AGENDA

SPECIAL CITY COUNCIL MEETING
TUESDAY SEPTEMBER 22nd, 2015 5:30 P. M.
SAN DIMAS COUNCIL CHAMBERS
CONFERENCE ROOM
245 E. BONITA AVE.

CITY COUNCIL:
Mayor Curtis W. Morris
Mayor Pro Jeff Templeman
Councilmember Emmett Badar
Councilmember Denis Bertone
Councilmember Tem John Ebiner

1. CALL TO ORDER

2. ORAL COMMUNICATIONS

(For anyone wishing to address the City Council on an item on this agenda. Under the provisions of the Brown Act, the legislative body is prohibited from taking or engaging in discussion on any item not appearing on the posted agenda.)

a. Members of the Audience

3. STUDY SESSION

Receive results of a Hotel Feasibility Study for the San Dimas Market. Review the related issues and procedures to consider a hotel development project. Provide direction as requested/desired

4. ADJOURNMENT

The next meeting is on Tuesday, October 13th, 2015, 7:00 p.m.

Notice Regarding American with Disabilities Act: In compliance with the ADA, if you need assistance to participate in a city meeting, please contact the City Clerk's Office at (909) 394-6216. Early notification before the meeting you wish to attend will make it possible for the City to make reasonable arrangements to ensure accessibility to this meeting
[28 CFR 35.102-35.104 ADA Title II].

Copies of documents distributed for the meeting are available in alternative formats upon request. Any writings or documents provided to the City Council regarding any item on this agenda will be made available for public inspection at the Administration Counter at City Hall and at the San Dimas Library during normal business hours. In addition most documents are posted on the City's website at cityofsandimas.com.

Posting Statement: On September 18, 2015, a true and correct copy of this agenda was posted on the bulletin board at 245 East Bonita Avenue (San Dimas City Hall), 145 North Walnut Avenue (Los Angeles County Library), 300 East Bonita Avenue (United States Post Office), Von's Shopping Center (Puente/Via Verde Avenue) and the City's website www.cityofsandimas.com/minutes.cfm

Agenda Item Staff Report

Study Session

TO:	Honorable Mayor and Members of City Council *For the Meeting of September 22, 2015*
FROM:	Blaine Michaelis, City Manager
SUBJECT:	Receive the results of a Hotel Feasibility Study for the San Dimas market. Review the related issues and procedures to consider a hotel development project. Provide direction as requested/desired.

SUMMARY

We recently achieved the approval to work on selling the former Redevelopment Agency's property. While discussing potential development options, the city council directed staff to arrange for a market study to determine the feasibility for an additional hotel in San Dimas. The study would help confirm whether or not a hotel use is a practical consideration and option for the development of the property; a feasibility study would also be of assistance to an investor contemplating a hotel project in San Dimas.

The study has been completed and it indicates the market feasibility for something like an 80 unit moderately priced – limited service hotel in San Dimas. Staff will review the scope and highlight the major points and conclusions of the study with the city council in this study session.

A hotel project on the former redevelopment agency property would not use the entire site. Therefore if there is continued city interest in a hotel project it would be appropriate to discuss and confirm the accompanying land uses the city would consider in addition to a hotel for the balance of the site.

After confirming land use directions from the council, staff will outline a recommended option for a process to secure a preferred developer for the site. We see the need to identify a capable and experienced developer to work with is in putting together a successful project.

SCOPE OF THE PROJECT

- Consideration of potential sites for a hotel.
- Review of general economic conditions of the region.
- Analyze the lodging supply and demand characteristics in the competitive market area in terms of existing supply, quality and pricing and the location of the potential site relative to other hotels.
- The focus was to analyze hotels proximate to the site, that have national branding, and are in good repair.
- Interviews with those familiar with the local lodging market.
- Preparation of a 5 year estimate of occupancy and rate performance for a new hotel.
- Review of the profitability of a hotel with the preparation of a 10 year estimate of income and expenses.
- Summary of the potential costs to finance and build a hotel in San Dimas.
- The assumption of the study was that the new hotel would open January 1, 2018 [1 year to secure a credible developer, achieve design and project approvals and close on the land sale – then 12 months to construct the hotel].

