



SONNENBLICK  
DEVELOPMENT



## Section 2: Economic Assumptions and Benefits

# Newport Beach City Hall Site Reuse - RFP NO. 13-35



AUBERGE RESORTS

C.W. Driver  
BUILDERS SINCE 1919





# *contents*

## **Section 2:**

## **Economic Assumptions and Benefits**

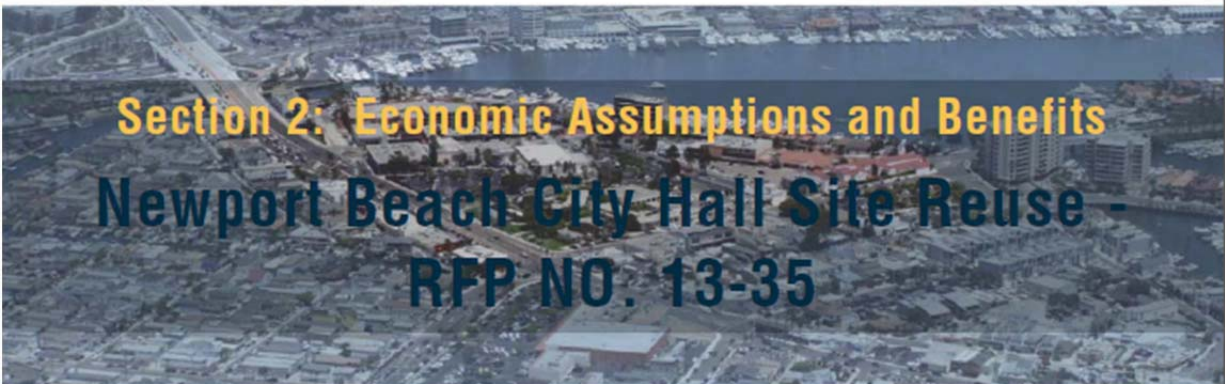
- a. Business Plan and Pro Forma for First 10 Years
- b. Explanation of the Market(s) Targeted
- c. Proposed Lease Terms
- d. Range of Construction Costs
- e. Quantitative Analysis of Increased City Tax Revenues
- f. Quantitative Analysis of Economic Impacts
- g. General Benefits to the Community
- h. Sources and Structure of Financing
- i. Type and Extent of City Participation
- j. Other Assumptions

# a. Business Plan and Pro Forma for First 10 Years

Newport Beach City Hall Site Reuse - RFP No. 13-35







## Business Plan

April 2013



1422 Cuesta Linda

Pacific Palisades, CA 90272



## SONNENBLICK DEVELOPMENT, LLC

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# Redacted





## 2. BUSINESS OVERVIEW

### A. THE PROJECT

Sonnenblick is seeking to win the right to lease and develop an Auberge Resorts branded 4 to 4.5-star, boutique hotel on the approximate 4.0 acre site of the existing City of Newport Beach City Hall located in the Balboa Peninsula area of the City of Newport Beach, California.

### B. PROJECT MANAGEMENT

Industry experts stress that the key to a successful high-quality hotel operation is offering an inviting location and environment which emotionally connects with the targeted guest. Developers of such products must begin with a strategy and clear vision of understanding the physical and design aspects of a boutique, full-service hotel, and, more importantly, have a sophisticated appreciation for the personalized hospitality it proposes to extend. In order to carry-out this vision effectively, Sonnenblick has assembled the following team of experts.

| <b><u>Proposed Auberge Resort Hotel Project Development Team</u></b> |                                     |
|--|-------------------------------------|
| <b>Developer:</b>  | <b>Sonnenblick Development, LLC</b> |
| <b>Hotel Management Company:</b>                                     | <b>Auberge Resorts</b>              |
| <b>General Contractor:</b>   | <b>C.W. Driver</b>                  |
| <b>Design Architect:</b>   | <b>OLA</b>                          |
| <b>Concept Architect:</b>  | <b>AHT Architects</b>               |
| <b>Hotel Interior Design:</b>  | <b>Gettys</b>                       |
| <b>Landscape Design:</b>   | <b>Ima</b>                          |



## B.1 DEVELOPER

### *Sonnenblick Development, LLC*

The partners in Sonnenblick have:

- 40+ Years of Experience in Real Estate, Finance and Development;
- Excess of \$13 Billion in Closed Transactions, including acquisition, development, entitlement and financing of approximately 10,000 hotel rooms;
- Proprietary Development/Financing Structures;
- Specialize in Public-Private Partnerships, including development of approximately 1 million square feet of government leased office buildings;
- Extensive experience in Hotel and Resort Development and Financing, including hotel flags as Fairmont, Hilton, Hyatt, Loews, Marriott, Ritz Carlton and Starwood.

### **Hotel Development:**

A sampling of some of the hotel development projects which we are currently developing and/or have previously been involved in:

#### **SONNENBLICK HOTEL DEVELOPMENT SHERATON SPRINGS RESORT HOTEL CATHEDRAL CITY, CALIFORNIA**



Bob Sonnenblick and David Rose have entered into an MOU with the City of Cathedral City on the public private partnership development of a \$150 million, +/-300-room Sheraton Resort Hotel, along with 40,000 square feet of meeting space and other hotel amenities, which will serve as the crown jewel of the City's redeveloped downtown area.





## **SONNENBLICK HOTEL DEVELOPMENT**

**THE RITZ CARLTON AT TREASURE HILL, PARK CITY, UTAH**



Bob Sonnenblick is developing a \$100 million +/-200 room ski-in/ski out The Ritz Carlton resort hotel.



## **SONNENBLICK HOTEL DEVELOPMENT**

**WALDORF ASTORIA COLLECTION, PALM BEACH COUNTY, FLORIDA**



Bob Sonnenblick is developing a \$100 million +/-325 room waterfront Waldorf Astoria Collection resort hotel.



**SONNENBLICK  
HOTEL DEVELOPMENT  
LOEWS SANTA MONICA, CA**



Bob Sonnenblick served as the co-developer and equity investor in this \$100 million ocean front resort hotel.

**SONNENBLICK  
HOTEL DEVELOPMENT  
BOCA RATON RESORT & CLUB, FLORIDA  
*The Waldorf Astoria Collection***



Bob Sonnenblick was an equity investor in this 1,000 room ocean front resort hotel and golf club.





## **DAVID ROSE HOTEL DEVELOPMENT EXPERIENCE**



David Rose, a partner of Bob Sonnenblick, has entered into a DDA with the City of Garden Grove for the for the public private partnership development of a \$175 million, three (3) hotel and four (4) restaurant project on Harbor Boulevard immediately down the street from Disneyland.

## **DAVID ROSE HOTEL DEVELOPMENT EXPERIENCE**


David Rose, a partner of Bob Sonnenblick, has been involved in the acquisition, development, entitlement and financing of more than 5,000 hotel rooms throughout the West, including such brands as Hilton, Hyatt, InterContinental Hotels, Marriott and Starwood, as well as served as the development manager for the Extended Stay America Hotel in Newport Beach.



## Hotel Financings:

Mr. Sonnenblick has financed nearly \$1 Billion in hotel transactions, including but not limited to the following:

### SONNENBLICK-GOLDMAN HOTEL FINANCING

|  |  |  |   |   |
|--|--|--|---|---|
| <b>\$86,250,000 &amp;<br/>\$10,000,000</b><br><br><b>The Ritz-Carlton®</b><br>Huntington Hotel<br>Pasadena, CA<br>First Mortgage and<br>J.V. / Equity | <b>\$33,000,000</b><br><br><b>HYATT<br/>REGENCY</b><br>Islandia Hotel<br>San Diego, CA<br>Leasehold First<br>Mortgage Financing | <b>\$70,000,000</b><br><br><b>HYATT<br/>REGENCY</b><br>on Union Square<br>San Francisco, CA<br>First Mortgage Financing | <b>\$140,000,000</b><br><br><b>HYATT<br/>REGENCY</b><br>San Diego, CA<br>Leasehold<br>Construction Financing              | <b>\$85,000,000</b><br><br><b>JW MARRIOTT</b><br>Hotel & Resort<br>Century City, CA<br>Sale of Leasehold<br>Interest |
| <b>\$75,000,000</b><br><br><b>LOEWS<br/>SANTA MONICA<br/>BEACH HOTEL</b><br>Santa Monica, CA<br>Permanent First Mortgage<br>Financing                 | <b>\$61,000,000</b><br>Santa Monica<br>Beach Hotel,<br>Santa Monica, CA<br>First Mortgage Financing  | <b>\$51,000,000</b><br><br><b>Fairmont</b><br>HOTELS & RESORTS<br>San Francisco, CA<br>First Mortgage Financing         | <b>\$76,000,000</b><br><br><b>Fairmont</b><br>HOTELS & RESORTS<br>San Jose, CA<br>Construction and<br>Permanent Financing | <b>\$63,000,000</b><br><br><b>Le MERIDIEN</b><br>San Francisco, CA<br>First Mortgage Financing                       |

### SONNENBLICK-GOLDMAN HOTEL FINANCING

|  |  |  |
|--|--|--|
| <b>\$53,000,000</b><br>Dana Point Resort Hotel<br>Dana Point, CA<br>First Mortgage Financing | <b>\$20,500,000</b><br><br><b>Sheraton</b><br>HOTELS & RESORTS<br>Newport Beach, CA<br>Acquisition/Renovation<br>Mortgage Financing | <b>\$20,000,000</b><br><br><b>Holiday Inn</b><br>Union Square Hotel<br>San Francisco, CA<br>First Mortgage Financing |
|--|--|--|





### Ground Lease Financings:

Mr. Sonnenblick has been involved in over \$500 million worth of commercial real estate projects with long term ground leases, including but not limited to the following:

## **SONNENBLICK-GOLDMAN LEASEHOLD FINANCINGS**




|  |  |  |  |   |
|--|--|--|--|---|
| <b>\$50,000,000</b><br><br><b>Entertainment Center</b><br>Century City, CA<br>Leasehold First<br>Mortgage Bonds | <b>\$40,000,000</b><br><br><b>Shopping Center</b><br>San Diego, CA<br>Leasehold<br>Permanent Financing      | <b>\$21,000,000</b><br>Broadway Market<br>Seattle, Washington<br>Leasehold First<br>Mortgage Financing               | <b>\$140,000,000</b><br><br>San Diego, CA<br>Leasehold<br>Construction Financing | <b>\$85,000,000</b><br><br><b>JW MARRIOTT</b><br>Hotel & Resort<br>Century City, CA<br>Sale of Leasehold<br>Interest |
| <b>\$86,000,000</b><br><br>San Francisco, CA<br>Leasehold First &<br>Second Mortgage<br>Financing               | <b>\$54,100,000</b><br><br><b>Entertainment Center</b><br>Century City, CA<br>Sale of Leasehold<br>Interest | <b>\$55,000,000</b><br>Los Angeles<br>World Trade Center<br>Los Angeles, CA<br>Leasehold First<br>Mortgage Financing |  |   |



## Other Financings:


In addition to the hotel financing mentioned above, Mr. Sonnenblick has also been involved in over \$1.5 Billion worth of commercial real estate financings, including but not limited to the following:

## **SONNENBLICK-GOLDMAN PROJECT FINANCING**

|   |   |   |  |   |
|---|---|---|--|---|
| <b>\$21,000,000</b><br> <b>Scripps</b><br><i>A World of Healing</i><br><b>Corporate Plaza</b><br><b>San Diego, CA</b><br><b>First Mortgage Financing</b> | <b>\$86,000,000</b><br><b>San Francisco Centre</b><br><b>San Francisco, CA</b><br><b>Construction Financing</b> | <b>\$83,500,000 &amp;<br/>\$11,000,000</b><br><b>The Park Shore Club</b><br><b>Chicago, Illinois</b><br><b>Development Cost &amp;<br/>J.V. / Equity</b> | <b>\$33,250,000 &amp;<br/>\$30,850,000</b><br><b>Village on Canon</b><br><b>Beverly Hills, CA</b><br><b>Permanent and<br/>Construction Financing</b>   | <b>\$50,000,000</b><br><br><b>Entertainment Center</b><br><b>Century City, CA</b><br><b>Leasehold First<br/>Mortgage Bonds</b> |
| <b>\$21,000,000</b><br><b>Broadway Market</b><br><b>Seattle, Washington</b><br><b>Leasehold First<br/>Mortgage Financing</b>  | <b>\$36,200,000</b><br><b>The Academy</b><br><b>North Hollywood, CA</b><br><b>First Mortgage Financing</b>      | <b>\$27,000,000</b><br><b>Norwalk Square</b><br><b>Norwalk, CA</b><br><b>First Mortgage Financing</b>   | <b>\$54,100,000</b><br><br><b>Entertainment Center</b><br><b>Century City, CA</b><br><b>Sale of Leasehold<br/>Interest</b> | <b>\$24,600,000</b><br><b>Hall Properties</b><br><b>Hayward, CA</b><br><b>First Mortgage Financing</b>  |




## **SONNENBLICK-GOLDMAN PROJECT FINANCING**

|   |  |  |  |   |
|---|--|--|--|---|
| <b>\$197,000,000</b><br><br>The Beaudry Center<br>Los Angeles, CA<br><br>Securitized<br>First Mortgage Financing                              | <b>\$61,000,000</b><br><br>One Shoreline Drive<br>Corpus Christi, Texas<br><br>Construction Financing  | <b>\$18,500,000</b><br><br>R Street Plaza<br>Office Building<br>Sacramento, CA<br><br>First Mortgage Financing     | <b>\$18,300,000</b><br><br>The Warner<br>Financial Center<br>Woodland Hills, CA<br><br>Participating<br>First Mortgage Financing | <b>\$69,000,000</b><br><br>300 River Place<br>Office Building<br>Detroit Michigan<br><br>Securitized Fixed-Rate<br>Mortgage Bonds |
| <b>\$55,000,000</b><br><br>111 Capitol Mall<br>Office Building<br>Sacramento, CA<br><br>Joint Venture Equity<br>and Construction<br>Financing | <b>\$40,000,000</b><br><br><br>Shopping Center<br>San Diego, CA<br><br>Leasehold<br>Permanent Financing | <b>\$100,000,000</b><br><br>One Waterfront Plaza<br>Honolulu, Hawaii<br><br>Take-out and<br>Construction Financing | <b>\$72,000,000</b><br><br>Hawthorne Plaza<br>San Francisco, CA<br><br>Take-out Financing  | <b>\$32,000,000</b><br><br>The Paladion<br>Shopping Mall<br>San Diego, CA<br><br>Construction/<br>Mini-Perm Financing             |





## **SONNENBLICK-GOLDMAN PROJECT FINANCING**

|  |  |  |
|--|--|--|
| <p><b>\$165,000,000 &amp;<br/>\$35,000,000</b></p>  <p><b>at&amp;t</b></p> <p>Gateway Tower<br/>Seattle, Washington</p> <p>First Mortgage and<br/>J.V. / Equity</p> | <p><b>\$86,000,000</b></p>  <p>San Francisco, CA</p> <p>Leasehold First &amp;<br/>Second Mortgage<br/>Financing</p> | <p><b>Sale of<br/>Cornerstone Plaza</b><br/>1990 Bundy Avenue<br/>Los Angeles, CA</p> <hr/> <p><b>Sale of<br/>The Pinnacle</b><br/>(Hillside-Fuller Apts.)<br/>Los Angeles, CA</p> |
| <p><b>\$65,000,000</b></p>  <p>Shopping Mall<br/>Bakersfield, CA</p> <p>Construction Financing</p>  | <p><b>\$55,000,000</b></p> <p>Los Angeles<br/>World Trade Center<br/>Los Angeles, CA</p> <p>Leasehold First<br/>Mortgage Financing</p>   | <p><b>\$22,500,000</b></p>  <p>Los Angeles, CA</p> <p>Line of Credit Financing</p>               |

### **Development(s) on Long Term Ground Leases:**

Mr. Sonnenblick recently entered into an agreement with Sacramento County for the development of two (2) hotels, on a long term ground lease, to be located at Sacramento International Airport.



## Public Private Partnerships:

A sampling of our extensive experience in public private partnerships is as follows:

### 1. Imperial Norwalk Centre

- Mr. Sonnenblick purchased an existing 500,000 square foot office building in the City of Norwalk, completely refurbished the building to meet the office and security needs of county, state and federal government tenants. As such, Mr. Sonnenblick successfully redeveloped the building to meet the needs of such tenants as the United States Department of Homeland Security, the Federal Bureau of Investigation (FBI), and the Los Angeles County Sheriff's Department.



## 2. County of Los Angeles Department of Public Social Services

- Mr. Sonnenblick successfully won a Request for Proposal from the County of Los Angeles for the development of this 120,000 square foot office building located in El Monte, California. This building was built on-time and on-budget.





### 3. County of Los Angeles Department of Children & Family Services

- Mr. Sonnenblick successfully won a Request for Proposal from the County of Los Angeles for the development of this 120,000 square foot office building located in El Monte, California. This building was built on-time and on-budget.



#### 4. County of Los Angeles Department of Public Social Services

- Mr. Sonnenblick successfully won a Request for Proposal from the County of Los Angeles for the development of this 70,000 square foot office building located in West Los Angeles, California. This building was built on-time and on-budget.



# SONNENBLICK DEVELOPMENT LLC

*Continuing to be California's Leader in  
Government-Tenanted Build-to-Suit Projects*



L.A. County Building  
Department of Social Services  
El Monte, California



L.A. County Building - Phase 2  
Department of Children's Services  
El Monte, California



Department of Homeland Security  
L.A. Headquarters Building  
Norwalk, California



L.A. County Building  
Department of Social Services  
West L.A., California

Mr. Robert Sonnenblick

## SONNENBLICK DEVELOPMENT LLC

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### **Robert Sonnenblick Background:**



Mr. Robert Sonnenblick, Principal of Sonnenblick Development, LLC, is a graduate of the Wharton School of Finance of the University of Pennsylvania with more than 23 years of experience in various aspects of real estate and real estate finance. From 1981 to 1991 Mr. Sonnenblick was the driving force and power behind Sonnenblick-Goldman Corporation of California. Mr. Sonnenblick completed over \$1.5 Billion of commercial real estate transactions on the West Coast and as a result is regarded as one of the West Coast's leaders in the field of commercial real estate. Among the more notable projects for which Mr. Sonnenblick personally structured the financing for are The Beaudry Center, Los Angeles, California (\$197 million), the Ritz Carlton Hotel, Pasadena, California (\$97 million), One Waterfront Plaza, Honolulu, Hawaii (\$100 million), and the Los Angeles World Trade Center, Los Angeles, California (\$55 million).



In 1991 Mr. Sonnenblick was appointed Director of Development for the New Jersey and L.A. MetroMalls, with the responsibility for oversight and direction of the design, financing and leasing programs for two proposed \$250 million enclosed regional malls totaling 1.2 million square feet each. Mr. Sonnenblick personally oversaw more than 1 million square feet of leases in connection with this position as well as arranging the necessary debt and equity financing. The New Jersey project opened to one of the strongest starts in the history of the United States mall industry.



In addition, Mr. Sonnenblick was an original development partner of the Loews Santa Monica Beach Hotel.

This 360-room, \$90 million hotel was sold for \$125 million.



Prior to forming Sonnenblick Development, LLC, Mr. Sonnenblick was a partner in a Los Angeles-based real estate development firm which specialized in public-private partnerships, specifically the development of government leased office buildings throughout the United States. During this tenure, Mr. Sonnenblick successfully developed nearly 1 million square feet of government leased buildings, occupied by such tenants as U.S. Department of Homeland Security, Federal Bureau of Investigation (FBI), Los Angeles County Sheriff's Department, Los Angeles County Department of Public Social Services and Los Angeles County Department of Children and Family Services.

Mr. Sonnenblick is a frequent speaker at various real estate-related functions, such as those hosted by Deloitte Touche, ICSC, Value Retail News, Crittenden, USC, UCLA Real Estate Program, IMN Real Estate Conferences and the Institute for International Research. Mr. Sonnenblick is a member of the Advisory Board of the Golf Development Institute, a member of the Board of Real Estate Council of the Century City Chamber of Commerce and is a published author on subjects ranging from architecture to general real estate market conditions. In addition to Mr. Sonnenblick's expertise in development, finance, joint ventures and equity structuring, Mr. Sonnenblick has also been certified as an expert in the area of real estate bankruptcy/foreclosure. Mr. Sonnenblick is a qualified expert witness in the area of Commercial Real Estate Finance and Interest Rates for the United States Federal Court System in numerous jurisdictions.



**David Rose III Background:****PROFESSIONAL PROFILE**

HIGHLY CREATIVE REAL ESTATE PROFESSIONAL WITH EXTENSIVE ACCOMPLISHMENTS IN ACQUISITIONS, ASSET MANAGEMENT, DEVELOPMENT, DISPOSITIONS, ENTITLEMENTS, FINANCING, LEASING, STRATEGIC PLANNING AND PUBLIC PRIVATE PARTNERSHIPS. COMPREHENSIVE EXPERIENCE IN MULTIPLE REAL ESTATE USES, INCLUDING HOSPITALITY, OFFICE, RESIDENTIAL (SINGLE AND MULTI-FAMILY) RETAIL AND MIXED-USE DEVELOPMENT. EXTENSIVE EXPERIENCE THROUGHOUT UNITED STATES, INCLUDING BUT NOT LIMITED TO ARIZONA, CALIFORNIA, COLORADO, HAWAII, IDAHO, NEVADA, OREGON, TEXAS, UTAH AND WASHINGTON.

**SELECTED PROFESSIONAL ACHIEVEMENTS****ACQUISITIONS**

ACQUIRED APPROXIMATELY \$250 MILLION OF VACANT AND/OR UNDERUTILIZED PROPERTY FOR DEVELOPMENT AND/OR REDEVELOPMENT.

**DEVELOPMENT**

DEVELOPED OVER ONE MILLION SQ. FT. OF RETAIL SPACE, 1 MILLION SQ. FT. OF OFFICE SPACE, 2,000 HOTEL/TIMESHARE UNITS.

**ENTITLEMENT**

SECURED DEVELOPMENT ENTITLEMENTS FOR OVER 2.5 MILLION SQ. FT. RETAIL SPACE, 5,000 HOTEL/TIMESHARE UNITS AND 3,500 RESIDENTIAL (SINGLE AND MULTI-FAMILY) UNITS.

**FINANCE**

CREATED MULTIPLE PRO-FORMA FOR ACQUISITIONS, DEVELOPMENT AND VALUE-ADD OPPORTUNITIES.





## LEASING

COMPLETED LEASING AND PRE-LEASING ACTIVITIES FOR VARIETY OF PROJECTS RANGING FROM SINGLE TENANT TO ENTERTAINMENT TO STRIP CENTERS AND FROM BOTH LANDLORD AND TENANT PERSPECTIVE.

## MANAGEMENT

**ASSET MANAGEMENT:** MANAGED NEARLY 50 SERVICE STATION AND COMMERCIAL ASSETS IN GEOGRAPHIC AREA; MANAGED 13 HOTELS THROUGHOUT SOUTHERN CALIFORNIA.

**TEAM MANAGEMENT:** SUPERVISED MULTIPLE DEVELOPMENT TEAMS, CONSISTING OF ARCHITECTS, ATTORNEYS, CONSTRUCTION PERSONNEL, ENGINEERS AND ENVIRONMENTAL AND LAND USE PLANNERS.

## PUBLIC FINANCE

OBTAINED NEARLY \$100 MILLION IN PUBLIC/PRIVATE PARTNERSHIPS FINANCING.



## B.2 HOTEL MANAGEMENT COMPANY

Upon selection by the City of Newport Beach City Council, Sonnenblick will be entering into a franchise and management agreement with Auberge Resorts, who will then be responsible for all hotel operations, booking, marketing, scheduling, etc.

### *Auberge Resorts*

Auberge Resorts & Hotels has created a timeless collection of exceptional properties, each with its own distinctive character that assures a memorable experience. All of the Auberge Resorts properties are characterized by a set of common elements: intimate, understated elegance; magnificent natural settings; inspired cuisine utilizing the very best regional ingredients; spa experiences to enhance one's well-being; and attentive yet unobtrusive service. In combination, these characteristics create resorts and hotels with prestige and strong financial returns.

A privately held family company, Auberge Resorts & Hotels was established in 1998 to consolidate the management, development and financial expertise of the Harmon family's various ventures—including its acclaimed flagship resort Auberge du Soleil—and to pursue the development of additional unique properties. Since the flagship's opening in 1981, the Harmon family and its executive team have led Auberge's growth to encompass resort acquisitions, development, real estate and residence clubs.

Auberge Resorts maintains offices in Los Angeles, San Francisco and New York City.

### **Positioning Statement:**

Every Auberge resort and hotel delivers a completely immersive experience—and one that is carefully crafted to reflect each guest's unique desires and needs. You'll enjoy the absolute essence of your destination, discover the healing power of seeking pleasure, and discover staff committed to delivering every service and amenity with an unrivaled sense of passion. It's a unique sense of luxury and sophistication, refined yet always relaxed. Auberge is committed to the concept of "responsible luxury," striving to make contributions to both the surrounding environment and the communities where their resorts are located.



## Auberge Resorts' Position in Market:



## Auberge Resorts Recognized as No. 1 Hotel Brand in World:



Conde Nast Traveler

November 2012



## Auberge Resorts' Guest Satisfaction Ratings:



## Auberge Resorts' On-Line Marketing Activities:

### AubergeResorts.com:

Auberge Resorts operates a recognized and award winning website and reservations system.

