn Valencia Six Flags, Valencia
Hotel Sierra, Santa Clara	MacArthur Place, Sonoma	Holiday Inn, Vallejo
Howard Johnson's Hotel, Santa Clara	Red Lion Inn, Sonoma	Hotel ClubSport, Prop., Vallejo
Hyatt Regency, Santa Clara	Renaissance The Lodge at Sonoma, Sonoma	Lodging Facility, Prop., Valley Springs
Marriott Hotel, Santa Clara	Sonoma Valley Inn, Sonoma	Airtel Plaza Hotel, Van Nuys
Quality Suites, Santa Clara	Hardage Suites Hotel Site, Sorrento Mesa	Holiday Inn, Van Nuys
Sierra Suites, Santa Clara	Woodfin Suites Hotel, Prop. and Existing, Sorrento Mesa	Hotel Van Nuys, Van Nuys
Summerfield Suites, Santa Clara	Embassy Suites Hotel, South Lake Tahoe	Inn at Venice Beach, Venice Beach
TownePlace Suites, Santa Clara	St. Christopher Motel, South Lake Tahoe	La Quinta Inn, Ventura
Westin Santa Clara, Santa Clara	Timberwolf Lodge, South Lake Tahoe	Habortown Marina Resort, Ventura
Woodcrest Hotel, Santa Clara	Crown Sterling Suites, South San Francisco	Ocean Resorts/Habortown Hotel, Ventura
Fairfield Inn, Santa Clarita	Goodnite Inn, South San Francisco	Sheraton Hotel, Ventura
Hampton Inn, Santa Clarita	Grosvenor Hotel, South San Francisco	Hilton Garden Inn, Victorville
Residence Inn, Santa Clarita	Hilton Garden Inn, South San Francisco	Quality Inn & Suites Green Tree, Victorville
Coast Santa Cruz Hotel, Santa Cruz	Holiday Inn, South San Francisco	Holiday Inn, Visalia
Dream Inn, Santa Cruz	La Quinta Inn, South San Francisco	Hotel, Proposed, Visalia
Hilton Scotts Valley, Santa Cruz	Larkspur Landing Hotel, South San Francisco	Radisson Hotel, Visalia
Inn at Pasatiempo, Santa Cruz	Marriott Hotel, Prop., South San Francisco	La Quinta Inn, Vista
Dream Inn, Santa Cruz	Ramada Inn, South San Francisco	110-Room Boutique Hotel, Prop., Walnut Creek
Motel 6, Santa Maria	Renaissance ClubSport, Prop., South San Jose	Broadway Hotel, Proposed, Walnut Creek
Santa Maria Airport Hilton, Santa Maria	390-Room Hotel, Prop., South San Francisco	Embassy Suites, Walnut Creek
Best Western Ocean View, Santa Monica	Travelodge Hotel SFO North, South San Francisco	Holiday Inn, Walnut Creek
Ambrose Hotel, Santa Monica	Hotel, Proposed, Squaw Valley	Proposed Hotel, Walnut Creek
Boutique Hotel, Proposed, Santa Monica	Harvest Inn, St. Helena	Marriott Hotel, Walnut Creek
Casa Del Mar, Santa Monica	Meadowood Resort, St. Helena	Parkside Hotel, Walnut Creek
EconoLodge, Proposed, Santa Monica	La Quinta Inn, Stockton	Renaissance ClubSport, Prop. and Existing, Walnut Creek
Fairmont Miramar Hotel, Santa Monica	Motel Orleans, Stockton	Argyle Hotel, West Hollywood
Holiday Inn at the Pier, Santa Monica	Radisson Hotel, Stockton	Chamberlain Hotel, West Hollywood
Hotel Shangri-La, Santa Monica	Sheraton Hotel, Prop., Stockton	Hyatt West Hollywood, West Hollywood
Huntley Hotel, Santa Monica	Stockton Hilton, Stockton	Le Bel Age, West Hollywood
Loews Santa Monica Beach Hotel, Santa Monica	Holiday Inn Express, Prop., Sun City	Le Dufy, West Hollywood
Ocean Avenue Hotel, Santa Monica	AC Hotel, Proposed, Sunnyvale	Le Montrose, West Hollywood
Ocean View Hotel, Santa Monica	Courtyard by Marriott, Prop., Sunnyvale	Mondrian Hotel, West Hollywood
Pacific Shore Hotel, Santa Monica	Domain Hotel, Sunnyvale	Ramada Hotel, West Hollywood
Park Hyatt Hotel, Santa Monica	Holiday Inn, Sunnyvale	Summerfield Suites, West Hollywood
Sheraton Miramar Hotel, Santa Monica	Hotel, Proposed, Sunnyvale	Sunset & Doheny Hotel and Residences, Proposed, West Hollywood
Shutters at the Beach, Santa Monica	Neighborhood Suites Hotel, Sunnyvale	Sunset Marquis, West Hollywood
Travelodge, Santa Monica	The Grand Hotel, Proposed, Sunnyvale	Sunset Tower Hotel, West Hollywood
Viceroy Hotel, Santa Monica	Larkspur Landing Hotel, Sunnyvale	Wyndham Bel Age, West Hollywood
Holiday Inn, Santa Nella	Radisson Inn, Sunnyvale	Golden Pheasant, Willows
Courtyard by Marriott, Santa Rosa	Residence Inn Silicon Valley II, Sunnyvale	Microtel Inn & Suites, Willows
	Select-Service Hotel, Proposed, Sunnyvale	Whittier Hilton, Whittier
	Sunnyvale Hilton, Sunnyvale	Hotel, Proposed, Whittier
	Super 8, Sunnyvale	



PROPERTIES - CONTINUED

* Denotes Gaming Property

Hotel, Proposed, Windsor
Hotel, Proposed, Woodland
Woodland Hotel & Conference Center, Prop., Woodland
Courtyard by Marriott, Woodland Hills
Marriott Warner Center, Woodland Hills
Skylonda Retreat, Woodside
Marriott Tenaya Lodge, Prop., Yosemite
Bardessono Inn, Yountville
Luxury Hotel, Proposed, Yountville
Napa Valley Lodge, Yountville
Vintage Estate, Yountville
Bonanza & Convention Center, Yuba City
Hampton Inn & Suites, Yuba City
Motel Orleans, Yuba City

Colorado

Hotel Jerome, Aspen
St. Regis Hotel, Aspen
Hampton Inn, Aurora
Holiday Inn Southeast, Aurora
Red Lion Denver Southeast, Aurora
*Isle of Capri Casino Hotel, Black Hawk
Downtown Boulder Hotel, Boulder
Embassy Suites, Boulder
Hilton Harvest House, Boulder
Holiday Inn, Boulder
Hotel Boulderado, Boulder
St. Julien Hotel and Spa, Boulder
*Casino Hotel, Proposed, Central City
*Imperial Casino, Cripple Creek
Best Western Le Baron Hotel, Colorado Springs
*Colorado Grande Casino, Colorado Springs
Crowne Plaza, Colorado Springs
*Double Eagle Casino Hotel, Prop., Colorado Springs
DoubleTree Hotel, Colorado Springs
Embassy Suites, Colorado Springs
Great Wolf Lodge, Proposed, Colorado Springs
Hilton, Colorado Springs
Hyatt House, Colorado Springs
Brown Palace, Denver
Embassy Suites, Denver
Executive Tower Hotel, Denver
Hotel Monaco, Denver
Hotel Teatro, Denver
JW Marriott, Denver
Le Baron Hotel, Denver
Pepsi Center, Denver
Radisson, Denver
Sheraton Hotel, Denver
Best Western Rio Grande Inn, Durango
SilverLeaf Suites / Hawthorn Suites by Wyndham, Eagle
Denver Hilton, Englewood
Sheraton Denver Tech Center Hotel, Englewood
Holiday Inn, Fort Collins
Comfort Suites Denver Golden, Golden
Hotel Palomar, Proposed, Greenwood
Summerfield Suites, Prop., Greenwood Village
Residence Inn, Highlands Ranch
Courtyard by Marriott Denver Southwest Lakewood, Lakewood
Extended StayAmerica, Lakewood
Hampton Inn, Proposed, Lakewood

Residence Inn by Marriott Denver Southwest Lakewood, Lakewood
Homewood Suites by Hilton Denver Littleton, Littleton
Marriott Hotel, Pueblo
Silvertree Hotel, Snowmass
Wildwood Lodge, Snowmass
Four Seasons Resort Vail, Vail
Westin Hotel, Vail
DoubleTree Denver Westminster, Westminster

Connecticut

Holiday Inn Danbury Bethel, Danbury
Holiday Inn, Darien
Days Inn, Proposed, Enfield
Hartford Hilton, Hartford
Motel 6, Hartford
Residence Inn by Marriott Hartford Manchester, Manchester
Residence Inn, Meriden
Dolce Norwalk Conference Center, Norwalk
Executive Hotel, Stamford
Harley Hotel, Stamford
Holiday Inn-Crowne Plaza, Stamford
DoubleTree Denver North, Westminster
Inn at National Hall, Westport
Fairfield Inn, Windsor Locks

Delaware

Hampton Inn, Milford

District of Columbia

ANA Hotel
Club Quarters Hotel
Courtyard Washington Embassy Row
DoubleTree Guest Suites
DoubleTree Hotel Conversion
Embassy Suites Hotel
Fairmont Hotel
Four Seasons Hotel Washington
Grand Hyatt
Harambee House
Hotel Monaco
Hyatt Regency
Hyatt Regency Washington on Capitol Hill
J.W. Marriott Hotel
Marriott Metro Center
Monarch Hotel
Park Hyatt Washington
Renaissance Mayflower
Residence Inn
Ritz-Carlton Washington
Ritz-Carlton-Georgetown
River Inn
Sheraton Washington Hotel
Sofitel Lafayette Square
St. James
St. Regis Hotel
Washington Court Hotel
Washington Terrace Hotel
Westin Embassy Row
Westin City Center

Florida

Holiday Inn, Altamonte Springs

SpringHill Suites Orlando Altamonte Springs Maitland, Altamonte Springs
Boca Raton Marriott at Boca Center, Boca Raton
Embassy Suites, Boca Raton
Marriott Hotel at Crocker Center, Boca Raton
Petite Suites, Boca Raton
Renaissance, Boca Raton
Homestead Studio Suites, Branchburg
Clarion Inn & Suites, Clearwater
Country Inn & Suites, Cape Canaveral
Best Western Sea Wake Resort, Clearwater
Homestead Studio Suites, Clearwater
Holiday Inn, Clearwater
Holiday Inn Gulfview, Clearwater
Sheraton Sand Key Resort, Clearwater
Holiday Inn Surfside, Clearwater Beach
Hyatt Hotel, Coral Gables
Hotel, Proposed, Dania Beach
Homestead Studio Suites, Davie
Extended Stay Deluxe International Speedway, Daytona Beach
Marriott Doral Golf Resort and Spa, Doral
DoubleTree by Hilton Bahia Mar Ft. Lauderdale Beach, Ft. Lauderdale
DoubleTree Oceanfront, Ft. Lauderdale
Galleria DoubleTree Guest Suites, Ft. Lauderdale
Hilton Fort Lauderdale Airport, Ft. Lauderdale
Holiday Inn, Ft. Lauderdale
Marriott Fort Lauderdale North, Ft. Lauderdale
Sheraton Suites Cypress Creek, Ft. Lauderdale
Westin Hotel, Fort Lauderdale
Best Western Ft. Meyers Island Gateway, Ft. Meyers
Pink Shell Beach Resort, Ft. Meyers Beach
Fairfield Inn, Gainesville
SpringHill Suites by Marriott, Gainesville
DoubleTree Guest Suites Melbourne Beach - Oceanfront, Indialantic
Cheeca Lodge & Spa, Islamorada
Days Inn Jacksonville South, Jacksonville
Hyatt Regency Jacksonville Riverfront, Jacksonville
Residence Inn Butler Boulevard, Jacksonville
Sea Turtle Inn, Jacksonville
Suburban Extended Stay Bay Meadows, Jacksonville
La Quinta Inn, Jupiter
Wyndham Casa Marina Resort, Key West
EconoLodge Hawaiian Resort, Kissimmee
Holiday Inn - Maingate, Kissimmee
Quality Suites The Royale Parc Suites, Kissimmee
Ramada Resort - Maingate, Kissimmee
Best Western, Lake Buena Vista
Hilton Walt Disney World Resort, Lake Buena Vista
Grosvenor Hotel, Lake Buena Vista
Woodfin Suite Hotel, Prop., Lake Buena Vista
Hampton Inn, Lakeland
Hilton Garden Inn, Lakeland
Candlewood Suites, Lake Mary
Holiday Inn-Madeira, Madeira Beach
Radisson Hotel, Marco Island



PROPERTIES - CONTINUED

* Denotes Gaming Property

Hilton Melbourne Beach Oceanfront, Melbourne
Hilton Melbourne at Rialto Place, Melbourne
Quality Suites, Melbourne
Melbourne Suites Beach Resort, Melbourne
b2Hotel, Proposed, Miami
Casa Casuarina, Miami
Doral Saturnia International Spa Hotel, Miami
Fairfield Inn International, Miami
Fairfield Inn South, Miami
*Flagler Dog Track & Magic City Casino, Miami
Garden Hotel South Beach, Miami
Hilton Miami Airport, Miami
Hilton Miami Downtown, Miami
Holiday Inn-Calder, Miami
InterContinental Hotel, Miami
Marquis Tower, Miami
Ritz-Carlton South Beach, Miami
Sofitel Miami Airport, Miami
Deauville Beach Resort, Miami Beach
Eden Roc, Miami Beach
Hilton Cabana Miami Beach, Prop., Miami Beach
Miami Beach Resort & Spa, Miami Beach
Buena Vista Resort Hotel, Prop., Orlando
Courtyard Marriott Village, Orlando
Fairfield Inn, Orlando
Hampton Inn, Orlando
Hawthorn Suites Orlando Airport, Orlando
Holiday Inn Express Suites Orlando International Airport, Orlando
Hyatt Regency Grand Cypress, Orlando
Fairfield Inn Marriott Village, Orlando
Peabody Hotel, Orlando
Sheraton Jetport Inn, Orlando
Sheraton Lakeside, Orlando
SpringHill Suites Marriott Village, Orlando
Staybridge Suites Orlando South, Orlando
Days Inn / Scottish Inn, Ormond Beach
Holiday Inn, Palm Beach Gardens
DoubleTree Hotel, Palm Beach Gardens
PGA National Resort, Palm Beach Gardens
Suburban Extended Stay Hotel, Pensacola
Plantation Sheraton Suites, Plantation
Marriott Ocean Point Beach Resort, Prop. & Existing, Pompano Beach
Amrit Resort and Residences, Riviera Beach
Hilton Garden Inn Tampa Southeast, Riverview
Castillo Real, St. Augustine
Renaissance Resort World Golf Village, St. Augustine
Holiday Inn-Lido Beach, Sarasota
SpringHill Suites by Marriott, Sarasota
DoubleTree Tallahassee, Tallahassee
Homestead Studio Suites, Tamarac
Chase Suite Hotel, Tampa
Crowne Plaza Hotel Tampa East, Tampa
Embassy Suites, Tampa
Hampton Inn Tampa Veterans Expressway
Hilton Tampa Airport Westshore, Tampa
Holiday Inn-Airport, Tampa
*Holiday Inn Express Tampa Fairgrounds Casino, Tampa
Homestead Studio Suites, Tampa
Prop. Hotel Next to Times Forum Arena, Tampa

Mainsail Suites Hotel & Conf. Center, Tampa
Ramada Inn, Tampa
Renaissance Tampa Hotel International Plaza, Tampa
Tahitian Inn, Tampa
Westin Tampa Harbour Island, Tampa
Wyndham Westshore Hotel, Tampa
Holiday Inn & Suites, Tarpon Springs
Hampton Inn & Suites Venice Bayside South Sarasota, Venice
Hyatt Regency Bonaventure Resort & Spa, Weston

Georgia

Holiday Inn Express Albany, Albany
Homewood Suites, Alpharetta
Sierra Suites Hotel, Proposed, Alpharetta
Courtyard by Marriott Windy Hill, Atlanta
Crowne Plaza Atlanta-Ravinia, Atlanta
Fairfield Inn, Atlanta
Hilton Atlanta, Atlanta
Holiday Inn Express Hotel & Suites Atlanta Buckhead, Atlanta
Red Roof Inn Atlanta Druid Hills, Atlanta
Fairfield Inn, Atlanta
Hilton Atlanta, Atlanta
Hilton Garden Inn Winward, Atlanta
Holiday Inn Atlanta Downtown, Atlanta
Hyatt-Airport, Proposed, Atlanta
Marriott Atlanta Downtown, Atlanta
Motel 6, Atlanta
Neighborhood Inn, Atlanta
Residence Inn, Atlanta
Residence Inn Atlanta Buckhead at Lenox Park, Atlanta
Residence Inn Atlanta Midtown, Atlanta
Residence Inn, Perimeter West Atlanta, Atlanta
Sheraton Suites Galleria, Atlanta
Stouffer's Hotel-Proposed, Atlanta
Westin Peachtree Plaza, Atlanta
W Hotel Buckhead, Atlanta
Homewood Suites, Augusta
Fairfield Inn, College Park
Hilton Garden Inn, College Park
Holiday Inn-Crowne Plaza, College Park
Marriott Atlanta Airport Gateway, College Park
SpringHill Suites by Marriott Atlanta Airport Gateway, College Park
Fairfield Inn-Gwinnett, Duluth
Wellesley Inn & Suites Atlanta/Gwinnett, Duluth
Howard Johnson's, Forsyth
Sun Suites of Gainesville, Gainesville
Country Inn & Suites, Hiram
Fairfield Inn, Kennesaw
SpringHill Suites, Kennesaw
Development, Proposed, Lake Lanier
Hampton Inn, Lawrenceville
Candlewood Suites, Lithia Springs
Hilton Garden Inn, Lithonia
Courtyard by Marriott I-75 North, Marietta
Fairfield Inn, Marietta
Hyatt Hotel, Marietta
Hyatt Regency Suites, Marietta
Fairfield Inn, Morrow

Courtyard by Marriott Peachtree Corners, Norcross
Fairfield Inn, Norcross
Homestead Studio Suites, Norcross
Motel 6, Norcross
Brookwood Inn, Roswell
Fairfield Inn, Savannah
TownePlace Suites by Marriott, Savannah
Westin Savannah Harbor, Savannah
Hampton Inn Southlake, Southlake
Melhana - The Grand Plantation, Thomasville
Courtyard, Tifton

Hawaii

Development, Hokukano Ranch, Prop., Mauna Loa, Hawaii
Fairmont Orchid Hotel, Kohala Coast, Hawaii
Hotel, Condo Hotel, Fractional & Timeshare Development, Prop., Hawaii
Courtyard by Marriott King Kamehameha's Kona Beach Hotel, Kailua-Kona, Hawaii
Holiday Inn Express & Suites Kailua-Kona, Hawaii
Sheraton Keauhou Bay Resort, Kailua-Kona, Hawaii
Sheraton Princess, Kailua, Hawaii
Mandarin Oriental Hotel, Prop., Ko Olina, Hawaii
Ritz-Carlton Mauna-Lani, South Kohala, Hawaii
Hilton Waikoloa Village, Waikoloa, Hawaii
Marriott Waikoloa Beach Resort, Waikoloa, Hawaii
Aloha Beach Resort Kauai, Kapa'a, Kaua'i
ResortQuest Kauai Beach at Makaiwa, Kapa'a, Kauai
Hyatt Timeshare Resort, Prop., Kapa'a, Kaua'i
Marriott Kauai Resort, Lihue, Kaua'i
Coco Palms Resort, Wailua, Kauai
Courtyard Kauai @ Waipouli Beach, Kapa'a, Kauai
Kauai Coconut Beach Hotel, Kapa'a, Kaua'i
ResortQuest Kauai Beach at Makaiwa, Kapa'a, Kaua'i
Timeshare Resort, Prop., Kapa'a, Kaua'i
Kiahuna Plantation, Poipu Beach, Kaua'i
Makai Golf Course, Princeville, Kaua'i
St. Regis Princeville Resort Hotel, Princeville, Kaua'i
Westin Kaua'i at Kauai Lagoons Resort, Kaua'i
Challenge at Manele Golf Course, Lana'i City, Lana'i
Experience at Koele Golf Course, Lana'i City, Lana'i
Four Seasons Resort Lanai at Manele Bay, Lana'i City, Lana'i
Four Seasons Resort Lana'i, The Lodge at Koele, Lana'i City, Lana'i
Royal Palm Resort, Haikui, Maui
Hilo Hawaiian Hotel, Hilo, Maui
Condo-Hotel, Prop., Ka'anapali, Maui
Courtyard by Marriott Maui Kahului Airport, Kahului, Maui
Kapalua Bay Hotel, Kapalua, Maui
Ritz-Carlton Kapalua, Kapalua, Maui
Maui Coast Hotel, Kihei, Maui
Maui Oceanfront Inn, Kihei, Maui



PROPERTIES - CONTINUED

* Denotes Gaming Property

Embassy Suites, Lahaina, Maui
 Sheraton Maui Resort & Spa, Lahaina, Maui
 Lumeria Maui Resort, Makawao, Maui
 Coco Palms Resort, Wailea, Maui
 Fairmont Kea Lani Resort, Wailea, Maui
 Four Seasons Maui at Wailea, Wailea, Maui
 Grand Wailea Resort and Spa, Wailea, Maui
 Marriott Wailea Beach Resort & Spa, Wailea, Maui
 Kea Lani Resort, Wailea, Maui
 Wailea Marriott, Wailea, Maui
 W Resort, Prop., Wailea, Maui
 Courtyard by Marriott Waikiki Beach, Honolulu, Oahu
 DoubleTree Alana Waikiki Hotel, Honolulu, Oahu
 Elks/Outrigger Canoe Club Ground Lease Rent Renegotiation, Honolulu, Oahu
 Equus Hotel, Honolulu, Oahu
 Hawaii Gateway Hotel, Honolulu, Oahu
 Hilton Hawaiian Village Waikiki Beach Resort, Honolulu, Oahu
 Holiday Inn Waikiki Beachcomber, Honolulu, Oahu
 Hotel, Proposed, Honolulu, Oahu
 Proposed Hotel at King Kalakaua Plaza, Honolulu, Oahu
 Hyatt Regency Waikiki, Honolulu, Oahu
 Ilikai Hotel, Honolulu, Oahu
 Kahala Mandarin Oriental Hotel, Honolulu, Oahu
 Marriott Waikiki Beach Resort, Honolulu, Oahu
 Miramar Hotel, Honolulu, Oahu
 Moana Surfrider Westin Resort & Spa, Honolulu, Oahu
 Modern Honolulu, Honolulu, Oahu
 Ocean Resort Hotel, Honolulu, Oahu
 Ohana Waikiki West, Honolulu, Oahu
 Outrigger East Hotel, Honolulu, Oahu
 Outrigger Reef Hotel, Honolulu, Oahu
 Outrigger Waikiki Hotel, Honolulu, Oahu
 Outrigger West Hotel, Honolulu, Oahu
 Pacific Beach Hotel, Honolulu, Oahu
 Park Shore Hotel, Honolulu, Oahu
 Royal Hawaiian Hotel, Honolulu, Oahu
 Sand Villa Hotel, Honolulu, Oahu
 Sheraton Princess Kaiulani, Honolulu, Oahu
 Sheraton Waikiki, Honolulu, Oahu
 Waikiki Beachcomber Hotel, Honolulu, Oahu
 Waikiki Gateway Hotel, Honolulu, Oahu
 Waikiki Sand Villa Hotel, Honolulu, Oahu
 Turtle Bay Resort, Kahuku, Oahu
 Four Seasons Oahu at Ko Olina Resort and Spa, Proposed (formerly JW Marriott Ihilani Hotel), Kapolei, Oahu
 Ritz-Carlton Hotel, Prop., Kapolei, Oahu

Idaho

DoubleTree Boise Riverside, Boise
 Hilton Garden Inn, Proposed, Boise
 Holiday Inn, Boise
 Red Lion ParkCenter Suites, Boise
 Shilo Inn-Boise Riverside, Boise
 Extended StayAmerica, Burr Ridge
 Motel 6, Coeur d'Alene
 Resort Development, Coeur d'Alene

Shilo Inn, Coeur d'Alene
 Fairfield Inn & Suites, Prop., Idaho Falls
 Shilo Inn Suites Hotel, Idaho Falls
 Warm Springs Ranch Resort, Ketchum
 Shilo Inn, Nampa
 Shilo Inn Suites, Nampa
 Cavanaugh's Pocatello Hotel, Pocatello
 Cotton Tree Inn, Pocatello
 Red Lion Pocatello, Pocatello
 Best Western Cavanaugh, Post Falls
 Red Lion Templin's Hotel, Post Falls
 Hotel Ketchum, Proposed, Sun Valley
 Lodging Facility, Proposed, Sun Valley
 Comfort Inn & Suites, Twin Falls
 Fairfield Inn by Marriott, Prop., Twin Falls

Illinois

*Hollywood Casino, Aurora
 Indian Lakes Resort, Bloomington
 Jumer's Chateau, Bloomington
 Super 8 Motel, Bloomington
 Holiday Inn & Suites, Bolingbrook
 Super 8 Motel, Champaign
 Amalfi Hotel, Chicago
 Burnham Hotel, Chicago
 Canopy Hotel, Proposed, Chicago
 City Suites Hotel, Chicago
 DoubleTree by Hilton Chicago Magnificent Mile, Chicago
 Fairmont Hotel, Chicago
 Hard Rock Hotel, Chicago
 Hilton Chicago and Towers, Chicago
 Hotel Allegro, Chicago
 Hotel Monaco, Chicago
 Hotel Palomar, Chicago
 House of Blues, Chicago
 Hyatt at University Village, Chicago
 Hyatt Regency McCormick Place Extension, Chicago
 InterContinental Hotel, Chicago
 James Hotel, Chicago
 JW Marriott, Chicago
 Luxury Boutique Hotel, Proposed, Chicago
 Majestic Hotel, Chicago
 Mayfair Regent, Chicago
 Omni Chicago Suites, Chicago
 Palmer House Hilton, Chicago
 Peninsula Hotel, Chicago
 Radisson Hotel, Proposed, Chicago
 Residence Inn, Proposed, Chicago
 Sofitel Chicago Water Tower Hotel, Chicago
 Talbott Hotel, Chicago
 Westin Hotel River North, Chicago
 Westin Michigan Avenue, Chicago
 Willows Hotel, Chicago
 Wit, a DoubleTree Hotel, Chicago
 Woodfin Suite Hotel, Proposed, Chicago
 Super 8 Motel, Crystal Lake
 Marriott Suites, Deerfield
 Super 8 Motel, Decatur
 Doubletree Club, Des Plaines
 Hotel, Proposed, Des Plaines
 Sheraton Suites O'Hare, Des Plaines
 Radisson Suites, Downers Grove
 Hampton Inn, Elk Grove
 Holiday Inn, Elmhurst

Orrington Hotel, Evanston
 Drury Inn, Fairview Heights
 Eagle Ridge Inn & Resort, Galena
 Jumer's Continental Inn, Galesburg
 DoubleTree Glenview, Glenview
 Red Roof Inn Chicago Hoffman Estates, Hoffman Estates
 Westin Hotel & ClubSport, Prop., Hoffman Estates
 Wyndham Indianapolis, Indianapolis
 Nordic Hills Resort & Conference Center, Itasca
 Wyndham Northwest Chicago, Itasca
 *Empress Hotel & Casino, Joliet
 Holiday Inn, Joliet
 Marriott Lincolnshire Resort, Lincolnshire
 Wyndham Hotel Isle, Lisle
 Full-Service Hotel, Proposed, Moline
 Fairfield Inn, Normal
 Oak Brook Hills Resort, Oak Brook
 *Casino Hotel, Proposed, Paxton
 Econo Lodge Inn & Suites, Peoria
 Fairfield Inn, Peoria
 Jumer's Castle, Peoria
 Mark Twain Hotel & Packard Plaza Catering Hall, Peoria
 Super 8 Motel, Peru
 Fairfield Inn, Rockford
 Best Western O'Hare, Rosemont
 InterContinental Chicago O'Hare, Rosemont
 Pheasant Run Resort & Convention Center, St. Charles
 Marriott Hotel, Schaumburg
 Woodfin Suite Hotel, Prop., Schaumburg
 Wyndham Garden Hotel, Schaumburg
 DoubleTree Hotel North Shore, Skokie
 Luxury Full-Service Boutique Hotel at Village of Sugar Grove, Proposed, Sugar Grove
 Hampton Inn, Urbana
 Jumer's Castle, Urbana
 Super 8 Motel, Waukegan
 Holiday Inn, Willowbrook
 Wyndham Garden Hotel, Wood Dale