INTERESTING POINTS OF THE STUDY

- Occupancy rates for the San Dimas hotels are higher than for the competitive hotels in neighboring communities. The 2014 San Dimas occupancy was estimated at 76.3% - other hotels were 58.1%
- In our market area, the demand for hotel stays comes from the following categories:
  - **Corporate/business customers 46%;** 88,052 annual nights; Monday through Thursday stays – 1-3 nights at a time.
  - **Leisure travelers 33%**; 62,342 annual nights; visitors to local events and attractions, travelers on route to other locations.
  - **Tourist Groups 17%**; 31,881 annual nights; various organizations local or traveling groups
  - **Other Stays 4%**; 9,128 annual nights; stays of 5+ days

  Corporate and business demand is expected to grow at a steady rate.
  Leisure demand is price sensitive.
  Extended Stay is expected to grow with an increase in construction and business projects, relocations and training events.
- A hotel would be the first new hotel in the area in ten years when it opens. New hotels typically outperform older hotels – especially in the average net daily rate received.
- The recommendation is that there is market capacity to absorb a moderately priced limited service hotel. National brands in this category of upper midscale facilities include: Hampton Inn, Holiday Inn Express, Fairfield Inn and Comfort Suites etc. National brands require separation from their other properties – in this case at least 8 miles apart or so.

- The study recommends a hotel in the 80 room range – a typical size for most major brands, and one that they maintain prototype designs to build. Current hotel sizes:
    - Holiday Inn Express – 67 rooms
    - Best Western – 59 rooms
    - Extended Stay – 104 rooms
    - Motel 6 – 118 rooms
    - Red Roof Inn – not included in the analysis/study
- A new 80 unit hotel represents a 10% increase in the total number of rooms available in our market.
- Projected hotel room rate for the new facility would be comparable to $130 per night in 2014 currency
- Report analysts used several feasibility factors, comparisons, and projections to test and confirm their conclusion of market feasibility.

CONCLUSION OF THE STUDY

There is a market for an 80 unit moderately priced limited service hotel in San Dimas. National brands in the upper midscale category include: Hampton Inn, Fairfield Inn, Holiday Inn Express and Comfort Suites.
These hotels serve business and leisure customers. Typical amenities include a complimentary breakfast, free WiFi, Business Centers, fitness room, and swimming pool.

SUMMARY OF THE CURRENT ZONING FOR THE PROPERTY

- The current zoning of the property is Specific Plan – CG Area 2 (Retail/Commercial). The existing zoning does not currently permit hotel uses, amending the Zoning Code to add hotels as a conditional use would not be difficult.
- A new hotel could be up to 4 stories – the Holiday Inn Express and Extended Stay projects are 3 stories. Current zoning has a two story height limit but the height may be exceeded with a conditional use permit.
- Zoning and entitlement procedures are estimated at 4- 6 months. Building permits can typically be secured in an additional 2-3 months.
- Parking requirements are one space per room up to 100 rooms plus parking for other uses (i.e. retail, restaurant, etc.). For projects over 100 units parking is determined by a parking study with a CUP required.
- A free standing monument sign is permitted with a maximum size of 4 feet in height and 6 feet in width. Wall signs are also permitted based on performance standards related to wall size and building frontage. Monument signs may be electronic message boards subject to certain operating standards. Other minor signs for directions and such are also permitted.

LAND USE DECISION POINTS

1. Will the city council be favorable to amending the zoning and land use code to provide for hotels subject to a Conditional Use Permit?