*Discover Our New Blog  
The Art of Living*

**AUBERGE RESORTS**

HOME  
EXPERIENCE  
HOTELS & RESORTS  
SPAS  
CUISINE  
MEETINGS & EVENTS  
RESIDENCES

reservations  
promotions  
email signup  
brochure request  
press room  
contact us

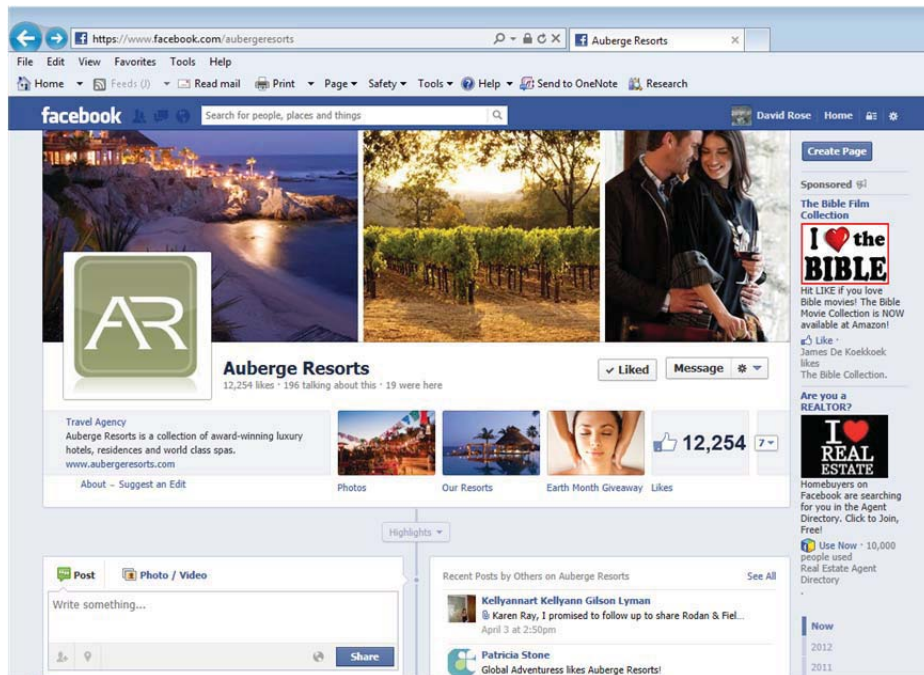
Select a Resort  
SELECT A RESORT ▼  
Check-in Date  
4/7/2013  
Nights Adults Children  
2 2 0  
Check Availability

Our People Careers Privacy Policy Disclaimer Sitemap





## Auberge Resorts' FaceBook Page:



## Auberge Resorts' Affiliations, Associations and Partnerships:



## Auberge Resorts' Management Practices/Procedures:

### Management and Financial Practices/Procedures:

| SYSTEMS THAT SUPPORT REVENUE GROWTH   |   |
|---|---|
| <p><b>MANAGEMENT COMPETENCIES</b></p> <p>An enterprise-wide commitment to developing and maintaining effective service training, marketing, sales, operational and financial programs</p> <p>Ongoing practices to ensure that each hotel:</p> <ul style="list-style-type: none"> <li>• Operates at the highest service and operational levels</li> <li>• Stays top of mind for the consumer, group planner and travel professional</li> <li>• Drives rate and revenue growth</li> </ul> | <p><b>FINANCIAL EXPERTISE</b></p> <p><b>AUDITS</b><br/>Annual internal control audits, including testing of the internal control environment, PCI compliance, vetting of balance sheet reconciliations, labor management audits and general system controls</p> <p><b>RISK MANAGEMENT</b><br/>Annual review of Business Continuity Plans and Risk Assessment Models to mitigate risk and protect company assets, resulting in reduced insurance premiums</p> <p><b>EXPENSE MANAGEMENT</b><br/>Labor Management: ADP Time Resources Labor Management implemented in all resorts with a labor management practice, to measure labor productivity, correlate against guest service scores by department and benchmark across the company; labor standards and variable staffing in all departments increase with increased business volumes</p> <p>Checkbook Accounting and Contingency Planning practices to improve the profit margins and flow-through at each property</p> <p><b>HOA MANAGEMENT</b></p> <ul style="list-style-type: none"> <li>• Operational Oversight</li> <li>• Reporting and Budgeting Expertise</li> <li>• Property Rental Program Management</li> </ul> |

### Sales and Marketing Practices/Procedures:

| SYSTEMS THAT SUPPORT REVENUE GROWTH  |  |
|--|--|
| <p><b>SALES AND MARKETING</b></p> <p><b>NATIONAL SALES</b><br/>New York and Los Angeles offices with representation for both group and leisure sales outreach to improve property and brand awareness; focus on board meetings, incentive groups and executive-level outings and aggressive solicitation efforts to uncover business and provide lead referrals for the individual properties; property-specific FAM trips and client lists; attendance at top industry trade and consumer shows in North America, Latin America and Europe</p> <p><b>TRAINING</b><br/>Interactive training including performance testing and measurement in reservations and sales that encompasses time management, prospecting, contract negotiations, customer relationships and team management for improved sales performance</p> <p><b>PUBLIC RELATIONS</b><br/>Public relations offices located in the US, Europe and Mexico for exposure in North America, Europe and Latin America; media trips annually to New York and London to drive editorial outreach to key journalists and editors and provide property exposure in North America and Europe; media planning for targeted market exposure; consolidated purchases with multi-property buying rates yield reduced pricing for expense savings; comprehensive online media kits and FTP site for photo library journalist access</p> | <p><b>SOCIAL MEDIA</b><br/>Efforts on Facebook, Twitter and other influential online spaces engage ongoing dialogue with past, present and future guests; updating mobile and on-site technologies to facilitate ease of information flow and communication with our guests</p> <p><b>COOPERATIVE MARKETING</b><br/>Auberge magazine: 25,000 issues published biannually and distributed in-room at all hotels, with issues mailed to top guests and brand loyalists</p> <p>Au Courant: Group eNewsletter, published quarterly and sent to over 18,000 qualified group planners</p> <p>Art of Living: Leisure eNewsletter, published biannually and distributed to over 250,000 households of subscribers and past guests</p> <p>Property directory cards, distributed at all locations to guests and potential guests interested in the Auberge brand</p> <p>Continual assessment of opportunities and marketing partnerships to improve positioning and branding and support growth of occupancy and rates at each resort</p> <p><b>REPORTING AND AUDITS</b><br/>In-depth quarterly and annual analysis of guest history data to identify trends that will assist in strategy, increase market penetration and improve future sales and marketing planning; annual audit to ensure general sales practices are in place; yield management and sales procedures reviews to ensure revenue maximization; forms, procedures and correspondence reviews to ensure professional representation of the resorts; further review and updating of selling guidelines, rates, marketing plans and target markets</p> |



## Training and Operational Practices/Procedures:

**SYSTEMS THAT SUPPORT REVENUE GROWTH**

**SERVICE TRAINING AND HUMAN RESOURCES**

**DISTINCTIVE SERVICE TRAINING**  
Proprietary, comprehensive and customized guest service training to deliver consistently exceptional service and enrich each guest experience

**EMPLOYEE METRIX**  
Provides tools to manage more engaged and loyal work teams and achieve better business results; reduces turnover by uncovering problems and opportunities early; compares results to hospitality benchmarks; isolates issues with actionable reports and web-based tools

**BRAND-WIDE AND ON-PROPERTY PROGRAMS**  
Including new employee orientation, department orientation, safety training, departmental standards, harassment in the workplace and harassment prevention for managers, alcohol awareness, leadership development, coaching and conflict resolution, interview skills and performance review effectiveness training

**EMPLOYEE RELATIONS**  
Recognition and support programs, including education reimbursement, employee of the month and year, annual events, newsletters, service awards and sports teams

**RECRUITMENT AND SUCCESSION PLANNING**  
Sourcing staff, managers and executives with true passion for guest service and depth of industry experience; tracking and retention of staff by providing internal career opportunities for star performers; simultaneous development of the next generation of leaders for the company's future

**OPERATIONAL PRACTICES**

**PROPERTY MANAGEMENT SYSTEM: SPRINGER MILLER HOST**  
Reservations system to book lodging, golf, spa, multi-property hotels with Residence Club components and third-party activities

**GLOBAL RESERVATIONS AND CENTRAL DATA BASE: SPRINGER MILLER ENTERPRISE**  
Enables management of each hotel's customer relationships at a central/remote location; handles all central reservation functions in real time across all properties to provide timely and pertinent guest information; allows Central Reservations Office (CRO) staff to cross-sell and upgrade, increasing revenues

**GROUP MANAGEMENT SYSTEM: DAYLIGHT**  
Database system that automates sales, marketing and catering processes, facilitates the ability to cross-sell and up-sell within one global system and sell brand-wide functions from National Sales offices

**LMG DATA MINING**  
Collects data from hotel property management systems for analysis to increase repeat stays and spending per stay, target qualified buyers and measure return on marketing costs

**MARKET METRIX**  
Facilitates improvement in the quality of guest experience and provides critical information to advance strategic, customer-centric goals; establishes a reliable system for measuring and managing guest satisfaction and loyalty; monitors all areas of operation

## Auberge Resorts' Guest Profile:

**SELECTIVE, AFFLUENT, LOYAL**

**GUEST DEMOGRAPHICS**  
30% are repeat guests  
83% are married  
33% own second homes  
36% have children under 18

**AGE**  
26% 35 – 44  
31% 45 – 54  
23% 55 – 64

**ANNUAL LEISURE TRAVEL**  
58% 3 – 5 times per year  
18% 6 or more times per year

**AVERAGE SPEND PER NIGHT\***  
\$1,237

**AVERAGE SPEND PER STAY\***  
\$3,561

**ANNUAL HOUSEHOLD INCOME\***  
35% \$500,000 and up  
15% \$350,000 – \$499,999  
15% \$250,000 – \$349,999  
10% \$200,000 – \$249,999



### Auberge Resorts' Standards:

The highest service standards.

The greatest attention to detail.

The most consistent media acclaim from critics and readers.

The preferred partner for resort real estate.

The strongest loyalty among high net worth guest.

The luxury rate leader in our markets.

The team that delivers continuing growth and enduring value.

### Auberge Resorts' Domain:





## Auberge Resorts' Portfolio:

### Auberge du Soleil, Napa Valley, California



The flagship Auberge Resorts & Hotels property.

An elegant country inn nestled within a 33-acre sunlit olive grove on the slopes of Rutherford Hill Mediterranean-style accommodations, including 29 rooms, 19 spacious suites and two 1,800-square-foot private maisons.

World-renowned Michelin-star-rated, Wine Spectator Award of Excellence-recognized restaurant and terrace bar offering contemporary French-Mediterranean cuisine created from local produce and ingredients, an extensive wine selection and private dining options.

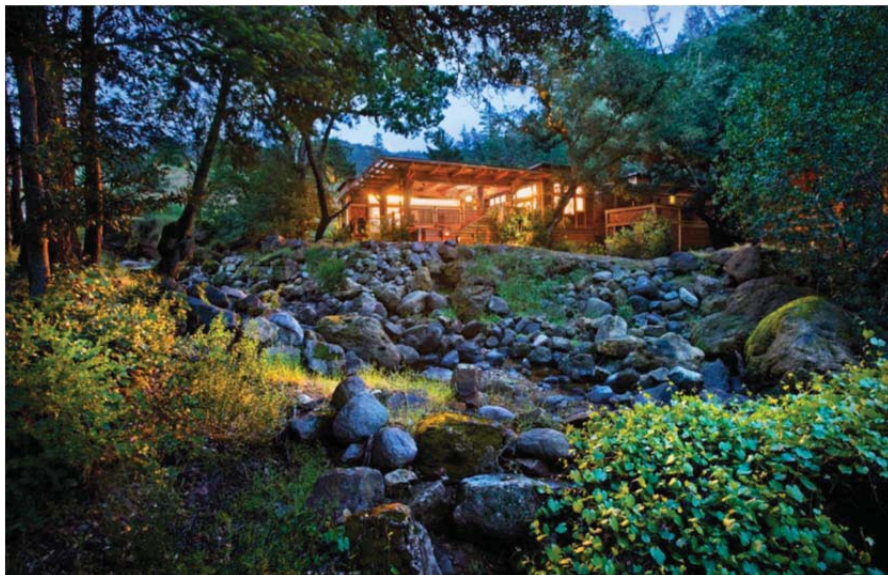




## Calistoga Ranch, Napa Valley, California

Nestled on 157 acres just outside the historic town of Calistoga in a secluded Napa Valley canyon amidst ancient oaks and pines, a rock-hewn stream, private lake and vineyard.

48 freestanding deluxe, one-bedroom and two-bedroom guest lodges comprised of generously sized rooms with floor-to-ceiling windows, connected by decks, trellised walkways and expansive outdoor living areas, designed with natural cedar exteriors to minimize impact on the pristine setting.



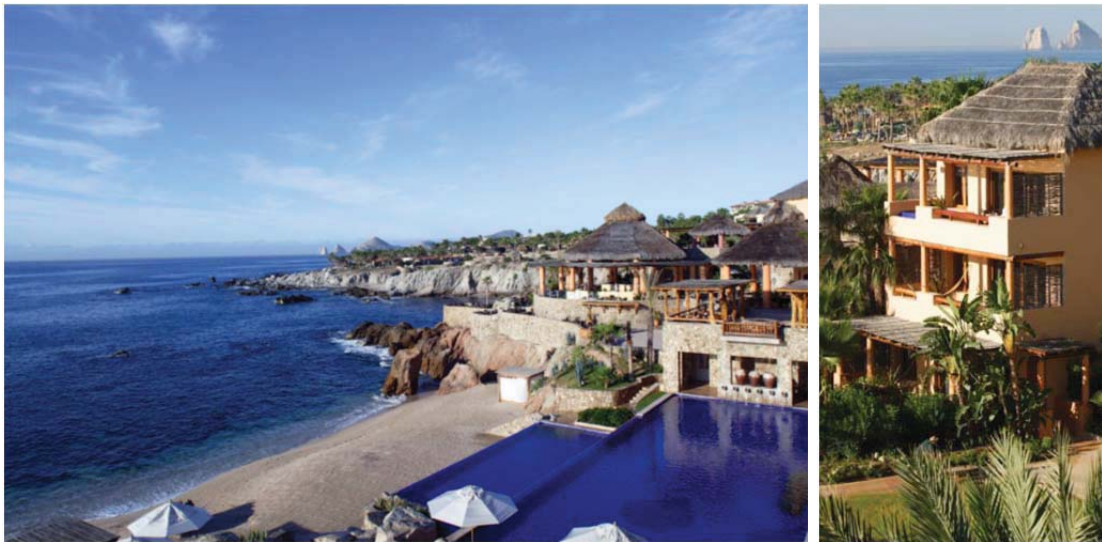


## Esperanza, Los Cabos, Mexico



Perched on the bluffs of majestic Punta Ballena overlooking the azure Sea of Cortez at the tip of Mexico's Baja Peninsula.

57 casually elegant ocean-view and beachfront retreat accommodations, including casitas; junior, one-bedroom and penthouse suites; and one-,two- and three-bedroom luxury suites.



## The Inn at Palmetto Bluff, Bluffton, South Carolina

The centerpiece of an exclusive 22,000-acre riverfront residential community and nature preserve in the South Carolina Lowcountry.

50 individual guest cottages and one-bedroom cottage suites with river or waterway views, designed in classic colonial style and featuring steam showers, teacup tubs and fireplaces.







## Hotel Jerome, Aspen, Colorado

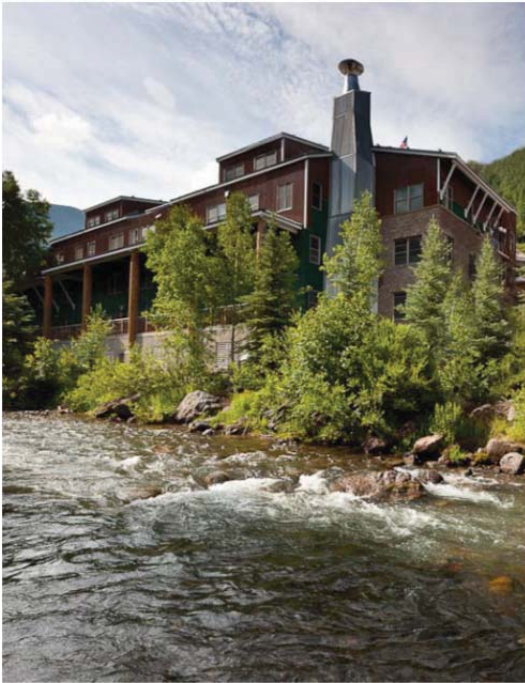
A landmark in Aspen, the award-winning Hotel Jerome is ideally situated in the heart of town. The hotel pioneered new levels of innovation and luxury when it opened in 1889 at the height of Aspen's boomtown silver-mining era and has been meticulously maintained to retain its Rocky Mountain character and identity as one of the great hotels of the American West. Hotel Jerome is often hailed as the premier Aspen hotel, drawing visitors with a taste for luxury accommodations and a little Colorado hospitality from around the world.

The hotel features 93 uniquely decorated and beautifully afforded guest rooms offering stunning mountain views and suites.



## Element 52, Telluride, Colorado

Just steps from the spectacular mountain destination of Telluride, Colorado, and nestled at the base of the ski mountain along the banks of the San Miguel River.





## Pronghorn, Bend, Oregon



Surrounded by 20,000 acres of undeveloped land, Pronghorn is set amidst one of the oldest juniper forests in the world with stunning panoramic views of the Cascade Mountains.



## Solage, Calistoga, California



The flagship Solage property.

On 25 vineyard-bordered, oak-studded acres of Napa's Silverado Trail with stunning views of Mt. Washington, the Mayacamas and the Palisades mountain ranges.

89 loft-inspired accommodations set among gardens, oaks and vineyards, including freestanding studio and one-bedroom guest cottages complemented by private patios, pebble-stone showers and fireplaces in select units.





## Auberge Resorts' Accolades, Awards and Distinctions:

Sustained acclaim throughout the growth process

|  |   |  |   |
|--|---|--|---|
|  <p>ANDREW HARPER'S<br/>HIDEAWAY REPORT<br/>SEPTEMBER 2012<br/>TOP 20 US RESORTS<br/>Inn at Palmetto Bluff #9<br/>TOP 20 FOOD &amp; WINE RESORTS<br/>Auberge du Soleil #3<br/>Calistoga Ranch #9<br/>TOP 20 SPA RESORTS<br/>Esperanza #18</p>   |  <p>TRAVEL + LEISURE<br/>JUNE 2012<br/>WORLD'S BEST SERVICE<br/>Esperanza #3</p>   |  <p>US NEWS &amp; WORLD REPORT<br/>FEBRUARY 2012<br/>BEST U.S. HOTELS 2012<br/>The Inn at Palmetto Bluff #1<br/>Calistoga Ranch #9</p>  |  <p>TRAVEL + LEISURE<br/>AUGUST 2011<br/>WORLD'S BEST AWARDS<br/>TOP 50 HOTELS<br/>US &amp; CANADA<br/>Auberge du Soleil #14 US AND CANADA<br/>Inn at Palmetto Bluff #7 US AND CANADA<br/>Solage Calistoga #45 US AND CANADA<br/>TOP 20 HOTELS<br/>MEXICO<br/>Esperanza #2 MEXICO<br/>TOP 100 IN<br/>THE WORLD<br/>Auberge du Soleil #84 WORLD<br/>Esperanza #92 WORLD<br/>Inn at Palmetto Bluff #60 WORLD</p> |
|  <p>TRAVEL + LEISURE<br/>SEPTEMBER 2012<br/>WORLD'S BEST HOTELS<br/>FOR FAMILIES<br/>MEXICO<br/>Esperanza #5</p>  |  <p>CONDÉ NAST TRAVELER<br/>JUNE 2012<br/>TOP SPAS<br/>TOP US RESORT SPAS<br/>Solage Calistoga #9<br/>Calistoga Ranch #15<br/>Inn at Palmetto Bluff #15<br/>Auberge du Soleil #15<br/>TOP SPAS IN MEXICO<br/>Esperanza #13</p> |  <p>CONDÉ NAST TRAVELER<br/>NOVEMBER 2011<br/>WORLD'S BEST AWARDS<br/>TOP 100 RESORTS<br/>IN THE WORLD<br/>Auberge du Soleil #58<br/>TOP US RESORTS<br/>Inn at Palmetto Bluff #14<br/>Solage Calistoga #41<br/>TOP SMALL RESORTS<br/>Calistoga Ranch #15<br/>TOP US HOTELS<br/>Auberge du Soleil #6<br/>TOP RESORTS IN MEXICO<br/>Esperanza #13</p> |   |
|  <p>TRAVEL + LEISURE<br/>AUGUST 2012<br/>WORLD'S BEST AWARDS<br/>TOP 50 HOTELS<br/>US &amp; CANADA<br/>Auberge du Soleil #29 US AND CANADA<br/>Calistoga Ranch #35 US AND CANADA<br/>Inn at Palmetto Bluff #6 US AND CANADA<br/>Solage Calistoga #38 US AND CANADA<br/>TOP 20 HOTELS<br/>MEXICO<br/>Esperanza #14 MEXICO<br/>TOP 100 IN THE WORLD<br/>Inn at Palmetto Bluff #79 WORLD</p> |  <p>ROBB REPORT<br/>MAY 2012<br/>WORLD'S TOP 100 RESORTS<br/>Auberge du Soleil<br/>Calistoga Ranch<br/>Inn at Palmetto Bluff</p>   |  <p>CONDÉ NAST TRAVELER<br/>APRIL 2012<br/>TOP GOLF RESORTS<br/>Solage Calistoga #3 IN SOUTHERN US<br/>Esperanza #5 INTERNATIONAL</p>   |  <p>TRAVEL + LEISURE<br/>JUNE 2011<br/>WORLD'S BEST SERVICE<br/>Esperanza #3 TOP FIVE RESORTS, MEXICO</p>  |
|  |  <p>CONDÉ NAST TRAVELER<br/>APRIL 2012<br/>TOP GOLF RESORTS<br/>Solage Calistoga #3 IN SOUTHERN US<br/>Esperanza #5 INTERNATIONAL</p>  |  <p>ANDREW HARPER'S<br/>HIDEAWAY REPORT<br/>OCTOBER 2011<br/>READER'S CHOICE<br/>TOP US HIDEAWAYS<br/>Auberge du Soleil #5<br/>Inn at Palmetto Bluff #6<br/>TOP US SPA RESORTS<br/>Auberge du Soleil #17</p>  |   |
|  |  <p>ORGANIC SPA MAGAZINE<br/>APRIL 2012<br/>TOP 10 GREEN SPA AWARDS<br/>Calistoga Ranch</p>  |  |   |

Sustained acclaim throughout the growth process

|   |   |  |  |
|---|---|--|--|
|  <p>CONDÉ NAST TRAVELER<br/>JUNE 2011<br/>TOP 250 SPAS<br/>Calistoga Ranch #9 TOP 100 US MAINLAND<br/>Inn at Palmetto Bluff #14 TOP 100 US MAINLAND<br/>Solage Calistoga #20 TOP 100 US MAINLAND<br/>Esperanza #4 TOP 20 MEXICO &amp; CENTRAL AMERICA<br/>Auberge du Soleil #8 TOP 50 HOTEL SPAS US MAINLAND</p> |  <p>TRAVEL + LEISURE<br/>OCTOBER 2010<br/>WORLD'S BEST SPAS<br/>Esperanza #1 MEXICO, #1 RESORT FOR FAMILIES IN MEXICO<br/>The Inn at Palmetto Bluff #1 US, #1 RESORT FOR FAMILIES IN US<br/>Calistoga Ranch #15 US</p>                           |  <p>CONDÉ NAST TRAVELER<br/>JUNE 2010<br/>TOP GOLF RESORTS<br/>The Inn at Palmetto Bluff #4 SOUTHERN US</p>                                   |  <p>CONDÉ NAST TRAVELLER UK<br/>JANUARY 2010<br/>THE GOLD LIST<br/>WORLD'S BEST HOTELS<br/>THE AMERICAS AND CARIBBEAN<br/>Auberge du Soleil BEST SERVICE<br/>The Inn at Palmetto Bluff BEST LOCATION</p>  |
|  <p>CONDÉ NAST TRAVELER<br/>NOVEMBER 2010<br/>BEST IN THE WORLD<br/>Esperanza #3 TOP MEXICO RESORT<br/>Auberge du Soleil #5 TOP US HOTEL<br/>Calistoga Ranch #9 TOP US SMALL RESORT<br/>The Inn at Palmetto Bluff #41 TOP US RESORT</p>  |  <p>ANDREW HARPER'S<br/>HIDEAWAY REPORT<br/>SEPTEMBER 2010<br/>READER'S CHOICE WORLD'S BEST<br/>TOP INTERNATIONAL RESORTS<br/>Esperanza #4<br/>TOP US RESORTS<br/>Auberge du Soleil #5<br/>The Inn at Palmetto Bluff #7</p>                      |  <p>TRAVEL + LEISURE<br/>JUNE 2010<br/>WORLD'S BEST SERVICE<br/>The Inn at Palmetto Bluff #1 US AND CANADA<br/>Esperanza #1 MEXICO</p>        |  <p>TRAVEL + LEISURE<br/>JANUARY 2010<br/>TOP 500<br/>WORLD'S BEST HOTELS<br/>Auberge du Soleil<br/>Calistoga Ranch<br/>Esperanza<br/>The Inn at Palmetto Bluff</p>   |
|   |  <p>TRAVEL + LEISURE<br/>AUGUST 2010<br/>WORLD'S BEST<br/>Esperanza #1 RESORT IN MEXICO<br/>The Inn at Palmetto Bluff #2 US RESORT, #41 WORLD RESORT<br/>Auberge du Soleil #10 US RESORT, #93 WORLD RESORT<br/>Calistoga Ranch #23 US RESORT</p> |  <p>CONDÉ NAST TRAVELER<br/>APRIL 2010<br/>TOP SPAS<br/>Auberge du Soleil<br/>Calistoga Ranch<br/>Esperanza<br/>The Inn at Palmetto Bluff</p> |  <p>CONDÉ NAST TRAVELER<br/>NOVEMBER 2009<br/>BEST IN THE WORLD<br/>Auberge du Soleil #8 TOP US HOTEL<br/>#81 TOP WORLD HOTEL<br/>Calistoga Ranch #8 TOP US SMALL RESORT<br/>Esperanza #8 TOP MEXICO RESORTS<br/>The Inn at Palmetto Bluff #29 TOP US RESORTS</p> |





TRAVEL + LEISURE  
OCTOBER 2009  
WORLD'S BEST SPAS  
Esperanza #1 MEXICO  
Solage #2 US  
Calistoga Ranch #11 US  
Auberge du Soleil #16 US



ANDREW HARPER'S  
HIDEAWAY REPORT  
SEPTEMBER 2009  
TOP US RESORTS  
Auberge du Soleil #2  
The Inn at Palmetto Bluff #8  
Calistoga Ranch #13  
TOP INTERNATIONAL RESORTS  
Esperanza #2  
TOP GOLF RESORTS  
The Inn at Palmetto Bluff #10  
TOP SPA RESORTS  
Esperanza #3  
Auberge du Soleil #7  
TOP FOOD & WINE RESORT  
Auberge du Soleil #2  
Calistoga Ranch #5  
TOP BEACH RESORTS  
Esperanza #2  
TOP FAMILY RESORTS  
Esperanza #14



TRAVEL + LEISURE  
AUGUST 2009  
WORLD'S BEST  
The Inn at Palmetto Bluff  
#1 US RESORT, #2 US GOLF  
COMMUNITY, #14 WORLD RESORT  
Esperanza  
#1 MEXICO SPA RESORT, #2 MEXICO  
RESORT, #23 WORLD RESORT  
Auberge du Soleil  
#7 US RESORT, #16 SPA RESORT,  
#94 WORLD RESORT  
Solage Calistoga  
#11 US RESORT  
Calistoga Ranch  
#11 SPA RESORT, #18 US RESORT



TRAVEL + LEISURE  
JUNE 2009  
IT LIST  
Auberge du Soleil  
#10 TOP US HOTEL SERVICE



CONDÉ NAST TRAVELER  
APRIL 2009  
TOP SPAS  
Auberge du Soleil  
Calistoga Ranch  
Esperanza  
The Inn at Palmetto Bluff



TRAVEL + LEISURE GOLF  
JANUARY/FEBRUARY 2009  
TOP GOLF COMMUNITIES  
The Inn at Palmetto Bluff  
#2 US GOLF COMMUNITY



CONDÉ NAST TRAVELER  
JANUARY 2009  
GOLD LIST  
WORLD'S BEST HOTELS  
Auberge du Soleil  
Calistoga Ranch  
Esperanza  
The Inn at Palmetto Bluff



LEISURE  
2009  
WORLD'S BEST HOTELS  
Auberge du Soleil  
Calistoga Ranch  
Esperanza



CONDÉ NAST TRAVELER  
NOVEMBER 2008  
BEST IN THE WORLD  
Esperanza  
#2 MEXICO HOTEL  
Auberge du Soleil  
#7 US HOTEL, #63 WORLD HOTEL  
The Inn at Palmetto Bluff  
#8 US HOTEL  
Calistoga Ranch  
#35 US HOTEL



ANDREW HARPER'S  
HIDEAWAY REPORT  
SEPTEMBER 2008  
TOP US RESORTS  
Auberge du Soleil #6  
The Inn at Palmetto Bluff #10  
TOP INTERNATIONAL RESORTS  
Esperanza #2



TRAVEL + LEISURE  
AUGUST 2008  
WORLD'S BEST  
Auberge du Soleil  
#7 TOP US HOTEL  
#7 TOP HOTEL SPA  
Calistoga Ranch  
#26 TOP US HOTEL  
Esperanza  
#6 TOP HOTEL SPA  
#20 TOP 25 MEXICO HOTEL  
The Inn at Palmetto Bluff  
#2 US GOLF RESORT



CONDÉ NAST TRAVELLER UK  
MARCH 2008  
THE WORLD'S 100 BEST SPAS  
Esperanza  
#1 AMERICAS & CARIBBEAN  
#3 SPA IN THE WORLD



CONDÉ NAST TRAVELER  
JANUARY 2008  
GOLD LIST  
WORLD'S BEST HOTELS  
Auberge du Soleil  
Calistoga Ranch  
The Inn at Palmetto Bluff



TRAVEL + LEISURE  
JANUARY 2008  
TOP 500  
WORLD'S BEST HOTELS  
Auberge du Soleil  
Calistoga Ranch  
Esperanza  
The Inn at Palmetto Bluff



DEPARTURES  
JANUARY 2008  
SPA ISSUE  
Auberge du Soleil  
Calistoga Ranch



CONDÉ NAST TRAVELLER UK  
JANUARY 2008  
THE GOLD STANDARD  
Auberge du Soleil  
BEST FOOD



TRAVEL + LEISURE GOLF  
JANUARY 2008  
TOP US GOLF RESORTS  
The Inn at Palmetto Bluff  
#2 GOLF RESORT



TATLER SPA GUIDE  
MAY 2008  
101 BEST SPAS IN THE WORLD  
Esperanza



CONDÉ NAST TRAVELER  
NOVEMBER 2007  
BEST IN THE WORLD  
Esperanza  
#4 MEXICO HOTEL  
Auberge du Soleil  
#14 US HOTEL  
#77 WORLD HOTEL  
Calistoga Ranch  
#29 US HOTEL  
The Inn at Palmetto Bluff  
#60 US HOTEL



TRAVEL + LEISURE  
OCTOBER 2007  
WORLD'S BEST SPAS  
Esperanza  
#1 MEXICO, CENTRAL & SOUTH  
AMERICA



ANDREW HARPER'S  
HIDEAWAY REPORT  
SEPTEMBER 2007  
TOP US RESORTS  
Auberge du Soleil #7  
The Inn at Palmetto Bluff #13  
TOP INTERNATIONAL RESORTS  
Esperanza #7



TRAVEL + LEISURE  
AUGUST 2007  
WORLD'S BEST  
Esperanza  
#3 MEXICO RESORT  
#51 WORLD RESORT  
Auberge du Soleil  
#17 US RESORT  
The Inn at Palmetto Bluff  
#34 US RESORT



CELEBRATED LIVING  
MAY/JUNE 2007  
PLATINUM LIST  
Esperanza  
EDITOR'S PICK FOR BEST RESORT  
Auberge du Soleil  
#16 US HOTELS



ROBB REPORT  
JUNE 2007  
TOP LUXURY RESORTS  
Calistoga Ranch  
The Inn at Palmetto Bluff



CONDÉ NAST TRAVELER  
APRIL 2007  
TOP SPAS  
Calistoga Ranch  
Esperanza  
The Inn at Palmetto Bluff



## COMPREHENSIVE AWARDS, ACCOLADES AND DISTINCTIONS



CONDÉ NAST TRAVELER  
JANUARY 2007  
GOLD LIST  
WORLD'S BEST HOTELS  
Auberge du Soleil  
Calistoga Ranch  
Esperanza  
The Inn at Palmetto Bluff



TRAVEL + LEISURE  
JANUARY 2007  
TOP 500  
WORLD'S BEST HOTELS  
Auberge du Soleil  
Calistoga Ranch  
Esperanza  
The Inn at Palmetto Bluff



CONDÉ NAST TRAVELER  
NOVEMBER 2006  
BEST IN THE WORLD  
#2 US RESORT  
Esperanza  
#2 MEXICO HOTEL  
Auberge du Soleil  
#6 US HOTEL  
Calistoga Ranch  
#42 US RESORT



TRAVEL + LEISURE  
OCTOBER 2006  
WORLD'S BEST SPAS  
Esperanza #3  
Auberge du Soleil #15



ANDREW HARPER'S  
HIDEAWAY REPORT  
SEPTEMBER 2006  
TOP US RESORTS  
Auberge du Soleil #10  
TOP INTERNATIONAL  
RESORTS  
Esperanza #3  
TOP GETAWAYS  
The Inn at Palmetto Bluff #7



TRAVEL + LEISURE  
AUGUST 2006  
WORLD'S BEST  
Esperanza #14  
Auberge du Soleil #96

## AWARDS



MICHELIN GUIDE  
ONE STAR  
Auberge du Soleil  
Solage Calistoga



AAA FIVE DIAMOND AWARD  
The Inn at Palmetto Bluff



AAA FOUR DIAMOND AWARD  
Esperanza



HOSPITALITY DESIGN  
GREEN DESIGN AWARD  
Solage Calistoga



WINE SPECTATOR  
AWARD OF EXCELLENCE  
Auberge du Soleil  
Esperanza  
The Inn at Palmetto Bluff  
Solage Calistoga

## AFFILIATIONS



RELAIS & CHATEAUX  
Auberge du Soleil  
Esperanza



GREEN SPA NETWORK  
Auberge du Soleil  
Calistoga Ranch  
Esperanza  
Solage Calistoga



### **B.3 GENERAL CONTRACTOR**

Upon selection by the City of Newport Beach City Council, Sonnenblick will be entering into a design-build contract with C.W. Driver, along with the architects described below, who will then oversee the design, construction and scheduling of the proposed 4 to 4.5-star Auberge Resort Newport Beach Project.