Indiana

Courtyard Hotel, Bloomington
 Fairfield Inn, Bloomington
 Super 8 Motel, Columbus
 Marriott Airport Hotel, Evansville
 Fairfield Inn, Fort Wayne
 Hampton Inn Fort Wayne Dupont Road, Fort Wayne
 Marriott Hotel, Fort Wayne
 TownePlace Suites by Marriott Fort Wayne North, Fort Wayne
 French Lick Springs Resort, French Lick
 *Majestic Star Casino I and II, Gary
 Sheraton Hotel, Gary
 *Empress Casino, Hammond
 *Caesars Riverboat Casino Complex, Proposed, Harrison County
 Canopy by Hilton, Proposed, Indianapolis
 Conrad Hotel & Condos, Prop., Indianapolis
 Convention Center Headquarters Hotel, Proposed, Indianapolis
 Embassy Suites Downtown, Indianapolis
 Fairfield Inn & Suites, Indianapolis



PROPERTIES - CONTINUED

** Denotes Gaming Property*

Four Points Sheraton, Indianapolis
Full-Service Boutique Hotel, Prop., Indianapolis
Hotel, Proposed, Indianapolis
Hotel at the Indianapolis Speedway, Proposed, Indianapolis
Motel 6, Indianapolis
Residence Inn by Marriott Indianapolis Airport, Indianapolis
University Place Hotel, Indianapolis
Westin Hotel, Indianapolis
Woodfin Suite Hotel, Prop., Indianapolis
Wyndham Garden Hotel, Indianapolis
Hilton Inn, Jeffersonville
Cambria Suites, Plainfield
DoubleTree by Hilton, South Bend
Marriott Hotel, South Bend
*Belterra Casino Hotel, Vevrey
Holiday Inn, Willowbrook

Iowa

*Prop. Hotel at Prairie Meadows Racetrack and Casino, Altoona
Gateway Hotel & Conference Center, Ames
Hilton Garden Inn Ames, Ames
Jumers Castle Lodge, Bettendorf
Holiday Inn, Cedar Falls
Collins Plaza, Cedar Rapids
Fairfield Inn, Cedar Rapids
Fairfield Inn, Clive
Coralville Marriott Hotel, Coralville
*Ameristar Casino, Council Bluffs
*Bluffs Run Casino and Dog Track, Council Bluffs
*Harvey's Casino Hotel, Council Bluffs
Extended-Stay Hotel, Proposed Davenport
Fairfield Inn, Des Moines
Sheraton West Des Moines, Des Moines
TownePlace Suites by Marriott, Johnston

Kansas

Hampton Inn & Suites, Dodge City
Holiday Inn Express & Suites, Hays
The Emerald City Resort Hotel, Kansas City
*Hollywood Casino at Kansas Speedway, Proposed & Existing, Kansas City
Holiday Inn Express, Lawrence
Fairfield Inn, Merriam
Extended StayAmerica, Overland Park
Fairfield Inn, Overland Park
Marriott Overland Park, Overland Park
Wyndham Garden Hotel, Overland Park

Kentucky

Courtyard Cincinnati Covington, Covington
Marriott Hotel, Covington
Sheraton Suites Lexington, Lexington
Homestead Studio Suites Alliant Drive, Louisville
Marriott Louisville East, Louisville
Ramada Inn East, Louisville
Sun Suites of Louisville, Louisville
Courtyard Cleveland Airport North, North Olmstead

Louisiana

Howard Johnson's, Alexandria
Value Place, Alexandria
*Casino Rouge, Baton Rouge
Chase Suite Hotel, Baton Rouge
Embassy Suites, Baton Rouge
Hilton Hotel, Baton Rouge
Hotel Development, Prop., Baton Rouge
*Horseshoe Casino, Bossier City
*Isle of Capri Casino, Bossier City
*Riverboat Casino, Bossier City
Boutique Hotel, Proposed, Covington
Travelodge New Orleans Westbank, Harvey
Sheraton at New Orleans Airport, Kenner
Hilton, Lafayette
Courtyard by Marriott, Metairie
Residence Inn, Metairie
Ambassador Hotel, New Orleans
Astor Crowne Plaza Hotel, New Orleans
Chateau Sonesta, New Orleans
Courtyard New Orleans Downtown Convention Center, New Orleans
DoubleTree Hotel, New Orleans
Element & Aloft Hotels, Prop., New Orleans
Fairmont Hotel, New Orleans
Hard Rock Hotel & Nightclub, Prop., New Orleans
*Harrah's Jazz Casino, New Orleans
Homewood Suites, New Orleans
Hotel Mazarin, New Orleans
Hotel Modern, New Orleans
Hotel Monaco, New Orleans
Hyatt Regency, New Orleans
The Iberville Hotel, New Orleans
JW Marriott, New Orleans
Lakeside DoubleTree, New Orleans
Loews New Orleans Hotel, New Orleans
Maison Dupuy, New Orleans
Maison Blanche Mixed-Use Development, Prop. and Existing, New Orleans
Marriott at the Convention Center, New Orleans
Ramada Inn St. Charles, New Orleans
Renaissance Hotel, Prop., New Orleans
Renaissance Pere Marquette, New Orleans
Roosevelt Hotel, New Orleans
SpringHill Suites by Marriott New Orleans Downtown, New Orleans
Windsor Court, New Orleans
Clarion Hotel, Shreveport
*Hollywood Casino, Shreveport

Maine

Inn by the Sea, Cape Elizabeth

Maryland

Holiday Inn, Aberdeen
Marriott Waterfront Hotel, Annapolis
Maryland Inn, Annapolis
Proposed Maryland Live!, Arundel Mills
Comfort Inn BWI Airport, Baltimore
Fairfield Inn & Suites Baltimore Downtown Inner Harbor, Baltimore
Hotel Monaco, Baltimore
Marriott's Hunt Valley Inn, Baltimore
Marriott BWI Airport, Baltimore

Sheraton Baltimore City Center, Baltimore
Sleep Inn & Suites Airport, Baltimore
SpringHill Suites, Baltimore
Hotel Development, Proposed, Bethesda
Residence Inn, Bethesda
Best Western Motor Lodge, Chicopee
Residence Inn, Columbia
Holiday Inn Downtown, Cumberland
Hilton Garden Inn Solomons, Dowell
Courtyard Hotel, Frederick
Holiday Inn Express Hotel, Frederick
Holiday Inn Hotel, Frederick
Homestead Studio Suites, Germantown
Chase Suites Hotel, Hunt Valley
Comfort Inn, Hunt Valley
Marriott's Hunt Valley Inn, Hunt Valley
Holiday Inn, Laurel
Hilton Baltimore BWI, Linthicum
TownePlace Suites Baltimore BWI, Linthicum
Homestead Studio Suites, Linthicum Heights
National Harbor Hotel Study, National Harbor
Days Inn, Rockville
DoubleTree Hotel, Rockville
Holiday Inn Crowne Plaza, Rockville
Ramada Inn, Rockville

Massachusetts

Ames Hotel, Boston
Fairmont Copley Plaza, Boston
Four Seasons Hotel, Boston
Hilton Boston Financial District, Boston
Marriott Copley Place, Boston
Meridien Hotel, Boston
Nine Zero Hotel, Boston
Residence Inn, Boston
Ritz-Carlton-Millennium Palace, Boston
Tremont Boston Hotel, Boston
Westin Copley Place, Boston
Brookline Marriott, Brookline
Chatham Bars Inn, Chatham
Sheraton Hotel, Framingham
Canyon Ranch Resort, Lenox
Radisson Hotel, Miford
Radisson Hotel, Rockland
Federal House Inn, South Lee
Holiday Inn, Springfield
Sheraton, Sturbridge
Sheraton Colonial Boston North Hotel & Conference Center & Golf Club, Wakefield
Sierra Suites Hotel, Proposed, Waltham
Summerfield Suites Hotel, Prop., Waltham
DoubleTree Boston Westborough, Westborough
Sierra Suites Hotel, Proposed, Woburn

Michigan

Fairfield Inn, Ann Arbor
Fairfield Inn, Auburn Hills
Hilton Hotel, Auburn Hills
Super 8 Motel, Battle Creek
Howard Johnson's, Belleville
Kingsley Hotel & Suites, Bloomfield Hills
Fairfield Inn, Canton
Henry Autograph Collection Hotel, Dearborn
*Greek Town Casino, Detroit
Hilton Garden Inn Detroit Downtown, Detroit



PROPERTIES - CONTINUED

* Denotes Gaming Property

Holiday Inn, Detroit
Golden Harp, Proposed, Detroit
*MGM Grand, Detroit
Hampton Inn, East Lansing
Radisson Hotel, Farmington Hills
Hyatt Hotel, Flint
Crowne Plaza Grand Rapids Airport, Grand Rapids
Country Inn & Suites, Houghton
Fairfield Inn, Kalamazoo
Super 8 Motel, Kalamazoo
Courtyard by Marriott Grand Rapids Airport, Kentwood
Embassy Suites, Prop. and Existing, Livonia
Marriott Hotel, Livonia
Wyndham Garden Hotel, Livonia
Fairfield Inn, Madison Heights
Super 8 Motel, Mount Pleasant
Super 8 Motel, Muskegon
Hilton Garden Inn, Novi
Staybridge Suites, Novi
Wyndham Garden Inn, Novi
Hampton Inn, Port Huron
Inn at the Bridge, Port Huron
Royal Park Hotel, Rochester
Crowne Plaza Detroit Metro Airport, Romulus
Proposed Hotel Site, Royal Oak
Super 8 Motel, Saginaw
Saint Paul Hotel, Saint Paul
Courtyard by Marriott, Southfield
DoubleTree Guest Suites, Southfield
Embassy Suites Southfield, Southfield
SpringHill Suites Detroit Southfield, Southfield
Woodfin Suite Hotel, Prop., Southfield
Comfort Suites, Sterling Heights
Holiday Inn, Troy
Homewood Suites, Troy
Marriott Hotel, Troy
Sheraton Colonial Hotel & Golf Club, Wakefield
Fairfield Inn, Warren
Holiday Inn, Warren
Motel 6, Warren

Minnesota

Hampton Inn & Suites Mall of America, Bloomington
Holiday Inn, Duluth
Hampton Inn, Eden Prairie
DoubleTree Hotel, Minneapolis
Grand Hotel, Minneapolis
Le Meridien Chambers Hotel, Minneapolis
Motel 6, Minneapolis
Radisson Metrodome Hotel, Minneapolis
Sofitel Hotel, Minneapolis
W Minneapolis The Foshay, Minneapolis
Marriott Minnesota SW, Minnetonka
Motel, Proposed, Montevideo
Motel 6, Rochester
Kahler Grand Hotel, Rochester
Radisson Plaza Hotel, Rochester
Hampton Inn & Suites, Rogers
Holiday Inn Minneapolis West, St. Louis Park
Saint Paul Hotel, St. Paul
Sheraton Inn, St. Paul

Mississippi

*Beau Rivage Casino & Resort, Biloxi
*Grand Casino, Biloxi
Gulf Beach Resort Hotel, Biloxi
*Treasure Bay Hotel & Casino, Biloxi
Candlewood Suites, Flowood
Suburban Extended Stay Gautier, Gautier
Crystal Inn, Gulfport
*Grand Casino, Gulfport
Motel 6, Hattiesburg
Howard Johnson's, Jackson
Quality Inn, Oxford
Homewood Suites, Ridgeland
*Hollywood Casino, Robinsonville
*Sam's Town Hotel & Gambling Hall, Robinsonville
*Gold Strike Casino Resort, Tunica
*Horseshoe Casino Center, Tunica
*Ameristar Vicksburg, Vicksburg
*Isle of Capri Casino & Hotel, Vicksburg

Missouri

La Quinta Inn & Suites, Blue Springs
Radisson, Branson
Crowne Plaza Saint Louis Airport, Bridgeton
Embassy Suites Hotel, Prop., Clayton
Fairfield Inn, Hazelwood
StudioPlus Suites St. Louis - Westport, Hazelwood
Holiday Inn, Joplin
Conference Center Hotel, Prop., Kansas City
Crowne Plaza Hotel Kansas City Downtown, Kansas City
DoubleTree Hotel, Kansas City
Fairfield Inn Kansas City West, Kansas City
Fairmont Hotel, Kansas City
Holiday Inn, Kansas City
Radisson Hotel, Kansas City
Residence Inn, Kansas City
*Sam's Town Hotel & Gambling Hall, Kansas City
Station Kansas City, Kansas City
Holiday Inn Express, Kirksville
Riva Del Lago Resort, Prop., Lake of the Ozarks
Tan-Tar-A Resort, Osage Beach
*Casino Hotel, Proposed, Perryville
*Hollywood Casino - Tunica, Robinsonville
Holiday Inn, Springfield
Station St. Charles, St. Charles
Adam's Mark Hotel, St. Louis
*Casino Hotel, Proposed, St. Louis
Clarion Hotel, St. Louis
Crowne Plaza Saint Louis Airport, St. Louis
Executive Inn, St. Louis
Holiday Inn St. Louis Southwest Viking, St. Louis
Holiday Inn Sports Complex, St. Louis
Renaissance Grand Hotel, St. Louis
Renaissance Suites Hotel, St. Louis
Sheraton Airport, St. Louis
Sheraton Westport, St. Louis
Three Proposed Hotels, St. Louis
West County Hilton Hotel, Prop., St. Louis County
Riva D'Lago Resort, Proposed, Sunrise Beach
Hotel, Proposed, Unity Village

Montana

Crowne Plaza, Billings
Sheraton Billings, Billings
Element Hotel, Proposed, Bozeman
Holiday Inn, Bozeman
Best Western Colonial Hotel, Helena
Red Lion Colonial Hotel, Helena
Red Lion Hotel & Kalispell Mall, Kalispell
Red Lion Inn, Kalispell
Holiday Inn, Missoula
Red Lion Hotel, Missoula
Proposed Red Lion Leo Hotel, Polson
St. Mary Lodge & Resort, St. Mary
Red Lion Inn, West Kalispell

Nebraska

DoubleTree Omaha Downtown, Omaha
Marriott Hotel, Omaha
Red Lion Inn, Omaha

Nevada

*Ormsby House Hotel and Casino, Carson City
Fairfield Inn & Suites, Proposed, Elko
Hampton Inn and Suites, Proposed, Elko
Holiday Inn Express and Suites, Elko
Shilo Inn Suites, Elko
*Eldorado Casino, Henderson
Hilton Garden Inn Las Vegas Henderson, Henderson
*Joker's Wild Casino, Henderson
Loews/Westin Lake Las Vegas Resort, Henderson
Proposed Hotel(s), Henderson
*Cactus Pete's & Horseshu Casino Resort, Jackpot
Hyatt Regency Lake Las Vegas Resort, Lake Las Vegas
Luxury Boutique Hotel, Prop., Lake Las Vegas Airport Inn, Las Vegas
*Aladdin Hotel & Casino, Las Vegas
Alexis Park Resort and Americana Apartments, Las Vegas
*Bellagio Hotel & Casino, Las Vegas
*Boomtown Casino, Las Vegas
*Boardwalk Hotel & Casino, Las Vegas
*California Hotel & Casino, Las Vegas
*Casino Hotel, Proposed, Las Vegas
*Circus Circus Hotel Casino, Las Vegas
Prop. Echelon Development Project, Las Vegas
Embassy Suites Airport, Las Vegas
Emerald Suites, Las Vegas
Fairfield Inn Las Vegas Airport, Las Vegas
*Flamingo Hotel & Casino, Las Vegas
*Fremont Hotel & Casino, Las Vegas
*Greek Isles Hotel & Casino, Las Vegas
*Hacienda Casino Hotel, Las Vegas
Hampton Inn & Suites Las Vegas Red Rock, Las Vegas
Hampton Inn Tropicana, Las Vegas
*Hard Rock Hotel and Casino Excess Land, Las Vegas
*Harrah's Las Vegas, Las Vegas
Hawthorne Suites, Las Vegas
Hilton Garden Inn, Proposed, Las Vegas
Hilton Hotel, Las Vegas
Holiday Inn-Emerald Springs, Las Vegas



PROPERTIES - CONTINUED

* Denotes Gaming Property

Holiday Inn Express North, Las Vegas
Holiday Inn Express West, Las Vegas
Holiday Inn Express, Prop., Las Vegas
Homewood Suites, Proposed, Las Vegas
*Hotel & Casino El Rancho, Las Vegas
*Hotel & Casino Convention Center, Prop., Las Vegas
*Howard Johnson Hotel & Casino, Las Vegas
*Imperia Beach Casino Hotel, Prop., Las Vegas
Jockey Club, Las Vegas
*JW Marriott Resort and Rampart Casino, Las Vegas
Loews Lake Las Vegas Resort, Las Vegas
Mandarin Oriental Hotel, Las Vegas
*MGM Grand Las Vegas, Las Vegas
*Mirage, Las Vegas
Mirala Resort, Proposed, Las Vegas
*New Frontier Hotel & Casino Site, Las Vegas
*New York-New York Hotel & Casino, Las Vegas
Paradise Resort Hotel, Las Vegas
*Paris Las Vegas Hotel & Casino, Las Vegas
Parcel 16216301007, Las Vegas
*Planet Hollywood Casino & Resort, Las Vegas
*Plaza Casino Hotel, Retail & Condominium, Prop., Las Vegas
Proposed Development Site, Las Vegas
*Regent Int'l. Hotel & Casino, Las Vegas
*Rio All-Suite Hotel & Casino, Las Vegas
*Sahara Casino & Two Vacant Land Parcels, Las Vegas
*Sam's Town Hotel & Gambling Hall, Las Vegas
Sands Exposition Center, Las Vegas
Shangri-La Hotel, Proposed, Las Vegas
Siena Suites, Las Vegas
*SLS Las Vegas, Proposed, Las Vegas
*Stardust Resort & Casino, Las Vegas
*Sunrise Hotel & Casino, Las Vegas
*Venetian Hotel & Casino and LIDO Land Parcel, Las Vegas
*Casino and RV Project, Prop., Laughlin
*Casino Hotel & Timeshare, Prop., Laughlin
*Harrah's Laughlin Casino, Laughlin
*River Palms Hotel & Casino, Laughlin
Mount Potosi Canyon Retreat, Mountain Springs
Hampton Inn Las Vegas North Speedway, North Las Vegas
Holiday Inn Express North Las Vegas, North Las Vegas
SpringHill Suites by Marriott Las Vegas North Speedway, North Las Vegas
*Whiskey Pete's Hotel & Casino, Primm
*Boomtown Casino Hotel, Reno
Holiday Inn Express, Proposed, Reno
Lakeridge Resort, Reno
La Quinta Inn, Reno
Extended-Stay Hotel, Proposed, Reno
Full-Service Hotel, Proposed, Reno
Hampton Inn & Suites, Proposed, Reno
Staybridge Suites, Reno
Fairfield Inn, Proposed, Sparks
Hotel, Proposed, Sparks
Edgewood Lodge, Stateline
*Bill's Casino, Stateline
*Harrah's Lake Tahoe, Stateline

*Harvey's Lake Tahoe, Stateline
Luxury Condo Hotel & Residences, Prop., Stateline
Mixed-Use Resort, Proposed, Stateline
*MontBleu Resort Casino & Spa, Stateline
*Peppermill Casino, Wendover
*Rainbow Casino, Wendover
*State Line and Silver Smith Casino Hotels, Wendover

New Jersey

Atlantic City Hilton, Atlantic City
*Borgata Casino Hotel, Prop., Atlantic City
*Caesars Atlantic City, Atlantic City
*Casino Hotel w/Ancillary Facilities, Proposed (Phase One), Atlantic City
Deauville Hotel, Atlantic City
Harrah's Atlantic City, Atlantic City
Resorts Atlantic City, Atlantic City
*Sands Hotel & Casino, Atlantic City
Sheraton Atlantic City Convention Center, Atlantic City
*Showboat Atlantic City, Atlantic City
*Tropicana Hotel & Casino, Atlantic City
*Trump Marina Hotel Casino, Atlantic City
*Trump Pier at Taj Majal, Atlantic City
Courtyard Basking Ridge, Basking Ridge
North Maple Inn, Basking Ridge
Sierra Suites Hotel, Proposed, Branchburg
Marriott, Bridgewater
Cherry Hill Inn, Cherry Hill
Sheraton Meadowlands, East Rutherford
Baymont Inn & Suites, East Syracuse
Courtyard Edison, Edison
Sheraton Edison Raritan Center, Edison
Ramada Inn, Proposed, Elizabeth
Ramada Inn, Proposed, Franklin Township
Summerfield Suites Morristown, Prop., Hanover
Summerfield Suites Parsippany, Prop., Hanover
Holiday Inn, Jamesburg
Hyatt Regency Hotel, Jersey City
Meadowlands-Lyndhurst Court, Lyndhurst
Headquarters Plaza Hotel, Morristown
Howard Johnson's Mount Holly
Mt. Laurel Hilton, Mt. Laurel
Radisson Hotel Mt. Laurel, Mt. Laurel
TownePlace Suites, Mount Laurel
Wyndham Mt. Laurel, Mt. Laurel
Best Western Newark Airport West, Newark
Hilton Gateway Plaza, Newark
Hilton Newark Penn Station, Newark
Holiday Inn, Newark
Hyatt Regency, New Brunswick
Hilton Parsippany, Parsippany
Hotel Sierra, Parsippany
Sierra Suites, Proposed, Parsippany
Marriott Courtyard Princeton, Princeton
Sheraton Meadowlands, East Rutherford
Howard Johnson's, Saddle Brook
Crowne Plaza, Secaucus
Hilton Short Hills Hotel and Spa, Short Hills
Courtyard by Marriott, Somerset
DoubleTree Hotel, Somerset
Marriott Hotel, Somerset

Radisson Hotel, South Brunswick
Crowne Plaza, Syracuse
Hampton Inn & Suites, Syracuse
TR Hotel (formerly Holiday Inn), Toms River

New Mexico

Andaluz Hotel, Albuquerque
Baymont Inn and Suites, Albuquerque
Convention Center Hotel, Prop., Albuquerque
DoubleTree Hotel, Albuquerque
Hampton Inn, Albuquerque
Hotel Project, Proposed, Albuquerque
Hyatt Regency, Albuquerque
La Posada de Albuquerque, Albuquerque
Ramada Hotel Classic, Albuquerque
Radisson Inn, Albuquerque
Mixed-Use Development, Proposed, Bernalillo
Las Cruces Hilton, Las Cruces
Holiday Inn Express & Suites, Portales
Hilton Garden Inn, Rio Rancho
*Inn of the Mountain Gods Resort & Casino, Proposed, Ruidoso
Casitas, Proposed, Santa Fe
Four Seasons Resort Rancho Encantado/
Auberge Rancho Encantado Resort, Prop., Santa Fe
Hilton Hotel, Santa Fe
Holiday Inn, Santa Fe
Homewood Suites, Santa Fe
Inn at Loretto, Santa Fe
Inn of the Anasazi, Santa Fe
La Posada de Santa Fe Resort, Santa Fe
Sheraton de Santa Fe, Santa Fe
Holiday Inn Express, Santa Rosa
La Quinta Inn & Suites, Santa Rosa
El Monte Sagrado, Taos
Taos Development, Proposed, Taos
Rancho Ramada Inn de Taos, Taos

New York

Hilton Hotel, Albany
Holiday Inn Albany Wolf Road, Albany
Holiday Inn, Proposed, Brooklyn
Nu Hotel, Brooklyn
Sheraton Brooklyn New York, Brooklyn
Airport Hotel, Proposed, Buffalo
Buffalo Hotel, Buffalo
Marriott Hotel, Buffalo
DoubleTree Hotel Syracuse, East Syracuse
Nevele Hotel, Ellenville
Howard Johnson's, Elmsford
Hotel Sierra, Prop. & Existing, Fishkill
Hamilton Park Conference Center, Florham Park
Hyatt Place, Garden City
Ramada Inn, Hauppauge
Wyndham Wind Watch Hotel, Hauppauge
Mohawk Bingo Palace, Hogsburg
Radisson Hotel, Holtsville
*RW Hudson Valley Resort, Prop, Kerhonkson
Hilton Hotel, Lake Placid
Whiteface Lodge Resort & Spa, Lake Placid
Z NYC, Long Island City
*Monticello Gaming and Raceway, Monticello Hotel, Proposed, New Rochelle
Ramada Plaza, New Rochelle



PROPERTIES - CONTINUED

** Denotes Gaming Property*

Sheraton Inn, New Rochelle
Ace Hotel, NYC
Aman Hotel 443 Greenwich, Proposed, NYC
Barbizon Plaza Hotel, NYC
Berkshire Place, NYC
Century Paramount Hotel, NYC
Club Quarters Midtown New York, NYC
Club Quarters Rockefeller Center NYC
Club Quarters Wall Street New York, NYC
Essex House, NYC
Executive Hotel, NYC
Fairfield Inn Fifth Avenue, NYC
Holloran House, NYC
Hampton House, NYC
Hilton New York, NYC
Hilton Times Square, NYC
Holland Hotel, NYC
Howard Hotel, NYC
MAve Hotel, NYC
Mandarin Oriental Hotel, NYC
Marriott Eastside, NYC
Mayfair Regent, NYC
Night Hotel, NYC
Nova-Park Gotham, NYC
Parker Meridien Hotel, NYC
Peninsula Hotel, NYC
Ritz-Carlton Battery Park, NYC
Ritz-Carlton Central Park, NYC
Soho Hotel, Proposed, NYC
Tudor Hotel, NYC
Woodfin Suites Hotel, Prop., NYC
York Club, NYC
Tioga Downs Racetrack, Nichols
Sheraton Inn, Ossining
Homestead Studio Suites Hanover Parsippany,
Parsippany
Holiday Inn Express, Poughkeepsie
*Genting Casino at Aqueduct Racetrack,
Queens
Hotel, Proposed, Saratoga
Courtyard by Marriott, Saratoga Springs
Residence Inn, Saratoga Springs
*Saratoga Gaming and Raceway, Saratoga
Springs
Howard Johnson's, Smithtown
Hampton Inn, Syracuse
Tarrytown House Hotel & Conference Center,
Tarrytown
Boutique Resort Hotel & Spa, Prop., Tuxedo
*Sterling Forest Resort, Proposed, Tuxedo
Sheraton Nassau Hotel, Uniondale
*Turning Stone Casino & Hotel, Verona
Renaissance Westchester, White Plains
Fairfield Inn, Williamsville

North Carolina

Renaissance Hotel, Asheville
Comfort Inn Hatteras Island, Buxton
Best Western, Cary
Sheraton Chapel Hill, Chapel Hill
Four Seasons Resort, Charleston
DoubleTree Suites by Hilton Charlotte
SouthPark, Charlotte
Fairfield Inn, Charlotte
TownePlace Suites Charlotte Arrowood,
Charlotte

Holiday Inn, Crabtree
Crossland Studios Durham Research Triangle
Park, Durham
Fairfield Inn, Durham
Marriott Research Triangle Park, Durham
Motel 6, Durham
Wyndham Garden Hotel, Durham
Fairfield Inn, Fayetteville
Clarion Inn Airport, Fletcher
Holiday Inn Asheville Airport, Fletcher
Hampton Inn, Goldsboro
Comfort Suites Four Seasons, Greensboro
Embassy Suites, Greensboro
Fairfield Inn, Greensboro
Hampton Inn, Greensboro
Hilton Inn, Greensboro
Howard Johnson Hotel Greensboro Four
Seasons, Greensboro
Best Western High Point, High Point
High Point Radisson, High Point
Country Inn & Suites, Huntersville
Comfort Suites Hotel, Lexington
Hampton Inn, Spring Lake
Fairfield Inn, Raleigh
Hilton Inn, Raleigh
Holiday Inn Crabtree, Raleigh
Marriott Raleigh City Center, Raleigh
Motel 6, Rocky Mount
Cleghorn Plantation, Rutherfordton
Fairfield Inn, Wilmington
Suburban Extended Stay, Wilmington
Hilton Inn, Winston-Salem
Holiday Inn Select, Winston-Salem
Residence Inn, Winston-Salem