2. Will the city council be favorable to a hotel building up to 4 stories?
3. An 80 unit hotel will use approximately 1.75 acres of land – meaning that there will be surplus land for additional development. What uses does the city council consider to be complimentary or appropriate with a hotel use? Restaurant, retail, commercial, office, ___________ ; is there an interest in expanding the permitted uses in the zoning for the properties? Are there uses the city council would specifically *not* want to consider?
4. Would the city council consider allowing for high density residential zoning as part of an overall project if proposed by a developer? Something 3-4 stories?
5. Staff suggests that the city also be open to proposals that involve the Bonita block from Acacia to Eucla. Is the council open to that additional opportunity?

For your information, discussions regarding the best Gold Line configuration of the Cataract and Bonita intersection could have an impact on the development of the Bonita Cataract site – staff to explain.
Comment: Depending on the overall development layout for a project, there could be surplus property to add to Pioneer Park.

THOUGHTS ON HOW THE CITY MAY PROCEED AT THIS POINT

After the consideration of all issues and decision points, if there is an interest in moving forward with a project that involves a hotel in San Dimas we will need to implement a process to find and select a developer to work through the design and approval process and then to finance and build the project.
Items and issues to consider:

- Property transactions will all need to be at market value and subject to Oversight Board approval.
- The city does not have a resource like Redevelopment to address the extra-ordinary costs that accompany infill development. Financial issues and costs such as utility capacities and relocations, environmental compliance, building demolition, existing businesses, property acquisition, third party costs and so forth. These costs will need to be absorbed somehow by the project itself.
- We desire to work with a developer that has experience, business connections, and success with projects involving hospitality uses. The staff has prepared a recommended process to meet this objective outlined in item #3 below.

RECOMMENDATION – STUDY SESSION PROCEDURE AND DECISIONS/DIRECTIONS FROM THE CITY COUNCIL:

1. Receive a summary of the Hotel Market Feasibility report from staff – ask questions as desired. Provide direction to proceed with a project for the former redevelopment property that includes a new hotel for San Dimas.

2. Consider the current zoning provisions for the former redevelopment property and discuss other potential uses that may come with a plan to develop a hotel on the sites. Provide direction as to the range of land uses the city council would consider with a proposal to develop the property with a hotel:
    a. Will the city council be favorable to amending the code to provide for hotels subject to a Conditional Use Permit?
    b. Will the city council be favorable to a hotel building up to 4 stories?
    c. What uses does the city council consider to be complimentary or appropriate with a hotel use? Restaurant, retail, commercial, office, ____________
    d. Would the city council be open to considering a proposal that would allow for high density residential zoning as part of an overall project? Something 3-4 stories?
    e. Staff suggests that the city also be open to proposals that involve the development of the Bonita block from Acacia to Eucla. What are the thoughts of Council?

3. Receive a presentation from staff regarding alternatives to pursue to secure a developer for the project. Staff Recommendation is:
    a. That the city pursue a Request for Qualification process where interested parties would submit a summary of their interest, hotel development experience, development experience with uses complimentary to hotel projects, references and examples of their recent projects, confirmation of their association and working relationship with the hotel industry (such as a preferred developer status with a national brand), and some of their initial thoughts regarding this development opportunity in San Dimas.
    b. Staff would then review the submissions and prepare for the city council's consideration, an invitation to 3-5 of the developers to submit more formal and detailed development proposals for consideration. A single developer would then be selected and designated to be the preferred developer under the process and terms of an Exclusive Negotiation Agreement to work through a mutually acceptable process to produce a great project for the property and community.
    c. Because the property is being sold under the redevelopment dissolution process – the Oversight Board plays a role in the review and approval process. We will be attentive to that process and will appropriately involve the Oversight Board as we work to finalize the project and property transaction specifically.

Attachment:
San Dimas Hotel Feasibility Study completed by Pinnacle Advisory Group West Inc.