#### ***C.W. Driver***

Founded in 1919 by Clarence Wike (C.W.) Driver and John MacDonald, C.W. Driver has built a solid reputation of stability and integrity for over ninety years. Holding the fifth oldest active contractor license in the State, C.W. Driver is the longest-operating contracting firm headquartered in California.

#### **C.W. Driver's Design-Build Process:**

The requirements for successful delivery of a Design-Build project are many. However, when performed correctly, Design-Build provides the greatest value to our clients on their development projects. It is an integrated process where the expertise of a wide range of consultants, ie: designers, engineers, general contractors and subcontractors, are brought together with the Owner's staff to form a team with common goals. It creates an atmosphere in which ideas can be shared openly and success can be defined as win-win for all parties. However, it is also important to recognize the responsibilities of the design-builder are much broader and require a much higher level of commitment of time and resources than these other delivery methods. The successful Design-Builder is the one who recognizes this and plans accordingly. The following areas are key elements of a successful Project Development Process for a Design-Build effort.

#### **Part A. Pre-Design Phase**

- Owner Involvement
- End User Involvement
- Establishment of Program Requirements
- Selection of Consultant Teams and Negotiation of Agreements
- Establishment of Project Goals Related to Budget, Quality, & Schedule
- Establishment of Lines of Communication, Decision Authority & Owner Approval Process
- Decisions on Design Build Subcontractors
- Completion of Initial Site Survey & Soils Investigation
- Regular Team Meetings





## **Part B. Design Phase**

Once the initial design-build parameters noted above are established the Design Build team can move forward with the design of the project. During this preconstruction design phase the C.W. Driver team will include a Project Executive and a Senior Project Estimator. In support of this staff will be our Directors of Preconstruction and Operations and an administrative assistant. We will work diligently through the required elements of schedule, pricing, constructability, value engineering and design phase team management. Some specifics of this effort are as follows:

- Scheduling
- Estimating/Cost Controls
- Value Analysis/Value Engineering
- Constructability Reviews
- Subcontractor Input
- Coordinate with Regulatory Approval Agencies
- Procurement

## **Part C. Construction Phase**

- Project Kick-Off
- Coordination
- Construction Administration
- Project Controls
- Design Clarification
- Change Control
- Cost Control
- Cash Flow/Payments
- Schedule Control
- Claims Management
- Report Monthly Construction Progress
- Quality Assurance/Quality Control
- Project Close Out to Grand Opening



## B.4 ARCHITECTS

### *Opack and Labasan Architects*

O + L is a design studio offering services in architecture, planning, interior and project management. Having been in the architecture field for over 20 years, they are located in Marina Del Rey. They are committed to forging a greater connection between the built environment and quality of life, but also creating thoughtful and responsible architecture which is tied to a true story of place.

Focused on the creation of unique and compelling architecture, interior and planning, the cohesive sensibility of our practice is expressed in a customer-centric approach an emphasis on communication and teamwork, and a dynamic, positive office culture.

### *AHT Architects*

AHT Architects is a full service architectural and planning firm based in Southern California, which was founded in 1981 as Arechaederra|Hong|Treiman|Architects, Inc. The capability of AHT to undertake a broad range of building types for a variety of clients is due to the breadth of experience of the principals who have been responsible for the design of hotels, retail, office buildings, banks, residential complexes, shopping centers, institutional facilities, scientific/industrial buildings, athletic complexes, government facilities, and adaptive/reuse/restoration projects.

Although AHT is experienced in the design of a wide variety of building types, we are especially proud of our background for the hospitality industry. AHT's experience includes projects for Hyatt, plus Holiday Inns, Hilton, Nikko, Princess, Marriott, Sheraton, Ramada, Radisson, and several independent properties such as the Beverly Hills Hotel.

## B.5 Gettys

Founded in 1988, Gettys is an award-winning hospitality design, procurement and brand design firm headquartered in Chicago with offices throughout the United States, Asia and the Middle East. Our unique comprehension of the client perspective means that we are driven to create compelling design that generates visible results – both aesthetically and financially.

Successful Gettys projects can be seen throughout the Americas, the Caribbean, the Middle East and Asia Pacific; bringing distinctive experiences to sophisticated travelers in the world's most desirable destinations.

## B.6 ima

ima creates exceptional spaces that give form and character to the landscape, providing distinctive artistry and economic value for our clients. They consult, collaborate, imagine and define a project's scope and character – from retail and mixed-use destination to office developments and large scale master planning – to create exciting people-oriented environments.



## C. CONSULTANTS

### FEASIBILITY AND MARKET STUDY

#### *PKF Consulting*

PKF Consulting is an international firm of management consultants, industry specialists, and appraisers who provide a full range of services to the hospitality, real estate, and tourism industries. PKF Consulting, a U.S. corporation, is the parent company of the PKF Capital Markets Group, which offers real estate transaction and capital markets services, and PKF Hospitality Research, a hospitality-related market research firm. Headquartered in San Francisco, the firm has offices in Atlanta, Dallas, Houston, Indianapolis, Los Angeles, Miami, New York, Philadelphia, and Washington, DC.



# Redacted





## B. Project Detail

The approximately 157,000 square feet to be developed in the Anaheim Resort Hotel Project will be apportioned as follows.

| <i>Proposed Anaheim Resort Hotel Project Development</i> |  |   |
|--|--|---|
| <u>Project</u>   | <u>Project Component</u><br><u>Approximate Square Footage(s)</u> | <u>Approximate</u><br><u>Square Footage</u> |
| <b>I. Boutique Hotel</b>                                 | <b>Resort-5,600</b>  | <b>99,541</b>                               |
|  | <b>Spa-4,000</b>   |   |
|  | <b>Restaurant/Lounge-5,800</b>                                   |   |
|  | <b>Retail/Restaurant-2,000</b>                                   |   |
|  | <b>Meeting Space-5,150</b>                                       |   |
|  | <b>Villas-8,688</b>  |   |
|  | <b>Rooms-59,988</b>  |   |
|  | <b>Circulation-8,315</b>   |   |
| <b>II. 215 Space Parking Structure</b>                   |  | <b>57,922</b>                               |
|  | <b>Total:</b>  | <b>157,463</b>                              |

Source: Sonnenblick Development, LLC



## ***I. AUBERGE RESORTS HOTEL***

The proposed Auberge Resorts hotel will be a 4 to 4.5-star level lodging product with four (4) stories and approximately 148 rooms, suites and villas, and featuring facilities and services consistent with the hotel's quality level. A variety of room options will be offered.

| <b><i>Proposed Auberge Resorts Newport Beach Hotel Rooms Mix</i></b> |                                    |                          |
|--|------------------------------------|--------------------------|
| <b><i>Guestroom Mix</i></b>  | <b><i>Number of Guestrooms</i></b> | <b><i>Percentage</i></b> |
| <b>Standard Room (King/Double Queen)</b>                             | <b>96</b>                          | <b>65%</b>               |
| <b>Suites</b>  | <b>16</b>                          | <b>11</b>                |
| <b>Hospitality Rooms</b>   | <b>2</b>                           | <b>1</b>                 |
| <b>Wellness Rooms</b>  | <b>2</b>                           | <b>1</b>                 |
| <b>Townhouse Villas</b>  | <b>20</b>                          | <b>14</b>                |
| <b>Villas</b>  | <b>12</b>                          | <b>8</b>                 |
| <b>TOTAL</b>   | <b>148</b>                         | <b>100%</b>              |

Source: Sonnenblick Development, LLC

The large portion of suites and the inclusion of townhouse villas and villas properly addresses the leisure demand profile of the competitive market and accounts for the larger average party size which typically would be accommodated in standards hotels.

### **Hotel Amenities and Distinctive Features**

- **Banquet and Meeting Space:** Meeting facilities will be located adjacent to proposed hotel and will consist of one main divisible ballroom, breakout and pre-function space and boardroom(s) for a total of approximately 4,000 square feet of meeting space. There will also be adjoining hospitality suites, which can be used as a bride's room or other banquet or group uses.
- **Pool:** There will be an infinity-edge pool (which is currently proposed to be developed above the hotel's meeting space), which will be surrounded by rentable cabanas and a snack bar (we envision that this pool deck will be a significant source of F&B revenue).
- **Restaurant(s) and Bar(s);** The hotel is proposed to contain a three (3) meal restaurant (with 24 hour room service), a white table cloth restaurant and accompanying lounge, a pool deck snack bar and rooftop bar/lounge.
- **Rooftop "Lanai" Lounge:** Consisting of outdoor space, the fourth (4<sup>th</sup>) floor roof-top lounge and bar will offer unparalleled meeting/wedding space opportunities, 360 degree views of Newport Beach, a full bar (with bottle service), water and fire elements, and will be the only one of its kind in Newport Beach and all of Orange County.



- **Spa:** The Balboa Peninsula is currently underserved in the availability of quality full-service spa facilities. The proposed spa will consist of approximately 4,000 square feet of interior space, as well as an outdoor private patio area. The spa will feature 4-5 treatment rooms and provide an array of authentic treatments delivered by trained therapists. There will also be separate men's and women's relaxation areas with sauna, steam, Jacuzzi, showers, and lockers. There will also be adjoining "wellness rooms", which can be used for private treatments and/or for the burgeoning "medical tourism" business from Hoag Hospital and other area facilities.
- **Townhouse Villas:** The Townhouse Villas will consist of two levels with floor to ceiling glass windows offering unobstructed views of the harbor/marina to the East and Pacific Ocean to the West, as well as their own private rooftop sun deck with a jacuzzi. The nearly 700 square-foot units will be the first of their kind in California and are expected to attract top-tier guests ranging from professional athletes and entertainers to corporate groups to and larger families seeking a unique and experiential stay.
- **Villas:** The Villas will consist of two levels, as well as their own private rooftop sun deck with a Jacuzzi. The nearly 700 square-foot units are nestled in landscaped gardens and water features, and will be the utmost in destination-based luxury.



## **II. GREEN DEVELOPMENT**

The hotel development will be designed to LEED standards. LEED standards have become the nationally accepted benchmark for the design, construction and operation of high performance green buildings. LEED standards give building owners and operators the tools they need to have an immediate and measurable impact on their buildings' performance, and promote a whole-building approach to sustainability by recognizing performance in five key areas of human and environmental health. An increasing number of companies and municipalities are requiring their employees to stay and hold meetings at green-friendly hotels, if one exists in the market.

## **III. BUILT-TO-SUIT RESTAURANT, BAR/LOUNGE AND RETAIL SPACE(S)**

Attached to and included within the proposed hotel, in a prominent location along Newport Boulevard will be an approximate 4,500 square foot premiere restaurant (located at the entrance to the hotel); an approximate 800 square foot bar/lounge; and 1-2 retail store(s), with specific importance placed upon those uses which will service both the business, group, leisure travelers, as well as the surrounding local businesses and residents.

## **IV. PARKING STRUCTURE**

The subject property's subterranean parking structure will provide approximately 210 parking spaces dedicated to hotel guests, restaurant/entertainment patrons, and visitors. Being that parking is limited on the Balboa Peninsula/Lido Village area, this component will garner optimal revenue for the Project.







## C. PROJECT LOCATION

The proposed Auberge Resorts Hotel Project site is located on the Northeast corner of Newport Boulevard and 32<sup>nd</sup> Street, a central intersection within the Balboa Peninsula/Lido Village area located in the City of Newport Beach, California. The approximate 4.0 acre site is currently utilized by the City of Newport Beach City Hall. The subject property is bounded by Newport Boulevard to the west, 32<sup>nd</sup> Street and a variety of commercial and residential uses to the south, a variety of commercial and residential uses to the east, and a commercial shopping center to the north.





The site is situated within walking distance to the area's most important demand generators including the Balboa Pavilion, Newport Beach Pier, and other attractions. It is also less than one mile from Hoag Memorial Hospital Presbyterian. Newport Boulevard is the terminus of the SR-55 Freeway and the major arterial thoroughfare connecting to the Balboa Peninsula. The site is also easily accessible from Pacific Coast Highway.

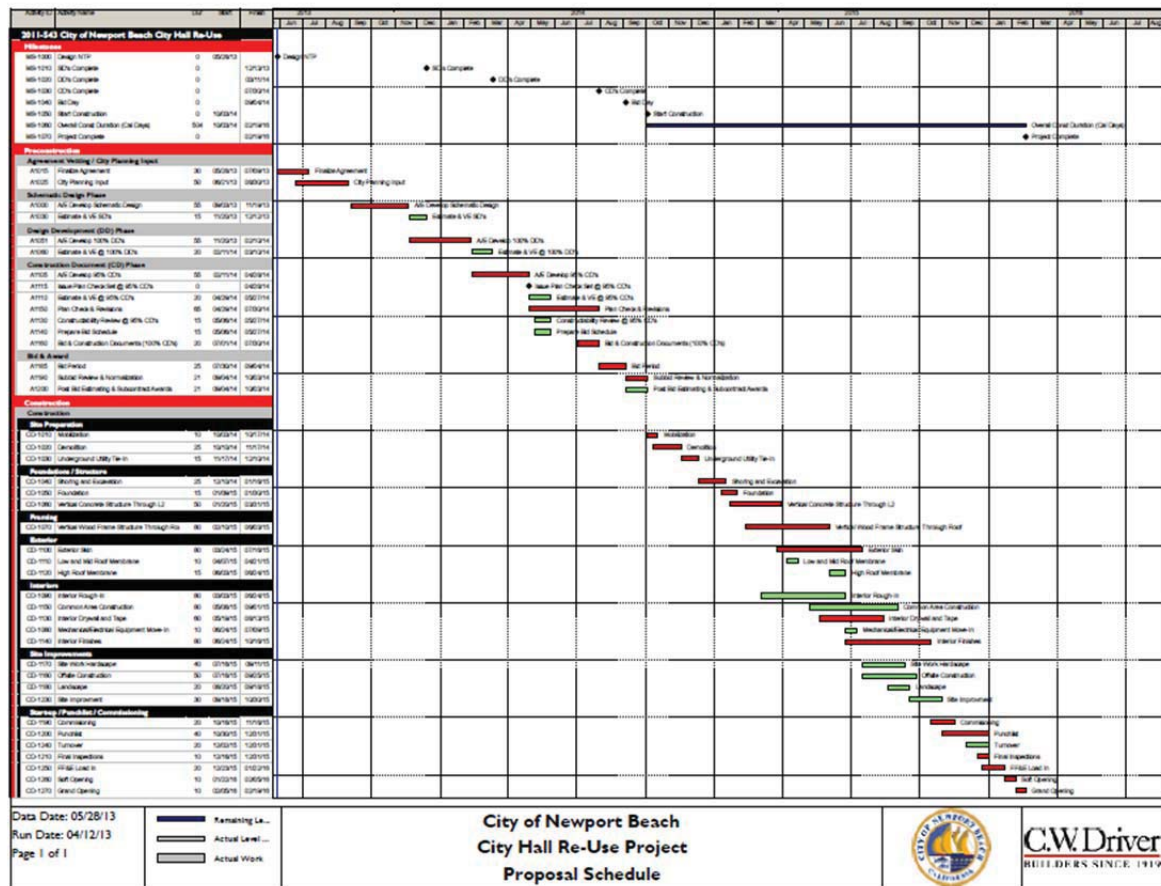


## D. PROJECT DEVELOPMENT SCHEDULE

### DEVELOPMENT SCHEDULE

The following milestones are foreseen for the development process of the Auberge Resorts Hotel Project.

|              |   |
|--------------|---|
| Months 1-9   | <ul style="list-style-type: none"> <li>Proposed Auberge Resorts Hotel Project Development Schedule Pre-construction tasks including architecture/engineering design and permitting</li> </ul> |
| Months 10-12 | <ul style="list-style-type: none"> <li>Site work</li> </ul>   |
| Month 12-15  | <ul style="list-style-type: none"> <li>Construction of parking structure</li> </ul>   |
| Month 15-24  | <ul style="list-style-type: none"> <li>Construction of Auberge Resorts Newport Beach Hotel</li> </ul>   |





## 4. Market Analysis

### A. ABOUT NEWPORT BEACH



Centrally located within Southern California, Newport Beach is a regional hub for economic activity in Orange County. The City is known worldwide as a center for entertainment, tourism and leisure activities.





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***City of Newport Beach Quick Facts***

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|                                       |                        |
|---------------------------------------|------------------------|
| <b>Land Area</b>                      | <b>53 square miles</b> |
| <b>Population (2010)</b>              | <b>85,186</b>          |
| <b>Median Household Income (2008)</b> | <b>\$95,511</b>        |
| <b>Median Home Price (2008)</b>       | <b>\$1,000,000.00</b>  |
| <b>Hotel Rooms</b>                    | <b>3,115</b>           |
| <b>Annual Visitors</b>                | <b>6.6 million</b>     |

Source: Visit Newport Beach

## Employment

Newport Beach is home to one Fortune 500 company, insurer Pacific Life. Other companies based in Newport Beach include Acacia Research, Conexant, Galardi Group (Wienerschnitzel, The Original Hamburger Stand, and Tastee-Freez) Jazz Semiconductor, and PIMCO. Fletcher Jones Motor Cars in Newport Beach is the largest Mercedes-Benz dealership in the world. The city's largest law firm is Stradling Yocca Carlson & Rauth, with approximately 75 attorneys at its Fashion Island.

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**Top Employers in Newport Beach**

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| Employer                             | Number of Employees |
|--------------------------------------|---------------------|
| Hoag Memorial Hospital               | 5,000               |
| Pacific Life Insurance               | 1,119               |
| Glidewell Dental                     | 1,100               |
| PIMCO Advisors                       | 1,005               |
| Newport-Mesa Unified School District | 895                 |
| City of Newport Beach                | 807                 |
| Resort at Pelican Hill               | 750                 |
| Jazz Semi-Conductor                  | 554                 |
| Balboa Bay Club and Resort           | 500                 |
| The Island Hotel                     | 480                 |
| Fletcher Jones Motor Cars, Inc.      | 450                 |
| Marriott-Newport Beach               | 334                 |

Source: City of Newport Beach 2010-2011 Comprehensive Annual Report

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## B. AREA DEMAND AND TRAVEL TRENDS

Current demand for lodging in the Newport Beach area is evenly distributed among three (3) primary market segments: commercial, leisure and group. The following table summarizes the mix of demand for the competitive market in 2011.



| <b>Competitive Market<br/>2011 Mix of Demand</b> |             |       |
|--|-------------|-------|
| Market Segment                                   | Room Nights | Ratio |
| Commercial                                       | 141,300     | 32%   |
| Leisure  | 167,300     | 38    |
| Group  | 133,300     | 30    |
| Total  | 442,000     | 100%  |
| Source: PKF Consulting USA                       |             |       |

| <b>Tourism-centric Industries Employment<br/>Orange County</b> |                          |                             |
|--|--------------------------|-----------------------------|
|  | Accommodation Employment | % Change from Previous Year |
| 2007   | 23,200                   | 3.6%                        |
| 2008   | 23,600                   | 1.7%                        |
| 2009   | 23,000                   | -2.5%                       |
| 2010f  | 22,500                   | -2.2%                       |
| 2011f  | 22,300                   | -0.9%                       |

Sources: California Employment Development Department, forecasts by LAEDC<sup>1</sup>

## C. HISTORICAL AND PROJECTED MARKET PERFORMANCE

The market analysis conducted for the proposed project in 2012 by PKF Consulting<sup>2</sup> analyzed a wide variety of indicators for the Newport Beach lodging market including demographic drivers such as population growth and employment rates, transportation options, historical trends and projections for convention center usage, historical performance and planned growth of Newport Beach attractions, planned new retail developments, and commercial and industrial market trends. Based on this analysis, the report provides the following tables summarizing historical and projected performance for the Newport Beach lodging market.

| <b>Historical Market Performance of the Competitive Supply</b> |               |                |                |                |                  |                    |                |          |                |
|--|---------------|----------------|----------------|----------------|------------------|--------------------|----------------|----------|----------------|
| Year   | Annual Supply | Percent Change | Occupied Rooms | Percent Change | Market Occupancy | Average Daily Rate | Percent Change | REVPAR   | Percent Change |
| 2007   | 592,030       | N/A            | 423,034        | N/A            | 71.5%            | \$215.65           | N/A            | \$154.09 | N/A            |
| 2008   | 592,030       | 0.0%           | 424,091        | 0.2%           | 71.6             | 196.83             | -8.7%          | 141.00   | -8.5%          |
| 2009   | 592,030       | 0.0            | 397,255        | -6.3           | 67.1             | 157.19             | -20.1          | 105.48   | -25.2          |
| 2010   | 592,030       | 0.0            | 425,957        | 7.2            | 71.9             | 155.63             | -1.0           | 111.97   | 6.2            |
| 2011   | 592,030       | 0.0            | 441,906        | 3.7            | 74.6             | 162.03             | 4.1            | 120.94   | 8.0            |
| CAAG   | 0.0%          |                | 1.1%           |                |                  | -6.9%              |                | -5.9%    |                |
| 6/11 ytd   | 592,030       | N/A            | 438,253        | N/A            | 74.0%            | \$158.43           | N/A            | \$117.28 | N/A            |
| 6/12 ytd   | 598,965       | 1.2%           | 458,348        | 4.6%           | 76.5%            | 161.92             | 2.2%           | 123.91   | 5.6%           |
| Source: PKF Consulting USA                                     |               |                |                |                |                  |                    |                |          |                |

<sup>1</sup> LAEDC Kyser Center for Economic Research, "Economic Forecast: February 2010" <http://www.laedc.org/reports/Forecast-2010-02.pdf>

<sup>2</sup> Market Analysis for Proposed Hotel at Newport Beach City Hall Site, Newport Beach, California" (August 8, 2012). PKF Consulting.



| Projected Market Performance of the Competitive Supply |               |                |                |                |                  |                    |                |          |                |
|--|---------------|----------------|----------------|----------------|------------------|--------------------|----------------|----------|----------------|
| Year   | Annual Supply | Percent Change | Occupied Rooms | Percent Change | Market Occupancy | Average Daily Rate | Percent Change | REVPAR   | Percent Change |
| 2012   | 598,965       | 1.2%           | 455,200        | 3.0%           | 76%              | \$168.00           | 3.7%           | \$127.68 | 5.6%           |
| 2013   | 598,965       | 0.0            | 449,300        | -1.3           | 75               | 176.00             | 4.8            | 132.02   | 3.4            |
| 2014   | 598,965       | 0.0            | 449,200        | 0.0            | 75               | 183.00             | 4.0            | 137.24   | 4.0            |
| 2015   | 627,435       | 4.8            | 470,600        | 4.8            | 75               | 190.00             | 3.8            | 142.51   | 3.8            |
| 2016   | 627,435       | 0.0            | 470,600        | 0.0            | 75               | 196.00             | 3.2            | 147.01   | 3.2            |
| 2017   | 627,435       | 0.0            | 470,600        | 0.0            | 75               | 203.00             | 3.6            | 152.26   | 3.6            |
| 2018   | 627,435       | 0.0            | 470,600        | 0.0            | 75               | 208.00             | 2.5            | 156.01   | 2.5            |
| 2019   | 627,435       | 0.0            | 470,600        | 0.0            | 75               | 215.00             | 3.4            | 161.26   | 3.4            |
| CAAG   | 0.7           |                | 0.5            |                |                  | 3.6                |                | 3.4      |                |

Source: PKF Consulting USA

| Proposed Hotel Newport Beach (150 Rooms)<br>Competitive Market<br>Estimated Future Growth in Lodging Supply and Demand<br>2011 - 2019 |         |         |         |          |         |          |          |          |          |
|---|---------|---------|---------|----------|---------|----------|----------|----------|----------|
|   | 2011    | 2012    | 2013    | 2014     | 2015    | 2016     | 2017     | 2018     | 2019     |
| <b>ROOMS SUPPLY</b>   | 1,622   |         |         |          |         |          |          |          |          |
| Additions/(Deletions) to Supply   |         |         |         |          | 150     |          |          |          |          |
| Proposed Hotel Newport Beach  |         |         |         |          | 150     |          |          |          |          |
| Hyatt Regency Newport Beach   |         |         |         |          |         |          |          |          |          |
| Newport Beach Marriott Hotel & Tennis Club  |         |         |         |          |         |          |          |          |          |
| Holiday Inn Express Newport Beach   |         |         |         |          |         |          |          |          |          |
| Best Western Newport Beach Inn  |         |         |         |          |         |          |          |          |          |
| Balboa Bay Club   |         |         |         |          |         |          |          |          |          |
| The Island Hotel  |         |         |         |          |         |          |          |          |          |
| Independents  |         |         |         |          |         |          |          |          |          |
| Cumulative Rooms Supply   | 1,622   | 1,641   | 1,641   | 1,641    | 1,791   | 1,791    | 1,791    | 1,791    | 1,791    |
| Total Annual Rooms Supply   | 592,020 | 598,965 | 598,965 | 598,965  | 653,715 | 653,715  | 653,715  | 653,715  | 653,715  |
| Growth Over the Prior Year  | 0.0%    | 1.2%    | 0.0%    | 0.0%     | 9.1%    | 0.0%     | 0.0%     | 0.0%     | 0.0%     |
| <b>DEMONSTRATED DEMAND IN BASE YR</b>   |         |         |         |          |         |          |          |          |          |
| Commercial  | 141,261 | 32%     |         |          |         |          |          |          |          |
| Leisure   | 167,345 | 35%     |         |          |         |          |          |          |          |
| Group   | 133,300 | 30%     |         |          |         |          |          |          |          |
| TOTAL DEMONSTRATED DEMAND   | 441,906 | 100%    |         |          |         |          |          |          |          |
| <b>INDUCED/(UNSATISFIED) DEMAND</b>   |         |         |         |          |         |          |          |          |          |
| Commercial  | 0       | 0       | 0       | 3,500    | 0       | 0        | 0        | 0        | 0        |
| Leisure   | 0       | 0       | 0       | 4,200    | 0       | 0        | 0        | 0        | 0        |
| Group   | 0       | 0       | 0       | 2,200    | 0       | 0        | 0        | 0        | 0        |
| TOTAL INDUCED/(UNSATISFIED) DEMAND  | 0       | 0       | 0       | 9,900    | 0       | 0        | 0        | 0        | 0        |
| <b>GROWTH RATES</b>   |         |         |         |          |         |          |          |          |          |
| Commercial  | 4.0%    | 3.0%    | 3.0%    | 3.0%     | 3.0%    | 3.0%     | 3.0%     | 3.0%     | 3.0%     |
| Leisure   | 4.0%    | 4.0%    | 3.0%    | 3.0%     | 3.0%    | 3.0%     | 3.0%     | 3.0%     | 3.0%     |
| Group   | 3.0%    | 3.0%    | 3.0%    | 3.0%     | 3.0%    | 3.0%     | 3.0%     | 3.0%     | 3.0%     |
| <b>PROJECTED DEMAND</b>   |         |         |         |          |         |          |          |          |          |
| Commercial  |         |         |         |          |         |          |          |          |          |
| Demonstrated  | 141,261 | 146,911 | 151,310 | 155,858  | 160,534 | 160,955  | 174,023  | 179,244  | 184,621  |
| Induced/(Unsatisfied)   | 0       | (970)   | (7,859) | (12,369) | (3,591) | (12,027) | (17,096) | (22,316) | (27,694) |
| Total   | 141,300 | 145,900 | 143,500 | 143,500  | 156,900 | 156,900  | 156,900  | 156,900  | 156,900  |
| Growth Over Prior Year  | N/A     | 3.3%    | -1.6%   | 0.0%     | 9.3%    | 0.0%     | 0.0%     | 0.0%     | 0.0%     |
| Leisure   |         |         |         |          |         |          |          |          |          |
| Demonstrated  | 167,345 | 174,039 | 181,001 | 186,431  | 192,024 | 202,111  | 208,174  | 214,419  | 220,852  |
| Induced/(Unsatisfied)   | 0       | (1,150) | (9,310) | (14,796) | (4,282) | (14,387) | (20,451) | (26,696) | (33,128) |
| Total   | 167,300 | 172,900 | 171,700 | 171,600  | 187,700 | 187,700  | 187,700  | 187,700  | 187,700  |
| Growth Over Prior Year  | N/A     | 3.3%    | -0.7%   | -0.1%    | 9.4%    | 0.0%     | 0.0%     | 0.0%     | 0.0%     |
| Group   |         |         |         |          |         |          |          |          |          |
| Demonstrated  | 133,300 | 137,299 | 141,418 | 145,660  | 150,030 | 156,797  | 161,501  | 166,346  | 171,336  |
| Induced/(Unsatisfied)   | 0       | (916)   | (7,345) | (11,560) | (4,427) | (11,162) | (15,866) | (20,711) | (25,701) |
| Total   | 133,300 | 136,400 | 134,100 | 134,100  | 145,600 | 145,600  | 145,600  | 145,600  | 145,600  |
| Growth Over Prior Year  | N/A     | 2.3%    | -1.7%   | 0.0%     | 8.6%    | 0.0%     | 0.0%     | 0.0%     | 0.0%     |
| <b>Total Market Demand</b>  | 441,906 | 455,200 | 449,300 | 449,200  | 490,200 | 490,200  | 490,200  | 490,200  | 490,200  |
| Growth Over Prior Year  | N/A     | 3.0%    | -1.3%   | 0.0%     | 9.1%    | 0.0%     | 0.0%     | 0.0%     | 0.0%     |
| <b>Market Occupancy</b>   | 75%     | 76%     | 75%     | 75%      | 75%     | 75%      | 75%      | 75%      | 75%      |