North Dakota

Hilton Garden Inn, Grand Forks

Ohio

Holiday Inn Cascade, Akron
Courtyard by Marriott, Beachwood
Fairfield Inn & Suites by Marriott, Beachwood
Fairfield Inn, Brook Park
Embassy Suites Hotel, Prop, and Existing,
Cincinnati
Howard Johnson's, Cincinnati
Marriott Inn, Cincinnati
Radisson Inn, Cincinnati
Residence Inn, Cincinnati
Vernon Manor, Cincinnati
Cleveland Airport Marriott, Cleveland
Cleveland Marriott East, Cleveland
Fairfield Inn, Cleveland
Holiday Inn Lakeside, Cleveland
Hotel, Proposed, Cleveland
Sheraton Hopkins, Cleveland
200-Room Boutique Hotel, Cleveland
Columbus North Marriott, Columbus
Crowne Plaza Downtown, Columbus
Crowne Plaza Hotel Columbus North,
Columbus
DoubleTree Hotel, Columbus
Fairfield Inn, Columbus
Holiday Inn, Columbus
Holiday Inn Airport, Columbus
Westin Hotel, Columbus

Woodfin Hotel, Columbus
Daytonian Hilton, Dayton
Fairfield Inn, Dayton
Motel 6, Dayton
Woodfin Suite Hotel, Prop., Dublin
Country Inn & Suites Fairborn South, Fairborn
TownePlace Suites, Findlay
SpringHill Suites Columbus Airport Gahanna,
Gahanna
Fairfield Inn, Holland
Courtyard Independence, Independence
Hilton Cleveland South, Independence
IMG Resort Academies, Lakeview Bluffs
Courtyard Toledo/Maumee, Maumee
Courtyard Cleveland Airport South,
Middleburg Heights
TownePlace Suites Cleveland Airport,
Middleburg Heights
Holiday Inn Express Port Clinton Catawba
Island, Port Clinton
Embassy Suites, Rockside
Courtyard, Rossford
Best Western Plus, Sandusky
Comfort Inn, Sandusky
Fairfield Inn, Toledo
Holiday Inn, Toledo
Courtyard Cleveland, Westlake
TownePlace Suites, Westlake
Hampton Inn & Suites Cincinnati Union Centre,
West Chester
Fairfield Inn, Willoughby

Oklahoma

Hampton Inn & Suites, Altus
Fountainhead Resort, McIntosh County
Colcord Hotel, Oklahoma City
Portofino Hotel, Prop., Oklahoma City
Sheraton Hotel, Oklahoma City
Arrowhead Resort, Pittsburgh County
The Hotel Ambassador, Tulsa

Oregon

Phoenix Inn, Albany
Red Lion Inn, Astoria
Inn at Face Rock, Bandon
Fairfield Inn, Beaverton
Phoenix Inn, Beaverton
Shilo Inn, Beaverton
Condominium Hotel, Proposed, Bend
Hotel, Proposed, Bend
Phoenix Inn, Bend
Red Lion Inn North, Bend
Remington Hotel, Proposed, Bend
Shilo Inn Suites, Bend
Surfsand Resort, Cannon Beach
Red Lion Inn, Coos Bay
Hilton Garden Inn, Proposed, Corvallis
Crater Lake National Park Concession, Crater
Lake
EconoLodge, Eugene
Execulodge, Eugene
Phoenix Inn, Eugene
Red Lion Inn, Eugene
Shilo Inn Springfield, Eugene
Valley River Inn, Eugene
Best Western Plus Pier Point Inn, Florence



PROPERTIES - CONTINUED

* Denotes Gaming Property

Big Creek Resort, Florence
 Hotel Site, Proposed, Florence
 Salishan Resort, Gleneden Beach
 Shilo Inn, Grants Pass
 Candlewood Hotel, Hillsboro
 Courtyard Hotel, Proposed, Hillsboro
 Larkspur Landing Hotel, Hillsboro
 Residence Inn, Proposed, Hillsboro
 Springhill Suites Hotel, Hillsboro
 Red Lion Inn, Klamath Falls
 Shilo Inn Suites, Klamath Falls
 Fairfield Inn, Lake Oswego
 Hilton Garden Inn, Lake Oswego
 Phoenix Inn, Lake Oswego
 Residence Inn, Lake Oswego
 Shilo Inn Oceanfront Resort, Lincoln City
 Airport Hotel, Prop., Medford
 Convention Center & Full-Service Hotel, Prop., Medford
 Courtyard by Marriott, Prop., Medford
 Homewood Suites, Medford
 Red Lion Inn, Medford
 Shilo Inn, Newport
 Red Lion Hotel, Pendleton
 aloft Portland Airport at Cascade Station, Portland
 Avalon Hotel & Spa, Prop. & Existing, Portland
 Benson Hotel, Portland
 Canopy by Hilton Portland Pearl District, Proposed, Portland
 Columbia River Red Lion, Portland
 Convention Headquarters Hotel, Prop., Portland
 Courtyard Hotel, Proposed, Portland
 DoubleTree Portland/Lloyd Center, Portland
 Embassy Suites Hotel, Portland
 Fifth Avenue Suites Hotel, Portland
 Governor Hotel, Portland
 Holiday Inn, Portland
 Hotel Deluxe, Portland
 Hotel Fifty, Portland
 Hotel Lucia, Portland
 Hotel Modera, Portland
 Hotel, Proposed, Portland
 Inn at Northrup Station, Portland
 InterContinental Hotel, Prop., Portland
 Luxury Collection Hotel, Prop., Portland
 Marriott Portland City Center, Portland
 Marriott Renaissance Hotel, Prop., Portland
 Monaco Hotel, Portland
 Nines Hotel, Proposed, Portland
 Red Lion Inn Convention Center, Portland
 Renaissance Hotel, Portland
 Residence Inn-Lloyd Center, Portland
 Residence Inn, Proposed, Portland
 RiverPlace Hotel & Condominiums, Portland
 Sentinel Hotel, Portland
 Sheraton Suites, Proposed, Portland
 Shilo Inn Portland Airport Suites, Portland
 Shilo Inn Portland/Beaverton, Portland
 Vintage Plaza Hotel, Portland
 Wells Building, Portland
 Westin Hotel, Prop. and Existing, Portland
 Capitol Inn, Salem
 Execulodge, Salem
 Phoenix Inn - North, Salem

Phoenix Inn - South, Salem
 Shilo Inn, Salem
 Best Western Ocean View Resort, Seaside
 Red Lion Inn, Seaside
 Shilo Inn Seaside Oceanfront Resort, Seaside
 Embassy Suites, Proposed, Springfield
 Red Lion Inn, Springfield
 Skamania Lodge, Stevenson
 Sunriver Resort, Sunriver
 Hilton Garden Inn, Proposed, The Dalles
 Hotel Project, Proposed, The Dalles
 Shilo Inn Suites, The Dalles
 Embassy Suites Hotel, Tigard
 Phoenix Inn, Tigard
 Red Lion Inn, Tigard
 Shilo Inn Washington Square, Tigard
 Shilo Inn Suites, Tillamook
 Shilo Inn Suites Astoria/Warrenton, Warrenton
 Best Western Hotel, Wilsonville
 Holiday Inn, Wilsonville
 Phoenix Inn, Wilsonville

Pennsylvania

Holiday Inn, Beaver Falls
 Courtyard Bensalem, Bensalem
 *Parx Casino, Bensalem
 *Sands Casino Resort, Bethlehem
 Sheraton, Bucks County
 *Harrah's Chester Casino & Racetrack, Chester
 Holiday Inn, Clarion
 Embassy Suites Pittsburgh, Coraopolis
 Marriott Pittsburgh Airport, Coraopolis
 Days Inn, Danville
 Ramada Inn, Erie
 *Hollywood Casino & Penn National Race Course, Grantville
 *Penn National Race Course, Grantville
 Four Points Greenburg, Greenburg
 Comfort Inn Harrisburg, Harrisburg
 Fairfield Inn, Harrisburg
 Marriott Hotel, Harrisburg
 Holiday Inn Indiana, Indiana
 Hotel Sierra, King of Prussia
 Hyatt House, King of Prussia
 Valley Forge Hilton, King of Prussia
 Marriott, Proposed, Lancaster
 Hampton Inn & Outback Steakhouse Restaurant, Monroeville
 Courtyard Philadelphia Downtown, Philadelphia
 Embassy Suites, Philadelphia
 Extended StayAmerica Philadelphia Airport, Philadelphia
 Marriott Hotel, Philadelphia
 Rittenhouse Towers, Philadelphia
 Sheraton Philadelphia City Center, Philadelphia
 Sheraton Society Hill, Philadelphia
 Wyndham Franklin Plaza, Philadelphia
 Fairfield Inn, Pittsburgh
 Motel 6, Pittsburgh
 *Rivers Casino, Pittsburgh
 Wyndham Garden Hotel, Pittsburgh
 Wyndham Pittsburgh University Place, Pittsburgh

Pocono Downs Race Course, Plains Township
 DoubleTree Guest Suites, Plymouth Meeting
 SpringHill Suites, Plymouth Meeting
 Comfort Inn, Pottstown
 Hilton at Lackawanna Station, Scranton
 Holiday Inn, Uniontown
 Hotel Conference Center, Washington
 *Casino Component of Hotel Conference Center Feasibility Study, Washington County
 Marriott Philadelphia West, West Conshohocken
 Holiday Inn York Manchester Mall, York

Rhode Island

Hotel Viking, Newport
 Providence Biltmore Hotel, Providence

South Carolina

Hampton Inn & Suites, Bluffton
 Charleston Place, Charleston
 Holiday Inn, Charleston
 Travelodge, Charleston
 Comfort Suites at Harbison, Columbia
 Embassy Suites, Columbia
 Home-Town Suites of Columbia, Columbia
 Motel 6, Columbia
 Fairfield Inn, Greenville
 Hampton Inn Greenville Haywood, Greenville
 Ramada Inn, Greenville
 Fairfield Inn, Florence
 Fairfield Inn, Hilton Head
 Hilton Head Inn, Hilton Head
 Holiday Inn Express, Hilton Head
 Hyatt Regency, Hilton Head
 Westin Hilton Head Resort, Hilton Head
 Save Inn, Lake Hartwell
 3 Palms Oceanfront Hotel, Myrtle Beach
 Sun N Sand Resort, Myrtle Beach
 Fairfield Inn by Marriott, Orangeburg
 Brookwood Inn, Spartanburg

South Dakota

Four Points Hotel, Proposed, Sioux Falls

Tennessee

Hilton Suites Hotel, Brentwood
 Motel 6, Chattanooga
 Fairfield Inn & Suites Chattanooga South East Ridge, East Ridge
 Hyatt Place Memphis Germantown, Germantown
 Holiday Inn, Jackson
 Fairfield Inn, Johnson City
 Clarion Hotel Airport Graceland, Memphis
 Holiday Inn, Memphis
 Howard Johnson Airport, Memphis
 Motel 6, Memphis
 Residence Inn Memphis Downtown, Memphis
 Staybridge Suites Poplar Ave. East, Memphis
 Villager Lodge, Memphis
 Westin Hotel, Memphis
 Days Inn, Nashville
 Hampton Inn, Nashville
 Hilton Nashville Downtown, Nashville
 Holiday Inn Express, Nashville



PROPERTIES - CONTINUED

* Denotes Gaming Property

Hotel Preston, Nashville
Renaissance, Nashville
Comfort Inn, Oak Ridge
Hampton Inn, Pigeon Forge
Wilderness at the Smokies, Sevierville

Texas

Courtyard by Marriott, Prop. and Existing, Addison
Hotel, Proposed, Addison
Hyatt Summerfield Suites, Addison
Summerfield Suites Hotel, Prop., Addison
Woodfin Suite Hotel, Proposed, Addison
Days Inn, Amarillo
Hampton Inn & Suites, Amarillo
Motel 6, Amarillo
Super 8 Motel, Amarillo
Holiday Inn Express Arlington, Arlington
Sheraton Hotel, Arlington
Sierra Suites Conversion, Prop., Arlington
Aloft Austin at The Domain, Austin
Barton Creek Resort, Austin
Courtyard by Marriott University Area, Austin
Fairfield Inn & Suites University Area, Austin
Fairfield Inn & Suites, Prop. & Existing, Austin
Hampton Inn & Suites Austin Airport, Austin
Hampton Inn & Suites Downtown, Austin
Holiday Inn, Austin
Hotel Site, Austin
Lakeway Inn, Austin
Sheraton Hotel, Austin
Woodfin Suites Hotel, Proposed, Austin
Holiday Inn, Beaumont
Tryp by Wyndham, Prop., College Station
Comfort Inn & Suites Calallen, Corpus Christi
Candlewood Suites Corpus Christi SPID, Corpus Christi
Courtyard by Marriott, Corpus Christi
Days Inn, Corpus Christi
Embassy Suites, Corpus Christi
Holiday Inn Express, Corpus Christi
Howard Johnson, Corpus Christi
La Quinta Inn & Suites Corpus Christi Northwest, Corpus Christi
Staybridge Suites, Corpus Christi
Courtyard by Marriott Dallas LBJ at Josey, Dallas
Doubletree Inn, Dallas
Fairmont Hotel, Dallas
Holiday Inn Select Northpark, Dallas
Hyatt Regency DFW, Dallas
Knights Inn Market Center, Dallas
Magnolia Hotel, Dallas
Marriott Park Central, Dallas
Marriott Quorum, Dallas
Marriott Suites, Dallas
Melrose Hotel, Dallas
Motel 6, Dallas
Northpark Holiday Inn, Dallas
Park Plaza, Dallas
Ramada Inn Convention Center, Dallas
Residence Inn, Prop. and Existing, Dallas
Ritz-Carlton Hotel, Dallas
Sheraton, Dallas
Sheraton Grand Hotel, Dallas
Summit Hotel, Dallas

Wyndham Garden Las Colinas, Dallas
Howard Johnson's, East Dallas
Allstar Inn, El Paso
Chase Suites Hotel, El Paso
Courtyard by Marriott El Paso Airport, El Paso
DoubleTree by Hilton Downtown, El Paso
Embassy Suites, El Paso
Travelers Inn, El Paso
Westin Hotel, Proposed, Frisco
Candlewood Suites DFW South, Fort Worth
Holiday Inn DFW Airport South, Fort Worth
Metro Center Hotel, Fort Worth
Omni Hotel, Fort Worth
Renaissance Worthington, Fort Worth
Residence Inn by Marriott, Fort Worth
Springhill Suites, Proposed, Fort Worth
La Quinta Inn & Suites South Grand Prairie, Grand Prairie
Crowne Plaza Houston North Greenspoint, Houston
Best Western Fountainview Inn & Suites, Houston
Candlewood Suites Houston Medical Center, Houston
Comfort Suites Willowbrook Technology Corridor, Houston
DoubleTree Guest Suites Galleria, Houston
Embassy Suites, Houston
Four Seasons Hotel, Houston
Hilton Americas, Houston
Hilton Houston Post Oak, Houston
Hilton Houston Southwest, Houston
Holiday Inn & Suites, Proposed, Houston
Holiday Inn Express Hotel & Suites Houston Kingwood, Houston
Holiday Inn-Hobby, Houston
Holiday Inn Houston Westchase, Houston
Hotel Granduca, Houston
Hotel Sorella, Houston
Houstonian Hotel, Houston
Marriott Hotel, Houston
Motel 6, Houston
Omni Hotel, Proposed, Houston
Omni Houston Galleria, Houston
Radisson Towne & Country, Houston
Stouffer Renaissance, Houston
Studio 6, Ingleside
Element DFW Airport North, Irving
Four Seasons Resort Las Colinas, Irving
Hampton Inn, Proposed, Irving
Hotel Site, Proposed, Irving
Hyatt Regency DFW, Irving
Sheraton Grand Hotel DFW, Irving
Summerfield Suites, Irving
Westin Dallas Fort Worth Airport, Irving
La Quinta Inn & Suites, Katy
Candlewood Suites Houston Kingwood, Houston
Days Inn & Suites, Laredo
Red Roof Inn Laredo - I-83 South, Laredo
Wyndham Hotel, Las Colinas
Comfort Inn & Suites, Lubbock
Holiday Inn Express & Suites, Lubbock
Super 8, Lubbock
Holiday Inn, Lubbock
Renaissance Hotel, McAllen

Residence Inn by Marriott, Midland
TownePlace Suites by Marriott, Odessa
Courtyard by Marriott North Dallas Plano, Plano
Marriott at Legacy Town Center, Plano
Residence Inn Dallas Plano, Plano
Staybridge Suites Dallas Richardson, Plano
TownePlace Suites, Plano
Holiday Inn Express & Suites Port Aransas Beach Area, Port Aransas
DoubleTree Richardson Hotel, Richardson
Holiday Inn Richardson Hotel, Richardson
Holiday Inn Select, Richardson
Hyatt House Dallas Richardson, Richardson
Radisson Hotel Dallas North, Richardson
Wingate Inn, Richardson
Courtyard by Marriott, Round Rock
Microtel Inn & Suites, Prop., Round Rock
Baymont Inn & Suites San Antonio Northwest, San Antonio
Comfort Suites San Antonio Airport North, San Antonio
Crockett Hotel, San Antonio
Courtyard San Antonio Riverwalk, San Antonio
DoubleTree San Antonio Airport, San Antonio
Embassy Suites, Proposed, San Antonio
Fairmont Hotel, San Antonio
Four Points Riverwalk, San Antonio
Grand Hyatt, San Antonio
Hampton Inn, San Antonio
Hilton Garden Inn, Proposed, San Antonio
Holiday Inn Express San Antonio Airport North, San Antonio
Holiday Inn Lackland Sea World Area, San Antonio
Homewood Suites by Hilton San Antonio North, San Antonio
Homewood Suites San Antonio Riverwalk, San Antonio
Hotel Valencia Riverwalk San Antonio, San Antonio
Hyatt Regency Hill Country, San Antonio
Microtel by Wyndham San Antonio by SeaWorld/Lackland AFB, San Antonio
Microtel Inn & Suites San Antonio North, San Antonio
Salado Creek/Arena District Master Plan, San Antonio
Toyota Field, San Antonio
Amerihost Inn, San Marcos
Hampton Inn & Suites, Trophy Club
Holiday Inn Express & Suites Houston Space Center, Webster

Utah

Proposed Resort @ Bryce Canyon, Bryce
Amangiri Resort & Spa and Pangolin Land, Canyon Point
Red Mountain Spa, Ivins
Utah Trails Resort, Kanab
Canyon Land Resort, Proposed, Kane County
Courtyard by Marriott, Layton
Zermatt Resort & Spa, Midway
Crystal Inn Mid Valley, Murray
Holiday Inn Express & Suites, Prop., Murray
Marriott Hotel, Ogden



PROPERTIES - CONTINUED

** Denotes Gaming Property*

TownePlace Suites, Proposed, Orem
Hampton Inn & Suites, Park City
Holiday Inn Express, Park City
The Lodges at Stillwater, Park City
Marriott Park City, Park City
St. Regis Deer Crest Resort, Park City
Sky Lodge, Park City
Marriott Provo, Provo
Residence Inn, Provo
Seven Peaks Resort Hotel, Provo
Hotel, Proposed, St. George
Cavanaugh's Olympus Hotel, Salt Lake City
Chase Suite SLC Downtown, Salt Lake City
Courtyard Salt Lake City Airport, Salt Lake City
Crystal Inn West Valley, Salt Lake City
DoubleTree Suites by Hilton, Salt Lake City
Hotel Monaco, Salt Lake City
Marriott Hotel, Salt Lake City
Red Lion Hotel, Salt Lake City
Sheraton Hotel, Salt Lake City
Shilo Inn, Salt Lake City
WestCoast Hotel, Salt Lake City
Woodfin Suites Hotel, Salt Lake City
Zion Park Inn & Switchback Grill & Trading
Company, Salt Lake City
Hyatt House Salt Lake City Sandy, Sandy

Vermont

Hilton, Burlington
Sheraton Burlington, Burlington
Wyndham Burlington, Burlington

Virginia

Hawthorn Suites, Alexandria
Howard Johnson's, Alexandria
Crystal Gateway Marriott, Arlington
Waterview Condominium Hotel, Arlington
AmeriSuites, Arlington Heights
Embassy Suites Crystal City, Arlington
Hyatt Arlington, Arlington
Homestead Studio Suites, Chantilly
Wingate Inn Dulles Airport, Chantilly
Hampton Inn & Suites Chesapeake Square
Mall, Chesapeake
TownePlace Suites, Chesapeake
Hampton Inn Petersburg Southpark Mall,
Colonial Heights
Holiday Inn Petersburg North Fort Lee,
Colonial Heights
Holiday Inn Crowne Plaza, Crystal City
Hilton Garden Inn, Fairfax
Homestead Studio Suites, Fairfax
Westin Tysons Corner, Falls Church
Motel 6, Fredericksburg
Homestead Studio Suites, Glen Allen
Marriott Richmond West, Glen Allen
SpringHill Suites, Glen Allen
Fairfield Inn & Suites, Manassas
Holiday Inn Express & Suites, Manassas
Hilton Tyson's Corner, McLean
Holiday Inn Express, Mechanicsville
Omni International Hotel, Norfolk
Homestead Studio Suites, Reston
Embassy Suites, Richmond
Extended-Stay Hotel, Proposed, Richmond
Holiday Inn West End, Richmond

Comfort Inn, Springfield
Hampton Inn, Springfield
Candlewood Suites Hotel, Sterling
Homestead Studio Suites, Sterling
Sierra Suites, Proposed, Sterling
Suburban Extended Stay, Sterling
Marriott Hotel, Tyson's Corner
Fairfield Inn, Virginia Beach
Studios 4 Less Virginia Beach, Virginia Beach
Residence Inn Tysons Corner Mall, Vienna

Washington

Red Lion Inn, Aberdeen
*Iron Horse Casino, Auburn
Best Western Bellevue Inn, Bellevue
Candlewood Suites, Bellevue
DoubleTree Bellevue Center, Bellevue
Embassy Suites, Bellevue
Full-Service Hotel, Proposed, Bellevue
Hampton Inn, Bellevue
La Quinta Inn, Bellevue
Larkspur Landing Hotel, Bellevue
Lincoln Square Hotel, Bellevue
Marriott Hotel, Bellevue
Palladium Center Project, Bellevue
Red Lion Hotel Bellevue, Bellevue
Red Lion Inn Bellevue Center, Bellevue
Residence Inn, Bellevue
Ritz-Carlton Hotel, Proposed, Bellevue
Westin Hotel, Proposed, Bellevue
Semi-ah-moo Resort, Blaine
Sierra Suites Hotel, Proposed, Bellevue
Full-Service Hotel, Proposed, Everett
Motel 6, Issaquah
Red Lion Inn, Kelso
Red Lion Hotel Columbia Center, Kennewick
Comfort Inn, Kent
Fairfield Inn, Proposed, Lacey
Proposed Hotel, Lakewood
Embassy Suites, Lynnwood
Residence Inn, Lynnwood
Phoenix Inn, Olympia
Red Lion Hotel, Olympia
WestCoast Olympia Hotel, Olympia
DoubleTree Hotel, Pasco
Red Lion Hotel, Pasco
Red Lion Inn, Pasco
Red Lion Hotel, Port Angeles
Marriott Hotel, Proposed, Redmond
Residence Inn, Redmond
Hilton Gardens Hotel, Redmond
Hilton Garden Inn, Renton
Larkspur Landing Hotel, Renton
Best Western Tower Inn, Richland
Red Lion Hotel Hanford House, Richland
Red Lion Inn, Richland
Shilo Inn, Richland
Hampton Inn, Sea-Tac
Holiday Inn Sea-Tac, Sea-Tac
La Quinta Inn, Sea-Tac
Red Lion Hotel, Sea-Tac
Coast Gateway Hotel, Sea-Tac
Alexis Hotel, Seattle
Convention Hotel at Greyhound Site, Prop.
Seattle
Courtyard Hotel, Seattle

DoubleTree by Hilton Arctic Club Hotel, Seattle
Doubletree Inn, Seattle
Elliott Hotel, Seattle
Embassy Suites Seattle/Tacoma, Seattle
Extended-Stay Hotel, Proposed, Seattle
Fairmont Olympic Hotel, Seattle
Four Seasons Olympic Hotel, Seattle
Four-Star Hotel, Proposed, Seattle
Grand Hyatt Seattle, Seattle
Hampton Inn, Seattle
Holiday Inn Crowne Plaza, Seattle
Holiday Inn Sea-Tac, Seattle
Homewood Suites, Seattle
Hotel 1000, Seattle
Hotel Andra, Seattle
Hotel First Street, Proposed, Seattle
Hotel Max, Seattle
Hotel Monaco, Seattle
Hotel, Proposed, Seattle
Hotel Vintage Plaza, Seattle
Hyatt Hotel at Olive8, Proposed, Seattle
Madison Hotel, Seattle
Marriott Seattle Waterfront, Seattle
Paramount Hotel, Seattle
Red Lion Hotel, Seattle
Renaissance Hotel, Seattle
Roosevelt Hotel, Seattle
Seattle Hotel, Proposed, Seattle
Sheraton Hotel, Seattle
Springhill Suites, Seattle
W Hotel, Seattle
WestCoast Grand Hotel on Fifth Avenue,
Seattle
WestCoast Paramount, Seattle
WestCoast Vance Hotel, Seattle
The Bay Silverdale Hotel, Silverdale
Salish Lodge, Snoqualmie
Courtyard by Marriott, Spokane
DoubleTree Spokane City Center, Spokane
Red Lion Hotel at the Park, Spokane
Red Lion Inn, Spokane
Residence Inn, Proposed, Spokane
WestCoast Grand Hotel, Spokane
WestCoast Ridpath Hotel, Spokane
Shilo Inn, Spokane
Red Lion Inn, Spokane Valley
Skamania Lodge, Stevenson
Hotel Monaco, Tacoma
Hotel Premier, Tacoma
La Quinta Inn, Tacoma
Park Shore Inn, Tacoma
Red Lion Inn, Tacoma
Sheraton Hotel, Tacoma
Shilo Inn Suites, Tacoma
Winthrop Hotel, Tacoma
Doubletree Suites, Tukwila
Embassy Suites, Tukwila
Residence Inn, Tukwila
Hampton Inn, Tukwila
Homewood Suites by Hilton, Tukwila
Hotel, Proposed, University Place
Phoenix Inn, Vancouver
Red Lion Inn at the Quay, Vancouver
Residence Inn, Vancouver
Red Lion Inn, Wenatchee



PROPERTIES - CONTINUED

** Denotes Gaming Property*

WestCoast Wenatchee Center Hotel,
Wenatchee
Hotel, Proposed, Yakima
Red Lion Hotel Yakima Center, Yakima
Red Lion Inn, Yakima

West Virginia

Holiday Inn Charleston House, Charleston
Charles Town Entertainment Complex, Charles
Town
Holiday Inn Express, Falling Waters
Holiday Inn, Huntington
Days Inn, Martinsburg
Howard Johnson's, Wheeling

Wisconsin

Radisson Hotel, Appleton
Radisson Paper Valley Hotel, Appleton
Fairfield Inn, Auburn Hills
DoubleTree Hotel, Brookfield
Fairfield Inn, Brookfield
Milwaukee Marriott Hotel, Brookfield
Wyndham Garden Hotel, Brookfield
Radisson Inn, Farmington Hills
Various Locations, Frankenmuth
Hilton Garden Inn, Green Bay
Super 8 Motel, Jamesville
Super 8 Motel, Kenosha
Hilton Garden Inn Appleton/Kimberly,
Kimberly
Fairfield Inn, Madison
Hampton Inn & Suites Madison West, Madison
Homewood Suites Madison West, Madison
Sheraton Hotel, Madison
Fairfield Inn, Milwaukee
Hampton Inn, Proposed, Milwaukee
Holiday Inn-Airport, Milwaukee
Holiday Inn-West, Milwaukee
Hyatt Regency, Milwaukee
Kimpton Hotel, Proposed, Milwaukee
Renaissance ClubSport, Prop., Milwaukee
Wyndham Milwaukee Airport Hotel and
Convention Center, Milwaukee
Country Inn & Suites Marinette Hotel,
Miranette
Holiday Inn, Neenah
Hilton Garden Inn, Oshkosh
Downtown Convention Hotel, Racine
Fairfield Inn, Warren
Hampton Inn & Suites, Proposed, West Allis
Hotel, Proposed, West Allis