DRAFT

Proposed Hotel – San Dimas, CA
Hotel Market Demand and Cash Flow Projections
Summary Report

Mr. Blaine Michaelis
City of San Dimas

August 25, 2015

Submitted by:

PINNACLE ADVISORY GROUP WEST, INC.
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(949) 734-6455

Pinnacle Advisory Group
Boston New York Newport Beach Tampa Washington DC

Hospitality Consulting
Asset Management
Real Estate Appraisal
Litigation Support

Karen Johnson, CRE, ISHC, MAI
President

August 25, 2015

Mr. Blaine Michaelis
City Manager
City of San Dimas
245 East Bonita Avenue
San Dimas, CA 91773

Dear Mr. Michaelis:

Pursuant to your request, we have completed our market research for a proposed hotel, located on West Bonita Avenue between South Cataract Avenue and South Acacia Street in San Dimas, California. We have assumed that this hotel would open on January 1, 2018. The findings contained herein were prepared for your use and guidance in determining the viability of this hotel development and are based on research conducted during the week of June 1, 2015.

This report also provides a recommendation for the proposed hotel's size and positioning.
During the course of our work, we

- examined the subject site ("the Site");
- reviewed general economic conditions;
- analyzed the lodging supply and demand characteristics in the competitive market area, the characteristics of the existing supply in terms of quality and pricing, and the location of the subject Site relative to the competitive supply;
- interviewed those familiar with the lodging market in the area; and
- prepared a five-year estimate of occupancy and rate performance for the proposed hotel.
- Obtained the cost of a 99-room Hampton Inn to be built in Southern California and converted it to the equivalent cost for a San Dimas, 80-room hotel.
- Prepared an estimated statement of income and expenses for the first ten years of the proposed hotel's operation
- Prepared and estimate of the probable value of the hotel upon completion and compared it to the cost of construction of the proposed hotel
- Compared the probable mortgage payment for the take-out financing as an additional test of feasibility of the project, by calculating its probable debt service coverage ratio for its initial years of operation.

As in all studies of this type, the estimated annual performance levels for the hotel are based on the assumption of competent and efficient management and presume no significant changes in the competitive dynamics other than those specifically set forth in this report. Projections herein are based upon estimates and assumptions, which are subject to uncertainty and variation. Accordingly, we do not represent them as results that will actually be achieved; however, they have been conscientiously prepared on the basis of information furnished to us, and on our extensive experience in the lodging industry. We have no obligation, unless subsequently so engaged, to update this study because of events occurring subsequent to the completion of this study.

The contents of this report are governed by the "Limitations of the Study" presented at the end of this report.

It has been a pleasure assisting you in this matter. Thank you once again for the opportunity to be of service to you.

Respectfully submitted,

PRELIMINARY WORK PRODUCT

To be included in final report.

Pinnacle Advisory Group

Summary Report on the Market Demand for a Proposed Hotel in San Dimas, California

Site Analysis

The 4.55-acre Site is located on the West Bonita Avenue between South Cataract Avenue and South Acacia Street. The street address for this parcel is 344 West Bonita Avenue. The site is currently unimproved with no structures.

Site Looking Northeast, from South Arcadia Street

Site looking West, from South Cataract Avenue

Surrounding this site is the following:

North – West Bonita Avenue, then Casa del Rey Mexican Restaurant; diagonally northeast is an industrial building, which is mostly screened by trees

East – South Cataract Avenue, single family residential, then the Gold Line rail line which runs from Pasadena to East Los Angeles

South – Pioneer Park

West – South Acadia Street, then Chaparral Bowling Lanes

The Site is fronts on West Bonita Avenue, which directly leads to downtown San Dimas. It has relatively easy access to State Route 57, which connects to I-210/State Route 210, (the Foothill Freeway), and I-10.