Source: PKF Consulting USA



## D. MARKET POSITION

The Newport Beach market is predominantly comprised of smaller motels and resort lodging with a three-star level of service.

| Competitive Supply                                |  |                        |
|---|--|------------------------|
| Map Code  | Property                                   | Number of Rooms        |
| <b>Subject</b>                                    | <b>Proposed Newport Beach Hotel</b>        | <b>78, 100, or 150</b> |
| 1   | Hyatt Regency Newport Beach                | 403                    |
| 2   | Newport Beach Marriott Hotel & Tennis Club | 532                    |
| 3   | Holiday Inn Express Newport Beach          | 83                     |
| 4   | Best Western Newport Beach Inn             | 49                     |
| 5   | Balboa Bay Club                            | 132                    |
| 6   | The Island Hotel                           | 295                    |
| 7   | Balboa Inn                                 | 45                     |
| 8   | Bay Shores Peninsula Hotel                 | 25                     |
| 9   | Dorymann's Inn                             | 11                     |
| 10  | Little Inn by the Bay                      | 18                     |
| 11  | Newport Channel Inn                        | 30                     |
| 12  | Newport Beach Hotel                        | 18                     |
| Total Competitive Supply (not including subjects) |  | 1,641                  |

Source: PKF Consulting





| Proposed Hotel Newport Beach<br>Market Penetration and Projected Occupancy |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
|  | 2015    | 2016    | 2017    | 2018    | 2019    |
| <b>TOTAL ROOMS AVAILABLE</b>   |         |         |         |         |         |
| Proposed Hotel Newport Beach   | 54,750  | 54,750  | 54,750  | 54,750  | 54,750  |
| Competitive Market   | 653,715 | 653,715 | 653,715 | 653,715 | 653,715 |
|  | =====   | =====   | =====   | =====   | =====   |
| Fair Share of Supply   | 8.4%    | 8.4%    | 8.4%    | 8.4%    | 8.4%    |
|  | =====   | =====   | =====   | =====   | =====   |
| <b>ESTIMATED TOTAL MARKET DEMAND</b>                                       |         |         |         |         |         |
| Commercial   | 156,900 | 156,900 | 156,900 | 156,900 | 156,900 |
| Leisure  | 187,700 | 187,700 | 187,700 | 187,700 | 187,700 |
| Group  | 145,600 | 145,600 | 145,600 | 145,600 | 145,600 |
|  | =====   | =====   | =====   | =====   | =====   |
| TOTAL  | 490,200 | 490,200 | 490,200 | 490,200 | 490,200 |
|  | =====   | =====   | =====   | =====   | =====   |
| <b>FAIR SHARE OF DEMAND</b>  |         |         |         |         |         |
| Commercial   | 13,100  | 13,100  | 13,100  | 13,100  | 13,100  |
| Leisure  | 15,700  | 15,700  | 15,700  | 15,700  | 15,700  |
| Group  | 12,200  | 12,200  | 12,200  | 12,200  | 12,200  |
|  | =====   | =====   | =====   | =====   | =====   |
| TOTAL  | 41,000  | 41,000  | 41,000  | 41,000  | 41,000  |
|  | =====   | =====   | =====   | =====   | =====   |
| <b>SUBJECT PENETRATION</b>   |         |         |         |         |         |
| Commercial   | 100%    | 100%    | 100%    | 100%    | 100%    |
| Leisure  | 100%    | 115%    | 133%    | 133%    | 133%    |
| Group  | 40%     | 45%     | 45%     | 45%     | 45%     |
|  | =====   | =====   | =====   | =====   | =====   |
| <b>ROOM NIGHTS CAPTURED</b>  |         |         |         |         |         |
| Commercial   | 13,100  | 13,100  | 13,100  | 13,100  | 13,100  |
| Leisure  | 15,700  | 18,100  | 20,900  | 20,900  | 20,900  |
| Group  | 4,900   | 5,500   | 5,500   | 5,500   | 5,500   |
|  | =====   | =====   | =====   | =====   | =====   |
| TOTAL CAPTURED DEMAND  | 33,700  | 36,700  | 39,500  | 39,500  | 39,500  |
|  | =====   | =====   | =====   | =====   | =====   |
| <b>MARKET SHARE CAPTURED</b>   | 6.9%    | 7.5%    | 8.1%    | 8.1%    | 8.1%    |
| <b>OVERALL MARKET PENETRATION</b>  | 82%     | 89%     | 96%     | 96%     | 96%     |
|  | =====   | =====   | =====   | =====   | =====   |
| <b>SUBJECT OCCUPANCY</b>   | 62%     | 67%     | 72%     | 72%     | 72%     |
|  | =====   | =====   | =====   | =====   | =====   |
| <b>MARKET MIX</b>  |         |         |         |         |         |
| Commercial   | 39%     | 36%     | 33%     | 33%     | 33%     |
| Leisure  | 47%     | 49%     | 53%     | 53%     | 53%     |
| Group  | 15%     | 15%     | 14%     | 14%     | 14%     |
|  | =====   | =====   | =====   | =====   | =====   |
| TOTAL  | 100%    | 100%    | 100%    | 100%    | 100%    |
|  | =====   | =====   | =====   | =====   | =====   |
| Source: PKF Consulting USA   |         |         |         |         |         |



| Projected Market Performance of the Subject Hotel (150 Rooms) |               |                |                |                |                      |                    |                |          |                |                    |               |
|---|---------------|----------------|----------------|----------------|----------------------|--------------------|----------------|----------|----------------|--------------------|---------------|
| Year  | Annual Supply | Percent Change | Occupied Rooms | Percent Change | Occupancy Percentage | Average Daily Rate | Percent Change | REVPAR   | Percent Change | Market Penetration | Revenue Yield |
| 2015  | 54,750        | N/A            | 33,700         | N/A            | 62%                  | \$213.00           | 3.0%           | \$131.11 | N/A            | 82%                | 92%           |
| 2016  | 54,750        | 0.0%           | 36,700         | 8.9%           | 67                   | 219.00             | 3.0            | 146.80   | 12.0%          | 89                 | 100           |
| 2017  | 54,750        | 0.0            | 39,500         | 7.6            | 72                   | 226.00             | 3.0            | 163.05   | 11.1           | 96                 | 108           |
| 2018  | 54,750        | 0.0            | 39,500         | 0.0            | 72                   | 233.00             | 3.0            | 168.10   | 3.1            | 96                 | 108           |
| 2019  | 54,750        | 0.0            | 39,500         | 0.0            | 72                   | 240.00             | 3.0            | 173.15   | 3.0            | 96                 | 108           |
| CAAG  | 0.0%          |                | 4.0%           |                |                      | 3.0%               |                | 7.2%     |                |                    |               |

Source: PKF Consulting USA

As a 4 to 4.5-star, boutique hotel, the hotel will be well-positioned to attract higher-rated leisure demand, groups, and affluent corporate travelers in search of a lifestyle hotel product with 4 to 4.5-star level service within Newport Beach market. While much of the convention and group business in the area is currently being accommodated in larger neighboring hotels, the subject's four-star operating level should be able to capture those travelers and convention attendees seeking larger rooms and suite offerings and more personalized guest service.

Although PKF Consulting has projected that a 150 room upscale, boutique hotel would have an average daily rate (ADR) of \$213.00, because PKF did not 1) anticipate nor identify a 4 to 4.5-star hotel with a luxury brand such as Auberge Resorts; 2) anticipate and/or include the variety of rooms mix and type that Sonnenblick Development is proposing, namely villas and townhouse villas, as well as the types of amenities proposed, including but not limited to a full-service spa; and 3) based upon the graph below, showing current Auberge Resorts ADR's, we are conservatively projecting that the proposed Auberge Resorts Newport Beach will have an ADR of \$320.00.

| <u><b>Auberge Resorts Property</b></u>       | <u><b>Average Daily Rate (ADR)</b></u> |
|--|--|
| <b>Auberge du Soleil, Napa Valley, CA</b>    | <b>\$1,100.00</b>                      |
| <b>Calistoga Ranch, Napa Valley, CA</b>      | <b>\$ 980.00</b>                       |
| <b>Esperanza, Los Cabos, Mexico</b>          | <b>\$ 730.00</b>                       |
| <b>Hotel Jerome, Aspen, Colorado</b>         | <b>\$ 545.00</b>                       |
| <b>Inn at Palmetto Bluff, South Carolina</b> | <b>\$ 465.00</b>                       |
| <b>Solage Calistoga, Napa Valley, CA</b>     | <b>\$ 420.00</b>                       |



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## B. OPERATIONAL JOBS

### Anticipated Auberge Resort Hotel Employees (Anticipate +/-201 Jobs)

|                       |  |                          |
|-----------------------|--|--------------------------|
| <b>Hotel:</b>         | Laundry-4                              | <b>Spa:</b>              |
| General Manager-1     | <b>Hotel Rest/Catering:</b>            | Spa Dir.-1               |
| Assistant G.M.-1      | Chef-1                                 | Spa Sales Mgr-1          |
| Controller-1          | Food & Bev. Dir.-1                     | Spa Admin. Asst.-1       |
| Staff Accountant-1    | Sales/Group/Cat. Mgr.-1                | Spa Staff-12             |
| H.R. Manager-1        | Groups Sales-2                         | <b>Fine Dining Rest:</b> |
| Admin. Assistant-1    | Catering Sales-2                       | Mgr.-1                   |
| Purchasing-1          | Banquet Mgr.-2                         | Ass't Mgr-1              |
| Rooms Div. Mgr.-1     | Wedding Coord.(s)-2                    | Sales Mgr-1              |
| Reserv./Rev. Mgr-1    | Sales/Group/Cat. Ass't-1               | Group Sales-2            |
| Exec. Housekeeper-1   | Room Svc. Mgr.-1                       | Chef-1                   |
| Assist. Housekeeper-1 | Room Svc.-4                            | Sous Chef-1              |
| Concierge-4           | Restaurant Mgr.-1                      | Kitchen Staff-12         |
| Security-5            | Restaurant Staff-8                     | Servers-12               |
| Bell Staff-6          | Kitchen Staff-6                        | Bus Staff-8              |
| Valet Staff-8         | Pool Snack Bar-2                       | <b>Lobby Bar:</b>        |
| Porters-6             | Pool Attendants-2                      | Bar Staff-4              |
| Reservations-4        | Lanai Bar Mgr.-1                       | <b>Retail Space:</b>     |
| PBX-4                 | Lanai Deck Staff-12                    | Retail-4                 |
| Front Desk-6          | Chief Eng.-1                           | <b>Coffee Cart:</b>      |
| Room Attendants-20    | Eng. Staff-3                           | Baristas-2               |
| Housemen-6            | <b>Functions: Part-Time Help 10-12</b> |                          |



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# b. Explanation of Markets Targeted

Newport Beach City Hall Site Reuse - RFP No. 13-35



## ***Targeted Markets-Auberge Resort Newport Beach***

Utilizing the market analysis which was previously prepared by PKF Consulting for the City of Newport Beach, California<sup>1</sup> (“City”) as a template, the following presentation shows the types of markets which the proposed Newport Beach Auberge Resort shall target. The basic markets are known as Commercial, Leisure and Group.

**Commercial Demand:** PKF indicated that the commercial demand in the market is derived from the commercial business districts of Newport Beach, Irvine and Costa Mesa. Furthermore, PKF indicated that in 2011, the commercial segment accounted for 32.0 percent or approximately 141,300 room nights of captured demand in the market.

**Leisure Demand:** PKF indicated that the leisure demand consists of “pleasure travelers” to and within Southern California for mostly recreational reasons and/or to visit family or friends. They indicated that the hotels in this competitive market benefit from their proximity to the coast, shopping, and other leisure amenities in Newport Beach, Huntington Beach and Costa Mesa. Furthermore, PKF indicated that in 2011, the leisure segment accounted for 38.0 percent or approximately 167,300 room nights of captured demand in the market.

**Group Demand:** PKF indicated that the group demand consists of room nights associated with corporate and larger social meetings. They indicated that in the Newport Beach area, this demand is a combination of incentive meetings for sales and marketing staffs, executive level conferences, educational sessions for professionals (such as doctors and attorneys), and social and fraternal retreats. Furthermore, PKF indicated that in 2011, the group market segment accounted for 30% or approximately 133,300 room nights of captured demand in the market.

| Competitive Market<br>2011 Mix of Demand |             |       |
|--|-------------|-------|
| Market Segment                           | Room Nights | Ratio |
| Commercial                               | 141,300     | 32%   |
| Leisure                                  | 167,300     | 38    |
| Group                                    | 133,300     | 30    |
| Total                                    | 442,000     | 100%  |
| Source: PKF Consulting USA               |             |       |

### **Projected Market Performance:**

**Commercial Demand:** PKF projected that a 150 room upscale boutique hotel would obtain a 100% penetration of the commercial segment upon opening in 2015 and remain at this level for the remainder of the projection period.

This projection is significant to our proposed 148 room Auberge Resorts branded hotel, projected to open in 2016, as it would definitely serve as an attractive upscale 4 to 4.5-star alternative to the busy (high-traffic) commercial business districts of Newport Beach, Irvine & Costa Mesa. Our “beach-area” location would be a positive for those travellers.

<sup>1</sup>Market Analysis for Proposed Hotel at Newport Beach City Hall Site, Newport Beach, California” (August 8, 2012). PKF Consulting.





***Leisure Demand:*** PKF projected that a 150 room upscale boutique hotel would obtain a 100% penetration of the leisure segment upon opening in 2015. PKF further projected the hotel's penetration would increase to 115% in 2016 and further increase to 133 in 2017 and stabilize at this level for the remainder of the projection period.

This projection is significant to our proposed 148 room Auberge Resorts branded hotel, projected to open in 2016, as it would be the only 4 to 4.5-star boutique hotel in the immediate vicinity for pleasure travelers wishing to visit Newport Beach, Huntington Beach and/or Costa Mesa.

Given that 58% of Auberge Resorts guests travel 3-5 times per year for annual leisure travel, the proposed Auberge Resorts Newport Beach should meet, if not exceed, PKF's penetration projections.

Additionally, the PKF Report does not address the 4 to 5-star leisure traveler, who, at present, does not stay in the market, due to the lack of 4 to 5-star hotels! As such, with the opening of the proposed Auberge Resorts branded hotel, for the first time ever, 4 to 5-star leisure travelers, will have a boutique hotel option when visiting Newport Beach, Huntington Beach and/or Costa Mesa.

***Group Demand:*** PKF projected that a 150 room upscale boutique hotel would obtain 40% penetration of the group segment upon opening in 2015 and increase 45% in 2016 and stabilize at this level for the remainder of the projection period.

This projection is significant to our proposed 148 room Auberge Resorts branded hotel, projected to open in 2016, as it would be the only 4 to 4.5-star boutique hotel for small groups wishing to meet in the vicinity of Newport Beach, Huntington Beach and/or Costa Mesa.

One of the areas of group demand that the PKF Report does not address, and which should serve as a source of significant group demand for the proposed 148 room Auberge Resorts branded hotel, is the weddings/group business. As such, we are proposing a variety of amenities that would service the weddings group business, including but not limited to an event lawn and a rooftop events venue.

We believe another huge source of potential hotel business is our strong working relationship with near-by Hoag Hospital. We think that families visiting patients there could become a large generator of rooms for us. We also believe that staff/doctors from this hospital could become a large generator of our Food & Beverage business, after their medical hours are finished.

The following table sets forth projected penetration for a 150 room upscale boutique hotel from 2015 through 2019.

| Proposed Hotel Newport Beach<br>Market Penetration and Projected Occupancy |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
|  | 2015    | 2016    | 2017    | 2018    | 2019    |
| <b>TOTAL ROOMS AVAILABLE</b>   |         |         |         |         |         |
| Proposed Hotel Newport Beach   | 54,750  | 54,750  | 54,750  | 54,750  | 54,750  |
| Competitive Market   | 653,715 | 653,715 | 653,715 | 653,715 | 653,715 |
|  | =====   | =====   | =====   | =====   | =====   |
| Fair Share of Supply   | 8.4%    | 8.4%    | 8.4%    | 8.4%    | 8.4%    |
|  | =====   | =====   | =====   | =====   | =====   |
| <b>ESTIMATED TOTAL MARKET DEMAND</b>                                       |         |         |         |         |         |
| Commercial   | 156,900 | 156,900 | 156,900 | 156,900 | 156,900 |
| Leisure  | 187,700 | 187,700 | 187,700 | 187,700 | 187,700 |
| Group  | 145,600 | 145,600 | 145,600 | 145,600 | 145,600 |
|  | -----   | -----   | -----   | -----   | -----   |
| TOTAL  | 490,200 | 490,200 | 490,200 | 490,200 | 490,200 |
|  | -----   | -----   | -----   | -----   | -----   |
| <b>FAIR SHARE OF DEMAND</b>  |         |         |         |         |         |
| Commercial   | 13,100  | 13,100  | 13,100  | 13,100  | 13,100  |
| Leisure  | 15,700  | 15,700  | 15,700  | 15,700  | 15,700  |
| Group  | 12,200  | 12,200  | 12,200  | 12,200  | 12,200  |
|  | -----   | -----   | -----   | -----   | -----   |
| TOTAL  | 41,000  | 41,000  | 41,000  | 41,000  | 41,000  |
|  | -----   | -----   | -----   | -----   | -----   |
| <b>SUBJECT PENETRATION</b>   |         |         |         |         |         |
| Commercial   | 100%    | 100%    | 100%    | 100%    | 100%    |
| Leisure  | 100%    | 115%    | 133%    | 133%    | 133%    |
| Group  | 40%     | 45%     | 45%     | 45%     | 45%     |
|  | -----   | -----   | -----   | -----   | -----   |
| <b>ROOM NIGHTS CAPTURED</b>  |         |         |         |         |         |
| Commercial   | 13,100  | 13,100  | 13,100  | 13,100  | 13,100  |
| Leisure  | 15,700  | 18,100  | 20,900  | 20,900  | 20,900  |
| Group  | 4,900   | 5,500   | 5,500   | 5,500   | 5,500   |
|  | -----   | -----   | -----   | -----   | -----   |
| TOTAL CAPTURED DEMAND  | 33,700  | 36,700  | 39,500  | 39,500  | 39,500  |
|  | =====   | =====   | =====   | =====   | =====   |
| <b>MARKET SHARE CAPTURED</b>   | 6.9%    | 7.5%    | 8.1%    | 8.1%    | 8.1%    |
|  | -----   | -----   | -----   | -----   | -----   |
| <b>OVERALL MARKET PENETRATION</b>  | 82%     | 89%     | 96%     | 96%     | 96%     |
|  | -----   | -----   | -----   | -----   | -----   |
| <b>SUBJECT OCCUPANCY</b>   | 62%     | 67%     | 72%     | 72%     | 72%     |
|  | -----   | -----   | -----   | -----   | -----   |
| <b>MARKET MIX</b>  |         |         |         |         |         |
| Commercial   | 39%     | 36%     | 33%     | 33%     | 33%     |
| Leisure  | 47%     | 49%     | 53%     | 53%     | 53%     |
| Group  | 15%     | 15%     | 14%     | 14%     | 14%     |
|  | -----   | -----   | -----   | -----   | -----   |
| TOTAL  | 100%    | 100%    | 100%    | 100%    | 100%    |
|  | =====   | =====   | =====   | =====   | =====   |
| Source: PKF Consulting USA   |         |         |         |         |         |

**PLEASE  
INSERT  
“Section 2b -  
Market Analysis PKF  
Report”  
HERE**

# c. Proposed Lease Terms

Newport Beach City Hall Site Reuse - RFP No. 13-35





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# d. Range of Construction Costs

Newport Beach City Hall Site Reuse - RFP No. 13-35



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# e. Quantitative Analysis of Increased City Tax Revenues

Newport Beach City Hall Site Reuse - RFP No. 13-35



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September 14, 2012



Ms. Kimberly Brandt  
Director - Community Development Department  
City of Newport Beach  
3300 Newport Boulevard  
Building B  
Newport Beach, CA 92663

Dear Ms. Brandt:

Pursuant to your request, we have completed economic impact, fiscal impact, and residual land value analyses for the proposed hotel to be developed at the current site of the Newport Beach City Hall. The following summarizes our scope of work followed by a discussion of our findings:

#### **A. Economic Impact Analysis**

Based on 78-room hotel and 120-room hotel scenarios, we have projected the estimated direct and indirect economic impact that each of the hotel development scenarios will have on businesses in Newport Beach through the purchases of goods and services by hotel guests.

#### **B. Fiscal Impact Analysis**

Based on the abovementioned hotel room count scenarios, we have projected the estimated fiscal impact of hotel operations on tax revenue to the City of Newport Beach, including transient occupancy tax, sales tax, and possessory interest tax. Utility, business license, and parking taxes have not been included.

#### **C. Residual Land Value Analysis**

We have prepared land residual analyses for the following development alternatives:

1. 78-room Hotel and 100 above ground parking spaces; and
2. 120-room Hotel and 150 above ground parking spaces.

\*Both analyses assume existing lot size and dimensions and retention of the fire station in its current location.

The land residual analyses provide the City of Newport Beach (City) with the following valuation estimates for each development alternative:

1. The estimated fair market value of the fee interest in the property upon completion and the estimated value of the land before and after the deduction of extraordinary costs such as a public plaza and a promenade; and
2. The estimated annual ground lease income that could potentially be received by the City if the property is conveyed in the form of a long-term ground lease.

## SUMMARY OF CONCLUSIONS

The following table presents a summary of conclusions for each hotel development scenario.

| Summary of Conclusions                           |               |                |
|--|---------------|----------------|
|  | 78-Room Hotel | 120-Room Hotel |
| <b>Economic Impact</b>                           |               |                |
| Representative Year Direct and Indirect Spending | \$20,566,715  | \$29,408,056   |
| 10-Yr Direct and Indirect Spending               | \$254,249,861 | \$362,006,807  |
| <b>Fiscal Impact</b>                             |               |                |
| Representative Year TOT                          | \$476,000     | \$680,700      |
| Representative Year Sales Tax                    | \$123,494     | \$176,583      |
| Representative Year Possessory Interest Tax      | \$38,759      | \$54,366       |
| Total Fiscal Impact Representative Year          | \$638,253     | \$911,649      |
| 10-Year TOT Revenue                              | \$5,885,200   | \$8,378,800    |
| 10-Year Sales Tax Revenue                        | \$1,526,662   | \$2,173,697    |
| 10-Year Sales Possessory Interest Tax            | \$476,256     | \$667,307      |
| Total Fiscal Impact 10-Year Period               | \$7,888,118   | \$11,219,804   |
| <b>Residual Land Value</b>                       |               |                |
| Option A   | \$3,430,481   | \$5,530,481    |
| Option B   | \$49,895      | \$2,149,895    |
| <b>Annual Ground Rent at 10% of Land Value</b>   |               |                |
| Option A   | \$343,000     | \$553,000      |
| Option B   | \$5,000       | \$215,000      |
| Source: PKF Consulting                           |               |                |

## ANALYSIS

Our analysis follows the outline presented above. The following presents an expanded discussion of our analysis and conclusions regarding each item in the summary.

### A. ECONOMIC IMPACT

The following presents the estimated economic impact of hotel operations on the Newport Beach economy. We have performed an economic impact analysis for two development scenarios: 1) 78-room upscale boutique hotel and 2) 120-room upscale boutique hotel.

The total economic impact of the proposed development in the City of Newport Beach consists of direct spending by overnight hotel guests, which includes lodging, food and beverage, souvenirs, attractions, transportation, and incidentals, as well as indirect spending. Indirect spending is a function of monies spent by visitors in area businesses, which the businesses then utilize to operate and spend on other items. We have applied our economic analysis to the operational phase of the development. In addition to this impact, the project will create additional impact such as jobs and spending during the construction phase, as well as spending by day guests to the hotel, such as conference, banquet, and restaurant guests.

### **Operational Phase Economic Impact**

The methodology used to determine the economic impact of the operational phase of the proposed project to the City of Newport Beach includes an estimation of visitor spending within the different categories. This allocation of visitor spending is performed by taking the overall hotel visitor spending data for the City of Newport Beach, as derived by Horizon Consumer Science<sup>1</sup>, and applying it to the average daily rate and number of occupied rooms of the property. We have estimated:

- The flow of dollars through the economy into the City of Newport Beach attributable to hotel guest direct spending
- The indirect spending created by this spending

### **Assumption**

It should be noted that this economic impact study is limited to overnight visitors who stay in Newport Beach at the subject property and **does not assume** day visitors that come to the area due to the new facilities and positioning of the subject property.

### **Definitions**

**Hotel/Motel Guests** - those overnight visitors who stay at lodging facilities in the City of Newport Beach. The primary purpose of their visits to Newport Beach varies and includes business, leisure, and self-contained groups.

**Multiplier** - a means to determine the indirect economic benefits of visitor expenditures in a community, such as spending by hotels and restaurants and their employees. The multiplier is applied to direct spending by visitors to measure the total flow of visitor dollars through the economy.

The following tables summarize our findings.

---

<sup>1</sup> Horizon Consumer Science, *Visitor Profile and Economic Fiscal Impacts of Newport Beach Tourism For FY 2010/2011*



### Scenario 1 – 78 Rooms

| Total Annual Economic Impact<br>(Based Upon a Stabilized Year of Operation, 2012 Dollars) |                     |
|---|---------------------|
|   | 78 Rooms            |
| <b>Hotel Guests</b>   |                     |
| Occupied Hotel Rooms  | 21,637              |
| Double Occupancy Factor   | 2.0                 |
| <b>Total Hotel Visitor Days</b>   | <b>43,274</b>       |
| <b>Total Visitor Spending</b>   | <b>\$15,820,550</b> |
| Multiplier  | 1.3                 |
| <b>TOTAL ECONOMIC IMPACT Direct and Indirect*</b>   | <b>\$20,600,000</b> |
| Note: Number has been rounded.  |                     |

### Scenario 2 – 120 Rooms

| Total Annual Economic Impact<br>(Based Upon a Stabilized Year of Operation, 2012 Dollars) |                     |
|---|---------------------|
|   | 120 Rooms           |
| <b>Hotel Guests</b>   |                     |
| Occupied Hotel Rooms  | 32,412              |
| Double Occupancy Factor   | 2.0                 |
| <b>Total Hotel Visitor Days</b>   | <b>64,824</b>       |
| <b>Total Visitor Spending</b>   | <b>\$22,621,581</b> |
| Multiplier  | 1.3                 |
| <b>TOTAL ECONOMIC IMPACT Direct and Indirect*</b>   | <b>\$29,400,000</b> |
| Note: Number has been rounded.  |                     |

The following text provides summary tables and the assumptions used to reach the aforementioned conclusions.

#### Total Hotel Visitors

In order to calculate the visitor impact of the hotel operations, it is first necessary to estimate total hotel visitors. This has been derived by estimating the stabilized occupancy level. The projected occupancy is then multiplied by the double occupancy factor. As previously presented, we estimate a stabilized occupancy of 76 percent for Scenario 1 (78 rooms) and 74 percent for Scenario 2 (120 rooms).

Next, to develop a baseline expenditure that we can extrapolate to total visitor expenditure, we have utilized daily lodging expenditure per hotel visitor. This is calculated by taking the average daily rate and dividing it by the occupancy factor. We have utilized a rate of \$220 for Scenario 1 and \$210 for Scenario 2.

### Scenario 1 – 78 Rooms

| Total Proposed Newport Beach Hotel and Daily Lodging Expenditure |  | Visitors |
|--|--|----------|
|  |  | 78 Rooms |
| Total Occupied Rooms   |  | 21,637   |
| Occupancy Factor   |  | 2.0      |
| Total Hotel Visitors   |  | 43,274   |
| Average Daily Rate   |  | \$220.00 |
| Daily Hotel Spending per Visitor                                 |  | \$110.00 |
| PKF Consulting   |  |          |

### Scenario 2 – 120 Rooms

| Total Proposed Newport Beach Hotel Visitor s and Daily Lodging Expenditure |  | Visitors  |
|--|--|-----------|
|  |  | 120 Rooms |
| Total Occupied Rooms   |  | 32,412    |
| Occupancy Factor   |  | 2.0       |
| Total Hotel Visitors   |  | 64,824    |
| Average Daily Rate   |  | \$210.00  |
| Daily Hotel Spending per Visitor   |  | \$105.00  |
| PKF Consulting   |  |           |

### Direct Visitor Spending

Based on the daily lodging expenditure, it is now possible to project spending on other categories. Our estimates of overnight visitors are based upon the projected occupancy and ADR of the proposed subject. The following table presents the spending by category for the City of Newport Beach for direct visitor expenditure. The Regional Input-Output Modeling System (RIMS II) was used to calculate the economic multipliers. The spending data is for fiscal year 2010-2011. Please note that we are relying on this data for the percentage allocations rather than the dollar amounts.