Wyoming

Days Inn, Casper
Shilo Inn, Casper
Flying L Skytel, Cody
Shilo Inn, Evansville
Amangani Resort, Jackson Hole
Four Seasons Resort Hotel, Condominiums,
and Fractionals, Jackson Hole
Granary Restaurant & Spring Creek Ranch,
Jackson Hole
Amerihost, Pinedale

TERRITORIES

Guam

Royal Palm Resort, Tumon
Hyatt Regency Hotel, Tumon Bay
Palace Hotel Guam, Tamuning
Hotel, Proposed, Tamuning

Puerto Rico

El San Juan Resort & Casino, a Hilton Hotel,
Carolina
Waldorf Astoria El Conquistador Resort,
Fajardo
Carib Inn, San Juan
Condado Plaza Hilton, San Juan

INTERNATIONAL

Aruba

*Prop. Hard Rock Hotel and Casino, Oranjestad
*Renaissance Aruba Resort & Casino and Retail
Mall, Oranjestad
*Marriott Aruba Resort & Stellaris Casino,
Palm Beach

Australia

Swissôtel Sydney on Market Street, Sydney

The Bahamas

Resort, Marina, and Villas, Prop., Eleuthera
*Coral Harbour Development, Prop., Nassau
Atlantis, Paradise Island
Baja Mar Resort, Paradise Island
One & Only Ocean Club Resort, Paradise Island
The Reef Atlantis, Paradise Island

Barbados

Fairmont Royal Pavilion, St. James
St. Barth Hotel, Proposed, Grand Cul de Sac, St.
Barthelemy

Bermuda

Fairmont Hamilton Princess, Hamilton
Fairmont Southampton Princess, Southampton
Reefs Resort & Fractionals, Southampton

Cambodia

Raffles Hotel Le Royal Phnom Penh, Phnom
Penh
Raffles Grand Hotel d'Angkor Siem Reap, Siem
Reap

Canada

Westin Calgary, Calgary, AB
119-Unit Hotel, Canmore, AB
Courtyard by Marriott, Edmonton, AB
Enoch Cree Entertainment Complex, Prop.,
Edmonton, AB
Sutton Place, Edmonton, AB
Westin Edmonton, Edmonton, AB
Fairmont Jasper Park Lodge, Jasper, AB
Fairmont Chateau Lake Louise, Lake Louise,
AB
Delta Vancouver Airport Hotel & Marina,
Richmond, BC
Fairmont Vancouver Airport, Vancouver, BC

Hotel Georgia, Vancouver, BC
Pacific Palisades Hotel, Vancouver, BC
Sutton Place Hotel, Vancouver, BC
Westin Bayshore Resort & Marina, Vancouver,
BC
Fairmont Chateau Whistler, Whistler, BC
Mountainside Lodge, Whistler, BC
Holiday Inn Airport West, Winnipeg, MB
Courtyard by Marriott, Markham, ON
Residence Inn by Marriott, Markham, ON
Fairfield Inn by Marriott, Markham, ON
Courtyard by Marriott, Mississauga, ON
Residence Inn by Marriott, Mississauga, ON
*Casino Niagara, Niagara, ON
Westin Ottawa, Ottawa, ON
Sutton Place Hotel & Apartments, Toronto, ON
Toronto Prince Hotel, Toronto, ON
Westin Bristol Place Toronto Airport, Toronto,
ON
Westin Harbour Castle, Toronto, ON
Courtyard by Marriott Toronto Vaughan,
Vaughan, ON
Fairmont Chateau Montebello, Montebello, QC
Fairmont Kenauk, Montebello, QC
Hyatt Regency Montreal, Montreal, QC
Le Chateau Frontenac, Quebec City, QC

Cayman Islands

Courtyard Hotel Grand Cayman, Grand Cayman
Marriott Grand Cayman, Grand Cayman
Treasure Island Resort, Grand Cayman
Westin Casuarina Resort & Spa, Grand Cayman

Chile

*Casino Hotel, Prop., San Francisco de
Mostazel

Costa Rica

Rip Jack Inn Hotel, Playa Grande, Guanacaste

Curacao

Hard Rock Hotel, Proposed Curacao
*Renaissance Curacao Resort & Casino,
Wilemstad

Fiji

Jean-Michele Cousteau Resort, Savusavu
Taunovo Bay Resort Hotel, Proposed, Taunovo
Bay

France

Le Mélézin Hotel, Courcheval 1850
Marriott Champs Elysée, Paris

Germany

Swissôtel, Berlin
Swissôtel, Dusseldorf
Fairmont Hotel Vier Jahreszeiten, Hamburg

Ireland

Proposed Mixed-Use Development, Tipperary

Japan

Swissôtel Nankai Osaka, Osaka



PROPERTIES - CONTINUED

* Denotes Gaming Property

Macau, S.A.R., China

Altira Macau
*City of Dreams Hotel & Casino, Prop. & Existing
*Crown Macau Hotel & Casino
*Grand Waldo Casino-Hotel
*New Century Hotel & Casino, Macau
*Sands Casino Macao
Sands China Limited Parcels 5 & 6
Studio City Macao
Venetian Resort Macao, Proposed

Maldives

One & Only Reethi Rah Resort, Reethi Rah

Mauritius

One & Only Le Saint Geran Hotel

Mexico

Trump Ocean Resort, Prop., Rosarito Beach, BC
Rancho La Puerta, Tecate, BC
400-Room Hotel, Prop., Cabo San Lucas, BCS
Capella Pedregal Resort, Prop., Cabo San Lucas, BCS
Chileno Bay Development, Cabo San Lucas, BCS
Hilton Los Cabos Beach & Golf Resort, San Jose del Cabo, BCS
Hotel & Timeshare Development, Prop., Cabo San Lucas, BCS
Esperanza Resort & Fractionals, Cabo San Lucas, BCS
One&Only Palmilla, San Jose del Cabo, BCS
Luxury Hotel Submarket, Los Cabos, BCS
Las Hados Resort, Manzanillo, Colima
Four Seasons Mexico D.F., Mexico City, DF
Sheraton Centro Historico Hotel & Convention Center, Mexico City, DF
Fairmont Acapulco Princess, Acapulco, Guerrero
Fairmont Pierre Marques, Acapulco, Guerrero
Barcelo La Jolla de Mismaloya, Puerto Vallarta, Jalisco
Puerto Vallarta Casa Magna Marriott Resort, Puerto Vallarta, Jalisco
Four Seasons Resort Punta Mita, Bahia de Banderas, Nayarit

Cancun Casa Magna Marriott Resort, Cancun, QR
Hilton Cancun Beach & Golf Resort, Cancun, QR
Sandos Cancun Luxury Experience Resort & Spa, Cancun, QR

Netherlands

Swissôtel Amsterdam, Amsterdam

Panama

*Convention-Oriented Hotel and Casino, Proposed, Panama City

Russia

*Casino Component Proposed Resort, Moscow

Singapore

Marina Bay Sands Development, Marina Bay
Raffles Hotel Singapore
Raffles The Plaza Singapore
Swissôtel Merchant Court Singapore
Swissôtel The Stamford Singapore

Spain

Proposed LVS Spain Development Project

Sri Lanka

Proposed Lost City of Shanhala

Switzerland

Swissôtel Le Plaza Basel, Le Basel
Raffles Le Montreaux Palace, Montreal
Swissôtel Zurich, Zurich

United Arab Emirates

Atlantis The Palm, Dubai

Virgin Islands

Pond Bay Saint John, Saint John

West Indies

Grand Princess Entertainment Center, Jolly Harbour, Antigua
Four Seasons Resort, Nevis

VARIOUS

Anglo-Irish Hotel Portfolio, Various Locations
ARC Hotel Portfolio, Various Locations
Ashford Hospitality Assets, Various Locations
Barclays Portfolio, Various Locations
Chelsea Portfolio, Various Location
Clarion Portfolio, Various Locations
Competitive Luxury Hotel Performance, Los Angeles
Cooper Hotel Portfolio, Various Locations
Crossland Economy Suites & Extended Stay Americas, Various Locations
Equity Inns Portfolio, Various Locations
Extended StayAmerica Portfolio, Various Locations
Fairmont Management Company
Felcor Lodging Company Analysis, Various Locations
G6 Hospitality – Motel 6 Portfolio, Various Locations
Hardage Hotels – Franchise Valuation, Various Locations, CA
Hilton/Blackstone Portfolio, Various Locations
KeyBank Hotel Portfolio, Various Locations
La Quinta Portfolio, Various Locations
Larkspur Landing Portfolio, Various Locations
Motel 6 Portfolio, Various Locations
Noble House Management Portfolio
Project Wild Portfolio – Great Wolf Lodges, Various Locations
Red Roof Inn Portfolio, Various Locations
RLJ Portfolio, Various Locations
RREAF Holdings, LLC/Texas Hotel Portfolio
San Francisco and Los Angeles Market Snapshots
Semiahmoo Hotel Company
Starwood Analysis
Summit Hotel Portfolio, Various Locations
Tharaldson/CNL Portfolio, Various Locations
Valuation of AmericInn International, LLC
Valuation of Great Wolf Resorts Company
Value Place Portfolio, Various Locations

MEMORANDUM

To: TZK Broadway

From: James Musbach and Walker Toma

Subject: Economic Impacts of Proposed Teatro ZinZanni / Kenwood Hotel and Dinner Theatre; EPS #151160

Date: May 13, 2016

The Economics of Land Use



This memorandum provides a preliminary evaluation of the economic impacts associated with the development of the proposed Teatro ZinZanni Hotel and Dinner Theatre (Project), which includes a theater and entertainment venue space for Teatro ZinZanni, located at Seawall Lots 323 and 324 in San Francisco. The Project is proposed to be comprised of approximately 180 hotel rooms;¹ a new 285-seat live-performance dinner-theater performance and entertainment space, which includes a welcoming lobby and bar area, kitchen and back-of-house facilities for Teatro ZinZanni; and an approximately 10,000-square foot, privately funded public plaza and park at the intersection of Embarcadero and Broadway.

The Project will generate substantial revenues from development impact fees, which will support affordable housing, transportation improvements, child care, schools, and other community benefits. The Project also will generate annual fiscal revenues to the City of San Francisco in the form of Transient Occupancy Taxes (TOT); and sales, property, and other General Fund taxes that will flow to the City and County of San Francisco. This memorandum provides an overview of these estimated tax revenues, by type, at stabilization. In addition, this memorandum provides estimates for the number of construction and permanent jobs that will be generated by the Project.

Economic & Planning Systems, Inc.
One Kaiser Plaza, Suite 1410
Oakland, CA 94612
510 841 9190 tel
510 740 2080 fax

Oakland
Sacramento
Denver
Los Angeles

www.epsys.com

¹ Approximately 8 of the hotel rooms will be used by ZinZanni's performers as extended stay, discounted hotel lodging.

Summary of Benefits to the City

New tax revenues from the Project will include both ongoing annual revenues and one-time revenues, as summarized in **Table 1** and **Table 2**, respectively. Ongoing revenues to the City include new tax receipts from property and property-related taxes, as well as hotel and sales taxes.² Based on the proposed development, these ongoing revenues are currently estimated to amount to \$4.9 million in annual revenue to the City upon full Project build-out in 2016 dollars. These tax revenues will be available to help fund public improvements and services Citywide.

Table 1 Summary of Select Annual General Fund Revenues (2016\$)

Revenue Item	Annual General Fund Revenue
Annual General Fund Revenue	
Possessory Interest Tax	\$808,000
Property Transfer Tax	\$155,000
Property Tax in Lieu of VLF	\$131,000
Transient Occupancy Tax	\$3,672,000
Sales Tax	\$164,000
Gross Receipts Tax	<u>not estimated</u>
Subtotal	\$4,931,000

Sources: City and County of San Francisco; Economic & Planning Systems, Inc.

One-time revenues to be generated through development impact fees are estimated to amount to \$7.8 million. These revenues will fund a variety of community benefits, including transportation improvements, schools, public art, and child care.

² The Project will generate additional annual fiscal revenues, such as Utility Users Tax, Gross Receipts Tax, which are not estimated as part of this preliminary analysis. A preliminary Parking Tax estimate is provided but not included in the fiscal impact summary.

Table 2 Summary of One-Time Development Impact Fee Revenues (2016\$)

Impact Fee Category	Amount
Jobs-Housing Linkage Fee	\$3,271,681
Transit Impact Development Fee (TIDF) [1]	\$2,446,129
Child Care Fee [2]	\$211,619
Schools Fee [3]	\$20,673
Public Art Requirement (1% of Hard Costs) [4]	\$851,740
Bike Parking In Lieu	\$10,500
Water and Wastewater Capacity Fees [5]	<u>\$1,000,000</u>
Total Estimated Development Impact Fees	\$7,812,342

[1] The Transportation Sustainability Fee (TSF) is proposed to replace the existing TIDF fee structure and would increase fees for commercial uses to \$18.04 per square feet. Under the TSF, the Project would pay an estimated \$3.1 million in transportation fees.

[2] A revision to the Child Care Fee was proposed in July, 2015. If adopted, fee levels would be increased on a per square foot fee levels as well as include residential uses. Under the proposed fee structure, the Project would generate an estimated \$275,000 in Child Care fees.

[3] School fees are calculated on "habitable square footage" only. Fee level was adjusted to reflect net square footage for all use types assuming 85 percent of gross.

[4] Hard cost estimate based on Webcor Builders 11/23/2015 estimate.

[5] TZK Broadway estimate based on SFPUC Resolution 07-0100.

Sources: City of San Francisco Planning Department; TZK Broadway; EPS.

Select Annual Fiscal Revenues

Possessory Interest Tax

The Project site is currently owned by the Port of San Francisco, a public agency, and, therefore, is not on the Assessor's roll. Because the Port will continue to own the land, the Port will continue to be exempt from paying property tax. However, the Developer Team will pay possessory interest tax instead. Possessory interest tax will be assessed in much the same way standard property tax would be – based on the assessed value of the land and the improvements, subject to the limits established by Proposition 13.³ The City receives up to \$0.65 of every possessory interest tax dollar collected; the balance goes to other agencies, including the Education Revenue Augmentation Fund (ERAF), which provides funding for schools. Taxpayers also pay various "overrides," including taxes for Citywide General Obligation bonds, special taxes and assessments that exceed the constitutional 1 percent property tax. These overrides are not estimated in this analysis. For purposes of this analysis, the development cost is used as a proxy to estimate the assessed value of the Project.

³ Ad valorem property taxes supporting general obligation bond debt in excess of this 1 percent amount are excluded for purposes of this analysis. Such taxes require separate voter approval and proceeds are payable only for uses approved by the voters.

Property Transfer Tax

The City collects a property transfer tax of \$6.80 per \$1,000 of transferred value on transactions up to \$1 million, \$7.50 per \$1,000 on transactions up to \$5 million, \$20.00 per \$1,000 on transactions from \$5 million to \$10 million, and \$25.00 per \$1,000 on transactions above \$10 million.

The commercial components of the Project are expected to turnover once every 20 years. For estimating purposes, it is assumed that sales are spread evenly over each year, although it is more likely that sales will be sporadic. An average tax rate has been applied to the average sales transactions to estimate the potential annual transfer tax to the City. Actual amounts will vary depending on economic factors and the applicability of the tax to specific transactions.

Property Tax In-Lieu of Vehicle License Fees

The State budget currently converts a significant portion of what used to be Motor Vehicle License Fee (VLF) subventions, previously distributed by the State based on a per-capita formula, into property tax distributions. These distributions increase over time based on assessed value growth within each jurisdiction. These revenues to the City are projected to increase proportionately to an increase in the assessed value of the Project.

Transient Occupancy Tax (TOT)

Hotel Room Tax (also known as Transient Occupancy Tax or TOT) will be generated by the hotel component of the Project. Based on findings from recent hotel market studies and information provided to the Port of San Francisco, this analysis assumes a nightly room rate of \$487 (in 2016 dollars) and an occupancy rate of 85 percent in year three of operations (assumed stabilization). The City currently collects a 14 percent tax on room charges, which accrues to the City's General Fund. Based on the pro forma included in the January 2016 memorandum to the Port, the City would begin collecting TOT revenues of approximately \$3.2 million in 2019, and increasing to approximately \$3.7 million at stabilization (2021).

Sales Taxes

The City General Fund receives 1 percent of taxable sales. A summary of these expenditures is reflected in the sales tax estimate shown in **Table 1**. This analysis evaluates taxable sales generated by the catering, and food and beverage component of the hotel operations. Revenues reflect estimates from year three of operations (assumed stabilization).

In addition, this analysis evaluates taxable expenditures by Teatro ZinZanni patrons for both a portion of the ticket price (dinner is included in the cost of the ticket and taxed accordingly) and all additional sales of alcohol and other beverages. For the purposes of this analysis, the average ticket price for Teatro ZinZanni is estimated to be \$150 per person, 30 percent of which is estimated to be taxable. In addition, patrons are estimated to spend an average of \$33 per show on alcoholic and other beverages (these expenditures reflect additional spending beyond the price of the ticket). Hotel patrons are also expected to provide additional net new taxable spending in San Francisco, and sales taxes also will be generated by employee and business spending; however, these categories are not estimated as part of this preliminary analysis.

In addition to the 1 percent sales tax received by every city and county in California, voter-approved local taxes dedicated to transportation purposes are collected. Two special districts, the San Francisco County Transportation Authority and the San Francisco Public Financing Authority (related to San Francisco Unified School District) also receive a portion of sales taxes

(0.50 and 0.25 percent, respectively) in addition to the 1 percent local portion. The City also receives revenues from the State based on sales tax for the purpose of funding public safety-related expenditures. For the purposes of this analysis, these non-General Fund sales tax revenue streams were not included.

Sales Taxes from Construction

During the construction phase of the Project, one-time revenues will be generated by sales and use taxes on construction materials and fixtures. Sales tax will be allocated directly to the City and County of San Francisco in the same manner as described above. Because they are one-time revenues, construction-related sales taxes are not estimated or shown in **Table 1**.

Gross Receipts Tax

Gross receipts tax revenues from on-site businesses and activities are not estimated as part of this analysis. Actual revenues from future gross receipt taxes will depend on a range of variables, including business sizes, share of activity within San Francisco, and other factors.

Parking Tax

Since 2007, the City of San Francisco has imposed a 25 percent occupancy tax on all non-residential parking spaces in the City. Revenue generated by the Parking Tax supports a variety of SFTMTA operations; however, as the Parking Tax does not support General Fund operations it has been excluded from the fiscal impact summary shown in **Table 1**. Based on preliminary estimates of hotel occupancy, anticipated theater patrons, and associated parking demand, EPS estimates nearly \$75,000 in parking tax would be generated annually. Note that this calculation assumes existing garage and street parking in the project area can absorb the increased parking demand generated by the Project as was found in the December 9, 2015 CHS memorandum on vehicle trip generation and parking demand.

One-Time Development Impact Fee Revenues

The City of San Francisco imposes impact fees on new development to mitigate all or a portion of the costs of providing public services to the new development. Applicable development impact fees relating to developing the Project include the following:

- 1) Jobs-Housing Linkage Fee
- 2) Transit Impact Development Fee (TIDF)
- 3) Child Care Fee
- 4) Schools Fee
- 5) Public Art Requirement
- 6) Bike Parking In Lieu Fee
- 7) Water and Wastewater Capacity Fees

Jobs-Housing Linkage Fee

This fee addresses the impact created by employment generating uses to the availability of affordable housing in the City. The fee is calculated based on a per square foot basis for all commercial uses.

Transit Impact Development Fee

The existing Transit Impact Development Fee (TIDF) is imposed to address the impact created by non-residential uses on the transit system. For the purposes of the Proposed Project, and consistent with current Planning Department policy, non-residential uses would pay the TIDF fee for all net new square footage.

Child Care Fee

The existing child care fee addresses the impact created by certain employment-generating uses (hotel and office) on the availability of child care. While the fee would not be imposed if the Project elects to provide on or off-site child care, this analysis assumes the in-lieu fee would be required. This analysis assumes payment of the existing Child Care fee but notes the projected fee level under the proposed fee structure that would increase per square foot fee levels.

School Impact Fee

This fee addresses the impacts to the school system created by employment-generators and housing. It applies city wide and is imposed on gross square footage (not net new) for all uses.

Public Art Requirement

The City of San Francisco requires specific projects to provide public artwork on the private property equal to 1 percent of project costs. All or part of this requirement may be satisfied by either providing accepted art of the resulting 1 percent valuation on-site, or paying such amount to a newly established Public Art Trust Fund (Fund).

Bike Parking In Lieu

Following implementation of citywide bicycle parking standards, an ordinance was passed to established to allow a portion of the bicycle parking requirements to be satisfied by payment of the in lieu fee.

Water and Wastewater Capacity Fees

Technically a capacity charge as opposed to a mitigation fee, Water and Wastewater Capacity Fees cover City costs in providing new or increased water service to customers. It applies city wide to all projects. For the purposes of this preliminary analysis, capacity fees were not included here.

Jobs Supported by Proposed Project

The Project is expected to support nearly 425 temporary construction jobs on site⁴ and accommodate over 105 permanent workers on site as summarized below in **Tables 5** and **6**.

EPS estimates that the Project will generate approximately 425 full-time equivalent jobs on site during the construction process, assuming direct construction costs of approximately \$76 million. In addition, the Project is expected to accommodate 107 full-time equivalent (FTE) workers on

⁴ Although additional jobs are anticipated to be supported through indirect and induced effects of the Project's construction spending, only direct job creation is calculated as a part of this preliminary analysis.

site at buildout. This total is comprised of approximately 62 Teatro ZinZanni employees, performers, band members and support staff, and 45 hotel employees.

Table 3 Estimated Temporary Employment Supported by Project Construction

Impact Type	Employment
Direct Effect	423

* Assumes Project direct construction cost of \$76 million based Webcor Builders 10/23/2015 estimate.

Table 4 Estimated Ongoing Employment Supported by Project

Types	Net New SF	Jobs
Entertainment [1]	28,301	62
Hotel [2]	146,591	45
Total Net New Jobs		107

[1] Entertainment use includes theater operations, restaurant and bar component. Job estimates of 50 full-time and 24 part-time employees provided by Teatro ZinZanni. For the purposes of this analysis, part-time employees assumed to equal .5 FTE.

[2] Hotel use assumes one full-time equivalent job for every four rooms.

Sources: TZK Broadway; Teatro ZinZanni.

MEMORANDUM

April 21, 2016

TO: MEMBERS, PORT COMMISSION
Hon. Willie Adams, President
Hon. Kimberly Brandon, Vice President
Hon. Leslie Katz
Hon. Eleni Kounalakis
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Interim Executive Director

SUBJECT: Request endorsement of the proposed Term Sheet between the Port and TZK Broadway, LLC whose members include Teatro ZinZanni and its financial partner, Kenwood Investments No. 6, LLC, for the lease and development of a 180-200 room hotel, a dinner-theater, a 7,500-square-foot public open space, and ancillary uses at Seawall Lots 323/324 and portions of unimproved Vallejo and Davis Street right-of-ways on the west side of The Embarcadero at Vallejo Street

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

EXECUTIVE SUMMARY

Pursuant to the Exclusive Negotiation Agreement ("ENA") dated as of September 10, 2015, TZK Broadway, LLC, a California limited liability company ("TZK") and Port staff have negotiated a non-binding term sheet ("Term Sheet") that represents the conceptual agreement for the terms and conditions of the anticipated transaction documents for the proposed development of a hotel, dinner-theater, open space, and ancillary uses (the "Development" or "Project") on Port's Seawall Lots 323/324 and the two unimproved adjacent street stubs (collectively, the "Site," shown on **Exhibit "A," Site Map**).

Port staff presented the proposed Term Sheet to the Port Commission on April 12, 2016 and is now seeking the Port Commission's endorsement of the Term Sheet at its April 26, 2016 meeting. This staff report supplements the staff report presented at the April 12 Port Commission meeting by providing an updated evaluation of the Development, proposed rental payments to the Port, projected benefits to the Port, the community and the City; and other topics in which the Port Commission and the public expressed interest at the April 12 meeting.

THIS PRINT COVERS CALENDAR ITEM NO. 12A

TZK's proposed development includes a 180-200 room hotel, a dinner-theater, a 7,500 square foot public open space, and ancillary uses on the Site, as indicated in the Proposed Project Concept, attached as Exhibit "C." TZK estimates the total cost of the Development at \$124 million to be funded with \$64 million in equity and \$60 million in debt. TZK is not requesting any project funding by the Port.

Key items of the proposed Term Sheet include the 36-month lease disposition and development agreement ("LDDA"), a lease (Lease") with an initial term of 50 years with option to extend for another 16 years for a total 66 years, and rental payments to Port from the close of escrow and construction start to the end of the lease term, and other legal and administrative provisions covering required obligations of the TZK. The rent structure is based on a number of factors, principal amongst which are that after the construction, the minimum rent must be greater than Port's anticipated rent from the existing surface parking operations on the Site, that it must be informed by fair market appraisal, and that it be compatible with rental rates indicated by survey of similar leases. A more detailed review of the Term Sheet is provided in the analysis sections of this staff report.

Staff recommends endorsement of the Term Sheet to achieve the following multiple Port objectives:

- Meet the *livability, sustainability, and economic vitality objectives* of the Port's Strategic Plan, as elaborated upon in the next section of this staff report.
- Use the Site for its *Highest and Best Use* that is expected to generate much higher revenue and provide benefits to the Port, the community, and the City, which benefits include, among other things, a privately funded public park, activation of the Site, and contribution to the integrity of Northeast Waterfront Historic District.
- Provide a venue to retain Teatro ZinZanni in San Francisco; this is supportive of the City's policy of "supporting and encouraging the use of City and County property, for indoor and outdoor music and other cultural events" to preserving and enhancing San Francisco's music and performance venues from displacement.

If the Port Commission endorses the Term Sheet, the Term Sheet will be presented to the Board of Supervisors for endorsement. Obtaining the endorsement of the proposed Term Sheet from both the Port Commission and Board of Supervisors is a key ENA requirement for continuing to move the Development forward.

STRATEGIC OBJECTIVE

The proposed Term Sheet is expected to contribute in a substantial way to meeting the *livability, sustainability, and economic vitality objectives* of the Port's Strategic Plan.

- *Livability Objectives*: The Development will create living wage jobs and provide business opportunities for local businesses. Under the City's music and culture

sustainability policy, as articulated in Chapter 90A of the Administrative Code, the City “is committed to supporting and encouraging the use of City and County property, including Port property, for indoor and outdoor music and other cultural events” and is committed to preserving and enhancing San Francisco’s music and performance venues from displacement due to development.

- *Sustainability Objectives:* The Development is expected to incorporate a variety of sustainable practices including environmentally sensitive demolition techniques, recycling of demolition and construction waste, use of recycled construction materials, installation of high-efficiency building systems and appliances, storm water management, zero waste operations, green building standards.
- *Economic Vitality Objectives:* Adding revenues from a hotel and dinner-theater operations diversifies the Port’s asset portfolio and supports the durability of the Port’s lease revenue. Changing the Site from its current use as a surface parking lot to its highest and best use¹ will maximize asset value and increase the income stream to the Port from the Site.

BACKGROUND

Site description and permitted uses: Seawall Lots (“SWLs”) 323 and 324 are two nearly triangular land parcels with a combined surface area of approximately 42,719 square feet with frontages on The Embarcadero, Broadway, Davis and Vallejo Streets. They are proposed to be developed with the two abutting right-of-way parcels (“Paper Streets”) that form the terminus of Vallejo Street and Davis Street as they intersect The Embarcadero. The Paper Streets will need to be vacated for the Development. The four parcels, SWLs 323 and 324 and the two Paper Streets, have a combined land area of 57,170 square feet and they form the Site. The Site is currently paved with asphalt, striped for 227 self-parked stalls, and leased on an interim basis to a parking operator, Central Parking CA. The surface parking lot operation generated approximately \$850,000 in net annual revenue to the Port in fiscal year 2014-2015.

Hotel, entertainment, theater, retail, and public open space, among others, are listed as acceptable uses for SWLs 323 and 324 in the Port’s Waterfront Land Use Plan, the City Planning Department’s Northeastern Waterfront Subarea Plan, and the Planning Department’s Northeast Embarcadero Study. The Site is located in the Northeast Waterfront Historic District and within a C-2 (Community Business) zoning district and a 40-X Height and Bulk district. These lots are subject to the common law public trust doctrine, as well as to the terms and conditions of the Burton Act, which is the trust grant from the State of California to the City (sometimes referred to collectively as the “public trust”).