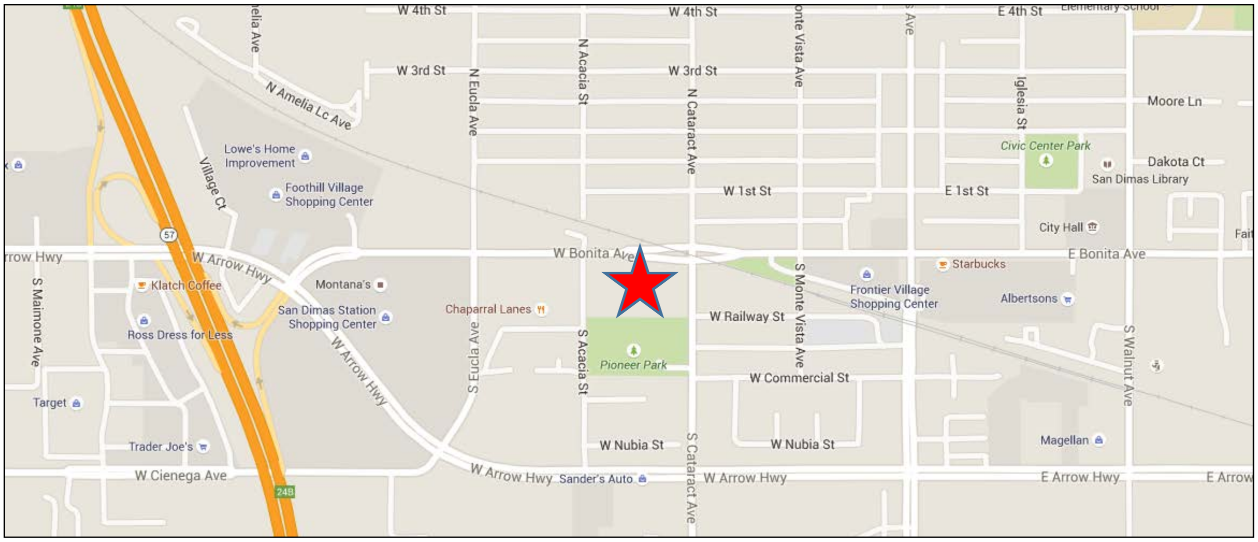
The Site in San Dimas is owned by the City of San Dimas, California. Its marketing and sales function was formerly the responsibility of a redevelopment agency, but is now done by the City of San Dimas.

State Route 57 is a north-south state highway that runs from Orange to San Dimas. The Foothill Freeway runs from Los Angeles through Redlands. I-10 is a major east-west freeway that runs from Santa Monica to the east coast of the US, by way of Arizona.

The Site is located at the east gateway of historic downtown San Dimas which contains numerous local retail, restaurants and other small businesses. It is located on tree-lined shady streets, and back up to a park. There is one metal-clad industrial building to the northeast, but it is screened by trees.

Just northeast of the Site, there are active train tracks that are planned to become part of the Los Angeles Gold Line commuter rail, but which are also utilized by freight trains. There are two freight trains daily, running at approximately around noon and 5:00PM. The Gold Line has not been extended to San Dimas yet and it could easily be ten years before it is.