For these segments, our analysis of daily expenditures for overnight stays included the following categories:

- \* Lodging
- \* Meals & Beverages
- \* Local Transportation
- \* Non-Food Retail Purchases
- \* Entertainment
- \* Other

| Daily Hotel Visitor Spending   |          |            |
|--|----------|------------|
| Spending Category  | 2010-11  | % of Total |
| Lodging  | \$84.60  | 30.1%      |
| Meals  | 58.93    | 21.0       |
| Beverages  | 13.67    | 4.9        |
| Shopping/gifts   | 68.50    | 24.4       |
| Mus./Theater/Clubs Fees  | 18.23    | 6.5        |
| Daily Transport/Parking  | 13.15    | 4.7        |
| Amenities/Health Spa   | 5.89     | 2.1        |
| Activities   | 7.30     | 2.6        |
| Groc./Conv./Incidentals  | 10.90    | 3.9        |
| Total  | \$281.17 | 100.0%     |
| Source: Horizon Consumer Science Visitor Profile and Economic Fiscal Impacts of Newport Beach Tourism For FY 2010/2011 |          |            |

Utilizing the average daily expenditure on lodging, we can apply these ratios of spending to the subject property for each scenario, as presented in the following tables.

### Scenario 1 – 78 Rooms

| Newport Beach Hotel Visitor Direct Spending Per Day |        |                              |
|---|--------|------------------------------|
| Spending Category                                   | Basis  | Newport Beach Hotel 78 Rooms |
| Lodging   | 30.1%  | <b>\$110.00</b>              |
| Meals   | 21.0   | 76.62                        |
| Beverages   | 4.9    | 17.77                        |
| Shopping/gifts                                      | 24.4   | 89.06                        |
| Mus./Theater/Clubs Fees                             | 6.5    | 23.71                        |
| Daily Transport/Parking                             | 4.7    | 17.09                        |
| Amenities/Health Spa                                | 2.1    | 7.67                         |
| Activities  | 2.6    | 9.49                         |
| Groc./Conv./Incidentals                             | 3.9    | 14.17                        |
| Total   | 100.0% | \$365.59                     |

### Scenario 2 – 120 Rooms

| Newport Beach Hotel Visitor Direct Spending Per Day |        |                               |
|---|--------|-------------------------------|
| Spending Category                                   | Basis  | Newport Beach Hotel 120 Rooms |
| Lodging   | 30.1%  | <b>\$105.00</b>               |
| Meals   | 21.0   | 73.14                         |
| Beverages   | 4.9    | 16.97                         |
| Shopping/gifts                                      | 24.4   | 85.01                         |
| Mus./Theater/Clubs Fees                             | 6.5    | 22.63                         |
| Daily Transport/Parking                             | 4.7    | 16.32                         |
| Amenities/Health Spa                                | 2.1    | 7.32                          |
| Activities  | 2.6    | 9.06                          |
| Groc./Conv./Incidentals                             | 3.9    | 13.53                         |
| Total   | 100.0% | \$348.97                      |

Next, we will apply this daily expenditure to the number of hotel visitors to calculate total direct visitor spending. The following table presents our conclusions of total direct visitor spending in a representative year.

### Scenario 1 – 78 Rooms

| Newport Beach Hotel Visitor Direct Spending |                              |
|---|------------------------------|
| Spending Category                           | Newport Beach Hotel 78 Rooms |
| Lodging                                     | \$4,760,184                  |
| Meals                                       | 3,315,628                    |
| Beverages                                   | 769,125                      |
| Shopping/gifts                              | 3,854,015                    |
| Mus./Theater/Clubs Fees                     | 1,026,083                    |
| Daily Transport/Parking                     | 739,758                      |
| Amenities/Health Spa                        | 331,773                      |
| Activities                                  | 410,783                      |
| Groc./Conv./Incidentals                     | 613,202                      |
| Total                                       | \$15,820,550                 |

### Scenario 2 – 120 Rooms

| Newport Beach Hotel Visitor Direct Spending |                               |
|---|-------------------------------|
| Spending Category                           | Newport Beach Hotel 120 Rooms |
| Lodging                                     | \$6,806,520                   |
| Meals                                       | 4,740,969                     |
| Beverages                                   | 1,099,761                     |
| Shopping/gifts                              | 5,510,802                     |
| Mus./Theater/Clubs Fees                     | 1,467,181                     |
| Daily Transport/Parking                     | 1,057,770                     |
| Amenities/Health Spa                        | 474,397                       |
| Activities                                  | 587,372                       |
| Groc./Conv./Incidentals                     | 876,809                       |
| Total                                       | \$22,621,581                  |

### The Multiplier Effect

The total impact of direct spending related to the introduction of the expanded facilities is amplified by means of an economic multiplier. A multiplier is used to estimate the impact that the visitor dollar makes beyond the initial goods/services purchased. The infusion of new dollars into the local economy also produces additional goods and services. In short, “direct” visitor spending creates indirect and induced economic benefits for the City. For example, visitor spending collected “directly” within a hotel restaurant also “indirectly” supports food and beverage suppliers and delivery services. Moreover, the direct and indirect spending induces further spending in the community by employees of the benefiting businesses.

Based upon the RIMS II economic modeling system and as confirmed by the *Visitor Profile and Economic Fiscal Impacts of Newport Beach Tourism For FY 2010/2011* study performed by Horizon Consumer Science, we have used an overall economic multiplier of 1.3. We applied this multiplier to the expenditures related to the visitors to the subject property to determine the overall economic impact of the subject under each scenario.

| Hotel Visitor Direct and Indirect Spending |                     |
|--|---------------------|
| Newport Beach Hotel 78 Rooms               |                     |
| Direct Spending                            | \$15,820,550        |
| Multiplier                                 | 1.3                 |
| Direct and Indirect Spending               | <b>\$20,566,715</b> |

| Hotel Visitor Direct and Indirect Spending |                     |
|--|---------------------|
| Newport Beach Hotel 120 Rooms              |                     |
| Direct Spending                            | \$22,621,581        |
| Multiplier                                 | 1.3                 |
| Direct and Indirect Spending               | <b>\$29,408,056</b> |

## Annual Direct and Indirect Economic Impact

### Scenario 1 – 78 Rooms

The project as proposed results in an estimated total direct and indirect economic impact of \$20.6 million in a representative year. The following presents a summary of 10 years of impact.

| Annual Direct and Indirect Economic Impact (78 Rooms) |               |              |               |
|---|---------------|--------------|---------------|
|   | Direct        | Indirect     | Total         |
| 2012 Rep  | \$15,820,550  | \$4,746,165  | \$20,566,715  |
| 2015  | 15,442,068    | 4,632,620    | 20,074,688    |
| 2016  | 16,895,439    | 5,068,632    | 21,964,071    |
| 2017  | 18,337,455    | 5,501,237    | 23,838,692    |
| 2018  | 18,912,748    | 5,673,824    | 24,586,573    |
| 2019  | 19,488,041    | 5,846,412    | 25,334,453    |
| 2020  | 20,063,334    | 6,019,000    | 26,082,334    |
| 2021  | 20,638,626    | 6,191,588    | 26,830,214    |
| 2022  | 21,285,831    | 6,385,749    | 27,671,580    |
| 2023  | 21,933,035    | 6,579,910    | 28,512,945    |
| 2024  | 22,580,239    | 6,774,072    | 29,354,311    |
| Total 2015-2024                                       | \$195,576,816 | \$58,673,045 | \$254,249,861 |

### Scenario 2 – 120 Rooms

The project as proposed results in an estimated total direct and indirect economic impact of \$29.4 million in a representative year. The following presents a summary of 10 years of impact.

| Annual Direct and Indirect Economic Impact (120 Rooms) |               |              |               |
|--|---------------|--------------|---------------|
|  | Direct        | Indirect     | Total         |
| 2012 Rep   | \$22,621,581  | \$6,786,474  | \$29,408,056  |
| 2015   | 21,668,098    | 6,500,429    | 28,168,527    |
| 2016   | 23,703,053    | 7,110,916    | 30,813,969    |
| 2017   | 26,174,786    | 7,852,436    | 34,027,222    |
| 2018   | 27,036,507    | 8,110,952    | 35,147,459    |
| 2019   | 27,790,513    | 8,337,154    | 36,127,667    |
| 2020   | 28,652,235    | 8,595,670    | 37,247,905    |
| 2021   | 29,513,956    | 8,854,187    | 38,368,143    |
| 2022   | 30,375,677    | 9,112,703    | 39,488,381    |
| 2023   | 31,345,114    | 9,403,534    | 40,748,648    |
| 2024   | 32,206,835    | 9,662,051    | 41,868,886    |
| Total 2015-2024  | \$278,466,775 | \$83,540,032 | \$362,006,807 |

## B. FISCAL IMPACT

This portion of our analysis focuses on providing a fiscal impact of hotel operations on tax revenue to Newport Beach local agencies. Fiscal impact is the amount of tax revenue generated directly to Newport Beach local agencies by visitor spending of hotel guests and hotel operations. Potential government revenues drawn from tourism-related projects include: sales tax, transient occupancy tax, business tax, property tax, utility tax, and parking tax. Please note our analysis presents potential revenues to the City from taxes related to hotel revenues including sales and transient occupancy tax, as well as property



taxes in the form of a possessory interest tax. Utility and parking tax estimates have not been included. Business tax is a small set amount per year in the City of Newport Beach and will not represent significant impact to the City.

The current transient occupancy tax rate in the City of Newport Beach is 10.0 percent. The current retail sales tax that is contributed to the City is 1.0 percent of retail sales. The City retains 17.15 percent of total property taxes.

## Basis for Fiscal Impact

### Scenario 1 – 78 Rooms

We have projected 10 years of operational performance. We used comparable data from hotels with similar average daily rate, occupancy, size, and market positioning from PKF Consulting's *Trends in the Hotel Industry* survey (referred to as Comparables "A", "B", "C", "D", and "E" in the addenda). All five are full service properties, averaging 102 rooms at an aggregate 80 percent occupancy rate and ADR of \$198.00. The following table presents a summary of the projected top line performance for the proposed 78-room hotel.

| Summary of Projected<br>Top Line Performance |       |
|--|-------|
| Scenario 1- 78 Rooms                         |       |
| Room Count                                   | 78    |
| Year 1 Occupancy                             | 68%   |
| Year 2 Occupancy                             | 72%   |
| Year 3 Occupancy                             | 76%   |
| Stabilized Occupancy                         | 76%   |
| ADR (2012 rep)                               | \$220 |
| ADR Year 1                                   | \$240 |
| Annual ADR growth                            | 3%    |
| PKF Consulting                               |       |

The following table presents the incremental tax revenues for the proposed Scenario 1.

| Hotel Operations Tax Revenues<br>(Stabilized Year of Operations, 2012 Dollars)  |                  |
|---|------------------|
|   | 78 Rooms         |
| Rooms Revenue   | \$4,760,000      |
| TOT Rate  | 10%              |
| TOT Generated (rounded)   | \$476,000        |
| Sales Revenue (Meals & Beverages, Non-Food<br>Retail, Entertainment, Transportation, Other)   | \$14,378,476     |
| Sales Tax Rate <sup>1</sup>   | 1%               |
| Sales Tax Generated (rounded)   | \$123,494        |
| Total Possessory Interest Tax   | \$226,000        |
| Percentage of Property Tax to City  | 17.15%           |
| Possessory Interest Tax to City   | \$38,759         |
| <b>Total Hotel Operations Tax Revenues to City of<br/>Newport Beach local agencies</b>  | <b>\$638,253</b> |
| <sup>1</sup> Sales tax revenue was estimated at 1.0 percent of meals, beverages,<br>and shopping/gifts spending and 0.05% of other spending |                  |

- Based on the assumptions of occupancy and average daily rate upon stabilization, we have estimated transient occupancy tax of \$476,000 in a representative year.
- In addition to TOT, the City of Newport Beach is estimated to receive 1.0 percent of the sales tax generated from meals and beverages and non-food retail as well as one half of 1.0 percent from transportation, entertainment, personal care, and other activities expenses. We estimate that Scenario 1 will drive \$123,494 in sales tax revenue from expenditures by hotel visitors to the City of Newport Beach.
- The subject property is in the real estate taxing jurisdiction of Orange County. In California, Proposition 13 limits property taxes to one percent of the assessed value plus city, special district, and county bonds. Assessed values are further limited to a two percent increase per year, except upon sale or major alterations of the property. Based on our knowledge of typical tax assessments and the base rate, we have applied a tax rate of 1.1 percent to the value of the property based on an estimated construction cost of \$280,000 per room to derive a representative property tax base. This figure is then inflated at two percent per year in accordance with the Jarvis-Gann Amendment. The City of Newport Beach retains 17.15 percent of total property taxes. We have estimated possessory interest tax of \$38,759 in a representative year.

We have also calculated the tax revenue for a ten-year period beginning in 2015, the estimated opening date of the lodging facility.

| 78-Room Hotel          |                     |                     |                                |                               |                    |                        |  |                    |
|------------------------|---------------------|---------------------|--------------------------------|-------------------------------|--------------------|------------------------|--|--------------------|
|                        | Hotel Operations    |                     |                                |                               | Taxes              |                        |  |                    |
|                        | Total Revenue       | Rooms Expenditure   | Other <sup>1</sup> Expenditure | Total Possessory Interest Tax | TOT                | Sales Tax <sup>2</sup> | Possessory Interest Tax to City <sup>3</sup> | Total              |
| 2012 Rep               | \$6,978,000         | \$4,760,000         | \$14,378,476                   | \$226,000                     | \$476,000          | \$123,494              | \$38,759                                     | \$638,253          |
| 2015                   | 6,814,000           | 4,646,000           | 14,034,493                     | 240,000                       | 464,600            | 120,540                | 41,160                                       | 626,300            |
| 2016                   | 7,449,000           | 5,084,000           | 15,355,386                     | 260,000                       | 508,400            | 131,885                | 44,590                                       | 684,875            |
| 2017                   | 8,089,000           | 5,518,000           | 16,665,960                     | 265,000                       | 551,800            | 143,141                | 45,448                                       | 740,389            |
| 2018                   | 8,340,000           | 5,691,000           | 17,188,814                     | 271,000                       | 569,100            | 147,632                | 46,477                                       | 763,208            |
| 2019                   | 8,592,000           | 5,864,000           | 17,711,668                     | 276,000                       | 586,400            | 152,123                | 47,334                                       | 785,857            |
| 2020                   | 8,848,000           | 6,038,000           | 18,234,521                     | 281,000                       | 603,800            | 156,613                | 48,192                                       | 808,605            |
| 2021                   | 9,106,000           | 6,211,000           | 18,757,375                     | 287,000                       | 621,100            | 161,104                | 49,221                                       | 831,425            |
| 2022                   | 9,386,000           | 6,405,000           | 19,345,585                     | 293,000                       | 640,500            | 166,156                | 50,250                                       | 856,906            |
| 2023                   | 9,670,000           | 6,600,000           | 19,933,796                     | 299,000                       | 660,000            | 171,208                | 51,279                                       | 882,487            |
| 2024                   | 9,958,000           | 6,795,000           | 20,522,006                     | 305,000                       | 679,500            | 176,260                | 52,308                                       | 908,068            |
| <b>Total 2015-2024</b> | <b>\$86,252,000</b> | <b>\$58,852,000</b> | <b>\$177,749,605</b>           | <b>\$2,777,000</b>            | <b>\$5,885,200</b> | <b>\$1,526,662</b>     | <b>\$476,256</b>                             | <b>\$7,888,118</b> |

<sup>1</sup>Other Expenditure is based on Direct and Indirect Spending by hotel visitors not including lodging accommodations.

<sup>2</sup>Sales tax revenue was estimated at 1.0 percent of meals, beverages, and shopping/gifts spending and 0.05% of other spending

<sup>3</sup>Based on 17.15% of total property tax to the City

## Scenario 2 – 120 Rooms

We have projected 10 years of operational performance. We used comparable data from hotels with similar average daily rate, occupancy, size, and market positioning from PKF Consulting's *Trends in the Hotel Industry* survey (referred to as Comparables "A", "B", "C", "D", and "E" in the addenda). All five are full service properties, averaging 119 rooms at an aggregate 78 percent occupancy rate and ADR of \$199.00. The following table presents a summary of the projected top line performance for the proposed 120-room hotel.

| Summary of Projected<br>Top Line Performance |       |
|--|-------|
| Scenario 2- 120 Rooms                        |       |
| Room Count                                   | 120   |
| Year 1 Occupancy                             | 65%   |
| Year 2 Occupancy                             | 69%   |
| Year 3 Occupancy                             | 74%   |
| Stabilized Occupancy                         | 74%   |
| ADR (2012 rep)                               | \$210 |
| ADR Year 1                                   | \$229 |
| Annual ADR growth                            | 3%    |
| PKF Consulting                               |       |

The following table presents the incremental tax revenues for the proposed Scenario 2.

| Hotel Operations Tax Revenues<br>(Stabilized Year of Operations, 2012 Dollars)   |                  |
|--|------------------|
|  | 120 Rooms        |
| Rooms Revenue  | \$6,807,000      |
| TOT Rate   | 10%              |
| TOT Generated (rounded)  | \$680,700        |
| Sales Revenue (Meals & Beverages, Non-Food Retail, Entertainment, Transportation, Other)   | \$20,559,580     |
| Sales Tax Rate   | 1%               |
| Sales Tax Generated (rounded)  | \$176,583        |
| Total Possessory Interest Tax  | \$317,000        |
| Percentage of Property Tax to City   | 17.15%           |
| Possessory Interest Tax to City  | \$54,366         |
| <b>Total Hotel Operations Tax Revenues to City of Newport Beach local agencies</b>   | <b>\$911,648</b> |
| <sup>1</sup> Sales tax revenue was estimated at 1.0 percent of meals, beverages, and shopping/gifts spending and 0.05% of other spending |                  |

- Based on the assumptions of occupancy and average daily rate upon stabilization, we have estimated transient occupancy tax of \$680,700 in a representative year.
- In addition to TOT, the City of Newport Beach is estimated to receive 1.0 percent of the sales tax generated from meals and beverages and non-food retail as well as one half of 1.0 percent from transportation, entertainment, personal care, and other activities expenses. We estimate that Scenario 2 will drive

\$176,600 in sales tax revenue from expenditures by hotel visitors to the City of Newport Beach.

- The subject property is in the real estate taxing jurisdiction of Orange County. In California, Proposition 13 limits property taxes to one percent of the assessed value plus city, special district, and county bonds. Assessed values are further limited to a two percent increase per year, except upon sale or major alterations of the property. Based on our knowledge of typical tax assessments and the base rate, we have applied a tax rate of 1.1 percent to the value of the property based on an estimated construction cost of \$255,000 per room to derive a representative property tax base. This figure is then inflated at two percent per year in accordance with the Jarvis-Gann Amendment. The City of Newport Beach retains 17.15 percent of total property taxes. We have estimated possessory interest tax of \$54,366 in a representative year.

We have also calculated the tax revenue for a ten-year period beginning in 2015, the estimated opening date of the lodging facility.

| 120-Room Hotel   |                      |                     |                                |                               |                    |                        |  |                     |
|------------------|----------------------|---------------------|--------------------------------|-------------------------------|--------------------|------------------------|--|---------------------|
| Hotel Operations |                      |                     |                                |                               | Taxes              |                        |  |                     |
|                  | Total Revenue        | Rooms Expenditure   | Other <sup>1</sup> Expenditure | Total Possessory Interest Tax | TOT                | Sales Tax <sup>2</sup> | Possessory Interest Tax to City <sup>3</sup> | Total               |
| 2012 Rep         | \$9,824,000          | \$6,807,000         | \$20,559,580                   | \$317,000                     | \$680,700          | \$176,583              | \$54,366                                     | \$911,648           |
| 2015             | 9,416,000            | 6,520,000           | 19,693,008                     | 337,000                       | 652,000            | 169,140                | 57,796                                       | 878,936             |
| 2016             | 10,298,000           | 7,132,000           | 21,542,473                     | 364,000                       | 713,200            | 185,025                | 62,426                                       | 960,651             |
| 2017             | 11,374,000           | 7,876,000           | 23,788,903                     | 372,000                       | 787,600            | 204,319                | 63,798                                       | 1,055,717           |
| 2018             | 11,737,000           | 8,135,000           | 24,572,076                     | 379,000                       | 813,500            | 211,046                | 64,999                                       | 1,089,544           |
| 2019             | 12,073,000           | 8,362,000           | 25,257,353                     | 387,000                       | 836,200            | 216,931                | 66,371                                       | 1,119,502           |
| 2020             | 12,443,000           | 8,621,000           | 26,040,527                     | 394,000                       | 862,100            | 223,658                | 67,571                                       | 1,153,329           |
| 2021             | 12,817,000           | 8,880,000           | 26,823,701                     | 402,000                       | 888,000            | 230,384                | 68,943                                       | 1,187,327           |
| 2022             | 13,194,000           | 9,140,000           | 27,606,875                     | 410,000                       | 914,000            | 237,111                | 70,315                                       | 1,221,426           |
| 2023             | 13,608,000           | 9,431,000           | 28,487,945                     | 419,000                       | 943,100            | 244,678                | 71,859                                       | 1,259,637           |
| 2024             | 13,993,000           | 9,691,000           | 29,271,119                     | 427,000                       | 969,100            | 251,405                | 73,231                                       | 1,293,735           |
| <b>Total</b>     |                      |                     |                                |                               |                    |                        |  |                     |
| <b>2015-2024</b> | <b>\$120,953,000</b> | <b>\$83,788,000</b> | <b>\$253,083,980</b>           | <b>\$3,891,000</b>            | <b>\$8,378,800</b> | <b>\$2,173,697</b>     | <b>\$667,307</b>                             | <b>\$11,219,804</b> |

<sup>1</sup>Other Expenditure is based on Direct and Indirect Spending by hotel visitors not including lodging accommodations.

<sup>2</sup>Sales tax revenue was estimated at 1.0 percent of meals, beverages, and shopping/gifts spending and 0.05% of other spending

<sup>3</sup>Based on 17.15% of total property tax to the City

## Fiscal Impact Conclusions

The estimated total tax impact for Newport Beach local agencies of Scenario 1 over a 10 year period is \$7.9 million and \$638,200 in a representative year, comprising transient occupancy tax, sales tax, and possessory interest tax. The estimated total impact for Scenario 2 is \$11.2 million over a 10-year period and \$911,600 in a representative year.

### **C. RESIDUAL LAND VALUE ANALYSIS**

We have performed a residual land value analysis for each development scenario. In preparing this study, we evaluated the proposed development as a 78-room upscale boutique hotel and as a 120-room upscale boutique hotel, including ancillary amenities and facilities. Our analyses incorporate the following assumptions for both development scenarios:

- The total land area of the subject site is 4.2 acres, including the land under the fire station. The hotel will be developed on approximately 0.5 acres. The existing fire station will be demolished and rebuilt at approximately the same location, with half of the costs of construction assessed to the hotel.
- There will be 100 surface parking spaces totaling approximately 0.9 acres in Scenario 1 (78-rooms) and 150 surface parking spaces totaling approximately 1.3 acres in Scenario 2 (120-rooms).
- A public plaza and promenade will be developed on approximately 1.21 acres of the site. Land value offsets associated with the public plaza and promenade have been included in the analysis.

### **METHODOLOGY**

In order to derive residual land value estimates, we have performed a development cost estimate using the Marshall Valuation Service for the cost of constructing the proposed facility for each development scenario. This includes development of improvements and soft costs. The next step was then to develop an opinion of value for the completed facility based on comparable property operations and discounting the projection of revenue and expenses. The net difference between the total development cost and the value upon completion yields the gross land value.

### **PRESENTATION OF ANALYSES**

#### **SCENARIO 1 – 78 ROOM HOTEL**

We have evaluated the proposed development. We took into consideration the room count, total floor area calculations, and parking facilities, as well as the cost of constructing a new fire station. We have penetrated the property into the competitive market and projected occupancy, ADR, and operating performance. The following table summarizes the scenario:



| Summary of Scenario       |                  |
|---------------------------|------------------|
| Hotel Type:               | Upscale Boutique |
| Keys:                     | 78               |
| Square Feet of Buildings: | 58,500           |
| Parking Spaces:           | 100              |
| Average Daily Rate:       | \$220.00         |
| Stabilized Occupancy:     | 76%              |
| PKF Consulting            |                  |

## DEVELOPMENT COST ANALYSIS

In order to derive a development cost estimate, we:

- Estimated development costs for the new improvements, including all direct and indirect costs associated with the building; and
- Added the estimated cost of personal property (furniture, fixtures, and equipment) and soft costs that may be included in the total property value, including working capital, and pre-opening marketing expenses.

### Direct and Indirect Costs

A development cost estimate was formulated utilizing Marshall & Swift Valuation Services, a comprehensive cost model. The development cost for the improvements is supported by comparable property development budgets and actual construction costs, as presented in the following section. The cost estimate includes all hard and soft construction costs, including:

- Development of structural improvements;
- Average architects' and engineers' fees, including plans, building permits, and surveys to establish building lines and grades;
- Normal interest on building funds during periods of construction and associated processing fees or service charges;
- Sales taxes on materials;
- Normal site preparation, including excavation for foundation and backfill;
- Utilities from the structure to lot-line figured for typical setback;
- Contractors' overhead and profit, including job supervision, workers' compensation, fire and liability insurance, and unemployment insurance; and
- Developer Fee.

### **Building Improvements**

Building improvements include all structural improvements, site improvements such as landscaping, and level of construction quality and facilities. This value of the improvements also takes into account a sprinkler system throughout the project, as well as the construction type and mechanical systems. Based on a Class D Excellent construction building, as defined by Marshall and Swift, this cost is estimated at \$212.67 per square foot. We used a square footage of 58,500 square feet per the redevelopment assumptions provided by the City. We used a basis of \$2,000 per space for surface parking.

### **Personal Property**

Personal property, more commonly known as furniture, fixtures, and equipment (FF&E), is a critical component in the operation of a hotel, and is commonly sold with the building. FF&E includes the hotel's guest room and public area furnishings, kitchen equipment and service/maintenance equipment, and other machinery. The subject hotel will be an upscale hotel. We used a basis of \$35,000 per room for FF&E.

### **Indirect Costs**

In addition to the foregoing direct costs, there are indirect costs associated with the development of a hotel. Typical indirect costs include legal, title and escrow fees, real estate taxes, financing costs, and working capital.

**Legal, title, and escrow fees** represent the costs in each of these areas to complete the development of the property. We have estimated these costs at approximately \$5,000 per room.

**Real estate taxes** represent the amount of property tax associated with the land and improvements of the project incurred during the development period, estimated to be eighteen months. After opening, the property tax would be assessed on the full value of the land, personal property and improvements. We have estimated these costs at approximately 1.12 percent of total direct cost.

**Contingency Fees** represent the costs associated with having a reserve in the case of unexpected cost overruns, delays, or damages to the on-going construction process. We have estimated these costs at approximately 5.0 percent of total direct cost.

**Pre-opening and working capital costs** include pre-opening marketing, training and administrative expenditures as well as a working capital reserve to maintain adequate cash flow until the hotel achieves a break-even point. Also included in this category are the costs of operating supplies to properly outfit the hotel. We have estimated these costs at approximately \$5,000 per room.

**Financing costs** represent the costs associated with obtaining construction and permanent financing for the subject. This cost is primarily composed of “points” associated with these loans. We have estimated financing costs at 2.5 percent of total financed amount based on a 60.0 percent loan to value ratio of total development costs.

**Developer Fee** represents the cost associated with compensation to the developer for time and risk involved to develop the project. We have estimated developer fee at 5.0 percent of direct costs.

### Conclusion of Development Costs

Based on the above analysis, the total development costs are estimated to be as follows:

| <b>Newport Beach Hotel - 78 Rooms<br/>Development Cost estimate</b> |                     |
|---|---------------------|
| <b>Direct Costs</b>   |                     |
| Building Improvements and Site Improvements                         | \$12,813,911        |
| Personal Property (FF&E)  | 2,730,000           |
| <b>Total Direct Costs</b>   | <b>15,543,911</b>   |
| <b>Indirect Costs</b>   |                     |
| Legal, Title, and Escrow Fees                                       | 390,000             |
| Real Estate Taxes   | 348,184             |
| Contingency Fees  | 777,000             |
| Pre-Opening Expenses and Working Capital                            | 390,000             |
| Developer Fee (5% OF Direct Costs)                                  | 777,196             |
| <b>Total Indirect Costs</b>   | <b>2,682,379</b>    |
| <b>Total Development Cost before Financing</b>                      | <b>18,226,291</b>   |
| Financing Costs   | 262,000             |
| <b>Total Direct and Indirect Costs with Financing</b>               | <b>18,488,291</b>   |
| Round to  | <b>\$18,500,000</b> |
| Source: <b>PKF Consulting</b>                                       |                     |

The following table summarizes the development cost estimate:

| <b>Summary of Development Cost</b>    |                  |
|---------------------------------------|------------------|
| Hotel Type:                           | Upscale Boutique |
| Keys:                                 | 78               |
| Square Feet:                          | 58,500           |
| Development:                          | \$18,500,000     |
| Per Key:                              | \$237,200        |
| PKF Consulting and Marshall Valuation |                  |

In order to test the reasonableness of this cost estimate, the following table presents actual development cost budgets for four full service hotels, including only hard and soft costs, but not land value. While these budgets were for actual projects, they may not have all been constructed for various reasons.

| Actual Development Budgets<br>(Direct and Indirect Costs, not including land) |                             |        |                 |              |              |
|---|-----------------------------|--------|-----------------|--------------|--------------|
| No.   | Project                     | Date   | Number of Units | Cost         | Cost Per Key |
| 1   | Proposed Hotel Carlsbad     | Jul-06 | 75              | \$21,600,150 | \$288,002    |
| 2   | Proposed Hotel San Diego    | Jan-07 | 250             | 90,000,000   | 360,000      |
| 3   | Proposed Hotel Carlsbad     | Feb-06 | 250             | 55,566,000   | 222,264      |
| 4   | Proposed Hotel Palm Springs | Oct-06 | 200             | 54,525,648   | 272,628      |

Note that the lodging facilities present a range in quality and service relative to the subject's upscale boutique property.