Teatro ZinZanni and Relocation Plan: Teatro is a popular dinner theater performed in a historic Spiegel tent, which provides a big top setting for live music, comedy, and

¹ Highest and best use is defined as the use allowed under current zoning which returns the highest land value.

acrobatic entertainment. It is a unique hybrid of comedy, theater, music and dining that is part circus and part cabaret. It combines improvisational comedy, vaudeville revue, music, dance and cirque into an evolving form. It operates a venue in Seattle, Washington and operated a venue in San Francisco.

Teatro and the Port entered into a lease in 1999 for Teatro to use a portion of Piers 27 and 29 for its dinner theater and cabaret operations (the "Theater Lease"). The Theater Lease was amended a number of times; it expired in 2005, and continued on a holdover month-to-month basis until 2011. To accommodate the 34th America's Cup and the construction of the new James R. Herman Cruise Terminal at Pier 27, the Port and Teatro mutually agreed to terminate the Theater Lease and identified a portion of SWL 324 as a potential relocation site. If Teatro satisfied certain pre-conditions (such as project design compatible with the Northeast Waterfront Historic District, completion of environmental review, etc.), the parties would enter into a new lease for a portion of SWL 324.

The Proposed Development: Teatro and Kenwood Investments formed TZK to undertake the Development. TZK is comprised of two member companies: Kenwood Investments No. 6, LLC, a California limited liability company ("KWI #6") controlled by Kenwood Investments, and TZZ, LLC, a Washington limited liability company ("TZZ") controlled by Teatro ZinZanni. The Development includes between 180-200 hotel rooms (no more than 10 of which may be set aside on short-term basis for visiting artists), a dinner-theater operated by TZZ's Teatro ZinZanni, and ancillary space built to conform to the district's height and bulk limits (40X) along with an approximately 7,500 square-foot public open space. A conceptual diagram of the Development is attached as **Exhibit "B," Proposed Project Concept.**

A single building with approximately 174,892 square feet of gross floor area is proposed to contain the hotel, short-stay guestrooms, and the dinner-theater. The hotel will occupy approximately 146,591 square feet of the gross floor area with the remaining 28,301 square feet for the dinner-theater. The Development is projected to cost \$124 million funded with \$64 million equity and \$60 million debt. The Term Sheet does not contemplate any Port or public funding for the Development.

Between October 28, 2014 and September 8, 2015, the Port Commission and the Board of Supervisors took a number of actions that culminated in the execution of ENA. The staff reports and the resolutions related to the actions^{2 3 & 4} can be reviewed at the internet links provided in the footnotes below.

²<http://sfport.com/ftp/meetingarchive/commission/38.106.4.220/modules/Item%2010B%20SWL%20324%20Teatro%20Action%2010-28-14-documentid=9020.pdf>.

³ <http://www.sfbos.org/ftp/uploadedfiles/bdsupvrs/resolutions15/r0170-15.pdf>.

⁴ <http://sfport.com/sites/default/files/FileCenter/Documents/10429-Item%2014B-Teatro%20ZinZanni%20ENA%20FINAL%209-2.pdf>.

ENA Key Requirements and Performance Schedule: TZK is required under the ENA to pursue its due diligence review of the Site's suitability for its proposal, conduct community outreach to stakeholders, negotiate a term sheet for Port Commission and Board of Supervisors' considerations and endorsements, complete preliminary architectural and engineering designs, pursue all required entitlements, finalize its financial plans for construction completion and operation of the Development, and negotiate all required transaction documents, including the LDDA and Lease.

TZK is in compliance with the ENA requirements and has requested the Port Commission's endorsement of the proposed Term Sheet to allow TZK to continue to make progress on the Development. TZK's next milestones to attain under the ENA are: obtain Board of Supervisors' endorsement of the Term Sheet; continue with environmental review process in compliance with California Environmental Quality Act ("CEQA"); complete negotiation of transaction documents; and pursue required entitlements and regulatory approvals.

While the Port will cooperate on the environmental review and entitlements process, the responsibility and cost of obtaining these approvals will be borne by TZK. Upon completion of any required environmental review and finalization of transaction documents by Port Staff, the Port Commission will be requested to consider the transaction documents including the LDDA and Lease for approval. The lease will also be subject to approval by the Board of Supervisors.

Endorsement of the Term Sheet does not commit the Port Commission to approve the Development, enter into any LDDA and Lease, or any other transaction document with TZK or take any other action. The Port will not take any discretionary actions in connection with the Development until it has reviewed and considered environmental documentation prepared in compliance with CEQA.

SUMMARY OF TERM SHEET

Attached as Exhibit "C," is the Term Sheet. Its key terms and conditions include:

1. **The Premises or Site:** Comprised of four parcels, SWLs 323 and 324, and the two Paper Streets, for a combined land area of 57,170 square feet. It will be leased in "As Is" condition.
2. **Development Program:** This is as described earlier in this Staff Report.
3. **Total Development Cost and Sources of Funding:** TZK is responsible for funding the Development estimated to cost approximately \$124 million, subject to escalations over time. TZK is responsible for paying all of the Port's transaction costs and for providing performance and payment bonds for the Development.
4. **LDDA term:** TZK is required to close escrow on a construction loan, among other things, within 12 months of the LDDA's effective date (subject to two 6-month extension options to close escrow, with fees).

5. **Complete Construction:** TZK must complete construction within 24 months after lease commencement, subject to two six-month extension options at a \$50,000 fee for each extension.
6. **Liquidated Damages for Failure to Timely Complete Construction:** If TZK fails to complete construction within the 36-month period (24 month construction period plus the two 6-month extension periods), it must pay the Port \$1,150 for each day it has yet to complete construction. This \$1.150 per day is based on the average rent per day the Port will lose for the development failing to start operations on schedule.
7. **Lease Term:** 50 years initial term, plus one 16-year extension option. The 16-year extension is subject to TZK remaining as a "tenant in good standing" and having exercised the extension option within two years prior to the end of the initial term. This term is based on the Developer's need to attract required capital investments, amortize the capital investment, and Port's need to review the lease and development 48 years from now based on the then-existing conditions including sea level rise.
8. **Construction Period Rent:** The Minimum Base Rent of \$890,000 is set for Lease Years 1 and 2, when the development's improvements are being constructed. The rental amount is based on maintaining the current stream of income the Port is receiving from the Site while also recognizing that the Developer is not earning any revenue from the development.
9. **Operation Period Rent: Minimum Base Rent or Percentage Rent** whichever is greater. The Developer will pay the Port the greater of the Minimum Base Rent or the Percentage Rent. The exact amount of percentage rent due to the Port will be confirmed at the end of the hotel operation's fiscal year when the required supporting financial reports are prepared.
10. **Minimum Base Rent for the first two years of the Operation Period:** The Minimum base Rent for Lease years 3 and 4 is set at **\$915,000 per year** to allow the operation to address (a) unexpected or greater than expected start-up costs, (b) greater than expected operational expenses, and (c) lower-than-projected revenues because the new hotel has yet to establish a robust customer base. If the hotel operations do well by attaining 80% occupancy in either of these two years, TZK will pay the Port 90% of the applicable Percentage Rent, currently estimated at between \$1,387 million and \$1,788 million.
11. **Minimum Base Rent from third through fifth years of Operation Period:** Lease Years 5 through 7 (*Operation Period Years 3 through 5*): The Minimum Based Rent starts at **\$1.366 million** and escalates annually by the annual increase in the Consumer Price Index for the Bay Area ("CPI"), with a minimum increase of 2.5% and a maximum increase of 3.5% annually until reset in the 11th year of the Operation Period. This arrangement sets a floor to protect the minimum base rent the Port will earn from the Site regardless of how the development is performing

financially. It also provides protection for the Developer from larger than budgeted rental spikes.

12. **Minimum Base Rent Reset:** At the end of every 10-year interval of the Lease Term Operation Period, (beginning in the 13th Lease Year, Hotel Operation Period Year 11), the Minimum Base Rent will be reset to **the greater** of (a) then existing CPI-adjusted Minimum Base Rent or (b) 65% of the average of the five prior years percentage rents actually paid to the Port. This market reset recognizes the cyclical rental amounts the development is able to support while ensuring that the minimum base rent stays above the prior year minimum base rent to protect the Port against inflation.

13. **Percentage Rent:** During Lease Years 3 to 7: (Operation Period Years 1 to 5)
The amount by which 3.5% of the Annual Gross Revenue from all of the Hotel operations plus 3.5% of the Annual Gross Revenue from all of the Dinner-Theater Operations (Teatro ZinZanni's Operations on the Site) exceeds Minimum Base Rent.

During Lease Years 8 to 12 (Operation Period Years 6 to 10)
The amount by which 4.5% of the Annual Gross Revenue from all of the Hotel operations plus 3.5% of the Annual Gross Revenue from all of the Dinner-Theater Operations exceeds Minimum Base Rent.

During Lease Years 13 to 22: (Operation Period Years 11 through 20)
The amount by which 5.5% of the Annual Gross Revenue from all of the Hotel operations plus 3.5% of the Annual Gross Revenue from all of the Dinner-Theater Operations exceeds Minimum Base Rent.

During Lease Years 23 to 50: (Operation Period Years 21 through 48)
The amount by which 6.5% of the Annual Gross Revenue from all of the Hotel operations plus 3.5% of the Annual Gross Revenue from all of the Dinner-Theater Operations exceeds Minimum Base Rent.

During Lease Years 51 to 66: (Extension Period Years 49 to 64)
The amount by which 6.5% of the Annual Gross Revenue from all of the Hotel operations plus 3.5% of the Annual Gross Revenue from all of the Dinner-Theater Operations exceeds Minimum Base Rent.

14. **TZK Equity Repayment and Return of Equity:** TZK is limited to earning 18% IRR on the actual amount of equity invested and after earning the 18% IRR, surplus cash flow will be shared at (i) 70%/30% (TZK/Port) until TZK receives a 25% IRR and then (ii) 60%/40% (TZK/Port).

15. **Participation Rent:** During Period of No Refinance or Sale: After TZK has earned 18% IRR, surplus cash flow shall be shared at (i) 70%/30% (TZK/Port) until TZK receives a 25% IRR and then (ii) 60%/40% (TZK/Port).

16. **Participation Rent: During Period of Refinance, Assignment, or Sale:** After TZK has earned 18% IRR, surplus cash flow shall be shared at (i) 70%/30% (TZK/Port) until TZK receives a 25% IRR and then (ii) 60%/40% (TZK/Port).
17. **Competent Hotel Management Required:** TZK's final selection of a hotel management company or operator is subject to prior review, acceptance and approval by Port which will not be unreasonably withheld, delayed, or denied. The management agreement will be required to include a number of provisions, including the minimum number of years of hotel management experience, operation standards to maintain, Port's ability to require TZK to replace the hotel operator, etc.
18. **Sublease:** All subleases are subject to Port's prior consent and Port's percentage rent requirements, most of which may require negotiations.
19. **Leasehold Financing:** TZK will have the right to obtain project financing from bona fide institutional lenders secured by its leasehold interest.
20. **No Subordination of Port's Fee Interest:** TZK is not allowed to place any lien on Port's fee ownership of the Site.
21. **Public Open Space:** TZK is responsible for funding the construction, operation, and maintenance of the proposed public open space during the lease term.
22. **Sea Level Rise:** The relevant transactions documents will include the recommended provisions addressing sea level rise. TZK has express interest in working with the Port in addressing this issue.
23. **City and Other Standard Lease Requirements:** The relevant transactions documents will respond to all of the applicable Port and City requirements. These requirements are usually provided under the General Terms and Conditions of Port and City leases. They cover such topics as insurance requirements, non-discrimination requirements, hiring policies, etc.

ANALYSIS OF PROPOSED PROJECT

This mixed-use Development that includes a boutique hotel (defined as such due to its scale and style); dinner-theater component that will be operated by Teatro ZinZanni; and a waterfront public open space that will be adjacent to The Embarcadero, collectively, is a creative proposal that leverages the Site's many attributes. It represents the highest and best use of the Site, based on the City's appraisal of the Site. The underlying fundamentals of San Francisco's hotel marketplace - e.g., strong demand driven by the City's status as one of the world's most favored travel destinations, high-hotel occupancy (currently averaging 80% which exceeds the national average of 62%), and constrained supply of hotel rooms - combined with the Site's waterfront location, all clearly provide support for the proposal.

Preliminarily, the Development is deemed feasible barring any significant revisions to the current development concept and the related development assumptions. These assumptions include that the current estimated construction costs will remain within or near to the costs plus estimated contingency, that there will not be significant entitlement delays, that the real estate capital market will remain stable with no spikes in interest rates or dramatic change in commercial loan underwriting, and that the economy in general will remain stable.

The lease payment terms in the draft Term Sheet were set to ensure that the minimum base rent to the Port would not dip below the current revenues generated by the surface parking lot. **Figures 1 and 2** illustrate a 20-year projection of lease revenues to the Port from:

- **Existing use.** Surface parking operations (based on the last four years of operations and five-year revenue projections from Real Estate staff).
- **Proposed hotel development, base rent.** TZK minimum base rent in draft Term Sheet (assuming no market resets, as described in (12), above).
- **Proposed hotel development, projected rent.** TZK projected rent to the Port (based on hotel revenue projections).

As shown, the existing parking operations on the Site is projected to generate \$14.2 million over 20 years (in net present terms) compared to the guaranteed base rent in the TZK draft Term Sheet of \$17.1 million and the total projected rent to the Port in the TZK draft Term Sheet of \$29.0 million. Note that a longer projection (e.g., through years 50 or 66) would show an even greater divide between the financial outcomes to the Port from the continued use of the Site as a surface parking lot compared to the proposed hotel development.

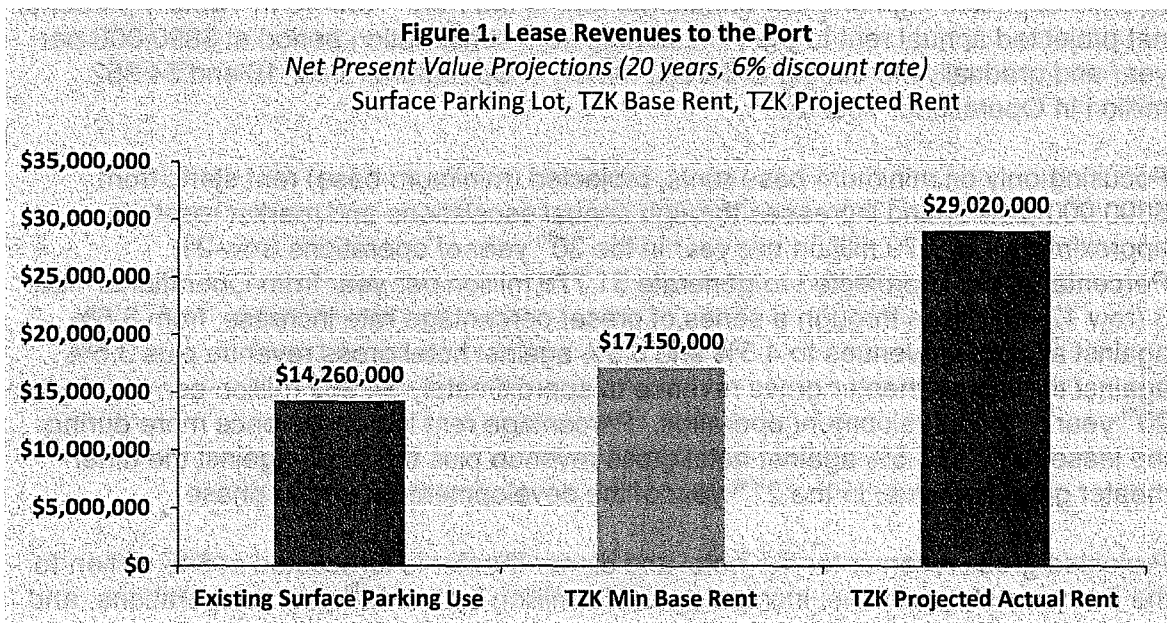


Figure 2. Lease Revenues to the Port
 Surface Parking Lot, TZK Base Rent, TZK Projected Rent

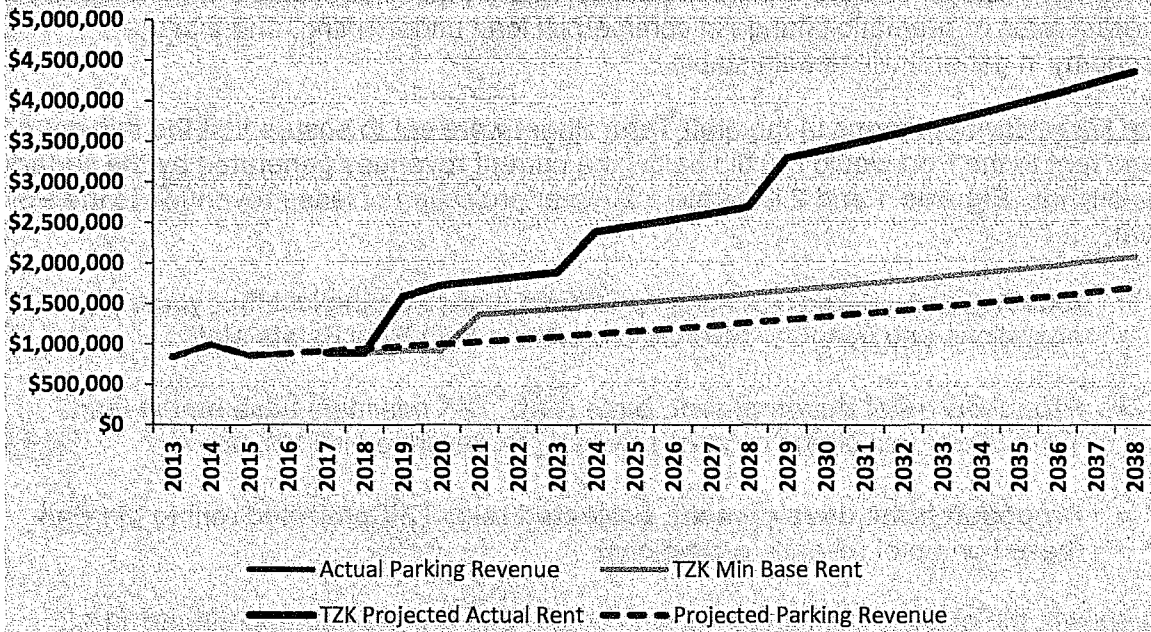


Table 1 presents projected gross revenues for the hotel operations (from lodging, food and beverages and miscellaneous operations), projected gross revenues for Teatro’s dinner-theater operations (from ticket sales, food and beverages and miscellaneous operations), minimum base rents to the Port with annual escalations, percentage rent, and the expected high and low annual net rent to the Port. Row 13 in **Table 1** presents net projected annual rent to the Port starting from construction period at \$890,000 per year and gradually increasing to \$2.692 million in Operational Year 10 and \$4.352 million in Operational Year 20.

Focusing only on minimum base rents, projected (minimum base) rent starts from \$890,000 (row 3) and increases through annual escalations and market resets to approximately \$2.079 million per year in the 20th year of operations (row 21). Percentage rent is projected to generate \$1.778 million per year from Operational Year 3 (row 12) and rises through a series of preset percentage rate increase, from 3.5% against all gross revenues to 4.5% and 5.5% against hotel gross revenue plus 3.5% against the dinner-theater gross revenue to approximately \$4.352 million per year in the 20th year of the development operation. Percentage rent increases once more during the lease term, to 6.5% against hotel gross revenue plus the 3.5% against the dinner-theater gross revenue, in the 21st year of the development operation phase.

Projected gross revenue for the hotel and dinner-theater is forecasted at \$45 million for the first year of operations; increasing to \$61 million by the 10th year of operations, and

continued increases to approximately \$74 million by the 20th year of operations. These projections have been verified and confirmed by the Hotel Feasibility Study⁵ that Port staff procured as part of Port's due diligence. The forecasted revenues support the estimated \$64 million of equity and \$60 million of debt proposed to fund the \$124 million of estimated total development cost.

⁵ <http://sfport.com/sites/default/files/HVS%20Market%20Study%20-%20Proposed%20Waterfront%20Development%20-%20FINAL.011516.pdf>

Table 1 - Projected Revenues on the Term Sheet for Lease Years 1 to 22
Projected Lease Revenues for the Port (\$000s)

Row	Base Year	Factor	Construction Period				Operation Period														
			2015	2016	2017	2018	Stabilization Period		Full Operation Period												
							Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10					
			2019	2020	2021	2022	2023	2024	2025	2026	2027	2028									
1	Base Rent																				
2	Baseline Rent, Assumed Escalation/yr:	2.50%	\$1,100	\$1,128	\$1,156	\$1,185	\$1,185	\$1,214	\$1,245	\$1,276	\$1,308	\$1,340	\$1,374	\$1,408	\$1,443	\$1,479					
3	TKZ Project: Negotiated Minimum Base Rent				\$890	\$890	\$915	\$915	\$1,366	\$1,400	\$1,435	\$1,471	\$1,508	\$1,546	\$1,584	\$1,624					
4	Compare: Baseline Row 2 TKZ Negotiated Min. Base Rent Row 3				77%	75%	77%	75%	110%	110%	110%	110%	110%	110%	110%	110%					
5	Negotiated Percentage Rent																				
6	Gross Hotel Revenue, Assumed Escalation/yr:	3.33%					\$34,693	\$38,350	\$39,627	\$40,947	\$42,310	\$43,719	\$45,175	\$46,679	\$48,234	\$49,840					
7	Gross Theater Revenue, Assumed Escalation/yr:	2.00%					\$10,745	\$10,959	\$11,179	\$11,403	\$11,631	\$11,863	\$12,101	\$12,343	\$12,589	\$12,841					
8	Projected Percentage Rent to the Port:																				
9	From Hotel Operations Years 1 through 5	3.50%					\$1,093	\$1,208	\$1,387	\$1,433	\$1,481										
10	From Hotel Operations Years 6 through 10	4.50%										\$1,967	\$2,033	\$2,101	\$2,171	\$2,243					
11	From Theater Operations	3.50%					\$376	\$384	\$391	\$399	\$407	\$415	\$424	\$432	\$441	\$449					
12	Total Percentage Rent						\$1,469	\$1,592	\$1,778	\$1,832	\$1,888	\$2,383	\$2,456	\$2,533	\$2,611	\$2,692					
13	Scheduled Lease Payment to Port				\$890	\$890	\$915	\$915	\$1,778	\$1,832	\$1,888	\$2,383	\$2,456	\$2,533	\$2,611	\$2,692					
14	Minimum Base Rent Adjustment at end of Operation Year 10																				
15	65% of the average of the 5 prior years, OR	65%																	\$1,648		
16	Minimum Base Rent Inflated																		\$1,664		
17	Estimated Minimum Base Rent to start Operational Year 11																		\$1,664		
							Operation Period														
							Full Operation Period														
							11	12	13	14	15	16	17	18	19	20					
							2029	2030	2031	2032	2033	2034	2035	2036	2037	2038					
18	Base Year	Factor																			
19	Base Rent																				
20	Baseline Rent, Assumed Escalation/yr:	2.50%					\$1,516	\$1,554	\$1,593	\$1,633	\$1,674	\$1,716	\$1,759	\$1,802	\$1,848	\$1,894					
21	TKZ Project: Negotiated Minimum Base Rent						\$1,664	\$1,706	\$1,749	\$1,792	\$1,837	\$1,883	\$1,930	\$1,978	\$2,028	\$2,079					
22	Compare: Baseline Row 20 TKZ Negotiated Min. Base Rent Row 21						110%	110%	110%	110%	110%	110%	110%	110%	110%	110%					
23	Negotiated Percentage Rent																				
24	Gross Hotel Revenue, Assumed Escalation/yr:	3.33%					\$51,500	\$53,214	\$54,987	\$56,818	\$58,710	\$60,665	\$62,685	\$64,772	\$66,929	\$69,158					
25	Gross Theater Revenue, Assumed Escalation/yr:	2.00%					\$13,098	\$13,360	\$13,627	\$13,900	\$14,178	\$14,461	\$14,750	\$15,045	\$15,346	\$15,653					
26	Projected Percentage Rent to the Port:																				
27	From Hotel Operations Years 11 through 20	5.50%					\$2,832	\$2,927	\$3,024	\$3,125	\$3,229	\$3,337	\$3,448	\$3,562	\$3,681	\$3,804					
28	From Theater Operations	3.50%					\$458	\$468	\$477	\$486	\$496	\$506	\$516	\$527	\$537	\$548					
29	Total Percentage Rent						\$3,291	\$3,394	\$3,501	\$3,611	\$3,725	\$3,843	\$3,964	\$4,089	\$4,218	\$4,352					
30	Scheduled Lease Payment to Port						\$3,291	\$3,394	\$3,501	\$3,611	\$3,725	\$3,843	\$3,964	\$4,089	\$4,218	\$4,352					
31	Minimum Base Rent Adjustment at end of Operation Year 10																				
32	65% of the average of the 5 prior years, OR	65%																	\$2,661		
33	Minimum Base Rent Inflated																		\$2,130		
34	Estimated Minimum Base Rent to start Operational Year 11																		\$2,661		

ANALYSIS OF THE PROPOSED TERMS AND CONDITIONS

Based on real estate consultant reports and market comparables, Port staff analysis of the proposed Term Sheet resulted in the following conclusions:

1. The rent structure is on par or higher than comparable recent leases in the San Francisco Bay Area, particularly for small or boutique hotels. Port staff ordered a hotel ground rent survey and reviewed the pertinent comparables and their related rental rates. The comparables indicated that the base rent and percentage rent proposed for the Term Sheet are competitive and at market rate given the economic profile for the Site and the Development.

Most hotel ground leases do not provide for the landlord to participate in the development upside other than through percentage rent against gross revenue. The proposed deal provides for the Port to participate in all development upsides, including profits from refinancing, assignments and sales. In return, the Port is allowing TZK to earn a hurdle rate on equity limited to an 18% internal rate of return or IRR prior to additional revenue sharing with the Port. Once the developer earns an 18% IRR, surplus cash flow is required to be shared with the Port at 70%/30% to TZK/Port until TZK attains a 25% IRR at which time the share of further profit is 60%/40% to TZK/Port.

2. The proposed terms will allow TZK to induce the necessary capital investment for the development. While the minimum base rent and percentage rent increase as the term left on the lease decreases, the lease terms/conditions provided in the proposed deal structure combined with the potential high upside in San Francisco's hotel market provides sufficient incentives to induce fresh investment capital to maintain the competitiveness of this facility.
3. There is no Port funding for any part of the Development and all costs incurred by the Port in the transaction connected to the development are to be paid by the TZK. These costs include Port staff costs, Port consultant costs, and Port attorney costs.
4. Expected benefits of the proposed development include, among other things, an architecturally-fitting, urban edge to the eastern boundary of the Northeast Waterfront Historic District and a welcoming and an activating gateway to North Beach and Chinatown. Other significant benefits include property, hotel, sales, and gross receipts taxes and other direct and indirect revenues for the City. The Development is anticipated to generate approximately 550 construction jobs, and over 350 permanent and part-time jobs.
5. The proposed Development will help sustain culture and arts in the City. Specifically, it will reinforce the City's commitment pursuant to City Administrative Code Chapter 90A, encouraging support for accommodating cultural venues on available City properties to prevent displacement of such venues.

6. The Term Sheet includes provisions addressing or limiting potential exposure of Port to risks including development, cost, and market risks, among others (described further below).

Development Risks

The Port owns the Site unencumbered and the Site is currently generating about \$850,000 per year as of 2015 in net revenue to the Port. The current parking operation is an interim use not representing the Site's highest and best use. The proposed Development does pose some risks to the Port most of which can be mitigated through the LDDA requirements and construction and minimum rent provisions. The Development represents the Site's highest and best use with greater economic benefit for the Port and the City (relative to its current use) and includes a major investment of private capital into Port property which will revert to the Port at the end of the lease.

Hotel Development Risk

Considered high-risk/high-reward investments, hotels usually pose challenges in asset valuation. As with all hotel developments, the proposed hotel will combine real estate with an operating business, and it will have high operating leverage and some economic sensitivity. It also will be management, marketing, energy and capital intensive. Despite all these challenges, this hotel is expected to generate favorable long-term yields as a quality real estate investment given its many favorable attributes. It is in San Francisco at a premium location on the waterfront and it is of a scale that will sustain desirable occupancy over the long term. To mitigate the operating risk, the Port will insist on the hotel manager meeting certain prerequisites and that the manager-selection be subjected to Port's prior consent. Port's exposure to risk is limited to not receiving percentage rent and that can be addressed by including performance standards in the Lease and in the hotel management agreement.