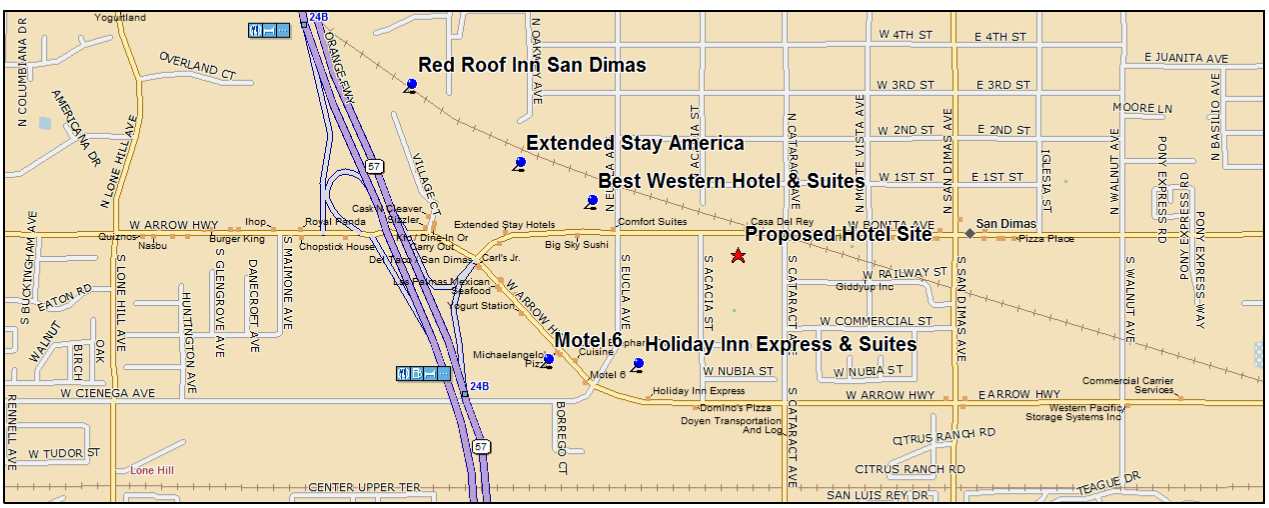
There is no visibility from State Route 57, which is 0.5 mile away. The buildings surrounding the Site are one story tall, so a multiple story hotel would be more visible for eastbound travelers on Bonita Avenue. The following map illustrates the Site's relation to SR 57 and downtown San Dimas.



The Site is east of State Route 57 and slightly west of downtown San Dimas. The largest corporate and manufacturing employers in San Dimas are located southwest of the Site.

Neighborhood

The neighborhood is aesthetically appealing, but the Site is at a disadvantage due to its relative distance from State Route 57 as compared to its competitors. It should be noted, however, that only one San Dimas hotel, the Red Roof Inn, is visible from Route 57, and all are somewhat removed from the highway. Presented below is a map showing the locations of the hotels in San Dimas.



The relative importance of simple access and visibility from the freeway may be abating with the increasing use of GPS devices. The Site backs up to a park, and is in a more walkable, pedestrian-friendly neighborhood.

Although the Site is located across the street from a local Mexican restaurant, the concentration of nationally branded restaurants is approximately 0.5 mile southwest of the Site. The other hotels in San Dimas are more proximate to restaurants such as Denny's, Carl's Jr., Taco Bell, Pizza Hut, Sizzler, Red Robin, Dairy Queen, McDonald's, Del Taco and KFC. Less than one half mile to the east of the Site on Bonita Avenue is a Starbucks, Albertsons and other local retail and restaurants.

The 0.5 mile distance from State Route 57 is considerably less of a disadvantage should a national franchise with strong loyalty be obtained for a hotel development at the Site. Also, the size of the Site is large enough to hold both a hotel and a restaurant. The development of a nationally branded restaurant, particularly on the east portion of the Site, closer the train tracks, would enhance the appeal.