This development estimate is designed to present reasonable cost assumptions for an upscale boutique hotel property in the City of Newport Beach. Based on current positioning of comparable lodging facilities within similar markets in Southern California, and the projected similar quality level of a proposed lodging facility for the subject site, we find that the development cost estimate is reasonable.

## VALUATION OF HOTEL

The next step is to develop an estimate of value of the hotel. A common technique often used in estimating value by the Income Capitalization Approach is the discounted cash flow method (DCF). In the DCF, the value of a property is the present value of the net operating income of the property in each year of a holding period (here assumed to be ten years) and the value of the property when sold at the end of the holding period (the reversion). The present value of these elements is obtained by applying a market-derived discount rate. The value of the reversion is obtained through the capitalization of the adjusted income in the eleventh year, which should be a normalized or typical year, with a deduction for the costs of sale. The cash flow projection over the holding period is based on the stabilized year estimate, adjusted to reflect such factors as change in room rates, occupancy, inflation, and the fixed and variable components of each revenue and expense item.

The subject has been valued based on an opening date of January 1, 2015. The valuation period consists of ten full calendar years. Our projections of revenues and expenses are based on a review of comparable property financials, presented in the addenda.

## Hotel Value Conclusion

For the purposes of our analysis, we have used a going in capitalization rate of 8.0 percent and a discount rate of 11.0 percent. We have considered investor survey input, published in PKF Consulting's *Hospitality Investment Survey 2012*, Korpacz and RERC's *Investor Survey, First Quarter 2012 and Second Quarter 2012*, respectively. These surveys present capitalization rates. Typically, in today's investment environment, there is a 50 basis point adjustment applied to the going-in capitalization rate to derive the terminal capitalization rate. This accounts for the 10-year holding period.

The following table presents the 10-year stream of net operating income (NOI), as well as the reversion of the property at the end of year 10. Based on the resulting calculations, we have derived a prospective market value of the proposed subject, as presented in the table below.

| <b>Newport Beach Hotel Scenario 1 – 78 Rooms</b> |                  |               |                  |                         |
|--|------------------|---------------|------------------|-------------------------|
| <b>Valuation – Discounted Cash Flow</b>          |                  |               |                  |                         |
| Period   | Number of Months | Projected NOI | 11.00% PV Factor | Unrounded Present Value |
| 2015   | 12               | \$ 1,931,000  | 0.900901         | \$1,739,640             |
| 2016   | 24               | 2,208,000     | 0.811622         | 1,792,062               |
| 2017   | 36               | 2,477,000     | 0.731191         | 1,811,161               |
| 2018   | 48               | 2,563,000     | 0.658731         | 1,688,327               |
| 2019   | 60               | 2,643,000     | 0.593451         | 1,568,492               |
| 2020   | 72               | 2,727,000     | 0.534641         | 1,457,966               |
| 2021   | 84               | 2,802,000     | 0.481658         | 1,349,607               |
| 2022   | 96               | 2,897,000     | 0.433926         | 1,257,085               |
| 2023   | 108              | 2,989,000     | 0.390925         | 1,168,474               |
| 2024   | 120              | 3,078,000     | 0.352184         | 1,084,024               |
| Reversion  |                  | 35,675,750    | 0.352184         | 12,564,445              |
|  |                  |               |                  | <u>\$27,481,283</u>     |
| ROUNDED  |                  |               |                  | \$27,500,000            |

Based on a discounted cash flow analysis, our estimate of the market value of the proposed hotel upon completion is \$27,500,000. This equates to \$352,600 per room.

## LAND VALUE ESTIMATE

Based on our estimates of development costs and valuation of the proposed facilities, we arrived at an estimated gross land value of \$9,000,000. We then need to deduct the land value offsets associated with the development of the public plaza and promenade. According to the City's preliminary development budget, these costs are estimated as follows:

| <b>Public Plaza and Promenade Development Cost Estimates</b> |                                 |                                  |
|--|---------------------------------|----------------------------------|
|  | Option A<br>(nice improvements) | Option B<br>(nicer improvements) |
| Main Plaza - Newport & 32nd                                  | \$1,212,363                     | \$2,359,743                      |
| Northern Promenade - City only (65%)                         | 272,208                         | 575,836                          |
| 32nd Street - Newport to Lafayette                           | 1,078,055                       | 2,121,237                        |
| Via Malaga Plaza   | 371,534                         | 773,039                          |
| Via Oporto Plaza   | 522,859                         | 1,007,750                        |
| Fire Station Reconstruction Allocation                       | 2,112,500                       | 2,112,500                        |
|  | <u>\$5,569,519</u>              | <u>\$8,950,105</u>               |

The following tables present our estimated net land value conclusions after incorporating the above land value offsets.



| Net Land Value -              |                    |                 |
|-------------------------------|--------------------|-----------------|
|                               | OPTION A           | OPTION B        |
| Hotel Value as Completed      | \$27,500,000       | \$27,500,000    |
| Total Construction Cost       | (18,500,000)       | (18,500,000)    |
| Estimated Gross Land Value    | 9,000,000          | 9,000,000       |
| Land Value Offsets            | (5,569,519)        | (8,950,105)     |
| Net Land Value                | <b>\$3,430,481</b> | <b>\$49,895</b> |
| Source: <b>PKF Consulting</b> |                    |                 |

## GROUND RENT

The proposed hotel is to be developed on leased land from the City of Newport Beach. As such, the City will collect annual ground lease payments from the hotel owner/operator. We have estimated annual ground lease payments by applying an annual lease rate to the net land value. Based on our understanding of general commercial and residential multi-family ground leases, we have applied a 10.0 percent ground lease rate to the property. This results in annual ground lease payments of \$343,000 and \$5,000, for Options A and B, respectively.

## SCENARIO 2 – 120 ROOM HOTEL

We have evaluated the proposed development. We took into consideration the room count, total floor area calculations, and parking facilities. We have penetrated the property into the competitive market and projected occupancy, ADR, and operating performance. The following table summarizes the scenario:

| Summary of Scenario       |                  |
|---------------------------|------------------|
| Hotel Type:               | Upscale Boutique |
| Keys:                     | 120              |
| Square Feet of Buildings: | 90,000           |
| Parking Spaces:           | 150              |
| Average Daily Rate:       | \$210.00         |
| Stabilized Occupancy:     | 74%              |
| PKF Consulting            |                  |

## DEVELOPMENT COST ANALYSIS

In order to derive a development cost estimate, we:

- Estimated development costs for the new improvements, including all direct and indirect costs associated with the building; and
- Added the estimated cost of personal property (furniture, fixtures, and equipment) and soft costs that may be included in the total property value, including working capital, and pre-opening marketing expenses.

### **Direct and Indirect Costs**

A development cost estimate was formulated utilizing Marshall & Swift Valuation Services, a comprehensive cost model. The development cost for the improvements is supported by comparable property development budgets and actual construction costs, as presented in the following section. The cost estimate includes all hard and soft construction costs, including:

- Development of structural improvements;
- Average architects' and engineers' fees, including plans, building permits, and surveys to establish building lines and grades;
- Normal interest on building funds during periods of construction and associated processing fees or service charges;
- Sales taxes on materials;
- Normal site preparation, including excavation for foundation and backfill;
- Utilities from the structure to lot-line figured for typical setback;
- Contractors' overhead and profit, including job supervision, workers' compensation, fire and liability insurance, and unemployment insurance; and
- Developer Fee.

### **Building Improvements**

Building improvements include all structural improvements, site improvements such as landscaping, and level of construction quality and facilities. This value of the improvements also takes into account a sprinkler system throughout the project, as well as the construction type and mechanical systems. Based on a Class C Excellent construction building, as defined by Marshall and Swift, this cost is estimated at \$226.70 per square foot. We used a square footage of 90,000 square feet per the redevelopment assumptions provided by the City. We used a basis of \$2,000 per space for surface parking.

### **Personal Property**

Personal property, more commonly known as furniture, fixtures, and equipment (FF&E), is a critical component in the operation of a hotel, and is commonly sold with the building. FF&E includes the hotel's guest room and public area furnishings, kitchen equipment and service/maintenance equipment, and other machinery. The subject hotel will be an upscale hotel. We used a basis of \$35,000 per room for FF&E.

### **Indirect Costs**

In addition to the foregoing direct costs, there are indirect costs associated with the development of a hotel. Typical indirect costs include legal, title and escrow fees, real estate taxes, financing costs, and working capital.

**Legal, title, and escrow fees** represent the costs in each of these areas to complete the development of the property. We have estimated these costs at approximately \$5,000 per room.

**Real estate taxes** represent the amount of property tax associated with the land and improvements of the project incurred during the development period, estimated to be eighteen months. After opening, the property tax would be assessed on the full value of the land, personal property and improvements. We have estimated these costs at approximately 1.12 percent of total direct cost.

**Contingency Fees** represent the costs associated with having a reserve in the case of unexpected cost overruns, delays, or damages to the on-going construction process. We have estimated these costs at approximately 5.0 percent of total direct cost.

**Pre-opening and working capital costs** include pre-opening marketing, training and administrative expenditures as well as a working capital reserve to maintain adequate cash flow until the hotel achieves a break-even point. Also included in this category are the costs of operating supplies to properly outfit the hotel. We have estimated these costs at approximately \$5,000 per room.

**Financing costs** represent the costs associated with obtaining construction and permanent financing for the subject. This cost is primarily composed of “points” associated with these loans. We have estimated financing costs at 2.5 percent of total financed amount based on a 60.0 percent loan to value ratio of total development costs.

**Developer Fee** represents the cost associated with compensation to the developer for time and risk involved to develop the project. We have estimated developer fee at 5.0 percent of direct costs.

### **Conclusion of Development Costs**

Based on the above analysis, the total development costs are estimated to be as follows:

| <b>Newport Beach Hotel - 120 Rooms<br/>Development Cost Estimate</b> |                     |
|--|---------------------|
| <b>Direct Costs</b>  |                     |
| Building Improvements and Site Improvements                          | \$20,875,339        |
| Personal Property (FF&E)   | <u>4,200,000</u>    |
| <b>Total Direct Costs</b>  | <b>25,075,339</b>   |
| <b>Indirect Costs</b>  |                     |
| Legal, Title, and Escrow Fees  | 600,000             |
| Real Estate Taxes  | 561,688             |
| Contingency Fees   | 1,254,000           |
| Pre-Opening Expenses and Working Capital                             | 600,000             |
| Developer Fee (5% OF Direct Costs)                                   | <u>1,253,767</u>    |
| <b>Total Indirect Costs</b>  | <b>4,269,455</b>    |
| <b>Total Development Cost before Financing</b>                       | <b>29,344,793</b>   |
| Financing Costs  | <u>421,000</u>      |
| <b>Total Direct and Indirect Costs with Financing</b>                | <b>\$29,765,793</b> |
| Round to   | <b>\$29,800,000</b> |
| Source: <b>PKF Consulting</b>  |                     |

The following table summarizes the development cost estimate:

| <b>Summary of Development Cost</b>    |                  |
|---------------------------------------|------------------|
| Hotel Type:                           | Upscale Boutique |
| Keys:                                 | 120              |
| Square Feet:                          | 90,000           |
| Development:                          | \$29,800,000     |
| Per Key:                              | \$248,300        |
| PKF Consulting and Marshall Valuation |                  |

## VALUATION OF HOTEL

The next step is to develop an estimate of value of the hotel. A common technique often used in estimating value by the Income Capitalization Approach is the discounted cash flow method (DCF). In the DCF, the value of a property is the present value of the net operating income of the property in each year of a holding period (here assumed to be ten years) and the value of the property when sold at the end of the holding period (the reversion). The present value of these elements is obtained by applying a market-derived discount rate. The value of the reversion is obtained through the capitalization of the adjusted income in the eleventh year, which should be a normalized or typical year, with a deduction for the costs of sale. The cash flow projection over the holding period is based on the stabilized year estimate, adjusted to reflect such factors as change in room rates, occupancy, inflation, and the fixed and variable components of each revenue and expense item.

The subject has been valued based on an opening date of January 1, 2015. The valuation period consists of ten full calendar years. Our projections of revenues and expenses are based on a review of comparable property financials, presented in the addenda.

## Hotel Value Conclusion

For the purposes of our analysis, we have used a terminal capitalization rate of 8.0 percent and a discount rate of 11.0 percent. We have considered investor survey input, published in PKF Consulting's *Hospitality Investment Survey 2012*, Korpacz and RERC's *Investor Survey, First Quarter 2012* and *Second Quarter 2012*, respectively. These surveys present capitalization rates. Typically, in today's investment environment, there is a 50 basis point adjustment applied to the going-in capitalization rate to derive the terminal capitalization rate. This accounts for the 10-year holding period.

The following table presents the 10-year stream of net operating income (NOI), as well as the reversion of the property at the end of year 10. Based on the resulting calculations, we have derived a prospective market value of the proposed subject, as presented in the table below.

| Newport Beach Hotel Scenario 2 – 120 Rooms<br>Valuation – Discounted Cash Flow |                     |                  |                     |                               |
|--|---------------------|------------------|---------------------|-------------------------------|
| Period   | Number of<br>Months | Projected<br>NOI | 11.00%<br>PV Factor | Unrounded<br>Present<br>Value |
| 2015   | 12                  | \$ 2,813,000     | 0.900901            | \$2,534,234                   |
| 2016   | 24                  | 3,199,000        | 0.811622            | 2,596,380                     |
| 2017   | 36                  | 3,716,000        | 0.731191            | 2,717,107                     |
| 2018   | 48                  | 3,852,000        | 0.658731            | 2,537,432                     |
| 2019   | 60                  | 3,956,000        | 0.593451            | 2,347,693                     |
| 2020   | 72                  | 4,086,000        | 0.534641            | 2,184,542                     |
| 2021   | 84                  | 4,213,000        | 0.481658            | 2,029,227                     |
| 2022   | 96                  | 4,338,000        | 0.433926            | 1,882,373                     |
| 2023   | 108                 | 4,488,000        | 0.390925            | 1,754,470                     |
| 2024   | 120                 | 4,605,000        | 0.352184            | 1,621,810                     |
| Reversion  |                     | 53,190,000       | 0.352184            | 18,732,692                    |
| ROUNDED  |                     |                  |                     | \$40,937,962                  |
|  |                     |                  |                     | ROUNDED \$40,900,000          |

Based on a discounted cash flow analysis, our estimate of the market value of the proposed hotel upon completion is \$40,900,000. This equates to \$340,800 per room.

## LAND VALUE ESTIMATE

Based on our estimates of development costs and valuation of the proposed facilities, we arrived at an estimated gross land value of \$11,100,000. We then need to deduct the land value offsets associated with the development of the public plaza and promenade. According to the City's preliminary development budget, these costs are estimated as follows:



| Public Plaza and Promenade Development Cost Estimates |                                 |                                  |
|---|---------------------------------|----------------------------------|
|   | Option A<br>(nice improvements) | Option B<br>(nicer improvements) |
| Main Plaza - Newport & 32nd                           | \$1,212,363                     | \$2,359,743                      |
| Northern Promenade - City only (65%)                  | 272,208                         | 575,836                          |
| 32nd Street - Newport to Lafayette                    | 1,078,055                       | 2,121,237                        |
| Via Malaga Plaza                                      | 371,534                         | 773,039                          |
| Via Oporto Plaza                                      | 522,859                         | 1,007,750                        |
| Fire Station Reconstruction Allocation                | 2,112,500                       | 2,112,500                        |
|   | \$5,569,519                     | \$8,950,105                      |

The following tables present our estimated net land value conclusions after incorporating the above land value offsets.

| Net Land Value                |                    |                    |
|-------------------------------|--------------------|--------------------|
|                               | OPTION A           | OPTION B           |
| Hotel Value as Completed      | \$40,900,000       | \$40,900,000       |
| Total Construction Cost       | (29,800,000)       | (29,800,000)       |
| Estimated Gross Land Value    | 11,100,000         | 11,100,000         |
| Land Value Offsets            | (5,569,519)        | (8,950,105)        |
| Net Land Value                | <b>\$5,530,481</b> | <b>\$2,149,895</b> |
| Source: <b>PKF Consulting</b> |                    |                    |

## GROUND RENT

The proposed hotel is to be developed on leased land from the City of Newport Beach. As such, the City will collect annual ground lease payments from the hotel owner/operator. We have estimated annual ground lease payments by applying an annual lease rate to the net land value. Based on our understanding of general commercial and residential multi-family ground leases, we have applied a 10.0 percent ground lease rate to the property. This results in annual ground lease payments of \$553,000 and \$215,000, for Options A and B, respectively.

We thank you for the opportunity to conduct this study and look forward to discussing our findings with you.

Sincerely,  
PKF Consulting USA



Bruce Baltin  
Senior Vice President

## **ADDENDA**

- A. STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS*
- B. COMPARABLE HOTEL FINANCIALS*

## ***Addendum A***

### ***Statement of Assumptions and Limiting Conditions***

## **STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS**

*This report is made with the following assumptions and limiting conditions:*

**Economic and Social Trends** - The consultant assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The consultant is not obligated to predict future political, economic or social trends.

**Information Furnished by Others** - In preparing this report, the consultant was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either express or implied, is given by the consultant for the accuracy of such information and the consultant assumes no responsibility for information relied upon later found to have been inaccurate. The consultant reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

**Hidden Conditions** - The consultant assumes no responsibility for hidden or unapparent conditions of the property, subsoil, ground water or structures that render the subject property more or less valuable. No responsibility is assumed for arranging for engineering, geologic or environmental studies that may be required to discover such hidden or unapparent conditions.

**Hazardous Materials** - The consultant has not been provided any information regarding the presence of any material or substance on or in any portion of the subject property or improvements thereon, which material or substance possesses or may possess toxic, hazardous and/or other harmful and/or dangerous characteristics. Unless otherwise stated in the report, the consultant did not become aware of the presence of any such material or substance during the consultant's inspection of the subject property. However, the consultant is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the value of the subject property. The value estimated in this report is predicated on the assumption that no such material or substance is present on or in the subject property or in such proximity thereto that it would cause a loss in value. The consultant assumes no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state and local environmental laws, regulations and rules.

**Zoning and Land Use** - Unless otherwise stated, the projections were formulated assuming the hotel to be in full compliance with all applicable zoning and land use regulations and restrictions.

**Licenses and Permits** - Unless otherwise stated, the property is assumed to have all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

**Engineering Survey** - No engineering survey has been made by the consultant. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.

**Subsurface Rights** - No opinion is expressed as to the value of subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

**Maps, Plats and Exhibits** - Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.

**Legal Matters** - No opinion is intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants.

**Right of Publication** - Possession of this report, or a copy of it, does not carry with it the right of publication. Without the written consent of the consultant, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with proper written qualification and only in its entirety for its stated purpose.

## **STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS**

(continued)

**Testimony in Court** - Testimony or attendance in court or at any other hearing is not required by reason of rendering this report, unless such arrangements are made a reasonable time in advance of said hearing. Further, unless otherwise indicated, separate arrangements shall be made concerning compensation for the consultant's time to prepare for and attend any such hearing.

**Archeological Significance** - No investigation has been made by the consultant and no information has been provided to the consultant regarding potential archeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archeological significance.

**Compliance with the American Disabilities Act** - The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We assumed that the property will be in direct compliance with the various detailed requirements of the ADA.

**Definitions and Assumptions** - The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and are to be part of these general assumptions as if included here in their entirety.

**Dissemination of Material** - Neither all nor any part of the contents of this report shall be disseminated to the general public through advertising or sales media, public relations media, news media or other public means of communication without the prior written consent and approval of the consultant(s).

**Distribution and Liability to Third Parties** - The party for whom this report was prepared may distribute copies of this report only in its entirety to such third parties as may be selected by the party for whom this report was prepared; however, portions of this report shall not be given to third parties without our written consent. Liability to third parties will not be accepted.

**Use in Offering Materials** - This report, including all cash flow forecasts, market surveys and related data, conclusions, exhibits and supporting documentation, may not be reproduced or references made to the report or to PKF Consulting in any sale offering, prospectus, public or private placement memorandum, proxy statement or other document ("Offering Material") in connection with a merger, liquidation or other corporate transaction unless PKF Consulting has approved in writing the text of any such reference or reproduction prior to the distribution and filing thereof.

**Limits to Liability** - PKF Consulting cannot be held liable in any cause of action resulting in litigation for any dollar amount which exceeds the total fees collected from this individual engagement.

**Legal Expenses** - Any legal expenses incurred in defending or representing ourselves concerning this assignment will be the responsibility of the client.



***Addendum B***

***Scenario 1(78-Rooms)***

***Representative Year Operating Statement  
and 10-Year Projected Operating Results***

**Proposed Newport Beach Hotel (78)**  
Representative Year of Operation

Number of Units:  
Number of Annual Rooms Available:  
Number of Rooms Occupied:  
Annual Occupancy:  
Average Daily Rate:  
Revenue Per Available Room:

**Stated in 2012 Dollars**

78  
28,470  
21,637  
76.0%  
\$220.00  
\$167.20

**Revenues**

Rooms  
Food & Beverage  
Other Operated Departments  
Rentals and Other Income  
Total Revenues

| Amount      | Ratio  | Per Room | P.O.R.   |
|-------------|--------|----------|----------|
| \$4,760,000 | 68.2%  | \$61,026 | \$219.99 |
| 1,839,000   | 26.4%  | 23,577   | 84.99    |
| 325,000     | 4.7%   | 4,167    | 15.02    |
| 54,000      | 0.8%   | 692      | 2.50     |
| 6,978,000   | 100.0% | 89,462   | 322.50   |

**Departmental Expenses**

Rooms  
Food & Beverage  
Other Operated Departments  
Total Departmental Expenses

|           |       |        |        |
|-----------|-------|--------|--------|
| 1,168,000 | 24.5% | 14,974 | 53.98  |
| 1,435,000 | 78.0% | 18,397 | 66.32  |
| 179,000   | 55.1% | 2,295  | 8.27   |
| 2,782,000 | 39.9% | 35,667 | 128.57 |

**Departmental Profit**

|           |       |        |        |
|-----------|-------|--------|--------|
| 4,196,000 | 60.1% | 53,795 | 193.93 |
|-----------|-------|--------|--------|

**Undistributed Expenses**

Administrative & General  
Marketing  
Property Operation and Maintenance  
Utility Costs  
Total Undistributed Operating Expenses

|           |       |        |       |
|-----------|-------|--------|-------|
| 647,000   | 9.3%  | 8,295  | 29.90 |
| 296,000   | 4.2%  | 3,795  | 13.68 |
| 234,000   | 3.4%  | 3,000  | 10.81 |
| 140,000   | 2.0%  | 1,795  | 6.47  |
| 1,317,000 | 18.9% | 16,885 | 60.87 |

**Gross Operating Profit**

|           |       |        |        |
|-----------|-------|--------|--------|
| 2,879,000 | 41.3% | 36,910 | 133.06 |
|-----------|-------|--------|--------|

**Base Management Fee**

|         |      |       |      |
|---------|------|-------|------|
| 209,000 | 3.0% | 2,679 | 9.66 |
|---------|------|-------|------|

**Fixed Expenses**

Property Taxes  
Insurance  
Total Fixed Expenses

|         |      |       |       |
|---------|------|-------|-------|
| 226,000 | 3.2% | 2,897 | 10.44 |
| 23,000  | 0.3% | 295   | 1.06  |
| 249,000 | 3.6% | 3,192 | 11.51 |

**Net Operating Income Before Reserve**

|           |       |        |        |
|-----------|-------|--------|--------|
| 2,421,000 | 34.7% | 31,038 | 111.89 |
|-----------|-------|--------|--------|

**FF&E Reserve**

|         |      |       |       |
|---------|------|-------|-------|
| 279,000 | 4.0% | 3,577 | 12.89 |
|---------|------|-------|-------|

**Net Operating Income After Reserve**

|             |       |          |         |
|-------------|-------|----------|---------|
| \$2,142,000 | 30.7% | \$27,462 | \$99.00 |
|-------------|-------|----------|---------|

Source: **PKF Consulting USA**

**Proposed Newport Beach Hotel (78)**Projected Operating Results  
Calendar YearsNumber of Units:  
Number of Annual Rooms Available:  
Number of Rooms Occupied:  
Annual Occupancy:  
Average Daily Rate:  
Revenue Per Available Room:

## Revenues

Rooms  
Food & Beverage  
Other Operated Departments  
Rentals and Other Income  
Total Revenues

## Departmental Expenses

Rooms  
Food & Beverage  
Other Operated Departments  
Total Departmental Expenses

## Departmental Profit

## Undistributed Expenses

Administrative & General  
Marketing  
Property Operation and Maintenance  
Utility Costs  
Total Undistributed Operating Expenses

## Gross Operating Profit

## Base Management Fee

## Fixed Expenses

Property Taxes  
Insurance  
Total Fixed Expenses

## Net Operating Income Before Reserve

## FF&amp;F Reserve

## Net Operating Income After Reserve

Source: **PKF Consulting USA**

| 2015        |        |  |
|-------------|--------|--|
| 78          |        |  |
| 28,470      |        |  |
| 19,360      |        |  |
| 68.0%       |        |  |
| \$240.00    |        |  |
| \$163.20    |        |  |
| Amount      | Ratio  |  |
| \$4,646,000 | 68.2%  |  |
| 1,798,000   | 26.4%  |  |
| 317,000     | 4.7%   |  |
| 53,000      | 0.8%   |  |
| 6,814,000   | 100.0% |  |

|           |       |  |
|-----------|-------|--|
| 1,210,000 | 26.0% |  |
| 1,469,000 | 81.7% |  |
| 175,000   | 55.2% |  |
| 2,854,000 | 41.9% |  |

|           |       |  |
|-----------|-------|--|
| 3,960,000 | 58.1% |  |
|-----------|-------|--|

|           |       |  |
|-----------|-------|--|
| 690,000   | 10.1% |  |
| 324,000   | 4.8%  |  |
| 256,000   | 3.8%  |  |
| 153,000   | 2.2%  |  |
| 1,423,000 | 20.9% |  |

|           |       |  |
|-----------|-------|--|
| 2,537,000 | 37.2% |  |
|-----------|-------|--|

|         |      |  |
|---------|------|--|
| 204,000 | 3.0% |  |
|---------|------|--|

|         |      |  |
|---------|------|--|
| 240,000 | 3.5% |  |
| 26,000  | 0.4% |  |
| 266,000 | 3.9% |  |

|           |       |  |
|-----------|-------|--|
| 2,067,000 | 30.3% |  |
|-----------|-------|--|

|         |      |  |
|---------|------|--|
| 136,000 | 2.0% |  |
|---------|------|--|

|             |       |  |
|-------------|-------|--|
| \$1,931,000 | 28.3% |  |
|-------------|-------|--|