Entitlement Risk

The developer is already taking proactive steps to mitigate entitlement risks through its project timeline and budget assumptions, and its engagement of stakeholders to gain public support and regulatory approvals. Port's exposure to this risk is considered minimal both under its proprietary role as a landowner and as a regulator.

Financing Risk

Given the current low-interest rate environment, and the desirable quality of this hotel located in a high-tourist and business travelers area that has a limited supply of hotels, the availability, and cost of, funds are expected to be supportive of the proposed Development. The Port's exposure to this risk is minimal since the Port is not providing any capital funding for the Project and the Site will not be transferred to the Developer until all financing is in place and escrow is closed.

Cost Risk

The Project is subject to the expected increases of construction costs as well as entitlement costs, if project approvals take longer than the Developer had planned. Measures to mitigate this risk include cost projections that provide ample construction contingency, using guaranteed maximum pricing for the construction contract, providing

for performance and payment bonds, and using competent project managers. Port's exposure to this risk is considered minimal since the Port is not providing any capital funding for the Project. If there are cost overruns and the Developer has to invest more money into the project, it may take longer for the Port to share in the Development's profits through percentage and participation rents.

Market Risk

Market, competition, and business cycle risks for the proposed development are considered minimal given the supply and demand conditions of the hotel market. Competition with larger hotels, online travel agencies, and Airbnb⁶, however, has been given adequate attention. This competition can be addressed given the advantages the Site bestows on the Development, amongst which is its proximity to many San Francisco attractions. Through competent hotel management with proactive stance on marketing and competition, these risks can be mitigated. Port's exposure to this category of risks is considered minimal and it is limited to the percentage rent and further mitigated through guaranteed minimum base rent.

Counterparty Risk

This risk usually arises from poor project oversight brought on by lack of requisite development expertise and financial capacity. *TZK members have the qualifications and financial capacity to perform as a developer and project managers.* In June 2015, Kenwood Investments provided the Port a description of its qualifications and financial capacity. BAE Urban Economics, a Port-hired, third-party real estate consultant ("BAE"), and Port staff reviewed the qualifications and financial capacity information. BAE issued a report confirming that Kenwood Investments is qualified to develop the Project. Port staff filed the report with the Clerk of the Board of Supervisors on August 18, 2015. Port's exposure to this risk is considered minimal and it is mitigated by requiring the developer to reimburse all Port costs related to this transaction and further mitigated by not closing escrow until all preconditions to escrow closing are met.

Operating Risk

This risk usually arises from inadequate budgeting, planning and project management. This risk is being mitigated by requiring competent project manager and hotel operator who can maintain high occupancy and meet pro-forma expectations. The Port's percentage rent income is dependent on the hotel management. Port's exposure to this risk, however, is considered minimal and mitigated through guaranteed minimum base rent and including performance standards in the Lease and in the proposed hotel management agreement.

FURTHER PROJECT REVIEW

The Developer is responsible for funding all Project costs, and is not requesting any funding nor any consideration (such as through rent credits) for any part of the Development from the Port. On this basis, the Development will not require a finding of fiscal feasibility by the Board of Supervisors pursuant to Administrative Code Chapter 29. If the Term Sheet is endorsed by the Port Commission and the Board of

⁶ **Airbnb** is an online service that facilitates the listing, finding, and renting of lodging. It has listings in San Francisco and other cities.

Supervisors, the **Proposed Project Concept** presented in the attached **Exhibit B** will be refined and subject to a historic resources evaluation and review by the Port and Planning Department as part of the entitlement process.

Community Outreach

Representatives of TZK and Teatro ZinZanni remain committed to early and thorough public involvement in the review of the proposed Development. They have continued outreach to stakeholders, including meeting with the Barbary Coast Neighborhood Association, Golden Gateway Tenants Association and Gateway Commons Board of Directors. With assistance from Port staff, they have presented the proposed Development concept to the Northeast Waterfront Advisory Group (“NEWAG”), and plan to make further presentations to NEWAG as the development evolves. Members of NEWAG continue to express support for the proposals. Both Port staff and the TZK and Teatro representatives will continue to apprise NEWAG of key project developments.

Approval Process

Under the ENA, TZK is expected to complete the following by September 2016: obtain Port Commission endorsement of the Term Sheet, then seek Board of Supervisors’ endorsement of the Term Sheet and continue its due diligence, complete environmental evaluation, complete negotiation of transaction documents, and seek Port Commission adoption of CEQA findings and Public Trust Consistency findings and approval of transaction documents. Thereafter, TZK is to seek the Board of Supervisors’ adoption of CEQA findings and approval of the Lease. There are four 6-month extension provisions in the ENA subject to extension fees that TZK can exercise if more time beyond the initial term is required to accomplish the above tasks.

Endorsement of the proposed Term Sheet does not commit the Port Commission to approve any project, enter into a Lease with TZK or take any other action. The Port will not take any discretionary actions in connection with this project until it has reviewed and considered environmental documentation prepared in compliance with the California Environmental Quality Act (CEQA).

Timeline/Next Steps

If the Port Commission endorses the Term Sheet, the Term Sheet will be submitted to the Board of Supervisors for endorsement. The Board of Supervisors’ action will include public hearings and opportunities for public comment. The Board of Supervisors’ review of the Term Sheet is consistent with the recommendations of the 2004 Management Audit of the Port by the Board of Supervisor’s Budget Analyst as a means of providing the Board of Supervisors with an “early read” on Port development projects.

If the Port Commission and the Board of Supervisors endorse the Term Sheet, Port staff will move forward with project review and negotiation of transaction documents for the Project. Throughout this process, there will be numerous opportunities for public comment and review of the proposed Project.

Prepared by: Ricky Tijani

Development Project Manager

Through: Rebecca Benassini, Assistant Deputy Director
Waterfront Development

For: Byron Rhett, Deputy Director
Planning & Development

Exhibits: A. Site Map
B. Proposed Project Concept
C. Draft Term Sheet

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 16-18

WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port jurisdiction; and

WHEREAS, Seawall Lot 323 ("SWL 323") and Seawall Lot 324 ("SWL 324") are two nearly triangular land parcels with a combined surface area of approximately 42,719 square feet with frontages on The Embarcadero, Broadway, Davis and Vallejo Streets (collectively, the "SWLs") which are proposed to be developed with the two abutting right-of-way parcels that form the terminus of Vallejo Street and Davis Street as they intersect The Embarcadero totaling a combined land area of 57,170 square feet and constituting the site for the proposed development described in this resolution (the "Site"); and

WHEREAS, The SWLs are part of the Northeast Waterfront area and hotel, entertainment, theater and public open space uses are allowed uses in such area under the Port's Waterfront Land Use Plan, the City Planning Department's Northeastern Waterfront Area Plan, and the Planning Department's Northeast Embarcadero Study; and

WHEREAS, The Site is currently operated as a surface parking lot; and

WHEREAS, On September 8, 2015, by Resolution 15-31, the Port Commission authorized the Executive Director or her designee to execute an Exclusive Negotiating Agreement ("ENA") between the Port and TZK Broadway, LLC ("TZK" or "Developer") for TZK's proposed development of a 180-200 room hotel, a dinner-theater, 7,500 square foot of public open space, and ancillary uses on the Site (the "Development" or "Project") and the Port and TZK entered into the ENA effective as of November 5, 2015, which ENA required, among other things, for the Port and TZK to negotiate a non-binding term sheet describing the fundamental deal terms for the Development; and

WHEREAS, TZK and Port staff have negotiated the Term Sheet attached as Exhibit "C" to the staff report accompanying this resolution (the "Term Sheet"), which sets forth the essential terms upon which the Port and TZK will negotiate to reach agreement on the final transaction documents, which essential terms include minimum base rent escalated annually and percentage rent to Port and no Port funding for the Development; and

WHEREAS, Port and TZK acknowledge that the Term Sheet is not itself a binding agreement that commits the Port or Developer to proceed with the

approval or implementation of the Project and that the Project will first undergo environmental review under the California Environmental Quality Act ("CEQA") and will be subject to public review in accordance with the processes of the Port Commission, other City departments and offices, and other government agencies with approval over the proposed Project before any entitlements and other regulatory approvals required for the Project will be considered; and

WHEREAS, Port-hired real estate consultants have reviewed the qualifications and financials of Kenwood Investments, one of the Developer's key members, and confirmed that Kenwood Investments qualified to develop the Project; now, therefore be it

RESOLVED, That the Port Commission hereby endorses the Term Sheet and authorizes and directs the Executive Director of the Port ("Executive Director"), or her designee, to forward the Term Sheet to the Board of Supervisors for its consideration and provided the Board of Supervisors endorses the Term Sheet, to execute the Term Sheet, and if the Board of Supervisors does not endorse the Term Sheet, to either terminate the ENA or negotiate revisions to the Term Sheet consistent with the ENA provisions; and be it further

RESOLVED, That if the Board of Supervisors endorses the Term Sheet, then the Port Commission directs the Executive Director, or her designee, to work with the Developer to undertake project review and negotiate the terms and conditions of the final transaction documents, with the understanding that the final terms and conditions of the transaction documents negotiated between Port staff and Developer during the exclusive negotiation period will be subject to the approval of the Port Commission and as applicable, the Board of Supervisors and the Mayor; and be it further

RESOLVED, That the Port Commission reserves the right, if exclusive negotiations with Developer are unsuccessful and do not lead to approval of the transaction documents, to undertake any other efforts relating to the development or lease of the Site, including, but no limited to, issuing a request for qualifications or proposals, at the Port Commission's sole discretion; and be it further

RESOLVED, That the Port Commission's endorsement of the Term Sheet and direction to Port staff does not commit the Port Commission or the City to approve final transaction documents, implement the Project, or grant any entitlements to Developer, nor does endorsement of the Term Sheet foreclose the possibility of considering alternatives to the proposal, imposing mitigation measures, or deciding not to grant entitlement or approve or implement the Project, after conducting and completing appropriate environmental review under CEQA, and while the Term Sheet identifies certain essential terms of a proposed transaction with the Port, it

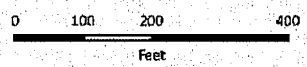
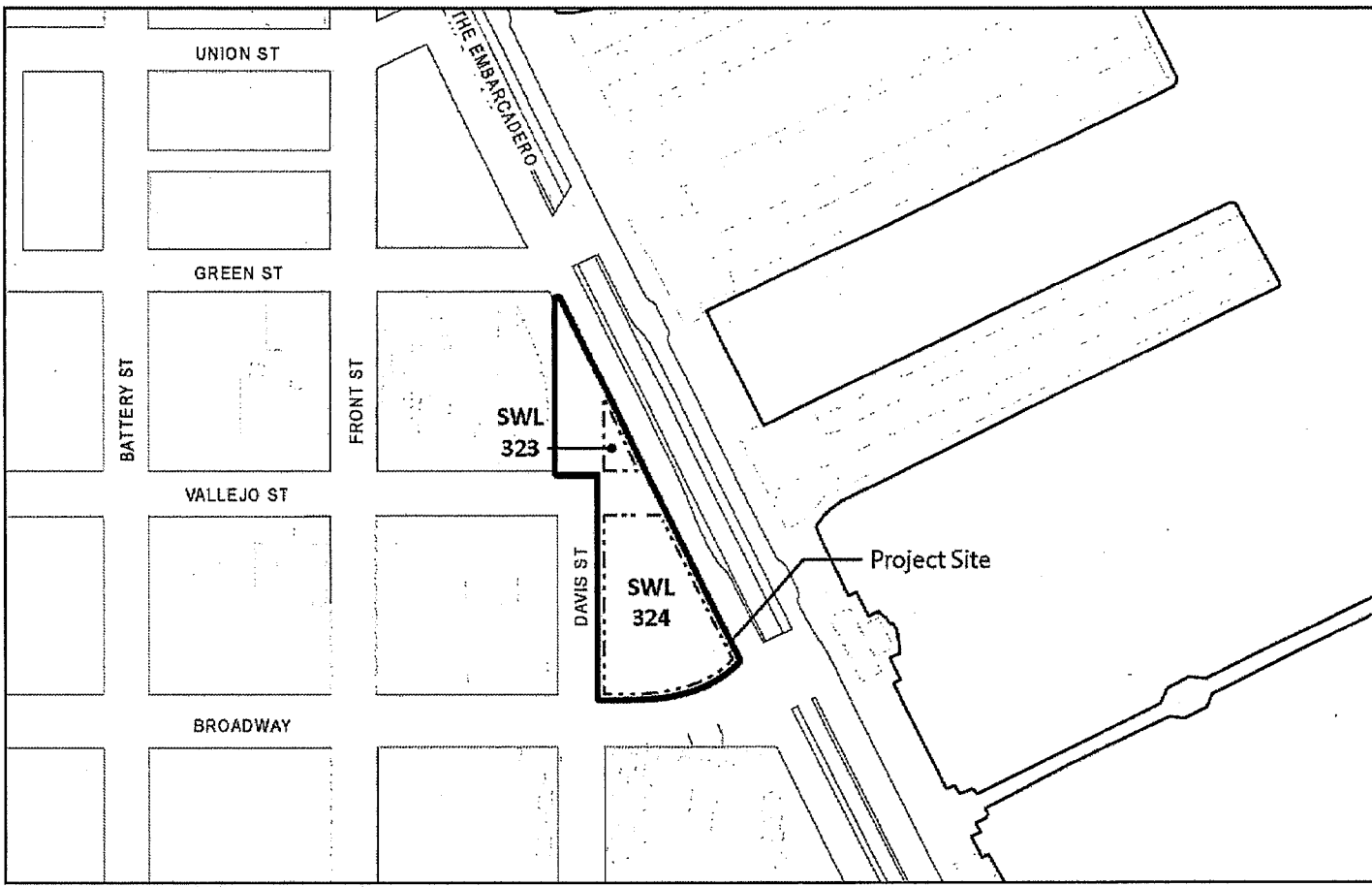
does not set forth all of the material terms and conditions of any final transaction documents; and be it further

RESOLVED, That the Port Commission will not take any discretionary actions committing the Port to implement the Project, and the provisions of the Term Sheet are not intended and will not become contractually binding on the Port unless and until the Port Commission has reviewed and considered environmental documentation prepared in compliance with CEQA for the Project and the Port Commission, and as applicable, the Board of Supervisors and the Mayor, have approved final transaction documents for the Project.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of April 26, 2016.

Secretary

Exhibit A
Site Map

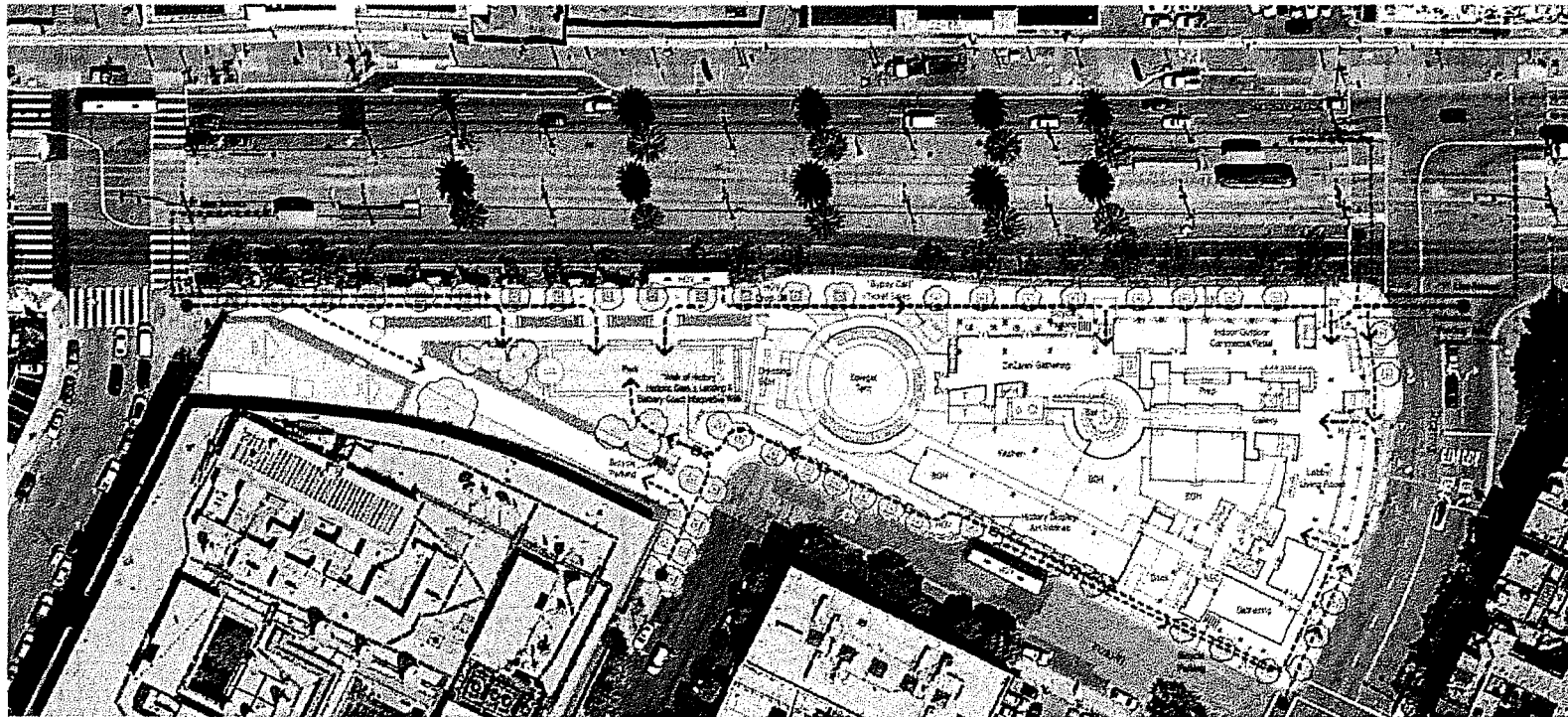


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TEATRO ZINZANNI & TZK BROADWAY, LLC
PROPOSED PROJECT SITE
PORT OF SAN FRANCISCO



Exhibit B
Proposed Project Concept



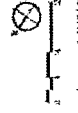
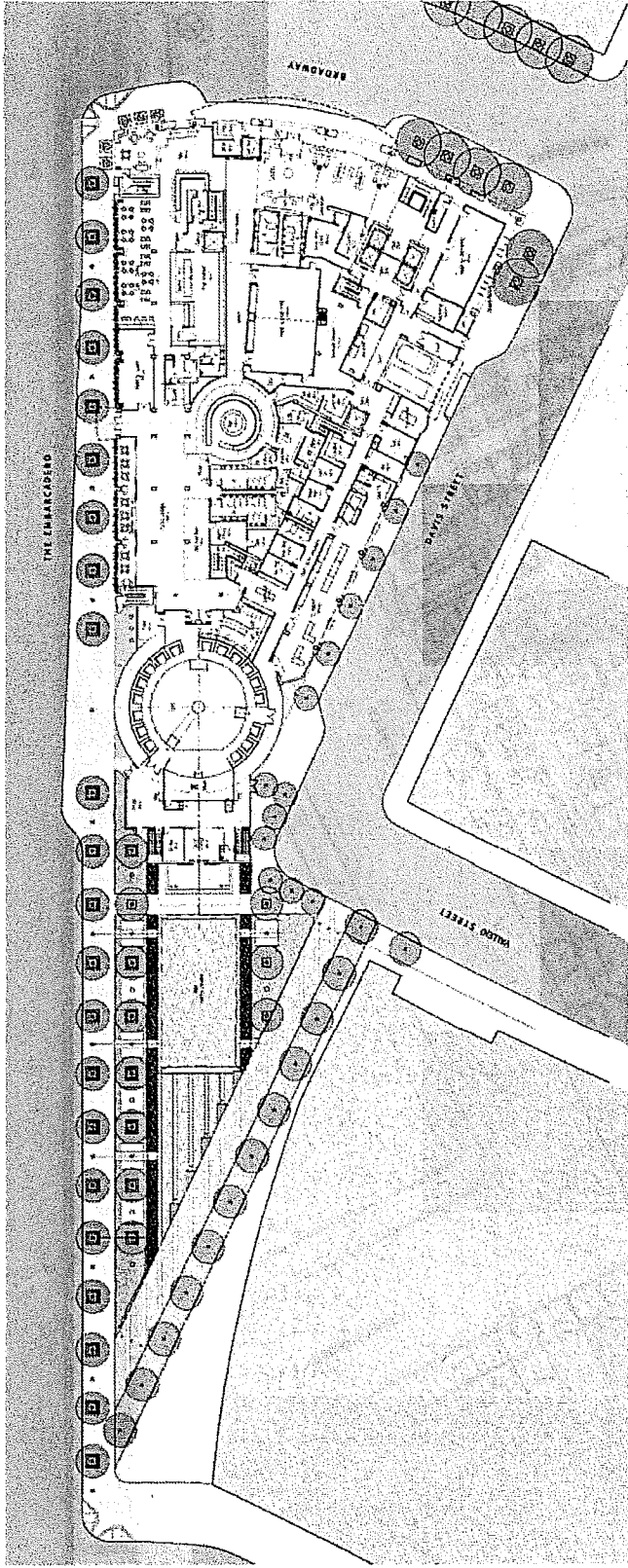
Ground Level - Pedestrian, Circulation and Access Diagram

September 10, 2015 1:8

Tealini ZinZanni
KENWOOD INVESTMENTS

ZinZanni / Kenwood - The Theater & Hotel @ Broadway | San Francisco, California
A Tealini ZinZanni & Kenwood Investments Project

Hornberger - Worstell Architects
Hornberger
Worstell

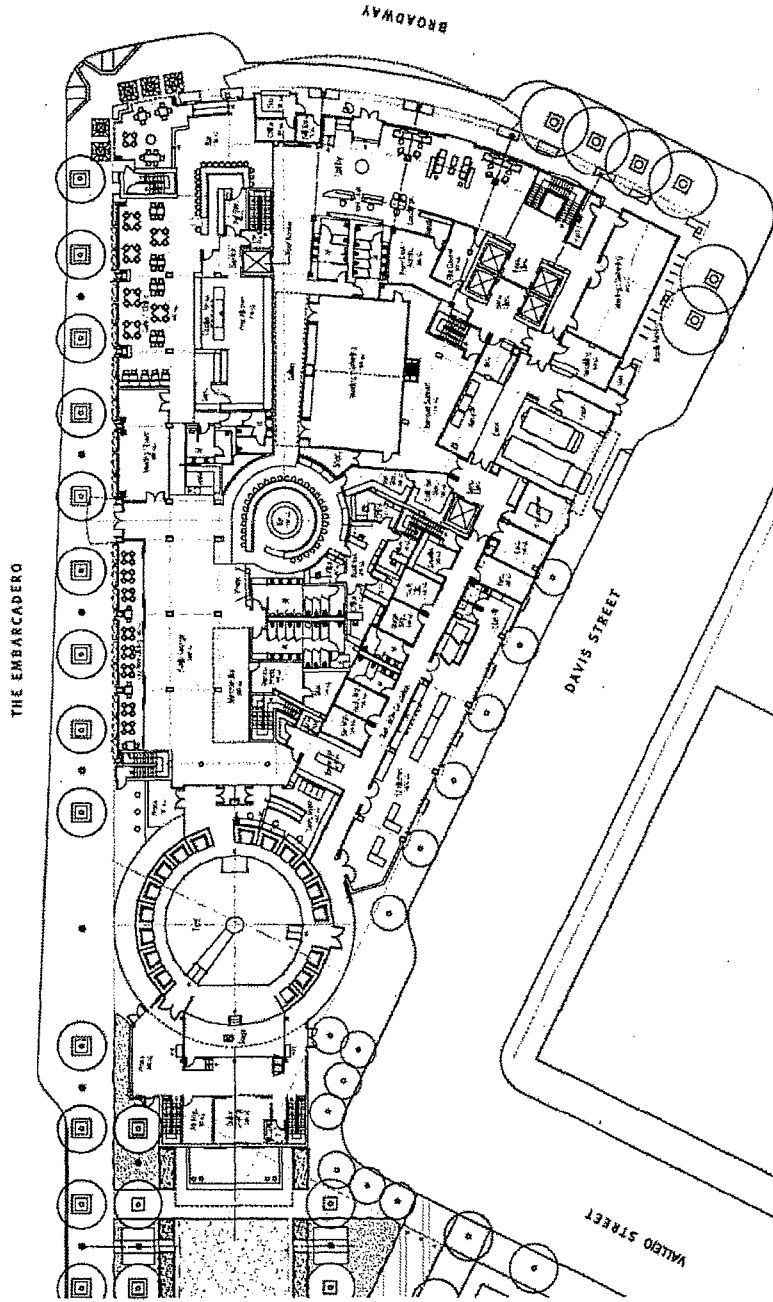


Site Plan | New Theater and Hotel

ZinZahn / Kenwood - The Theater & Hotel @ Broadway | San Francisco, California
 A ZinZahn / Kenwood Development

ZinZahn
 KENWOOD INVESTMENTS

Architect: ZinZahn / Kenwood
 Date: 10/11/11
 Project No: 11-001

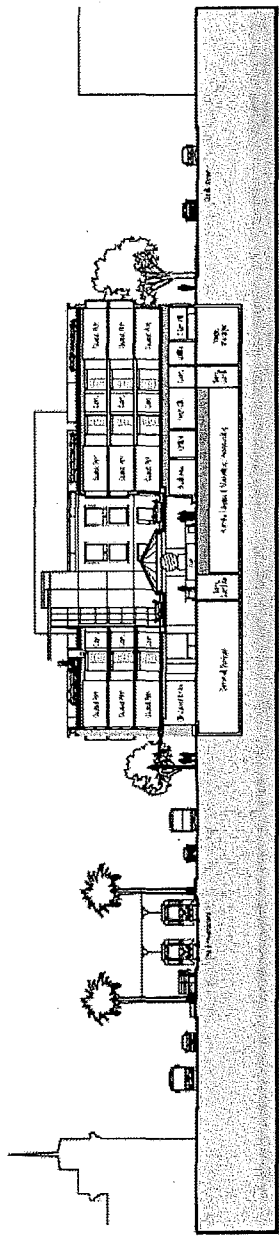


Floor Plan | Ground Level

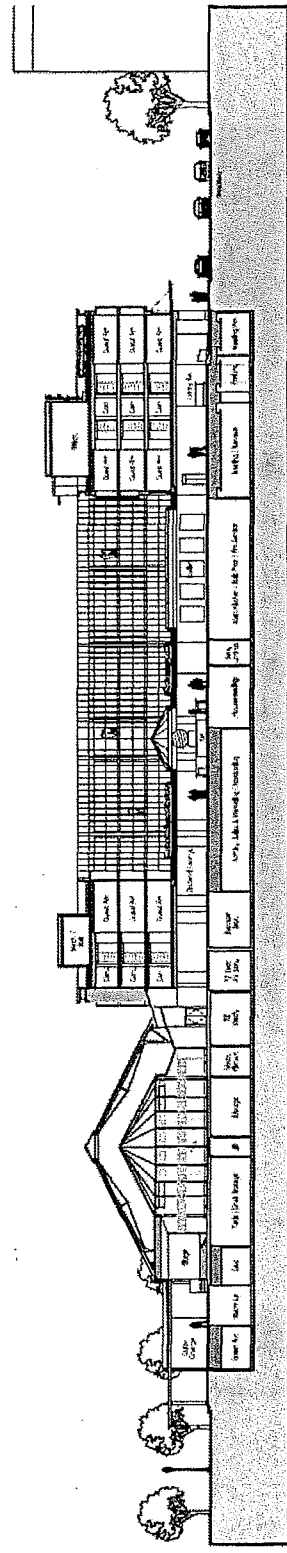

Tenn's Zinzani
KINWOOD INVESTMENTS

ZinZani / Kinwood - The Theater & Hotel @ Broadway | San Francisco, California
 A Tenn's Zinzani & Kinwood Investment Project

November 10, 2015 (A)
 107504789P
 # 151111



Transverse



Longitudinal

Building Section | Transverse and Longitudinal


Zinzani / Kenwood - The Theater & Hotel @ Broadway | San Francisco, California
 A 100% ZINZANI & SENWOOD INVESTMENTS PROJECT
 November 10, 2022 1:8
 HARBINGER
 HARBINGER