San Dimas Economy

San Gabriel Valley

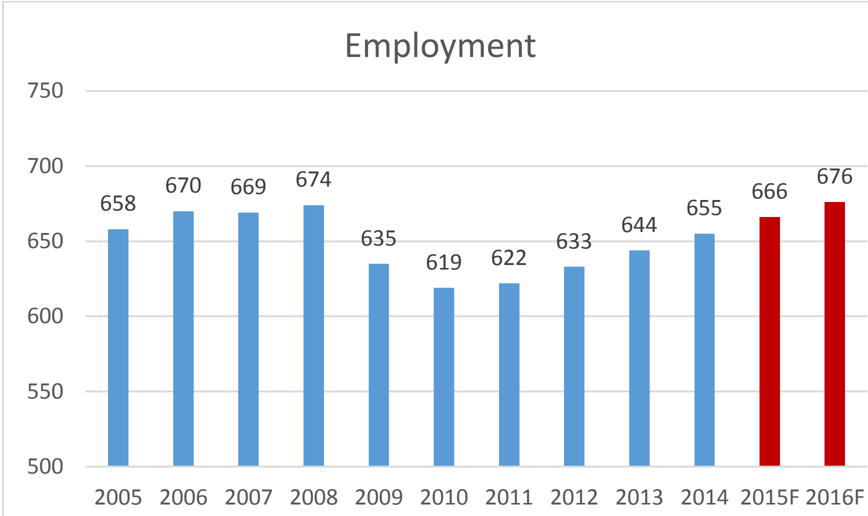
San Dimas is located in the San Gabriel Valley which covers 385 square miles. The San Gabriel Valley's population was 1.52 million people within 31 incorporated cities as of the end of 2014 and another 250,000 people in its unincorporated regions. Population growth has been slow with a 2.2 percent increase in its incorporated cities since 2000. This growth lags behind the Los Angeles County growth of 5.5 percent during the same period. In 2014, San Gabriel Valley's annual growth rate was 0.6 percent, comparable with the Los Angeles County average.

Employment increased 1.7 percent at year end 2014 in San Gabriel Valley. The largest job increases were in the following sectors:

- Leisure and hospitality (3,600 jobs, 5.3 percent growth),
- Health services (3,400 jobs, 3.0 percent growth), and
- Professional and business services (2,700 jobs, 3.2 percent growth).

Reflecting continued automation and consolidation, the Financial Activities sector declined employment by 600 jobs (1.6 percent). Fortunately, total employment for region is expected to increase by 1.6 percent in 2015 and 2016. The following chart summarizes the historical and forecasted employment levels in San Gabriel Valley:

San Gabriel Valley Employment Trends



NOTE: Employment is represented in thousands

Source: San Gabriel Valley Economic Forecast and Regional Overview, April 2015; California EDD; LMID ES202 data

Unemployment rates in San Dimas averaged 6.5 percent in 2014. In comparison, the neighboring city of Pomona reported a 9.2 percent unemployment rate during the same period.

San Dimas Employers

The largest employers in San Dimas are primarily back-office processing centers, public utility offices, manufacturing companies and an aquatic theme park. Major employers of San Dimas are listed in the table on the following page.