Full Year of Operation

| 2016        |        |  |
|-------------|--------|--|
| 78          |        |  |
| 28,470      |        |  |
| 20,500      |        |  |
| 72.0%       |        |  |
| \$248.00    |        |  |
| \$178.56    |        |  |
| Amount      | Ratio  |  |
| \$5,084,000 | 68.3%  |  |
| 1,961,000   | 26.3%  |  |
| 346,000     | 4.6%   |  |
| 58,000      | 0.8%   |  |
| 7,449,000   | 100.0% |  |

|           |       |  |
|-----------|-------|--|
| 1,280,000 | 25.2% |  |
| 1,564,000 | 79.8% |  |
| 190,000   | 54.9% |  |
| 3,034,000 | 40.7% |  |

|           |       |  |
|-----------|-------|--|
| 4,415,000 | 59.3% |  |
|-----------|-------|--|

|           |       |  |
|-----------|-------|--|
| 720,000   | 9.7%  |  |
| 334,000   | 4.5%  |  |
| 263,000   | 3.5%  |  |
| 158,000   | 2.1%  |  |
| 1,475,000 | 19.8% |  |

|           |       |  |
|-----------|-------|--|
| 2,940,000 | 39.5% |  |
|-----------|-------|--|

|         |      |  |
|---------|------|--|
| 223,000 | 3.0% |  |
|---------|------|--|

|         |      |  |
|---------|------|--|
| 260,000 | 3.5% |  |
| 26,000  | 0.3% |  |
| 286,000 | 3.8% |  |

|           |       |  |
|-----------|-------|--|
| 2,431,000 | 32.6% |  |
|-----------|-------|--|

|         |      |  |
|---------|------|--|
| 223,000 | 3.0% |  |
|---------|------|--|

|             |       |  |
|-------------|-------|--|
| \$2,208,000 | 29.6% |  |
|-------------|-------|--|

| 2017        |        |  |
|-------------|--------|--|
| 78          |        |  |
| 28,470      |        |  |
| 21,640      |        |  |
| 76.0%       |        |  |
| \$263.00    |        |  |
| \$193.80    |        |  |
| Amount      | Ratio  |  |
| \$5,518,000 | 68.2%  |  |
| 2,132,000   | 26.4%  |  |
| 376,000     | 4.6%   |  |
| 63,000      | 0.8%   |  |
| 8,089,000   | 100.0% |  |

|           |       |  |
|-----------|-------|--|
| 1,355,000 | 24.6% |  |
| 1,663,000 | 78.0% |  |
| 207,000   | 55.1% |  |
| 3,225,000 | 39.9% |  |

|           |       |  |
|-----------|-------|--|
| 4,864,000 | 60.1% |  |
|-----------|-------|--|

|           |       |  |
|-----------|-------|--|
| 750,000   | 9.3%  |  |
| 344,000   | 4.3%  |  |
| 271,000   | 3.4%  |  |
| 163,000   | 2.0%  |  |
| 1,528,000 | 18.9% |  |

|           |       |  |
|-----------|-------|--|
| 3,336,000 | 41.2% |  |
|-----------|-------|--|

|         |      |  |
|---------|------|--|
| 243,000 | 3.0% |  |
|---------|------|--|

|         |      |  |
|---------|------|--|
| 265,000 | 3.3% |  |
| 27,000  | 0.3% |  |
| 292,000 | 3.6% |  |

|           |       |  |
|-----------|-------|--|
| 2,801,000 | 34.6% |  |
|-----------|-------|--|

|         |      |  |
|---------|------|--|
| 324,000 | 4.0% |  |
|---------|------|--|

|             |       |  |
|-------------|-------|--|
| \$2,477,000 | 30.6% |  |
|-------------|-------|--|

| 2018        |        |  |
|-------------|--------|--|
| 78          |        |  |
| 28,470      |        |  |
| 21,640      |        |  |
| 76.0%       |        |  |
| \$271.00    |        |  |
| \$199.88    |        |  |
| Amount      | Ratio  |  |
| \$5,691,000 | 68.2%  |  |
| 2,196,000   | 26.3%  |  |
| 388,000     | 4.7%   |  |
| 65,000      | 0.8%   |  |
| 8,340,000   | 100.0% |  |

|           |       |  |
|-----------|-------|--|
| 1,395,000 | 24.5% |  |
| 1,713,000 | 78.0% |  |
| 213,000   | 54.9% |  |
| 3,321,000 | 39.8% |  |

|           |       |  |
|-----------|-------|--|
| 5,019,000 | 60.2% |  |
|-----------|-------|--|

|           |       |  |
|-----------|-------|--|
| 772,000   | 9.3%  |  |
| 354,000   | 4.2%  |  |
| 279,000   | 3.3%  |  |
| 168,000   | 2.0%  |  |
| 1,573,000 | 18.9% |  |

|           |       |  |
|-----------|-------|--|
| 3,446,000 | 41.3% |  |
|-----------|-------|--|

|         |      |  |
|---------|------|--|
| 250,000 | 3.0% |  |
|---------|------|--|

|         |      |  |
|---------|------|--|
| 271,000 | 3.2% |  |
| 28,000  | 0.3% |  |
| 299,000 | 3.6% |  |

|           |       |  |
|-----------|-------|--|
| 2,897,000 | 34.7% |  |
|-----------|-------|--|

|         |      |  |
|---------|------|--|
| 334,000 | 4.0% |  |
|---------|------|--|

|             |       |  |
|-------------|-------|--|
| \$2,563,000 | 30.7% |  |
|-------------|-------|--|

| 2019        |        |  |
|-------------|--------|--|
| 78          |        |  |
| 28,470      |        |  |
| 21,640      |        |  |
| 76.0%       |        |  |
| \$271.00    |        |  |
| \$205.96    |        |  |
| Amount      | Ratio  |  |
| \$5,864,000 | 68.2%  |  |
| 2,262,000   | 26.3%  |  |
| 399,000     | 4.6%   |  |
| 67,000      | 0.8%   |  |
| 8,592,000   | 100.0% |  |

|           |       |  |
|-----------|-------|--|
| 1,437,000 | 24.5% |  |
| 1,764,000 | 78.0% |  |
| 220,000   | 55.1% |  |
| 3,421,000 | 39.8% |  |

|           |       |  |
|-----------|-------|--|
| 5,171,000 | 60.2% |  |
|-----------|-------|--|

|           |       |  |
|-----------|-------|--|
| 795,000   | 9.3%  |  |
| 365,000   | 4.2%  |  |
| 288,000   | 3.4%  |  |
| 173,000   | 2.0%  |  |
| 1,621,000 | 18.9% |  |

|           |       |  |
|-----------|-------|--|
| 3,550,000 | 41.3% |  |
|-----------|-------|--|

|         |      |  |
|---------|------|--|
| 258,000 | 3.0% |  |
|---------|------|--|

|         |      |  |
|---------|------|--|
| 276,000 | 3.2% |  |
| 29,000  | 0.3% |  |
| 305,000 | 3.5% |  |

|           |       |  |
|-----------|-------|--|
| 2,987,000 | 34.8% |  |
|-----------|-------|--|

|         |      |  |
|---------|------|--|
| 344,000 | 4.0% |  |
|---------|------|--|

|             |       |  |
|-------------|-------|--|
| \$2,643,000 | 30.8% |  |
|-------------|-------|--|

## Proposed Newport Beach Hotel (78)

Projected Operating Results  
Calendar Years

|   |             |          |             |          |             |          |             |          |             |       |        |  |
|---|-------------|----------|-------------|----------|-------------|----------|-------------|----------|-------------|-------|--------|--|
| Number of Units:<br>Number of Annual Rooms Available:<br>Number of Rooms Occupied:<br>Annual Occupancy:<br>Average Daily Rate:<br>Revenue Per Available Room: | 2020        |          | 2021        |          | 2022        |          | 2023        |          | 2024        |       |        |  |
|   | 78          |          | 78          |          | 78          |          | 78          |          | 78          |       |        |  |
|   | 28,470      |          | 28,470      |          | 28,470      |          | 28,470      |          | 28,470      |       |        |  |
|   | 21,640      |          | 21,640      |          | 21,640      |          | 21,640      |          | 21,640      |       |        |  |
|   | 76.0%       |          | 76.0%       |          | 76.0%       |          | 76.0%       |          | 76.0%       |       |        |  |
|   | \$279,000   |          | \$287,000   |          | \$296,000   |          | \$305,000   |          | \$314,000   |       |        |  |
| \$212.04  |             | \$218.12 |             | \$224.96 |             | \$231.80 |             | \$238.64 |             |       |        |  |
| Amount  |             | Ratio    |             | Amount   |             | Ratio    |             | Amount   |             | Ratio |        |  |
| Revenues  |             |          |             |          |             |          |             |          |             |       |        |  |
| Rooms   | \$6,038,000 |          | \$6,211,000 |          | \$6,405,000 |          | \$6,600,000 |          | \$6,795,000 |       | 68.2%  |  |
| Food & Beverage   | 2,330,000   |          | 2,400,000   |          | 2,472,000   |          | 2,546,000   |          | 2,623,000   |       | 26.3%  |  |
| Other Operated Departments  | 411,000     |          | 424,000     |          | 436,000     |          | 449,000     |          | 463,000     |       | 4.6%   |  |
| Rentals and Other Income  | 69,000      |          | 71,000      |          | 73,000      |          | 75,000      |          | 77,000      |       | 0.8%   |  |
| Total Revenues  | 8,848,000   |          | 9,106,000   |          | 9,386,000   |          | 9,670,000   |          | 9,958,000   |       | 100.0% |  |
|   |             |          |             |          |             |          |             |          |             |       |        |  |
| Departmental Expenses   |             |          |             |          |             |          |             |          |             |       |        |  |
| Rooms   | 1,480,000   |          | 1,525,000   |          | 1,570,000   |          | 1,617,000   |          | 1,666,000   |       | 24.5%  |  |
| Food & Beverage   | 1,817,000   |          | 1,872,000   |          | 1,928,000   |          | 1,986,000   |          | 2,045,000   |       | 78.0%  |  |
| Other Operated Departments  | 226,000     |          | 233,000     |          | 240,000     |          | 247,000     |          | 255,000     |       | 55.1%  |  |
| Total Departmental Expenses   | 3,523,000   |          | 3,630,000   |          | 3,738,000   |          | 3,850,000   |          | 3,966,000   |       | 39.8%  |  |
|   |             |          |             |          |             |          |             |          |             |       |        |  |
| Departmental Profit   | 5,325,000   |          | 5,476,000   |          | 5,648,000   |          | 5,820,000   |          | 5,992,000   |       | 60.2%  |  |
|   |             |          |             |          |             |          |             |          |             |       |        |  |
| Undistributed Expenses  |             |          |             |          |             |          |             |          |             |       |        |  |
| Administrative & General  | 819,000     |          | 844,000     |          | 869,000     |          | 895,000     |          | 922,000     |       | 9.3%   |  |
| Marketing   | 375,000     |          | 387,000     |          | 398,000     |          | 410,000     |          | 423,000     |       | 4.2%   |  |
| Property Operation and Maintenance  | 296,000     |          | 305,000     |          | 314,000     |          | 324,000     |          | 334,000     |       | 3.4%   |  |
| Utility Costs   | 178,000     |          | 183,000     |          | 189,000     |          | 194,000     |          | 200,000     |       | 2.0%   |  |
| Total Undistributed Operating Expenses  | 1,668,000   |          | 1,719,000   |          | 1,770,000   |          | 1,823,000   |          | 1,879,000   |       | 18.9%  |  |
|   |             |          |             |          |             |          |             |          |             |       |        |  |
| Gross Operating Profit  | 3,657,000   |          | 3,757,000   |          | 3,878,000   |          | 3,997,000   |          | 4,113,000   |       | 41.3%  |  |
|   |             |          |             |          |             |          |             |          |             |       |        |  |
| Base Management Fee   | 265,000     |          | 273,000     |          | 282,000     |          | 290,000     |          | 299,000     |       | 3.0%   |  |
|   |             |          |             |          |             |          |             |          |             |       |        |  |
| Fixed Expenses  |             |          |             |          |             |          |             |          |             |       |        |  |
| Property Taxes  | 281,000     |          | 287,000     |          | 293,000     |          | 299,000     |          | 305,000     |       | 3.1%   |  |
| Insurance   | 30,000      |          | 31,000      |          | 31,000      |          | 32,000      |          | 33,000      |       | 0.3%   |  |
| Total Fixed Expenses  | 311,000     |          | 318,000     |          | 324,000     |          | 331,000     |          | 338,000     |       | 3.4%   |  |
|   |             |          |             |          |             |          |             |          |             |       |        |  |
| Net Operating Income Before Reserve   | 3,081,000   |          | 3,166,000   |          | 3,272,000   |          | 3,376,000   |          | 3,476,000   |       | 34.9%  |  |
|   |             |          |             |          |             |          |             |          |             |       |        |  |
| FF&E Reserve  | 354,000     |          | 364,000     |          | 375,000     |          | 387,000     |          | 398,000     |       | 4.0%   |  |
|   |             |          |             |          |             |          |             |          |             |       |        |  |
| Net Operating Income After Reserve  | \$2,727,000 |          | \$2,802,000 |          | \$2,897,000 |          | \$2,989,000 |          | \$3,078,000 |       | 30.9%  |  |

Source: **PKF Consulting USA**

***Addendum C***

***Scenario 2 (120-Rooms)***

***Representative Year Operating Statement  
and 10-Year Projected Operating Results***



**Proposed Newport Beach Hotel (120)**

Representative Year of Operation

Number of Units:  
Number of Annual Rooms Available:  
Number of Rooms Occupied:  
Annual Occupancy:  
Average Daily Rate:  
Revenue Per Available Room:

| Stated in | 2012     | Dollars |
|-----------|----------|---------|
|           | 120      |         |
|           | 43,800   |         |
|           | 32,412   |         |
|           | 74.0%    |         |
|           | \$210.00 |         |
|           | \$155.40 |         |

**Revenues**

Rooms  
Food & Beverage  
Other Operated Departments  
Total Revenues

| Amount      | Ratio  | Per Room | P.O.R.   |
|-------------|--------|----------|----------|
| \$6,807,000 | 69.3%  | \$56,725 | \$210.01 |
| 2,463,000   | 25.1%  | 20,525   | 75.99    |
| 486,000     | 4.9%   | 4,050    | 14.99    |
| 9,824,000   | 100.0% | 81,867   | 303.10   |

**Departmental Expenses**

Rooms  
Food & Beverage  
Other Operated Departments  
Total Departmental Expenses

|           |       |        |        |
|-----------|-------|--------|--------|
| 1,653,000 | 24.3% | 13,775 | 51.00  |
| 1,921,000 | 78.0% | 16,008 | 59.27  |
| 233,000   | 47.9% | 1,942  | 7.19   |
| 3,807,000 | 38.8% | 31,725 | 117.46 |

**Departmental Profit**

|           |       |        |        |
|-----------|-------|--------|--------|
| 6,017,000 | 61.2% | 50,142 | 185.64 |
|-----------|-------|--------|--------|

**Undistributed Expenses**

Administrative & General  
Marketing  
Property Operation and Maintenance  
Utility Costs  
Total Undistributed Operating Expenses

|           |       |        |       |
|-----------|-------|--------|-------|
| 868,000   | 8.8%  | 7,233  | 26.78 |
| 390,000   | 4.0%  | 3,250  | 12.03 |
| 312,000   | 3.2%  | 2,600  | 9.63  |
| 186,000   | 1.9%  | 1,550  | 5.74  |
| 1,756,000 | 17.9% | 14,633 | 54.18 |

**Gross Operating Profit**

|           |       |        |        |
|-----------|-------|--------|--------|
| 4,261,000 | 43.4% | 35,508 | 131.46 |
|-----------|-------|--------|--------|

**Base Management Fee**

|         |      |       |      |
|---------|------|-------|------|
| 295,000 | 3.0% | 2,458 | 9.10 |
|---------|------|-------|------|

**Fixed Expenses**

Property Taxes  
Insurance  
Total Fixed Expenses

|         |      |       |       |
|---------|------|-------|-------|
| 317,000 | 3.2% | 2,642 | 9.78  |
| 34,000  | 0.3% | 283   | 1.05  |
| 351,000 | 3.6% | 2,925 | 10.83 |

**Net Operating Income Before Reserve**

|           |       |        |        |
|-----------|-------|--------|--------|
| 3,615,000 | 36.8% | 30,125 | 111.53 |
|-----------|-------|--------|--------|

**FF&E Reserve**

|         |      |       |       |
|---------|------|-------|-------|
| 393,000 | 4.0% | 3,275 | 12.13 |
|---------|------|-------|-------|

**Net Operating Income After Reserve**

|             |       |          |         |
|-------------|-------|----------|---------|
| \$3,222,000 | 32.8% | \$26,850 | \$99.41 |
|-------------|-------|----------|---------|

Source: **PKF Consulting USA**

**Proposed Newport Beach Hotel (120)**  
 Projected Operating Results  
 Calendar Years

|                                   |
|-----------------------------------|
| Number of Units:                  |
| Number of Annual Rooms Available: |
| Number of Rooms Occupied:         |
| Annual Occupancy:                 |
| Average Daily Rate:               |
| Revenue Per Available Room:       |

|                            |
|----------------------------|
| Revenues                   |
| Rooms                      |
| Food & Beverage            |
| Other Operated Departments |
| Total Revenues             |

|                             |
|-----------------------------|
| Departmental Expenses       |
| Rooms                       |
| Food & Beverage             |
| Other Operated Departments  |
| Total Departmental Expenses |

|                     |
|---------------------|
| Departmental Profit |
|---------------------|

|  |
|--|
| Undistributed Expenses                 |
| Administrative & General               |
| Marketing                              |
| Property Operation and Maintenance     |
| Utility Costs                          |
| Total Undistributed Operating Expenses |

|                        |
|------------------------|
| Gross Operating Profit |
|------------------------|

|                     |
|---------------------|
| Base Management Fee |
|---------------------|

| 2015 |             |        |
|------|-------------|--------|
|      | 120         |        |
|      | 43,800      |        |
|      | 28,470      |        |
|      | 65.0%       |        |
|      | \$229.00    |        |
|      | \$148.85    |        |
|      | Amount      | Ratio  |
|      | \$6,520,000 | 69.2%  |
|      | 2,364,000   | 25.1%  |
|      | 467,000     | 5.0%   |
|      | 9,416,000   | 100.0% |

|  |           |       |
|--|-----------|-------|
|  | 1,696,000 | 26.0% |
|  | 1,946,000 | 82.3% |
|  | 224,000   | 48.0% |
|  | 3,866,000 | 41.1% |

|  |           |       |
|--|-----------|-------|
|  | 5,550,000 | 58.9% |
|--|-----------|-------|

|  |           |       |
|--|-----------|-------|
|  | 923,000   | 9.8%  |
|  | 426,000   | 4.5%  |
|  | 341,000   | 3.6%  |
|  | 203,000   | 2.2%  |
|  | 1,893,000 | 20.1% |

|  |           |       |
|--|-----------|-------|
|  | 3,657,000 | 38.8% |
|--|-----------|-------|

|  |         |      |
|--|---------|------|
|  | 282,000 | 3.0% |
|--|---------|------|

| 2016 |             |        |
|------|-------------|--------|
|      | 120         |        |
|      | 43,800      |        |
|      | 30,220      |        |
|      | 69.0%       |        |
|      | \$236.00    |        |
|      | \$162.84    |        |
|      | Amount      | Ratio  |
|      | \$7,132,000 | 69.3%  |
|      | 2,585,000   | 25.1%  |
|      | 510,000     | 5.0%   |
|      | 10,298,000  | 100.0% |

|  |           |       |
|--|-----------|-------|
|  | 1,798,000 | 25.2% |
|  | 2,075,000 | 80.3% |
|  | 245,000   | 48.0% |
|  | 4,118,000 | 40.0% |

|  |           |       |
|--|-----------|-------|
|  | 6,180,000 | 60.0% |
|--|-----------|-------|

|  |           |       |
|--|-----------|-------|
|  | 962,000   | 9.3%  |
|  | 439,000   | 4.3%  |
|  | 351,000   | 3.4%  |
|  | 209,000   | 2.0%  |
|  | 1,961,000 | 19.0% |

|  |           |       |
|--|-----------|-------|
|  | 4,219,000 | 41.0% |
|--|-----------|-------|

|  |         |      |
|--|---------|------|
|  | 309,000 | 3.0% |
|--|---------|------|

| 2017 |             |        |
|------|-------------|--------|
|      | 120         |        |
|      | 43,800      |        |
|      | 32,410      |        |
|      | 74.0%       |        |
|      | \$243.00    |        |
|      | \$179.82    |        |
|      | Amount      | Ratio  |
|      | \$7,876,000 | 69.2%  |
|      | 2,855,000   | 25.1%  |
|      | 564,000     | 5.0%   |
|      | 11,374,000  | 100.0% |

|  |           |       |
|--|-----------|-------|
|  | 1,916,000 | 24.3% |
|  | 2,227,000 | 78.0% |
|  | 271,000   | 48.0% |
|  | 4,414,000 | 38.8% |

|  |           |       |
|--|-----------|-------|
|  | 6,960,000 | 61.2% |
|--|-----------|-------|

|  |           |       |
|--|-----------|-------|
|  | 1,007,000 | 8.9%  |
|  | 452,000   | 4.0%  |
|  | 362,000   | 3.2%  |
|  | 216,000   | 1.9%  |
|  | 2,037,000 | 17.9% |

|  |           |       |
|--|-----------|-------|
|  | 4,923,000 | 43.3% |
|--|-----------|-------|

|  |         |      |
|--|---------|------|
|  | 341,000 | 3.0% |
|--|---------|------|

|  |         |  |
|--|---------|--|
|  | 43      |  |
|  | 32      |  |
|  | 74      |  |
|  | \$25    |  |
|  | \$18    |  |
|  | Amount  |  |
|  | \$8,135 |  |
|  | 2,941   |  |
|  | 580     |  |
|  | 11,737  |  |

|  |       |  |
|--|-------|--|
|  | 1,974 |  |
|  | 2,294 |  |
|  | 279   |  |
|  | 4,547 |  |

|  |       |  |
|--|-------|--|
|  | 7,190 |  |
|--|-------|--|

|  |       |  |
|--|-------|--|
|  | 1,037 |  |
|  | 466   |  |
|  | 373   |  |
|  | 222   |  |
|  | 2,098 |  |

|  |       |  |
|--|-------|--|
|  | 5,092 |  |
|--|-------|--|

|  |     |  |
|--|-----|--|
|  | 352 |  |
|--|-----|--|



**Proposed Newport Beach Hotel (120)**  
Projected Operating Results  
Calendar Years

|                                   |
|-----------------------------------|
| Number of Units:                  |
| Number of Annual Rooms Available: |
| Number of Rooms Occupied:         |
| Annual Occupancy:                 |
| Average Daily Rate:               |
| Revenue Per Available Room:       |

|                            |
|----------------------------|
| Revenues                   |
| Rooms                      |
| Food & Beverage            |
| Other Operated Departments |
| Total Revenues             |

|                             |
|-----------------------------|
| Departmental Expenses       |
| Rooms                       |
| Food & Beverage             |
| Other Operated Departments  |
| Total Departmental Expenses |

|                     |
|---------------------|
| Departmental Profit |
|---------------------|

|  |
|--|
| Undistributed Expenses                 |
| Administrative & General               |
| Marketing                              |
| Property Operation and Maintenance     |
| Utility Costs                          |
| Total Undistributed Operating Expenses |

|                        |
|------------------------|
| Gross Operating Profit |
|------------------------|

|                     |
|---------------------|
| Base Management Fee |
|---------------------|

| 2020        |        |  |
|-------------|--------|--|
| 120         |        |  |
| 43,800      |        |  |
| 32,410      |        |  |
| 74.0%       |        |  |
| \$266.00    |        |  |
| \$196.84    |        |  |
| Amount      | Ratio  |  |
| \$8,621,000 | 69.3%  |  |
| 3,120,000   | 25.1%  |  |
| 616,000     | 5.0%   |  |
| 12,443,000  | 100.0% |  |

|           |       |  |
|-----------|-------|--|
| 2,094,000 | 24.3% |  |
| 2,434,000 | 78.0% |  |
| 296,000   | 48.1% |  |
| 4,824,000 | 38.8% |  |

|           |       |  |
|-----------|-------|--|
| 7,619,000 | 61.2% |  |
|-----------|-------|--|

|           |       |  |
|-----------|-------|--|
| 1,100,000 | 8.8%  |  |
| 494,000   | 4.0%  |  |
| 395,000   | 3.2%  |  |
| 236,000   | 1.9%  |  |
| 2,225,000 | 17.9% |  |

|           |       |  |
|-----------|-------|--|
| 5,394,000 | 43.3% |  |
|-----------|-------|--|

|         |      |  |
|---------|------|--|
| 373,000 | 3.0% |  |
|---------|------|--|

| 2021        |        |  |
|-------------|--------|--|
| 120         |        |  |
| 43,800      |        |  |
| 32,410      |        |  |
| 74.0%       |        |  |
| \$274.00    |        |  |
| \$202.76    |        |  |
| Amount      | Ratio  |  |
| \$8,880,000 | 69.3%  |  |
| 3,214,000   | 25.1%  |  |
| 634,000     | 4.9%   |  |
| 12,817,000  | 100.0% |  |

|           |       |  |
|-----------|-------|--|
| 2,157,000 | 24.3% |  |
| 2,507,000 | 78.0% |  |
| 304,000   | 47.9% |  |
| 4,968,000 | 38.8% |  |

|           |       |  |
|-----------|-------|--|
| 7,849,000 | 61.2% |  |
|-----------|-------|--|

|           |       |  |
|-----------|-------|--|
| 1,133,000 | 8.8%  |  |
| 509,000   | 4.0%  |  |
| 407,000   | 3.2%  |  |
| 243,000   | 1.9%  |  |
| 2,292,000 | 17.9% |  |

|           |       |  |
|-----------|-------|--|
| 5,557,000 | 43.4% |  |
|-----------|-------|--|

|         |      |  |
|---------|------|--|
| 385,000 | 3.0% |  |
|---------|------|--|

| 2022        |        |  |
|-------------|--------|--|
| 120         |        |  |
| 43,800      |        |  |
| 32,410      |        |  |
| 74.0%       |        |  |
| \$282.00    |        |  |
| \$208.68    |        |  |
| Amount      | Ratio  |  |
| \$9,140,000 | 69.3%  |  |
| 3,310,000   | 25.1%  |  |
| 653,000     | 4.9%   |  |
| 13,194,000  | 100.0% |  |

|           |       |  |
|-----------|-------|--|
| 2,221,000 | 24.3% |  |
| 2,582,000 | 78.0% |  |
| 314,000   | 48.1% |  |
| 5,117,000 | 38.8% |  |

|           |       |  |
|-----------|-------|--|
| 8,077,000 | 61.2% |  |
|-----------|-------|--|

|           |       |  |
|-----------|-------|--|
| 1,167,000 | 8.8%  |  |
| 524,000   | 4.0%  |  |
| 419,000   | 3.2%  |  |
| 250,000   | 1.9%  |  |
| 2,360,000 | 17.9% |  |

|           |       |  |
|-----------|-------|--|
| 5,717,000 | 43.3% |  |
|-----------|-------|--|

|         |      |  |
|---------|------|--|
| 396,000 | 3.0% |  |
|---------|------|--|

|         |  |  |
|---------|--|--|
| 43      |  |  |
| 32      |  |  |
| 74      |  |  |
| \$29    |  |  |
| \$21    |  |  |
| Amount  |  |  |
| \$9,431 |  |  |
| 3,410   |  |  |
| 673     |  |  |
| 13,608  |  |  |

|       |  |  |
|-------|--|--|
| 2,288 |  |  |
| 2,660 |  |  |
| 323   |  |  |
| 5,271 |  |  |

|       |  |  |
|-------|--|--|
| 8,337 |  |  |
|-------|--|--|

|       |  |  |
|-------|--|--|
| 1,202 |  |  |
| 540   |  |  |
| 432   |  |  |
| 257   |  |  |
| 2,431 |  |  |

|       |  |  |
|-------|--|--|
| 5,906 |  |  |
|-------|--|--|

|     |  |  |
|-----|--|--|
| 408 |  |  |
|-----|--|--|

|                                     |                   |              |                   |              |                   |              |
|-------------------------------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|
| Fixed Expenses                      |                   |              |                   |              |                   |              |
| Property Taxes Insurance            | 394,000<br>43,000 | 3.2%<br>0.3% | 402,000<br>44,000 | 3.1%<br>0.3% | 410,000<br>45,000 | 3.1%<br>0.3% |
| Total Fixed Expenses                | 437,000           | 3.5%         | 446,000           | 3.5%         | 455,000           | 3.4%         |
| Net Operating Income Before Reserve | 4,584,000         | 36.8%        | 4,726,000         | 36.9%        | 4,866,000         | 36.9%        |
| FF&E Reserve                        | 498,000           | 4.0%         | 513,000           | 4.0%         | 528,000           | 4.0%         |
| Net Operating Income After Reserve  | \$4,086,000       | 32.8%        | \$4,213,000       | 32.9%        | \$4,338,000       | 32.9%        |
| Source: <b>PKF Consulting USA</b>   |                   |              |                   |              |                   |              |