Arch



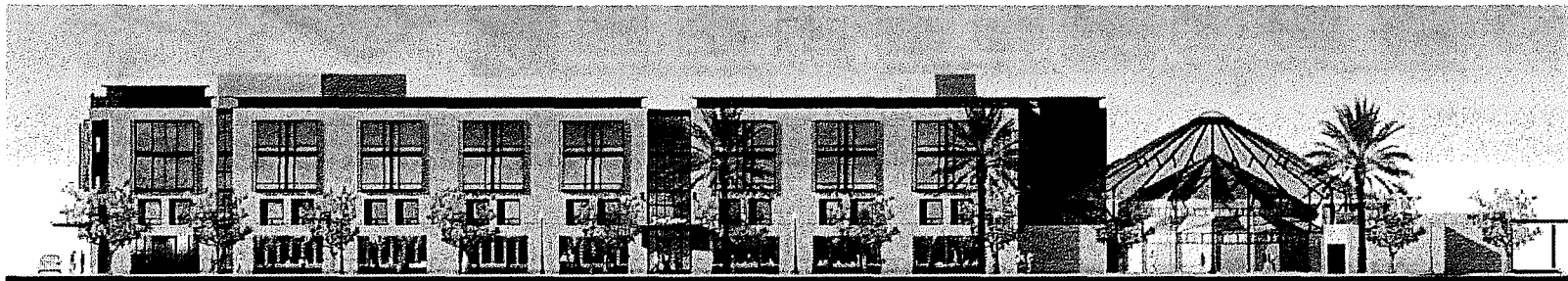
Rectangular

Elevation Options - Color Scheme 1 | Park Side

<p>Teatro ZinZanni KENWOOD INVESTMENTS</p>	<p>ZinZanni / Kenwood - The Theater & Hotel @ Broadway San Francisco, California A Teatro ZinZanni & Kenwood Investments Project</p>	<p>Headquarters - Warstell Architects 1000 Market Street, Suite 1000 San Francisco, CA 94102 www.warstell.com</p>	<p>November 10, 2015, 15 Warstell</p>
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Arch



Rectangular

Elevation Options - Color Scheme 2 | Embarcadero

	<p>ZinZanni / Kenwood - The Theater & Hotel @ Broadway San Francisco, California A TRAFFIC ZINZANNI & KIRKWOOD INVESTMENTS PROJECT</p>	<p style="text-align: right;">November 10, 2015 / 18</p> <p>Hornberger + Worstell Architects <small>1100 California Street, Suite 1000, San Francisco, CA 94109 Tel: 415.774.1100 Fax: 415.774.1101 www.hornbergerworstell.com</small></p> <p>Hornberger <small>1100 California Street, Suite 1000, San Francisco, CA 94109 Tel: 415.774.1100 Fax: 415.774.1101 www.hornbergerworstell.com</small></p> <p>Worstell</p>
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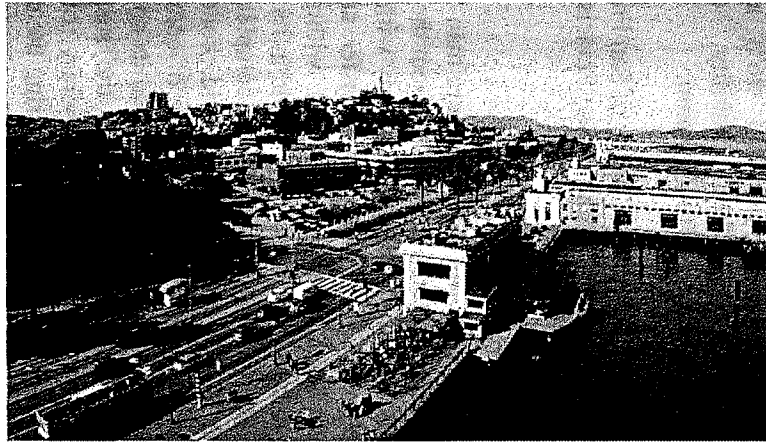
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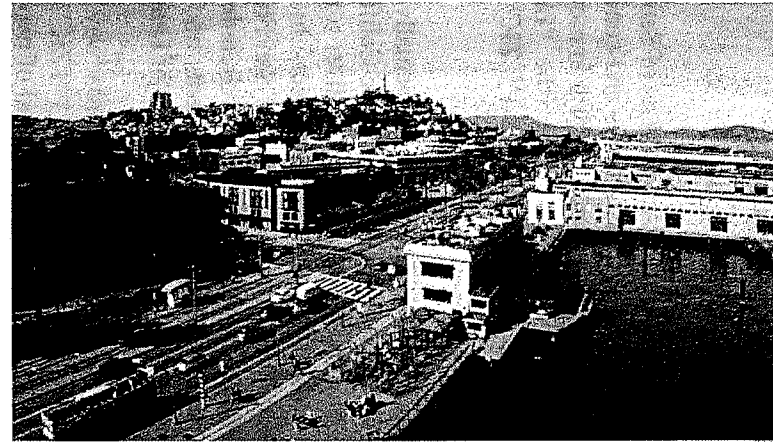
Rectangular

Elevation Options - Color Scheme 2 | Davis Street

<p>Teatro ZinZanni KENWOOD INVESTMENTS</p>	<p>ZinZanni / Kenwood - The Theater & Hotel @ Broadway San Francisco, California A Teatro ZinZanni & Kenwood Investments Project</p>	<p>November 10, 2015 1:18 Harberger Harberger & Wenzel Architects A Division of Harberger & Wenzel Architects, Inc. 1000 California Street, Suite 1000 San Francisco, CA 94109 www.harberger.com</p>
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Existing



Proposed

Visual Analysis | View 4 - Looking North Along The Embarcadero

November 10, 2015 | 22

 KENWOOD INVESTMENTS	<p>ZinZanni / Kenwood - The Theater & Hotel @ Broadway San Francisco, California A Teatro ZinZanni & Kenwood Investment Project</p>	<p>Hornberger + Warstell Architects <small>1100 California Street, Suite 1000, San Francisco, CA 94109 Tel: 415.774.1100 Fax: 415.774.1101 www.hornbergerwarstell.com</small></p> <p>Hornberger  Warstell</p>
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Exhibit C
DRAFT Port-TZK TERM SHEET
(April 4, 2016)

As required in the Exclusive Negotiating Agreement (ENA) dated as of September 10, 2015 for reference purposes only, this Term Sheet sets forth the basic terms and conditions on which the parties agree to further negotiate and that will be refined and set forth in more detail in the lease disposition and development agreement (“LDDA”), the lease (the “Lease”), and related transaction documents between Port and TZK Broadway, LLC. (“TZK” or “Developer” or “Tenant”).

This Term Sheet is not intended to be, and will not become, contractually binding unless and until environmental review has been completed in compliance with the California Environmental Quality Act and the parties are able and willing to execute and deliver a mutually acceptable LDDA, Lease and related transaction documents regarding the Project. In addition, under San Francisco Charter, no officer or employee of the City and County of San Francisco (the “City”) has authority to commit the City to the transaction contemplated herein unless and until the San Francisco Port Commission has approved the transaction documents and the San Francisco Board of Supervisors (“Board”) of Supervisors has approved the form of Lease.

1. Parties: Developer/Tenant: TZK Broadway LLC, a California limited liability company (“TZK” or “Developer” or “Tenant”) which is comprised of two member companies: Kenwood Investments No. 6, LLC, a California limited liability company (“KWI #6”) and TZZ, LLC, a Washington limited liability company (“TZZ”) established by Teatro ZinZanni.

Landlord: City and County of San Francisco (the “City”), acting by and through the San Francisco Port Commission (the “Port”)

2. Key Party: KWI #6 may not transfer more than 50% of its legal and beneficial interest in TZK without the Port’s prior consent which shall not be unreasonably withheld, conditioned or delayed. TZZ may not transfer any of its legal and beneficial interest in Tenant without the Port’s prior consent which may be withheld in its sole discretion prior to issuance of a certificate of completion, and which shall not be unreasonably withheld, conditioned or delayed after issuance of a certificate of completion. It shall be reasonable for Port to withhold its consent if any transfer of interest would result in the suspension or closure, whether permanent or temporary, of the dinner theater component of the Project during the minimum number of lease years the dinner-theater is required to serve its

marquee and catalyst role on the waterfront pursuant to the City's music and culture sustainability policy (City Admin Code Chapter 90A).

3. Premises or Site: Approximately 57,180 square feet of Seawall Lots 323 and 324 ("SWLs"), and portions of the unimproved Vallejo Street right-of-way on the west side of the Embarcadero at Vallejo Street ("ROWS"), as depicted on the attached **Exhibit "A,"** Site Map, subject to Board of Supervisors' approval of any jurisdictional transfer of the ROWs to Port at no cost to Port or any other approval required from any other City agency for use of the ROWs for the proposed Project.

4. Proposed Development Program: A mixed-use development including a theater and hotel built to conform to the district's height and bulk limits (40X) with allowed rooftop appurtenances, rooftop hotel open space, and new public open space in the northern most part of the Premises. The mixed use development includes:
 - a. 180-200 room boutique hotel,
 - b. approximately 28,301 square feet of dinner-theater-performance space which will be operated by TZZ's Teatro ZinZanni,
 - c. subject to State Lands approval, no more than 10 hotel rooms at any given time for use by artists from outside the Bay Area performing at the theater on a short-term basis, and
 - d. approximately 7,500 square-foot public park (collectively, the "**Project**"), all to be built on the Premises at Tenant's sole cost and subject to all required approvals.

A single building with approximately 174,892 square-foot of gross floor area will contain the hotel, short-stay guestrooms, and the dinner-theater. The hotel will occupy approximately 146,591 square-foot of the gross floor area with remaining 28,301 square-feet for the dinner-theater-performance space. A more complete description of the Project is attached as **Exhibit "B," Preliminary Project Description."**

5. Total Development Cost and Sources of Funding: Tenant is solely responsible for the funding of the proposed Project estimated to cost approximately \$124 million as of March 2016, subject to escalations over time. Tenant has indicated that it will fund the development with approximately \$60 million of debt and \$64 million in equity subject to the IRR hurdle rates set forth in Number 18 below.
6. LDDA Effective Date and Period to Close Escrow: The LDDA Effective Date shall begin on the date the Parties fully execute the LDDA (which shall be not more than three (3) months after the Board' approval of the proposed LDDA, if applicable, with the form of Lease attached to the LDDA) and the LDDA shall terminate at the earlier of the date a Certificate of Completion is issued for the Project or the termination of the LDDA Term, subject to two six-month extensions.
- Tenant must close escrow ("COE") within 12 months of LDDA Effective Date subject to two six-month extension options so long as Tenant is not then in default under the LDDA, upon payment of an extension fee described in item No. 8 **Error! Reference source not found.** below. The LDDA terminates if COE does not occur within such time period, subject to force majeure events.
7. LDDA Key Issues to Address: Specifically, among other matters:
- a. The conditions to the Close of Escrow
 - b. The Delivery of the Site under the Lease,
 - c. The scope of the Developer's obligations to construct the Project,
 - d. The Schedule of Performance for various obligations and performance benchmarks, including provisions for defined force majeure events,
 - e. Certain First Source Hiring Program, LBEs, Local Hire, and Prevailing Wage Provisions, and
 - f. The required financing for construction of the proposed improvements.

8. LDDA Fee: Tenant shall pay the Port an LDDA fee in the amount of \$37,500 for the initial 12-month period before COE and \$50,000 for each 6-month extension period, as consideration for having exclusivity over the Premises during the LDDA Term, (the "LDDA Fee"). The LDDA fee will not be prorated.
9. LDDA Termination Fee and Assignment of Project Materials: If the LDDA terminates before the Close of Escrow, due solely to a Tenant Event of Default, then Tenant agrees to pay to Port as liquidated damages a termination fee (the "LDDA Termination Fee") in the amount of \$50,000 and assign to Port all of its consultants work products, including entitlements received to date. If a third-party seeks to obtain and use the work product assigned to the Port, the third-party will be required to negotiate appropriate compensation for the incremental value of the work product.
10. Period to Complete Construction; Extension Fee; Liquidated Damages for Failure to Timely Complete: Tenant must complete construction within the 24-months after lease commencement subject to two six-month extension options at a \$50,000 fee for each extension.
Liquidated Damages for Failure to Timely Complete Construction: If Tenant fails to complete the construction of the Project within the 36-month period the (24 month construction period plus the two 6-month extension periods and extensions for force majeure events) Tenant shall pay Port \$1,150 for each day after the 36 month period has been exhausted and Tenant has yet to complete construction.
11. Reimbursement of Port's Transaction Costs: Developer will reimburse Port for all of Port's actual direct transaction costs incurred during the term of the LDDA, including any extension periods based on the actual direct costs incurred by the Port as demonstrated by a written invoice provided by the Port. The Developer will deposit quarterly a \$45,000 Payment Advance to be applied towards Port's transaction cost. Underpayment and overpayment shall be subject the provisions similar to those under the ENA Section 4.2. There is no cap on the total amount of reimbursable Port's transaction costs. Accrual of new reimbursable transaction costs shall cease upon issuance of the Certificate of Completion. Developer's obligation to reimburse the Port for accrued

unpaid transaction costs shall survive the expiration, termination or issuance of the Certificate of Completion.

12. Performance and Payment Bond: Tenant or its General Contractor(s) will provide the Port with Performance and Payment Bonds or other forms of acceptable credit enhancements, guaranteeing completion of construction of the proposed improvements to the Premises, including timely payment of all construction materials and labor, and all applicable fees.
13. Lease Term: 50 years, plus one 16-year extension option. The 16-year extension option shall be at Tenant's sole and exclusive option, subject to Tenant not being in default under the lease, Tenant having exercised the option to extend no later than two years prior to the end of the Initial Term and Port's review of then-existing conditions including sea level rise.
14. Lease Commencement Date: Close of Escrow under the LDDA.
15. Construction Period Rent: **Lease Years 1 and 2:** For the period commencing as of the close of escrow and ending upon the earlier of issuance of the final certificate of occupancy for the hotel or 24 months after Lease Commencement Date. Construction Period Rent is set at **\$890,000 per year**. Rents to be paid monthly in advance.
16. Minimum Rent Commencement Date: Commencing from the earlier of issuance of the final certificate of occupancy for the hotel or 24 months after Lease Commencement Date.
17. *Minimum Base Rent and Percentage Rent: **Lease Years 3 and 4:**
(Project Operation Years 1 and 2):
- The Greater of:
- Minimum Base Rent: The Greater of:
\$915,000 per year
- Or
- 90% of the percentage rent (i.e. 3.5% of Hotel

Gross Revenues) if the hotel has 80% occupancy on an annual basis during the prior year

Lease Years 5-7: (Project Operation Years 3, 4 and 5):

Greater of:

Minimum Base Rent: \$1,366,000 escalated annually by the annual increase of the Consumer Price Index (“CPI”) for the Bay Area subject to a minimum increase of 2.5% and the maximum increase of 3.5% annually.

Or

- Percentage Rent: 3.5% of Hotel Gross Revenues plus 3.5%** of Gross Revenue from Dinner-Theater operations

Lease Years 8 through 12:

(Project Operation Years 5 through 10):

The Greater of:

- **Minimum Rent:** The then existing minimum base rent escalated annually by the annual increase of the CPI subject to a minimum increase of 2.5% and a maximum increase of 3.5% annually

Or

- Percentage Rent: 4.5% of Hotel Gross Revenues plus 3.5%** of Gross Revenue from Dinner-Theater operations

Lease Years 13 through 22:

(Project Operation Years 11 through 20):

The Greater of:

- Minimum Base Rent: The then existing minimum base rent reset in Lease Year 13 at greater of Lease Year 12 Minimum Base Rent escalated annually by the annual increase of the CPI subject to a minimum increase of 2.5% increase and a maximum 3.5% increase or 65% of the average of the prior 5 year percentage rent.

Or

- Percentage Rent: 5.5% of Hotel Gross Revenues plus 3.5%** of Gross Revenue from Dinner-Theater operations;

• **Years 23 through 50:**

(Project Operation Years 21 through 48):

The Greater of:

- Minimum Base Rent: The then existing minimum base rent reset in Lease Year 23 escalated annually by the annual increase of the CPI subject to a minimum increase of 2.5% increase and a maximum 3.5% increase or 65% of the average of the prior 5 year percentage rent. Minimum base rent reset at Lease Years 33 and 43 at greater of Lease Years 32 and 42 Minimum Base Rent escalated at between 2.5% to 3.5% annually based on CPI, respectively, or 65% of the average of the prior 5 year percentage rent. Minimum Base Rent escalates annually at between 2.5% to 3.5% annually based on CPI

Or:

- Percentage Rent: 6.5% of Hotel Gross Revenues plus 3.5%** of Gross Revenue from Dinner-Theater operations.

• **The 16-year Extension Period:**

• **Years 51 through 66**

(Project Operation Years 49 through 64):

The Greater of:

- Minimum Base Rent: Lease Year 53 Minimum Base Rent greater of Year 52 Minimum Base Rent escalated annually by the annual increase of the CPI subject to a minimum increase of 2.5% and a maximum of 3.5% annually or 65% of the average of the prior 5 year percentage rent. Minimum Base Rent Reset Lease Year 63 at 65% of the average of the prior 5 year percentage rent and shall be no less than the prior year Minimum Based Rent escalated at

between 2.5% to 3.5% annually based on CPI

Or:

- Percentage Rent: 6.5% of Hotel Gross Revenues plus 3.5%** of Gross Revenue from Dinner-Theater operations.

*The above Minimum Base Rent are projections based on the assumption that the Tenant Project Timeline will be met; however, if there is any delay that results in a longer time for entitlement and construction, then the Minimum Base Rent will be escalated for the time lapsed to reflect the time-adjustment Minimum Base Rent.

**If the existing space for the dinner theater operations is no longer used for dinner theater operations, then the 3.5% percentage rent will be subject to negotiation between the parties such that the percentage rent for the use on such space is in line with other Port retail leases.

A table of the projected Minimum Base Rent during the Term shall be attached to the Lease.

18. Equity Repayment and Return on Equity:

Tenant is limited to earn 18% IRR on actual equity capital invested ("Actual Equity Capital Invested") in the Project and after earning the 18% IRR, surplus cash flow shall be shared at (i) 70/30 (Tenant/Port) until Tenant receives a 25% IRR and then (ii) 60/40 (Tenant/Port) (collectively, the "IRR Hurdle Rates"). With respect to Tenant only, Actual Equity Capital Invested is defined as the actual amount of money Tenant invests in the Project as "Total Project Costs" through project completion, less tax credit equity, debt, and Port capital contributions made to the Project, if any. The Total Project Cost includes Tenant's costs directly related to the development and construction of the Project incurred from and after the effective date of the ENA until and including opening of the hotel to the public as follows: (i) Tenant's hard and soft fees and costs for design, government relations, development, permit processing, impact fees, insurance, and general and administration costs; (ii) all construction costs and fees, including all materials costs and fees, and contractor and subcontractor overhead costs and fees, insurance and performance and payment bonds and costs, and general

and administrative costs and fees; (iv) all legal and other professional costs and fees, (v) all financing costs and fees that are capitalized, (vi) all project-related expenses of Tenant, including reasonable costs incurred in opening the hotel and dinner theater and a proportionate share of Tenant's overhead such as salaries paid by Tenant for employees below the level of manager working directly on the Project, and (vii) a development fee of 5% of hard costs during the development phase of the Project.

The above definition of "Actual Equity Capital Invested" does not apply to subsequent Tenants."

Subject to Port's prior consent, which shall not be unreasonably conditioned, withheld, delayed or denied, future equity invested in the Project shall be entitled to receive the approved IRR Hurdle Rate on its invested equity based only on those amounts of equity that are actually invested into the acquisition, maintenance and operation of the Project, and not for a future equity investor's employment costs or management fees.

19. Port's Share of Excess Cash Flow: After Tenant has earned 18% IRR, Tenant, surplus cash flow shall be shared at (i) 70/30 (Tenant/Port) until TZK receives a 25% IRR and then (ii) 60/40 (Tenant/Port).
20. Port Share of Transfer and Refinance Proceeds: After Tenant has earned 18% IRR, net transfer and refinance proceeds shall be shared at (i) 70/30 (Tenant/Port) until Tenant receives a 25% IRR and then (ii) 60/40 (Tenant/Port).

Net transfer proceeds means all consideration received by or for the account of Tenant in connection with a Transfer less costs incurred in connection with the Transfer, such as legal and broker fees, and transfer proceeds applied so that Tenant can hit either the initial minimum IRR or subsequent IRR so that Port may share in the remaining net transfer proceeds, as further defined in the lease

Net Refinancing proceeds means all funds disbursed by a lender, less (i) funds used (a) to take out any existing loans secured by the leasehold estate, if any, (b) directly for the maintenance and repair of the project, (ii) legal fees associated with the financing, (iii) funds applied so that Tenant can hit either the initial minimum IRR or

subsequent IRR so that Port may share in the remaining net refinancing proceeds, all as further refined in the lease.

21. Security Deposit: Within 30 days prior to the applicable period, Tenant shall provide the Port with a Security Deposit in the following amounts:
- a Two months of Construction Period Rent prior to the commencement of the Construction Period,
 - b Tenant shall increase its Security Deposit every year prior to annual increase of Minimum Base Rent such that the security deposit always equals no less than 2 months of the then Minimum Base Rent.
22. Environmental Oversight Deposit: No later than 60 days prior to estimated opening date of the hotel, Tenant shall provide the Port with its operations plan related to use, storage and disposal of hazardous materials in the Project, which plan will include a list of hazardous materials and their quantities, in the Project. After Port's review of the operations plan, Port may require tenant to deposit an Environmental Oversight Deposit which can be provided through a cash deposit, a letter of credit or other mutually acceptable form of credit enhancement.
23. Payment of Impositions Tenant shall pay when due all impositions, such as possessory tax, license fee, or periodic permits, as applicable.
24. Uses: Approximately 180-200 room hotel, retail/commercial on the ground floor, dinner theater, and privately financed public park. Any change in use of the dinner-theater-performance space will be subject to Port's prior written consent, which consent will not be unreasonably withheld, conditioned or delayed.
25. As-Is Condition: Premises will be delivered in its as-is condition. Port will provide to Tenant all prior studies and reports in its possession pertaining to the Premises in advance of executing the LDDA.

26. Assignment:

Prior to completion of the Project and during the first seven (7) years of the Lease

Tenant may not assign its interest in the LDDA or Lease, as applicable, without the prior written consent of the Port subject to the following: Developer acknowledges that Port is entering into the LDDA and/or Lease on the basis of Developer's special skills, capabilities, and experience. This LDDA and the Lease are personal to Developer and neither is allowed to be Transferred without the Port's prior consent, which consent may not be unreasonably withheld, conditioned or delayed; provided, however, it will be reasonable for Port to withhold its consent to any assignment or transfer (i) that would result in a change in use of the dinner-theater operations and location and provided Port approves of the change in use, the percentage rent owed to Port from the gross revenues from such new use is less than the percentage rent received by Port for similar uses, or (ii) the initial and subsequent IRR thresholds are not reduced to account for the assignee's or transferee's reduced risk on its investment in the Project.

Under the LDDA and/or Lease, "**Transfer**" means: (1) dissolution, merger, consolidation, or other reorganization; (2) any cumulative or aggregate sale, assignment, encumbrance, or other transfer of (i) fifty (50) percent or more of, as applicable, Kenwood's or Tenant's legal or beneficial interests in Developer, or (ii) any percentage of TZZ's legal or beneficial interests in Developer, if applicable; (3) the withdrawal or substitution (whether voluntary, involuntary, or by operation of law and whether occurring at one time or over a period of time) of any member of Developer owning ten (10) percent or more of the interests in Developer or rights to its capital or profits; (4) the occurrence of any of the events described in (1), (2), or (3) with respect to either Kenwood Investments, LLC No. 6 or TZZ, LLC, or such other entity related to any subsequent assignee or transferee Port requires in connection with the applicable assignment or transfer; or (5) Darius Anderson or Norman Langill are no longer actively involved in the day-to-day operations of the Project.

No Transfer made with Port's consent, or as herein otherwise permitted, will be effective unless and until Port receives within thirty (30) days after the applicable transferor has entered into a transfer agreement with the

transferee, an executed counterpart of such transfer agreement and any changes or amendments of any operating agreement in connection with such Transfer.

27. Sublease: All subleases are subject to the prior written consent of Port, which consent will not be unreasonably withheld, conditioned or delayed; provided, however, it will be reasonable for Port to withhold its consent to any sublease that would result in a change in use of the dinner/theater operations and location and provided Port approves of the change in use, the percentage rent owed to Port from the gross revenues from such new use is less than the percentage rent received by Port for similar uses any change in use. All subleases are subject to Port Percentage and Participation Rents.
28. Leasehold Financing: Tenant has the right to obtain construction financing, mezzanine financing, other interim financings, and permanent take-out financing from bona fide institutional lenders for the development of the Project that will be secured by Tenant's leasehold interest.
29. Maintenance and Repair of all components of the Project, including the Park: Sole responsibility of Tenant.
30. Utilities: Port makes no representation regarding existing utilities (including water and sewer) or need to construct new utilities (including water and sewer) or relocate existing utilities (including water and sewer) for development of the Project. Sole responsibility of Tenant.
31. Hazardous Materials: Sole responsibility of Tenant, provided Tenant will not be responsible for any pre-existing hazardous materials so long as they are not released or exacerbated by Tenant or its agents or invitees.
32. The development must be self-supporting: Tenant is responsible for providing the Port with a balanced development pro forma that takes into account reasonable sources and uses, feasible financial projects and assumptions, the Equity IRR and Equity Return, all Port Rent of any kind and ample reserves for debt service,

maintenance and operation reserves. Hotel operator and management selection are also the responsibility of Tenant subject to Port consent as described below.

33.

Competent Hotel Management and Approval of Management Agreement Required; Approved Operating Standard:

Tenant's final selection of a hotel management company and the approval of the hotel management agreement are both subject to prior review, acceptance and approval by Port, which review and acceptance shall not be unreasonably withheld, conditioned or delayed.

Except as may otherwise determined by the Port Commission, at a minimum, any hotel management company must have no less than 10 years' of reputable experience operating no less than 3 boutique hotels, in a manner similar to Generally Accepted Operating Standards for downtown locations of major cities in the United States or if the operator does not meet the foregoing minimum qualifications, as may be otherwise determined by the Port in its sole discretion, which determination shall not be unreasonably withheld, conditioned or delayed.

The hotel management company must operate the hotel in a commercially reasonable manner that seeks to maximizes hotel gross revenues

After notice to Tenant, and good faith discussions between Tenant and Port, the Port may require Tenant to remove the then current hotel management company if the hotel is operated in a manner that is less than the manner for Generally Accepted Operating Standards for downtown locations in major cities in the United States and is not maximizing hotel gross revenues.

"Generally Accepted Operating Standard" shall be further defined in the Lease, but at a minimum, shall mean operation and maintenance of a hotel (including the public park) at a level that (i) meets hospitality and service standards at other comparably sized boutique hotels in San Francisco of the highest quality, and (ii) attains from and after the 2nd anniversary of hotel operations, an overall rating of at least 3 diamonds from the American Automobile Association ("AAA") at least 3 years out of each and every consecutive 4 year period during the lease term, (iii) incorporates 4 diamond standards, as

established by AAA, into the design, furniture, fixtures, equipment, utilities, finishes and ambiance of the lobby and guest room areas, and (iv) complies with Port's good neighbor policy.

"Boutique Hotel" means a public, lodging establishment having approximately 180-200 separately keyed guest rooms that provides superior services, facilities and amenities for its guests at no less than the Generally Accepted Operating Standards, but which do not necessarily provide all of the services of a full-service hotel, such as a full-service conference, meeting, food and beverage or catering facilities, a full-service health club and spa, or other full-service recreational facilities.

34. No Subordination of Fee Interest or Rent: Under no circumstance will Tenant place or suffer to be placed any lien or encumbrance on Port's fee interest in the Premises. Port will not subordinate its interest in the Premises nor its right to receive rent to any mortgagee.
35. Parking: Tenant has the responsibility to provide an off-site parking plan to accommodate the Project. The Port agrees to consider providing Tenant with off-site parking options that may become available on Port properties on the same terms and conditions that the Port provides to any other parking tenants or licensees.
36. Trust Consistency: Port requires Tenant to submit its Trust Consistency plan to the Port for review and comments. If appropriate or necessary, Port will work with Tenant to obtain trust consistency letter from State Lands Commission staff or approval of the proposed project, including rooms in the hotel for short-term use by artists from outside the Bay Area.
37. Regulatory Approval: Tenant is responsible for obtaining all regulatory approvals, at its sole cost and expense.
38. Public Park and Open Space: Tenant is responsible for funding the costs of construction, operation and maintenance of the proposed public park and during the Lease Term at its sole cost and expense.

39. Use Program and Conceptual Design: Tenant is responsible for providing the floor area square footages and schematic design diagrams for all major and minor categories of uses of the proposed Project as part of its efforts to entitle the Project.
40. Development Management Plan: Developer/Tenant is responsible for the legal, financial, and operation management plans for all phases of the proposed Development.
41. Initial Comprehensive Financial Plan Demonstrating Development Feasibility: Tenant is responsible for providing a preliminary comprehensive financial plan that supports the feasibility of the constituent elements of the proposed development, and the feasibility must be mutually agreed upon by the Port and Tenant, which agreement shall not be unreasonably withheld, conditioned or delayed.
42. List and Analysis of Public Benefits: Tenant is responsible for providing a list of the expected public benefits of the Development along with quantitative characterization of the benefits. The benefit list and its characterization are subject to the mutual determination of the Port and Tenant and Port shall not unreasonably withhold condition or delay its approval.
43. Standard Lease Terms The Lease will include other standard lease terms customary for a Port lease, including but not limited to force majeure event provisions.

Attached Exhibits:

- Exhibit "A," Site Map
- Exhibit "B," Preliminary Project Description
- Exhibit "C," Performance Schedule

Exhibit "A"
Project Description

Exhibit "B"
Preliminary Project Description

Exhibit "C,"
Performance Schedule

AMENDED IN BOARD
5/5/15

FILE NO. 150331

RESOLUTION NO. 170-15

1 [Teatro ZinZanni Hotel/Theater/Park Project - Sole Source Negotiations]

2
3 **Resolution exempting from the competitive bidding policy set forth in Administrative**
4 **Code, Section 2.6-1, the potential real estate transaction involving Port property at**
5 **Seawall Lots 324 and 323 on the west side of The Embarcadero at Vallejo Street with**
6 **Teatro ZinZanni, and financial partner Kenwood Investments No. 6, LLC, operating**
7 **together as TZK Broadway, LLC (TZK), for development of a dinner-theater and**
8 **maximum 200-room, 40-foot boutique hotel and an approximately 7,500 square foot**
9 **privately financed public park and ancillary uses; urging the Port, Teatro ZinZanni, and**
10 **TZK to engage in outreach to affected and interested neighbors, community members**
11 **and other stakeholders to ensure that the proposed project is designed with public**
12 **input; and urging the Port Director, with the assistance of Port staff, the City Attorney's**
13 **Office and other City officials to take all actions needed to negotiate an exclusive**
14 **negotiating agreement and a term sheet with Teatro ZinZanni and TZK on a sole source**
15 **basis, consistent with this Resolution.**

16
17 WHEREAS, Teatro ZinZanni ("Teatro"), a former Port Commission of San Francisco
18 ("Port"), tenant at Pier 27, is a unique hybrid of comedy, theater, cabaret, music, and dining
19 that is part circus and part cabaret combining improv comedy, vaudeville revue, music, dance,
20 cirque, and sensuality into an evolving form that is never quite the same from evening to
21 evening; and

22 WHEREAS, Teatro is a one-of-a-kind production, inspired in 1998 by the great
23 cabarets of Europe and now famous for its Spiegel-tent, displaying comedy and acrobatics;
24 and

1 WHEREAS, Teatro has produced over 50 productions consisting of more than 6,000
2 performances in Seattle, San Francisco, and Costa Mesa, in which it engages, transforms,
3 educates and delights audiences; and

4 WHEREAS, Teatro first came to San Francisco in 2000, and for eleven years operated
5 as a successful cultural event combining dinner and theater at Pier 27 and during such period
6 Teatro welcomed 145 performing artists and 800,000 customers, frequently partnering with
7 many local charities; and

8 WHEREAS, Teatro was a tenant in good standing as defined by the Port's current
9 leasing policies throughout its tenure as a Port tenant; and

10 WHEREAS, In 2011, the Port asked Teatro to terminate its lease for Pier 27 and
11 vacate its location at Pier 27 to accommodate the hosting of the 34th America's Cup and the
12 construction of the new James R. Herman Cruise Terminal; and

13 WHEREAS, The City and County of San Francisco (the "City"), acting by and through
14 the Port, owns approximately 1.4 acres at Seawall Lots 324 and 323 and portions of the
15 Vallejo and Davis Street rights-of-way on the west side of The Embarcadero at Vallejo Street
16 ("Site"); and

17 WHEREAS, Under the City's music and culture sustainability policy, as articulated in
18 Chapter 90A of the Administrative Code, the City "is committed to supporting and encouraging
19 the use of City and County property, including Port property, for indoor and outdoor music and
20 other cultural events" and is committed to preserving and enhancing San Francisco's music
21 and performance venues from displacement due to development; and

22 WHEREAS, Administrative Code, Section 90A(e) articulates the City's support and
23 encouragement of innovative approaches to the provision of low-cost housing to musicians,
24 artists, performers, event planners, and others who have an integral role in San Francisco's
25

1 music and cultural life and Section 90A(g) articulates the City's support and encouragement of
2 workforce development efforts between cultural producers and the City; and

3 WHEREAS, The Port and Teatro entered into a Mutual Agreement for Lease
4 Termination and Reservation of Rights Agreement ("Mutual Terminal Agreement") dated
5 August 12, 2011, which provides that in exchange for terminating its lease at Pier 27, Teatro
6 will be given the exclusive right to negotiate in good faith with the Port for a new lease to
7 relocate to Seawall Lot 324; and

8 WHEREAS, Teatro, following execution of the Mutual Termination Agreement, spent
9 many months in 2012 and 2013 considering its long-term options to return to San Francisco at
10 Seawall Lot 324 on The Embarcadero across from Pier 9, and meeting with and listening to
11 the concerns and suggestions of numerous community groups and stakeholders such as The
12 Barbary Coast Neighborhood Association, Gateway Commons Buildings I, II, III, Chinese
13 Community Development Center, Telegraph Hill Dwellers, Golden Gateway Tenants
14 Association, the Northeast Waterfront Advisory Group, the Historic Preservation Commission,
15 Architectural Review Subcommittee, and the Port and City staff; and

16 WHEREAS, The results of Teatro's investigations and community meetings resulted in
17 accord among the groups that Teatro's unique and highly successful dinner-theater
18 performance is an unmatched addition to the neighborhood, City and region and in returning
19 to San Francisco, Teatro should devise a project which is a long-term addition, includes
20 improved public access as a gateway between the neighborhood and the waterfront,
21 incorporates Teatro's unique Spiegel-tent in a manner that better suits the location and the
22 neighborhood, is consistent with the character, zoning and massing of the historic warehouse
23 district and is true to San Francisco's unique cultural history; and

24 WHEREAS, The total cost of the design, permitting, and construction necessary to
25 rebuild Teatro as a stand-alone structure would be at least five times the original cost of

1 locating at Pier 27 so Teatro sought out and retained a partner to help with plans,
2 development and financing for a new project at Seawall Lots 324 and 323; and

3 WHEREAS, Teatro, operating together with TZK Broadway, LLC ("TZK"), a California
4 limited liability company comprised of Teatro and Kenwood Investments No. 6, LLC, wishes to
5 build a new privately financed, state-of-the-art theater as a long-term home for Teatro's
6 internationally acclaimed dinner-theater performance and state-of-the-art boutique hotel
7 comprised of a maximum of 200 rooms, including up to 10 transient residences for visiting
8 Teatro artists, situated within a 40-foot, four-story building, together with related public
9 infrastructure and access improvements and other improvements, including construction of a
10 new public park at the north end of the Site (the "Project"); and

11 WHEREAS, Hotel, entertainment, theater and public open space are listed as
12 acceptable uses for Seawall Lots 324 and 323 in the Port's Waterfront Land Use Plan, the
13 City Planning Department's Northeastern Waterfront Subarea Plan, the Northeast
14 Embarcadero Study and the Asian Neighborhood Design Community Vision for the Northeast
15 Waterfront; and

16 WHEREAS, The Site offers an opportunity for Teatro to return to San Francisco on a
17 long-term basis to develop world-class entertainment and hotel uses that (i) are consistent
18 with the Port's and City's long-term plans for the Site; (ii) are ideal for the Port, the City,
19 Teatro, its fans and the public in the entire Bay Area region; (iii) would improve public open
20 space and expand public use and enjoyment of the waterfront on trust lands at this location;
21 and (iv) will provide a use that is appropriate for the neighborhood and the Site's neighbors;
22 and

23 WHEREAS, The Site provides an incredibly beautiful, vibrant and easily accessible
24 place for the public from all over the Bay Area and beyond the Bay Area to enjoy and offers a
25

1 transit-rich location that emphasizes access and proximity to the San Francisco Bay and the
2 Northeastern Historic Waterfront District; and

3 WHEREAS, Teatro and TZK are committed to designing the Project to address
4 neighborhood concerns and fulfill the Port's design, public trust, economic vitality, historic
5 preservation, Transit First, local hiring, labor relations and sustainability goals and policies and
6 to enhance public access to the waterfront; and

7 WHEREAS, Any ground lease or other City contract relating to development of the
8 proposed Project would be subject to the City's ordinances relating to labor representation
9 procedures in hotel developments in which the City has an ongoing proprietary interest
10 (Administrative Code, Sections 23.50 through 23.56) and the City's First Source Hiring
11 Program (Administrative Code, Chapter 83), as they may apply to the proposed Project; and

12 WHEREAS, Teatro and TZK have stated their commitment to enter into an equal
13 opportunity program in connection with the transaction documents for the Project that includes
14 the Local Hiring Policy (Administrative Code, Section 6.22(G)), prevailing wage requirements
15 (Administrative Code, Section 6.22(E)) and opportunities for local business enterprises; and

16 WHEREAS, As set forth in Administrative, Code Section 2.6-1, the Board of
17 Supervisors' policy is to approve only such proposed leases involving City property or facilities
18 that departments have awarded to the highest responsible bidder under competitive bidding
19 procedures, except where competitive bidding is impractical or impossible; and

20 WHEREAS, Teatro has, over the course of its 11-year run, become a civic asset for the
21 whole San Francisco Bay Area, is a one-of-a-kind, unique cultural attraction for San
22 Francisco, and is a place where artists from San Francisco, the Bay Area and around the
23 world can find opportunities to perform in live theater; and

24 WHEREAS, Teatro has a demonstrated track record in, and is committed to continue
25 positively impacting, its community and the greater Bay Area by providing assistance and

1 opportunities to other non-profit, civic and community organizations that benefit and enrich the
2 lives of children, youth and those in need; and

3 WHEREAS, The proposed Project presents an important opportunity to provide special
4 public serving, cultural, historic and other significant public benefits to the people of the City
5 and the entire Bay Area region, including an opportunity for a new unique waterfront
6 destination that will achieve public access objectives for the Site while adding an attractive
7 mix of uses and destinations along the waterfront; and

8 WHEREAS, The Port's Waterfront Land Use Plan, including the Design and Access
9 Element (collectively, the "Waterfront Plan"), is the Port's adopted land use document for
10 property within Port jurisdiction, such as the Site, and provides the policy foundation for
11 waterfront development and improvement projects; and

12 WHEREAS, The Waterfront Plan identifies the Site as a mixed-use development
13 opportunity site, and the City, through its Port, previously sought a development partner for a
14 hotel on the Site through a competitive request for proposal bid in accordance with the
15 Waterfront Plan's objectives and continues to contemplate a hotel and entertainment use at
16 the Site; and

17 WHEREAS, As the proposed Project may be refined and improved through the public
18 review process, including the City's Waterfront Design Advisory Committee process, Teatro
19 and TZK and the Port are committed to designing the proposed Project to meet the other
20 design objectives of the Waterfront Plan, the City Planning Department's Northeastern
21 Waterfront Subarea Plan, and the Northeast Embarcadero Study, including: a design that
22 respects the Northeast Waterfront Historic District, provides plentiful and high quality public
23 access, pedestrian improvements and bicycle parking for attendees of events at the Site and
24 addresses neighborhood concerns, including building heights; and

25

1 WHEREAS, The proposed Project is a publicly-oriented use that will draw visitors from
2 the entire Bay Area to this unique site along the Bay, and Teatro, TZK, the Port and the City
3 are committed to designing the proposed Project and its uses to provide both a high-quality
4 visitor experience before, during and after events that is appropriate to the Site and its
5 waterfront setting and a high quality project that is appropriate for the neighborhood; and

6 WHEREAS, The proposed Project would generate substantial public benefits for the
7 City, including its Port, such as: (1) the improvement and productive reuse of Seawall Lots
8 324 and 323 consistent with the Port's and City's plans and policies for the Site; (2) the
9 construction of needed infrastructure improvements that benefit the Site and the surrounding
10 public trust lands and other areas; (3) the generation of significant new jobs and economic
11 development in a short period, including significant opportunities for local residents; (4) the
12 attraction of many people from the City and all over the region to enjoy the waterfront and the
13 Bay and to patronize businesses on the Site as well as other Port-owned land and privately
14 owned property in the vicinity of the Site; (5) the enhancement of the City's tourism industry,
15 including providing an additional venue for trust related events and other special events;
16 and(6) providing a cultural resource that will honor the theatrical history of San Francisco,
17 provide new jobs for local, regional and international performers, and provide a number of
18 short-term housing solutions for performers; and

19 WHEREAS, On October 28, 2014, the Port Commission approved Resolution No. 14-
20 58 directing Port staff to assist Teatro in developing and introducing a resolution to the Board
21 of Supervisors to consider exempting the proposed Project from the competitive bidding policy
22 in Administrative Code, Section 2.6-1 with respect to the potential lease of the Site to Teatro
23 and TZK; and

24 WHEREAS, A request for qualifications ("RFQ"), one of the defined competitive bidding
25 procedures under Administrative Code Section 23.2, provides a means of assuring that a

1 lease and development opportunity is awarded to a qualified developer; and

2 WHEREAS, In order to confirm that TZK is qualified to develop the Project on the Site,
3 (i) TZK will submit to the Port a description of its qualifications and financial capacity to
4 develop the Project, including information that the Port would customarily request in an RFQ,
5 and (ii) the Port will have one of its real estate economic consultants review TZK's
6 qualifications and issue a report confirming that TZK is qualified to develop the Project ("TZK
7 Qualifications Determination"); and

8 WHEREAS, It is the Port's practice to base lease and development opportunity
9 negotiations on recent, comparable projects, using well established methods for determining
10 fair market value; and

11 WHEREAS, Subject to the successful negotiation of an exclusive negotiating
12 agreement with Teatro and TZK, the Port, working in concert with the City's Office of
13 Economic and Workforce Development and other City agencies, intends to return to the Board
14 of Supervisors with a proposed term sheet based on a fair market value transaction for the
15 proposed Project for the Board to consider endorsing; now, therefore, be it

16 RESOLVED, That due to the unique, one-of-a-kind attributes of Teatro, the unique
17 opportunity presented by Teatro's proposal to build and finance the Project, Teatro's position
18 as a tenant in good standing under current Port policies, the provisions of the Mutual
19 Termination Agreement, and, in keeping with Administrative Code, Chapter 90A to retain an
20 important entertainment icon, provide performer lodging and workforce training, and
21 numerous other public benefits to the City and the region that the proposed Project would
22 produce, all as further described above, the proposed Project is exempt from competitive
23 bidding requirements pursuant to Administrative Code, Section 2.6-1 with respect to the
24 possible transaction with Teatro and TZK for development of the Site; and, be it

25

1 FURTHER RESOLVED, That the Board urges the Port, Teatro and TZK to engage in
2 continued outreach to affected and interested neighbors, community members and
3 stakeholders to ensure that the proposed Project is designed with public input; and, be it

4 FURTHER RESOLVED, That the Board urges the Port Director, with the assistance of
5 Port staff, the City Attorney's Office and other City officials to take all actions needed to
6 negotiate an Exclusive Negotiating Agreement and a term sheet with Teatro and TZK on a
7 sole source basis, consistent with this resolution; provided nothing in this resolution
8 implements any approvals or facilities for the proposed Project, grants any entitlements for the
9 proposed Project or includes any determination as to whether the Port or any other unit of City
10 government should approve the proposed Project, nor does adoption of this resolution
11 foreclose the possibility of considering alternatives to the proposed Project, adopting
12 mitigation measures or deciding not to approve the proposed Project after conducting
13 appropriate environmental review under the California Environmental Quality Act (CEQA); and
14 be it

15 FURTHER RESOLVED, That prior to the Port Commission hearing at which the Port
16 Commission is scheduled to consider awarding the Exclusive Negotiating Agreement to TZK,
17 the Port will submit to the Clerk of the Board a copy of the TZK Qualifications Determination;
18 and be it

19 FURTHER RESOLVED, That the Board urges the Port Director to hire a third party real
20 estate economic consultant during negotiations with TZK to ensure the Port receives fair
21 market value for the lease of SWL 324/323.



City and County of San Francisco

Tails

Resolution: 148-15

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 150311

Date Passed: April 30, 2015

Resolution retroactively authorizing the Recreation and Park Department to accept and expend an Urban Greening for Sustainable Communities Grant in the amount of \$848,059 from the California Natural Resources Agency for the Mansell Corridor Project in McLaren Park for the period of February 1, 2015, through May 1, 2017.

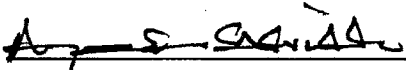
April 15, 2015 Budget and Finance Sub-Committee - RECOMMENDED

April 21, 2015 Board of Supervisors - ADOPTED

Ayes: 11 - Avalos, Breed, Campos, Christensen, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

File No. 150311

I hereby certify that the foregoing Resolution was ADOPTED on 4/21/2015 by the Board of Supervisors of the City and County of San Francisco.


Angela Calvillo
Clerk of the Board

Mayor

Date Approved



City and County of San Francisco

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Tails
Resolution

File Number: 150331

Date Passed: May 05, 2015

Resolution exempting from the competitive bidding policy set forth in Administrative Code, Section 2.6-1, the potential real estate transaction involving Port property at Seawall Lots 324 and 323 on the west side of The Embarcadero at Vallejo Street with Teatro ZinZanni, and financial partner Kenwood Investments No. 6, LLC, operating together as TZK Broadway, LLC (TZK), for development of a dinner theater and maximum 200-room, 40-foot boutique hotel and an approximately 7,500 square foot privately financed public park and ancillary uses; urging the Port, Teatro ZinZanni, and TZK to engage in outreach to affected and interested neighbors, community members and other stakeholders to ensure that the proposed project is designed with public input; and urging the Port Director, with the assistance of Port staff, the City Attorney's Office, and other City officials to take all actions needed to negotiate an exclusive negotiating agreement and a term sheet with Teatro ZinZanni and TZK on a sole source basis, consistent with this Resolution.

April 27, 2015 Land Use and Transportation Committee - RECOMMENDED

May 05, 2015 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Avalos, Breed, Campos, Christensen, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

May 05, 2015 Board of Supervisors - ADOPTED AS AMENDED

Ayes: 11 - Avalos, Breed, Campos, Christensen, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

File No. 150331

I hereby certify that the foregoing Resolution was ADOPTED AS AMENDED on 5/5/2015 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Mayor

Date Approved

140541

Received via email
6/23/16 @ 11:38 am
dn

Barbary Coast Neighborhood Association
640 Davis St., Unit 28
San Francisco, CA 94111
www.bcnasf.org

June 22, 2016

Via Hand Delivery to all Members and
Email to board.of.supervisors@sfgov.org

President London Breed and
Members of the Board of Supervisors
City Hall
San Francisco, CA 94102

RE: SUPPORT FOR ENDORSEMENT OF TERM SHEET
TZK Broadway, LLC/Seawall Lots 323 & 324
Teatro ZinZanni and Kenwood Investments, LLC

Dear President Breed and Members:

On behalf of the Barbary Coast Neighborhood Association (BCNA), I am writing to express the BCNA's support for the Board of Supervisors' endorsement of the term sheet between The Port of San Francisco and TZK Broadway, LLC for the development of a new theater and hotel at Seawall Lots 323 and 324.

TZK Broadway, LLC has kept the BCNA up to speed with the plans for the development of the new theater and hotel and we are in support of this project as it has been designed. We particularly are appreciative of the project sponsor sticking to the height and bulk limits for the site, proposing a use that is compatible with the neighborhood and for keeping the neighborhood informed of the plans and schedule for this new project. We will continue to monitor the development as it proceeds.

On behalf of the BCNA, we urge you to endorse the term sheet between the Port of San Francisco and TZK Broadway, LLC when it comes before you later this month. Thank you for your consideration of our support letter.

Very truly yours,

Diana Taylor

On behalf of the Board of Directors
Diana Taylor, Vice President
Barbary Coast Neighborhood Association

San Francisco Building and

1188 FRANKLIN STREET • SUITE 203
 SAN FRANCISCO, CA 94109
 EMAIL: mike@sfbctc.org

*Construction Trades Council*

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LARRY MAZZOLA
 President

MICHAEL THERIAULT
 Secretary - Treasurer

JOHN DOHERTY
 VICTOR PARRA
 Vice Presidents

6 June 2016

Via Hand Delivery and Email:

Ms. Angela Calvillo, Clerk of the Board
 angela.calvillo@sfgov.org

London Breed, President
 Members of the San Francisco Board of Supervisors
 City Hall, Room 244
 1 Dr. Carlton B. Goodlett Place
 San Francisco, CA 94102-4689

RE: SUPPORT FOR ENDORSEMENT OF TERM SHEET BETWEEN PORT OF SAN FRANCISCO AND TZK BROADWAY, LLC

Dear President Breed and Supervisors:

The San Francisco Building and Construction Trades Council urges your approval of the San Francisco Port Commission's Resolution endorsing a Term Sheet between The Port and TZK Broadway, LLC, a California limited liability comprised of Teatro ZinZanni and Kenwood Investments No. 6, LLC. TZK Broadway LLC proposes to build a theater, a 180-room hotel, and a public plaza and park on Seawall Lots 323 and 324 within the district's 40-X height and bulk limits. TZK Broadway, LLC reached out to us early in this process and has assured us that it will build its project entirely with Union construction labor. This guarantees apprenticeship opportunities, decent wages, and retirement and family medical benefits for the women and men working on the project. We support the proposal.

The project has already received support from neighbors, neighborhood organizations, other stakeholders, the Port Commission, and the Board of Supervisors itself, as evidenced by the 21 April 2015 (File No. 150311) 11-0 approval of the Port entering into an Exclusive Negotiating Agreement with TZK Broadway, LLC, the Port Commission's 3-0 approval on September 8, 2015 of the ENA with TZK Broadway, LLC, and the Port Commission's 5-0 endorsement of the Term Sheet on April 7, 2016.

The project will provide badly-needed revenue to the Port. It will employ hundreds of workers in its construction and hundreds more long-term. It will bring significant new public benefits, such as a new plaza and park on The Embarcadero, hundreds of thousands of dollars of new tax revenues, and a venue for arts, culture and entertainment. Again, the San Francisco Building and Construction Trades Council urges you to endorse the Term Sheet between the Port of San Francisco and TZK Broadway, LLC.

Respectfully yours,

Michael Theriault
 Secretary-Treasurer

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: John Rahaim, Director, Planning Department
John Updike, Director, Real Estate
Patrick Mulligan, Director, Office of Labor Standards Enforcement
Olson Lee, Director, Mayor's Office of Housing and Community
Development
Tiffany Bohee, Executive Director, Office of Community Investment and
Infrastructure

FROM: Andrea Ausberry, Assistant Clerk
Land Use and Transportation Committee

DATE: June 1, 2016

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Land Use and Transportation Committee has received the following proposed legislation, introduced by the Port on May 24, 2016:

File No. 160541

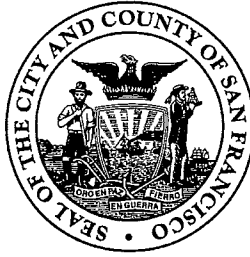
Resolution endorsing the term sheet between TZK Broadway, LLC, whose members include Teatro ZinZanni and its financial and development partner, Kenwood Investments No. 6, LLC, and the Port Commission for the lease and development of a 180-200 room hotel, a dinner-theater featuring Teatro ZinZanni, an approximately 7,500 square-foot public park and open space, and ancillary uses on Seawall Lots 323 and 324 and portions of unimproved Vallejo and Davis Street rights-of-way on the west side of The Embarcadero at Vallejo Street.

If you have comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or by email at: andrea.ausberry@sfgov.org.

c: Scott Sanchez, Zoning Administrator
Sarah Jones, Acting Environmental Review Officer,
AnMarie Rodgers, Senior Policy Advisor
Aaron Starr, Acting Manager of Legislative Affairs

Joy Navarrete, Environmental Planning
Jeanie Poling, Environmental Planning
Donna Levitt, Office of Labor Standards Enforcement
Eugene Flannery, Mayor's Office of Housing and Community Development
Sophie Hayward, Mayor's Office of Housing and Community Development
Claudia Guerra, Office of Community Investment and Infrastructure
Natasha Jones, Office of Community Investment and Infrastructure

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
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John Updike, Director, Real Estate
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Sophie Hayward, Mayor's Office of Housing and Community Development
Claudia Guerra, Office of Community Investment and Infrastructure

LEGISLATION RECEIVED CHECKLIST.

Date 5/16/16 File Number (if applicable) 160541

- Legislation for Introduction (NEW) ▶▶▶ Legislative Clerk
- Legislation Pending in Committee (AMENDED) ▶▶▶ Committee Clerk
- Legislation for Board Agenda (AMENDED) ▶▶▶ Deputy Clerk

Supervisor, Mayor, and Departmental Submittals

Grant Ordinance

- Legislation:** Original, 1 hard copy, and 1 electronic copy in **Word** format
- Signature:** Department Head, Mayor or the Mayor's designee, plus the Controller
- Supporting documents:** 1 full set, and separate **pdf** copies of each in email
 - Cover letter (original)
 - Grant budget/application
 - Grant information form, including signed disability checklist
 - Letter of Intent or grant award letter from funding agency
 - Contract, Leases/Agreements (if applicable)
 - Ethics Form 126 (if applicable) in **Word** format
 - Other support documents as identified in the cover letter and legislation
- E-Copy of legislation/supporting documents: Sent to BOS.Legislation@sfgov.org**

Ordinance

- Legislation:** Original, 1 hard copy, and 1 electronic copy in **Word** format
- Signature:** City Attorney (For Settlement of Lawsuits - City Attorney, Department Head, Controller, Commission Secretary)
- Supporting documents:** 1 full set, and separate **pdf** copies of each in email
 - Cover letter (original)
 - Settlement Report/Agreement (for settlements)
 - Other support documents as identified in the cover letter and legislation
- E-Copy of legislation/supporting documents: Sent to BOS.Legislation@sfgov.org**

Grant Resolution

- Legislation:** Original, 1 hard copy, and 1 electronic copy in **Word** format
- Signature:** Department Head, Mayor or the Mayor's designee, plus the Controller
- Supporting documents:** 1 full set, and separate **pdf** copies of each in email
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 - Grant information form, including signed disability checklist
 - Letter of Intent or grant award letter from funding agency
 - Contract, Leases/Agreements (if applicable)
 - Ethics Form 126 (if applicable) in **Word** format
 - Other support documents as identified in the cover letter and legislation
- E-Copy of legislation/supporting documents: Sent to BOS.Legislation@sfgov.org**

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 BOARD OF SUPERVISORS
 SAN FRANCISCO
 2016 MAY 16 AM 11:10
 BY RY

Resolution

- Legislation:** Original, 1 hard copy, and 1 electronic copy in **Word** format
- Signature:** None (Note: Required for Settlement of Claims - City Attorney, Department Head, Controller, Commission Secretary)
- Supporting documents:** 1 full set, and separate **pdf** copies of each in email
 - Cover letter (original)
 - Settlement Report/Agreement (for settlements)
 - Other support documents as identified in the cover letter and legislation
- E-Copy of legislation/supporting documents: Sent to BOS.Legislation@sfgov.org**

MANNY PACHeco
Name and Telephone Number

(39) Port of SF
Department

415-274-0474