***Addendum D***  
***Comparable Hotel Financials***

**Proposed Newport Beach Hotel (78 Rooms)**  
Operating Results of Comparable Hotels

|  | Hotel A |          |          | Hotel B |          |          | Hotel C |          |          |
|--|---------|----------|----------|---------|----------|----------|---------|----------|----------|
|  | Ratio   | Per Room | P.O.R.   | Ratio   | Per Room | P.O.R.   | Ratio   | Per Room | P.O.R.   |
| Revenues                               |         |          |          |         |          |          |         |          |          |
| Rooms                                  | 79.8%   | \$55,514 | \$193.46 | 81.3%   | \$61,208 | \$210.20 | 70.7%   | \$56,642 | \$195.90 |
| Food & Beverage                        | 13.9%   | 9,661    | 33.67    | 10.1%   | 7,605    | 26.12    | 23.2%   | 18,562   | 64.20    |
| Other Operated Departments             | 6.3%    | 4,379    | 15.26    | 8.1%    | 6,129    | 21.05    | 6.1%    | 4,899    | 16.94    |
| Rentals and Other Income               | 0.0%    | 0        | 0.00     | 0.4%    | 316      | 1.08     | 0.0%    | 28       | 0.10     |
| Total Revenues                         | 100.0%  | 69,554   | 242.39   | 100.0%  | 75,258   | 258.45   | 100.0%  | 80,131   | 277.13   |
| Departmental Expenses                  |         |          |          |         |          |          |         |          |          |
| Rooms                                  | 26.8%   | 14,852   | 51.76    | 23.6%   | 14,448   | 49.62    | 26.2%   | 14,852   | 51.36    |
| Food & Beverage                        | 87.3%   | 8,430    | 29.38    | 95.4%   | 7,259    | 24.93    | 81.6%   | 15,151   | 52.40    |
| Other Operated Departments             | 31.9%   | 1,399    | 4.87     | 20.4%   | 1,248    | 4.29     | 37.0%   | 1,815    | 6.28     |
| Total Departmental Expenses            | 35.5%   | 24,681   | 86.01    | 30.5%   | 22,955   | 78.83    | 39.7%   | 31,818   | 110.04   |
| Departmental Profit                    | 64.5%   | 44,874   | 156.38   | 69.5%   | 52,303   | 179.62   | 60.3%   | 48,313   | 167.09   |
| Undistributed Expenses                 |         |          |          |         |          |          |         |          |          |
| Administrative & General               | 11.2%   | 7,796    | 27.17    | 9.0%    | 6,770    | 23.25    | 9.3%    | 7,447    | 25.76    |
| Marketing                              | 3.0%    | 2,052    | 7.15     | 3.3%    | 2,504    | 8.60     | 5.6%    | 4,485    | 15.51    |
| Property Operation and Maintenance     | 4.0%    | 2,756    | 9.60     | 4.4%    | 3,332    | 11.44    | 3.0%    | 2,426    | 8.39     |
| Utility Costs                          | 3.1%    | 2,147    | 7.48     | 1.8%    | 1,390    | 4.77     | 1.9%    | 1,533    | 5.30     |
| Total Undistributed Operating Expenses | 21.2%   | 14,752   | 51.41    | 18.6%   | 13,996   | 48.07    | 19.8%   | 15,891   | 54.96    |
| Gross Operating Profit                 | 43.3%   | 30,122   | 104.97   | 50.9%   | 38,307   | 131.55   | 40.5%   | 32,422   | 112.13   |
| Base Management Fee                    | 3.0%    | 2,087    | 7.27     | 3.0%    | 2,257    | 7.75     | 3.0%    | 2,400    | 8.30     |
| Fixed Expenses                         |         |          |          |         |          |          |         |          |          |
| Property Taxes                         | 2.2%    | 1,515    | 5.28     | 2.1%    | 1,549    | 5.32     | 0.8%    | 679      | 2.35     |
| Insurance                              | 0.4%    | 250      | 0.87     | 0.4%    | 326      | 1.12     | 1.5%    | 1,233    | 4.27     |
| Total Fixed Expenses                   | 2.5%    | 1,765    | 6.15     | 2.5%    | 1,874    | 6.44     | 2.4%    | 1,912    | 6.61     |
| Net Operating Income Before Reserve    | 37.8%   | 26,271   | 91.55    | 45.4%   | 34,176   | 117.37   | 35.1%   | 28,110   | 97.22    |

Source: PKF Consulting USA

## Proposed Newport Beach Hotel (78 Rooms)

## Operating Results of Comparable Hotels

|                            |
|----------------------------|
| Revenues                   |
| Rooms                      |
| Food & Beverage            |
| Other Operated Departments |
| Rentals and Other Income   |
| Total Revenues             |

|                             |
|-----------------------------|
| Departmental Expenses       |
| Rooms                       |
| Food & Beverage             |
| Other Operated Departments  |
| Total Departmental Expenses |

Departmental Profit

|  |
|--|
| Undistributed Expenses                           |
| Administrative & General Marketing               |
| Property Operation and Maintenance Utility Costs |
| Total Undistributed Operating Expenses           |

Gross Operating Profit

| Base Management Fee |
|---------------------|
|---------------------|

|                      |
|----------------------|
| Fixed Expenses       |
| Property Taxes       |
| Insurance            |
| Total Fixed Expenses |

Net Operating Income Before Reserve

Source: PKF Consulting USA

| Hotel D |          |          |
|---------|----------|----------|
| Ratio   | Per Room | P.O.R.   |
| 89.7%   | \$56,287 | \$190.37 |
| 7.4%    | 4,645    | 15.71    |
| 2.6%    | 1,625    | 5.50     |
| 0.3%    | 163      | 0.55     |
| 100.0%  | 62,720   | 212.13   |

|       |        |       |
|-------|--------|-------|
| 24.7% | 13,911 | 47.05 |
| 89.7% | 4,166  | 14.09 |
| 31.0% | 504    | 1.70  |
| 29.6% | 18,581 | 62.84 |

|       |        |        |
|-------|--------|--------|
| 70.4% | 44,139 | 149.29 |
|-------|--------|--------|

|       |        |       |
|-------|--------|-------|
| 13.7% | 8,594  | 29.07 |
| 7.0%  | 4,383  | 14.82 |
| 4.1%  | 2,567  | 8.68  |
| 3.4%  | 2,102  | 7.11  |
| 28.1% | 17,645 | 59.68 |

|       |        |       |
|-------|--------|-------|
| 42.2% | 26,494 | 89,61 |
|-------|--------|-------|

|      |       |      |
|------|-------|------|
| 3.0% | 1,870 | 6.33 |
|------|-------|------|

|      |       |      |
|------|-------|------|
| 2.4% | 1,515 | 5.12 |
| 0.3% | 177   | 0.60 |
| 2.7% | 1,692 | 5.72 |

|       |        |       |
|-------|--------|-------|
| 36.6% | 22,932 | 77.56 |
|-------|--------|-------|

| Hotel E |          |          |  |
|---------|----------|----------|--|
| Ratio   | Per Room | P.O.R.   |  |
| 64.8%   | \$60,407 | \$196.79 |  |
| 32.8%   | 30,621   | 99.75    |  |
| 2.1%    | 1,958    | 6.38     |  |
| 0.2%    | 231      | 0.75     |  |
| 100.0%  | 93,216   | 303.67   |  |

|       |        |        |
|-------|--------|--------|
| 23.1% | 13,935 | 45.40  |
| 73.9% | 22,634 | 73.73  |
| 40.8% | 799    | 2.60   |
| 40.1% | 37,368 | 121.73 |

|       |        |        |
|-------|--------|--------|
| 59.9% | 55,849 | 181.94 |
|-------|--------|--------|

|       |        |       |
|-------|--------|-------|
| 12.5% | 11,672 | 38.02 |
| 6.1%  | 5,693  | 18.55 |
| 3.2%  | 3,024  | 9.85  |
| 2.9%  | 2,710  | 8.83  |
| 24.8% | 23,098 | 75.25 |

|       |        |        |
|-------|--------|--------|
| 35.1% | 32,750 | 106.69 |
|-------|--------|--------|

|      |       |      |
|------|-------|------|
| 3.0% | 2,786 | 9.08 |
|------|-------|------|

|      |       |      |
|------|-------|------|
| 2.0% | 1,829 | 5.96 |
| 0.3% | 257   | 0.84 |
| 2.2% | 2,087 | 6.80 |

|       |        |       |
|-------|--------|-------|
| 29.9% | 27,877 | 90.82 |
|-------|--------|-------|

| Weighted Average |          |        |          |
|------------------|----------|--------|----------|
| Ratio            | Per Room | P.O.R. |          |
| 76.5%            | \$57,966 |        | \$197.64 |
| 18.0%            | 13,663   |        | 46.59    |
| 5.2%             | 3,966    |        | 13.52    |
| 0.2%             | 179      |        | 0.61     |
| 100.0%           | 75,740   |        | 258.25   |

|       |        |       |
|-------|--------|-------|
| 24.9% | 14,434 | 49.21 |
| 81.9% | 11,184 | 38.13 |
| 30.1% | 1,193  | 4.07  |
| 35.4% | 26,811 | 91.42 |

|       |        |        |
|-------|--------|--------|
| 64.6% | 48,929 | 166.83 |
|-------|--------|--------|

|       |        |       |
|-------|--------|-------|
| 10.9% | 8,264  | 28.18 |
| 5.0%  | 3,751  | 12.79 |
| 3.7%  | 2,813  | 9.59  |
| 2.5%  | 1,918  | 6.54  |
| 22.1% | 16,746 | 57.10 |

|       |        |        |
|-------|--------|--------|
| 42.5% | 32,183 | 109.73 |
|-------|--------|--------|

|      |       |      |
|------|-------|------|
| 3.0% | 2.267 | 7.73 |
|------|-------|------|

|      |       |      |
|------|-------|------|
| 1.8% | 1,378 | 4.70 |
| 0.6% | 482   | 1.64 |
| 2.5% | 1,861 | 6.34 |

|       |        |       |
|-------|--------|-------|
| 37.0% | 28,055 | 95.66 |
|-------|--------|-------|

**Proposed Newport Beach Hotel (120 Rooms)**  
Operating Results of Comparable Hotels

|                            |
|----------------------------|
| Revenues                   |
| Rooms                      |
| Food & Beverage            |
| Other Operated Departments |
| Rentals and Other Income   |
| Total Revenues             |

|                             |
|-----------------------------|
| Departmental Expenses       |
| Rooms                       |
| Food & Beverage             |
| Other Operated Departments  |
| Total Departmental Expenses |

|                     |
|---------------------|
| Departmental Profit |
|---------------------|

|  |
|--|
| Undistributed Expenses                 |
| Administrative & General               |
| Marketing                              |
| Property Operation and Maintenance     |
| Utility Costs                          |
| Total Undistributed Operating Expenses |

|                        |
|------------------------|
| Gross Operating Profit |
|------------------------|

|                     |
|---------------------|
| Base Management Fee |
|---------------------|

|                      |
|----------------------|
| Fixed Expenses       |
| Property Taxes       |
| Insurance            |
| Total Fixed Expenses |

|                                     |
|-------------------------------------|
| Net Operating Income Before Reserve |
|-------------------------------------|

|                            |
|----------------------------|
| Source: PKF Consulting USA |
|----------------------------|

| Hotel A |          |          |
|---------|----------|----------|
| Ratio   | Per Room | P.O.R.   |
| 79.8%   | \$55,514 | \$193.46 |
| 13.9%   | 9,661    | 33.67    |
| 6.3%    | 4,379    | 15.26    |
| 0.0%    | 0        | 0.00     |
| 100.0%  | 69,554   | 242.39   |

|       |        |       |
|-------|--------|-------|
| 26.8% | 14,852 | 51.76 |
| 87.3% | 8,430  | 29.38 |
| 31.9% | 1,399  | 4.87  |
| 35.5% | 24,681 | 86.01 |

|       |        |        |
|-------|--------|--------|
| 64.5% | 44,874 | 156.38 |
|-------|--------|--------|

|       |        |       |
|-------|--------|-------|
| 11.2% | 7,796  | 27.17 |
| 3.0%  | 2,052  | 7.15  |
| 4.0%  | 2,756  | 9.60  |
| 3.1%  | 2,147  | 7.48  |
| 21.2% | 14,752 | 51.41 |

|       |        |        |
|-------|--------|--------|
| 43.3% | 30,122 | 104.97 |
|-------|--------|--------|

|      |       |      |
|------|-------|------|
| 3.0% | 2,087 | 7.27 |
|------|-------|------|

|      |       |      |
|------|-------|------|
| 2.2% | 1,515 | 5.28 |
| 0.4% | 250   | 0.87 |
| 2.5% | 1,765 | 6.15 |

|       |        |       |
|-------|--------|-------|
| 37.8% | 26,271 | 91.55 |
|-------|--------|-------|

| Hotel B |          |          |
|---------|----------|----------|
| Ratio   | Per Room | P.O.R.   |
| 81.3%   | \$61,208 | \$210.20 |
| 10.1%   | 7,605    | 26.12    |
| 8.1%    | 6,129    | 21.05    |
| 0.4%    | 316      | 1.08     |
| 100.0%  | 75,258   | 258.45   |

|       |        |       |
|-------|--------|-------|
| 23.6% | 14,448 | 49.62 |
| 95.4% | 7,259  | 24.93 |
| 20.4% | 1,248  | 4.29  |
| 30.5% | 22,955 | 78.83 |

|       |        |        |
|-------|--------|--------|
| 69.5% | 52,303 | 179.62 |
|-------|--------|--------|

|       |        |       |
|-------|--------|-------|
| 9.0%  | 6,770  | 23.25 |
| 3.3%  | 2,504  | 8.60  |
| 4.4%  | 3,332  | 11.44 |
| 1.8%  | 1,390  | 4.77  |
| 18.6% | 13,996 | 48.07 |

|       |        |        |
|-------|--------|--------|
| 50.9% | 38,307 | 131.55 |
|-------|--------|--------|

|      |       |      |
|------|-------|------|
| 3.0% | 2,257 | 7.75 |
|------|-------|------|

|      |       |      |
|------|-------|------|
| 2.1% | 1,549 | 5.32 |
| 0.4% | 326   | 1.12 |
| 2.5% | 1,874 | 6.44 |

|       |        |        |
|-------|--------|--------|
| 45.4% | 34,176 | 117.37 |
|-------|--------|--------|

| Hotel C |          |          |
|---------|----------|----------|
| Ratio   | Per Room | P.O.R.   |
| 70.7%   | \$56,642 | \$195.90 |
| 23.2%   | 18,562   | 64.20    |
| 6.1%    | 4,899    | 16.94    |
| 0.0%    | 28       | 0.10     |
| 100.0%  | 80,131   | 277.13   |

|       |        |        |
|-------|--------|--------|
| 26.2% | 14,852 | 51.36  |
| 81.6% | 15,151 | 52.40  |
| 37.0% | 1,815  | 6.28   |
| 39.7% | 31,818 | 110.04 |

|       |        |        |
|-------|--------|--------|
| 60.3% | 48,313 | 167.09 |
|-------|--------|--------|

|       |        |       |
|-------|--------|-------|
| 9.3%  | 7,447  | 25.76 |
| 5.6%  | 4,485  | 15.51 |
| 3.0%  | 2,426  | 8.39  |
| 1.9%  | 1,533  | 5.30  |
| 19.8% | 15,891 | 54.96 |

|       |        |        |
|-------|--------|--------|
| 40.5% | 32,422 | 112.13 |
|-------|--------|--------|

|      |       |      |
|------|-------|------|
| 3.0% | 2,400 | 8.30 |
|------|-------|------|

|      |       |      |
|------|-------|------|
| 0.8% | 679   | 2.35 |
| 1.5% | 1,233 | 4.27 |
| 2.4% | 1,912 | 6.61 |

|       |        |       |
|-------|--------|-------|
| 35.1% | 28,110 | 97.22 |
|-------|--------|-------|

### Proposed Newport Beach Hotel (120 Rooms) Operating Results of Comparable Hotels

|                            |
|----------------------------|
| Revenues                   |
| Rooms                      |
| Food & Beverage            |
| Other Operated Departments |
| Rentals and Other Income   |
| Total Revenues             |

|                             |
|-----------------------------|
| Departmental Expenses       |
| Rooms                       |
| Food & Beverage             |
| Other Operated Departments  |
| Total Departmental Expenses |

Departmental Profit

|  |
|--|
| Undistributed Expenses                           |
| Administrative & General Marketing               |
| Property Operation and Maintenance Utility Costs |
| Total Undistributed Operating Expenses           |

Gross Operating Profit

Base Management Fee

|                      |
|----------------------|
| Fixed Expenses       |
| Property Taxes       |
| Insurance            |
| Total Fixed Expenses |

Net Operating Income Before Reserve

Source: PKF Consulting USA

| Hotel D |          |          |
|---------|----------|----------|
| Ratio   | Per Room | P.O.R.   |
| 72.5%   | \$55,249 | \$186.55 |
| 22.4%   | 17,065   | 57.62    |
| 4.9%    | 3,720    | 12.56    |
| 0.2%    | 161      | 0.54     |
| 100.0%  | 76,194   | 257.27   |

|       |        |        |
|-------|--------|--------|
| 27.9% | 15,413 | 52.04  |
| 81.1% | 13,844 | 46.74  |
| 37.7% | 1,402  | 4.73   |
| 40.2% | 30,658 | 103.52 |

|       |        |        |
|-------|--------|--------|
| 59.8% | 45,536 | 153.75 |
|-------|--------|--------|

|       |        |       |
|-------|--------|-------|
| 12.1% | 9,194  | 31.04 |
| 7.1%  | 5,428  | 18.33 |
| 4.2%  | 3,236  | 10.92 |
| 3.2%  | 2,445  | 8.26  |
| 26.6% | 20,303 | 68.55 |

|       |        |       |
|-------|--------|-------|
| 33.1% | 25,233 | 85.20 |
|-------|--------|-------|

|      |       |      |
|------|-------|------|
| 3.5% | 2,644 | 8.93 |
|------|-------|------|

|      |       |       |
|------|-------|-------|
| 3.9% | 2,946 | 9.95  |
| 0.3% | 206   | 0.70  |
| 4.1% | 3,152 | 10.64 |

|       |        |       |
|-------|--------|-------|
| 25.5% | 19,437 | 65.63 |
|-------|--------|-------|

| Hotel E |          |          |
|---------|----------|----------|
| Ratio   | Per Room | P.O.R.   |
| 87.4%   | \$56,909 | \$212.09 |
| 4.7%    | 3,054    | 11.38    |
| 7.9%    | 5,174    | 19.28    |
| 0.0%    | 0        | 0.00     |
| 100.0%  | 65,138   | 242.75   |

|        |        |       |
|--------|--------|-------|
| 27.0%  | 15,344 | 57.18 |
| 114.8% | 3,507  | 13.07 |
| 42.7%  | 2,212  | 8.24  |
| 32.3%  | 21,063 | 78.50 |

|       |        |        |
|-------|--------|--------|
| 67.7% | 44,074 | 164.26 |
|-------|--------|--------|

|       |        |       |
|-------|--------|-------|
| 12.0% | 7,791  | 29.03 |
| 5.2%  | 3,359  | 12.52 |
| 5.2%  | 3,359  | 12.52 |
| 3.6%  | 2,359  | 8.79  |
| 25.9% | 16,867 | 62.86 |

|       |        |        |
|-------|--------|--------|
| 41.8% | 27,207 | 101.40 |
|-------|--------|--------|

|      |       |      |
|------|-------|------|
| 2.5% | 1,628 | 6.07 |
|------|-------|------|

|      |     |      |
|------|-----|------|
| 0.0% | 0   | 0.00 |
| 0.5% | 339 | 1.26 |
| 0.5% | 339 | 1.26 |

|       |        |       |
|-------|--------|-------|
| 38.7% | 25,240 | 94.06 |
|-------|--------|-------|

| Weighted Average |          |        |          |
|------------------|----------|--------|----------|
| Ratio            | Per Room | P.O.R. |          |
| 78.2%            | \$57,102 |        | \$199.94 |
| 15.0%            | 10,969   |        | 38.41    |
| 6.7%             | 4,873    |        | 17.06    |
| 0.1%             | 165      |        | 0.57     |
| 100.0%           | 73,042   |        | 255.76   |

|       |        |       |
|-------|--------|-------|
| 26.3% | 15,007 | 52.55 |
| 86.3% | 9,470  | 33.16 |
| 33.9% | 1,649  | 5.78  |
| 35.8% | 26,127 | 91.48 |

|       |        |        |
|-------|--------|--------|
| 64.2% | 46,915 | 164.27 |
|-------|--------|--------|

|       |        |       |
|-------|--------|-------|
| 10.7% | 7,815  | 27.36 |
| 5.0%  | 3,625  | 12.69 |
| 4.2%  | 3,042  | 10.65 |
| 2.7%  | 1,992  | 6.97  |
| 22.6% | 16,473 | 57.68 |

|       |        |        |
|-------|--------|--------|
| 41.7% | 30,442 | 106.59 |
|-------|--------|--------|

|      |       |      |
|------|-------|------|
| 3.0% | 2,185 | 7.65 |
|------|-------|------|

|      |       |      |
|------|-------|------|
| 1.8% | 1,686 | 5.79 |
| 0.6% | 473   | 1.66 |
| 2.4% | 1,755 | 6.14 |

|       |        |       |
|-------|--------|-------|
| 36.3% | 26,502 | 92.80 |
|-------|--------|-------|



# f. Quantitative Analysis of Economic Impacts

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# Redacted

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# g. General Benefits to the Community

Newport Beach City Hall Site Reuse - RFP No. 13-35





Redacted

## B. OPERATIONAL JOBS

### Anticipated Auberge Resort Hotel Employees (Anticipate +/-201 Jobs)

|                       |  |                          |
|-----------------------|--|--------------------------|
| <b>Hotel:</b>         | Laundry-4                              | <b>Spa:</b>              |
| General Manager-1     | <b>Hotel Restaurant/Catering:</b>      | Spa Dir.-1               |
| Assistant G.M.-1      | Chef-1                                 | Spa Sales Mgr-1          |
| Controller-1          | Food & Bev.Dir.-1                      | Spa Admin. Asst.-1       |
| Staff Accountant-1    | Sales/Group/Catering Mgr.-1            | Spa Staff-12             |
| H.R. Manager-1        | Groups Sales.-2                        | <b>Fine Dining Rest:</b> |
| Admin. Assistant-1    | Catering Sales-2                       | Mgr.-1                   |
| Purchasing-1          | Banquet Mgr.-2                         | Ass't Mgr-1              |
| Rooms Div. Mgr.-1     | Wedding Coord.(s)-2                    | Sales Mgr-1              |
| Reserv./Rev. Mgr-1    | Sales/Group/Catering Ass't-1           | Group Sales-2            |
| Exec. Housekeeper-1   | Room Svc. Mgr.-1                       | Chef-1                   |
| Assist. Housekeeper-1 | Room Svc.-4                            | Sous Chef-1              |
| Concierge-4           | Restaurant Mgr.-1                      | Kitchen Staff-12         |
| Security-5            | Restaurant Staff-8                     | Servers-12               |
| Bell Staff-6          | Kitchen Staff-6                        | Bus Staff-8              |
| Valet Staff-8         | Pool Snack Bar-2                       | <b>Lobby Bar:</b>        |
| Porters-6             | Pool Attendants-2                      | Bar Staff-4              |
| Reservations-4        | Lanai Bar Mgr.-1                       | <b>Retail Space:</b>     |
| PBX-4                 | Lanai Deck Staff-12                    | Retail-4                 |
| Front Desk-6          | Chief Eng.-1                           | <b>Coffee Cart:</b>      |
| Room Attendants-20    | Eng. Staff-3                           | Baristas-2               |
| Housemen-6            | <b>Functions: Part-Time Help 10-12</b> |                          |

## C. RETAIL SERVICES PROVIDED

- 4 to 4.5-star Auberge Resorts hotel related services;
- Award winning branded Auberge Spa;
- Signature restaurant;
- Rooftop bar/lounge;
- All-day restaurant;
- Lobby bar/lounge;
- Coffee cart;
- Other hotel related retail services.

## D. VALUE OF PRIVATE INVESTMENT

The Auberge Resorts Newport Beach Project involves the private sector investment of approximately \$82 Million.

## E. AREA VISITATION

Auberge Resorts has a very specific type of guest, an affluent leisure traveler.

The Auberge Resorts guest demographics profile is:

| SELECTIVE, AFFLUENT, LOYAL   |                                 |
|------------------------------|---------------------------------|
| <b>GUEST DEMOGRAPHICS</b>    | <b>AVERAGE SPEND PER NIGHT*</b> |
| 30% are repeat guests        | \$1,237                         |
| 83% are married              |                                 |
| 33% own second homes         | <b>AVERAGE SPEND PER STAY*</b>  |
| 36% have children under 18   | \$3,561                         |
| <b>AGE</b>                   | <b>ANNUAL HOUSEHOLD INCOME*</b> |
| 26% 35 – 44                  | 35% \$500,000 and up            |
| 31% 45 – 54                  | 15% \$350,000 – \$499,999       |
| 23% 55 – 64                  | 15% \$250,000 – \$349,999       |
|                              | 10% \$200,000 – \$249,999       |
| <b>ANNUAL LEISURE TRAVEL</b> |                                 |
| 58% 3 – 5 times per year     |                                 |
| 18% 6 or more times per year |                                 |

Auberge's affluent guest profile is extremely important to Lido Village, Balboa Peninsula and the entire City of Newport Beach, in that its guests will always be looking to spend their considerable discretionary leisure dollars in the vicinity of the proposed Auberge Resorts Hotel. Specifically, it can be surmised that the guests of the proposed Auberge Resorts Hotel will be very interested in a variety of activities available on the Peninsula, including but not limited to deep sea/sports fishing, dinner cruises, harbor tours, kayaking, sailing, sunset cruises, whale watching and yachting.

One thing is certain, with the average Auberge Resorts' guest spending \$3,561.00/stay, there will be considerably more money being spent throughout the City of Newport Beach following the development of the proposed Auberge Resort Newport Beach.

## F. ADDITIONAL AREA INVESTMENT

Representatives of Sonnenblick Development have already met and/or spoken with a variety of stakeholders in the Lido Village Area, including but not limited to the Lido Isle Community Association (LICA), 601 Lido Park HOA, 611 Lido Park HOA, Dart Development, DJM/Vornado, the Fritz Duda Co., and as a result, we strongly believe that our proposed **\$82 million investment** will act as a considerable catalyst for the redevelopment of the Lido Village area, as well as also serving as a unique gateway to the Balboa Peninsula area of Newport Beach.

### Possible Lido Village Redevelopment Option:



g. General benefits to the community (e.g. the numbers and types of short-term and long-term jobs created, retail services provided, number of residential units, value of private investment, increase in visitation to the area, etc.) The proposer must also explain how the project will help stimulate investment beyond the project's boundaries.

# Community Involvement

**Established over 94 years ago, C.W. Driver understands the benefits gained by being a part of building the local communities where we live and play. We also recognize the importance the City places on involving local contractors and the community. Our Community Outreach plan for the Old City Hall Reuse project is designed to ensure that proactive, timely measures are taken to inform local Newport Beach and Orange County firms of potential subcontracting and business opportunities.**

We are also committed to providing concise dissemination of information to the community of specifics of the upcoming project and any job related factors that may impact the community. This information will include, but not be limited to, project information and facts, potential subcontracting opportunities, construction schedules and updates. Illustrated below is our approach to successfully accomplish this process.

## **COMMUNITY INVOLVEMENT**

We realize the entire community has actively participated in the redevelopment of the Lido Village from the early planning stages. Through our approach, we intend to provide periodic information to continue to keep the community engaged in this exciting project. Some suggestions to accomplish this are as follows:

**Webcam-** The use of a project jobsite Webcam will provide the ability to observe on a day to day basis the stage of construction. We will identify a local webcam provider, which can be a consideration for this project. This webcam can be housed on the City of Newport Beach website or on the C.W. Driver website.

We successfully utilized this process during construction on the Roger Rowe Elementary School project in Rancho Santa Fe. This was successful by not only keeping the community, school district and school families informed, but also provided an excellent form of jobsite security.

**Notification and Updates to Community Residents-** For several of our projects, we provided a "Weekly Construction Progress Update" that was posted on the client's website. In fact, we worked with the City of Newport Beach on publishing monthly updates during the construction of the City's new Civic Center project. For Grossmont Unified School District, weekly construction progress updates were written by our project team and included the items completed during the week, the upcoming week's activities, upcoming meetings and progress photos. These timely updates were informative and provided the residents information of any activity that may impact the surrounding community. **If utilized for this project, the reports can be posted on the City of Newport Beach website.**

**Town Hall Meetings-** C.W. Driver will be available to attend and participate in meetings coordinated by the City to meet with the local community and business members. Locally, C.W. Driver has participated in outreach events for multiple projects. For your project, we can integrate our current Outreach program with any suggestions or requirements of the City of Newport Beach. In the past, these events have been directly solicited to local contractors, advertisements are placed in local publications, focus groups are notified and an outreach presentation is prepared. Key members of the C.W. Driver Project Team and our Corporate Outreach Administrator are present to convey the pertinent project information, business opportunities, how to obtain up-to-date project information, and answer any questions that may arise.

## **LOCAL BUSINESS OUTREACH**

**Subcontractor Bid Solicitation-** A concentrated effort has been made in this RFP phase to approach local subcontractors, suppliers and vendors in the Newport Beach area for the Old City Hall Reuse project. C.W. Driver has spent many years cultivating quality partnerships with local subcontractors and suppliers throughout the Orange County region.





In reviewing our trade contractor database, (with over 11,000 firms), we identified many local subcontractors, suppliers and vendors. The following process will be used for dissemination of information for this project:

- Notifications made via our BidMail fax/email system a month in advance of bid date
- Follow-up contact to be made to local firms to determine interest
- Bid information to be posted on the C.W. Driver website's "Bid Opportunities" page
- Plans, specifications and bid documents will be made available through our FTP site or CD's will be provided
- Project will be advertised in local newspapers to increase interest

Historically, this process has helped to encourage and ensure that the maximum numbers of qualified bids were received by local subcontractors within each trade for your project.

Vendor/Business Opportunities- C.W. Driver is committed to providing other business opportunities to local vendors during the construction process. As an example, this can include local rental companies, restaurants, printing and catering businesses for job walks, groundbreaking or any project related event.

## **CONCLUSION**

In addition to the approach listed above, we are readily available to work with the City of Newport Beach in order to accommodate any requests you might have concerning local community and subcontracting involvement in this project. It is our commitment and responsibility to help the City achieve their objectives of providing timely information to the residents of Newport Beach and provide opportunities for work by local firms. With approximately 230 City employees being relocated

from the Lido Village to the new Civic Center, we are excited to bring over 500 construction-related jobs to the village in the interim, and proud to reinstate over 200 full-time hotel employees upon opening this phenomenal destination resort. We trust that the methods identified in this section will provide the City with the confidence that C.W. Driver will continue to be a successful partner.



# h. Sources and Structure of Financing

Newport Beach City Hall Site Reuse - RFP No. 13-35



# Redacted

# Redacted



# Redacted



Redacted

# i. Type and Extent of City Participation

Newport Beach City Hall Site Reuse - RFP No. 13-35





### **SECTION 3.1.2(i): TYPE AND EXTENT OF CITY PARTICIPATION**

Not Applicable.



# j. Other Assumptions

Newport Beach City Hall Site Reuse - RFP No. 13-35



## SECTION 3.1.2(j): OTHER ASSUMPTIONS

Not Applicable.