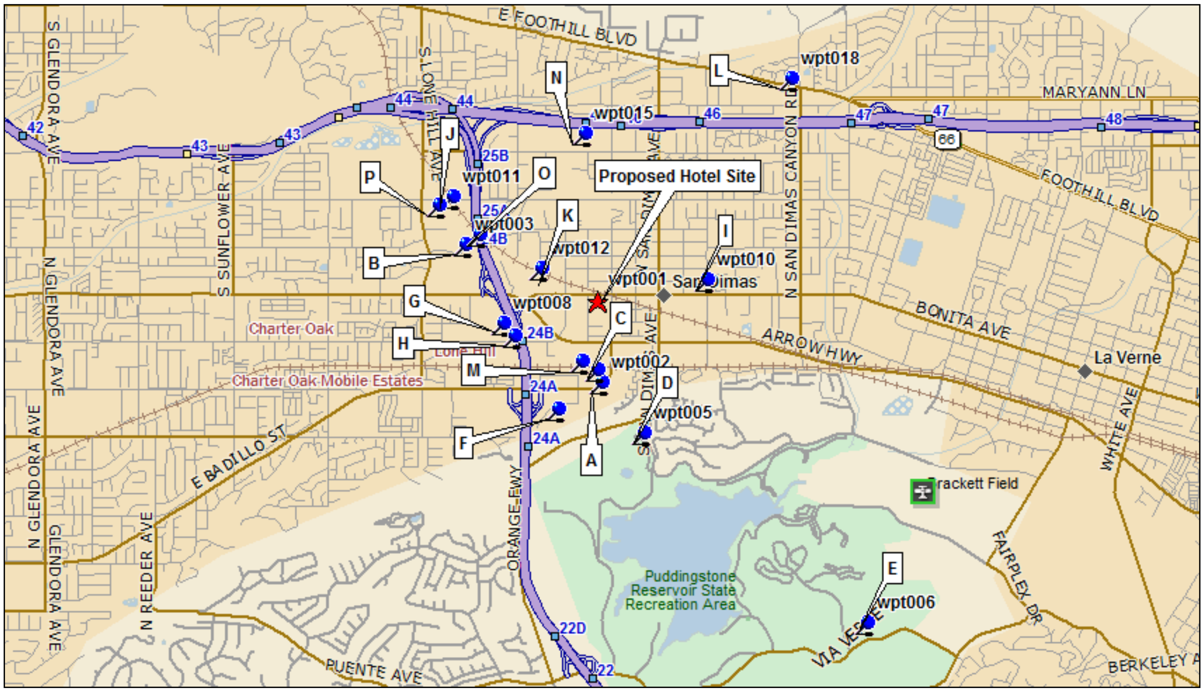
Major San Dimas Employers

Map	Business Name	Location	# Employees	Dist. To Site	Industry
A	Automatic Data Processing	400 W. Covina Blvd.	874	0.6	Payroll/Tax processing
B	Southern California Gas Co.	1050 Overland Ct.	466	1.2	Public Utility office
C	Louis Vuitton U S Mfg.	321 W. Covina Blvd.	331	0.6	Purses, Luggage, personal goods mfg.
D	Raging Waters	111 Raging Waters Dr.	261	1.5	Aquatic theme park
E	Ego Inc.	180 Via Verde Ave. #100	226	5.2	Emergency Room Billing
F	Gilead Sciences	650 Cliffside Dr.	200	1.1	Pharmaceutical research/sales
G	Target Store #T 767	888 W Arrow Hwy	200	0.8	Discount retail store
H	Southern California Edison	800 W. Cienega Ave	179	0.8	Public Utility office
I	City of San Dimas	245 East Bonita Ave.	160	0.5	City Services
J	Costco Wholesale #1015	520 N Lonehill Ave	152	1.4	Wholesale, Retail sales
K	Lowe's Home Improvement	633 W Bonita Ave	146	0.5	Home Improvement Whls, Retail sales
L	Golden State Water Co	630 E. Foothill Blvd.	134	2.6	Public Utility office
M	WaveStream Corporation	545 W Terrace Dr.	109	0.9	Research & Development
N	Organic Milling Co., Inc	505 W. Allen Ave.	105	1.5	Cereal mfg.
O	Med-Legal LLC	955 Overland Ct.	101	1.4	Legal Copy Service
P	Olive Garden Italian Restaurant	582 N. Lone Hill Ave.	101	1.6	Restaurant

As of June 15, 2015

Source: City of San Dimas, Pinnacle Advisory Group

The following map shows the location of the San Dimas major employers in relation to the proposed hotel site.



To show the revenues generated by industry type, the following table summarizes 2007 business revenues for San Dimas. This data is outdated but is the most current information available. It should be reviewed for illustration purposes only as the relative ratios of industrial sectors will have changed during the recession.

2007 San Dimas Business Revenues

Industry	Business Revenues	% of Total
Manufacturing	$1,850,885	57.8%
Retail Trade	$542,022	16.9%
Prof'l Scientific & Tech Services	$343,565	10.7%
Health Care & Social Asst.	$173,471	5.4%
Hospitality & Leisure	$96,503	3.0%
Real Estate	$70,481	2.2%
Oher Services	$66,782	2.1%
Admin. Support & Waste Mgmt	$59,307	1.9%
Total	$3,203,016	

Source: U.S. Census Bureau, 2007 Economic Census

Population

The San Dimas population has remained basically flat over recent years, but in 2014, increased by 1.1 percent, totaling 34,072. From 2005 through 2010, the city's population declined year over year, but with the recovery, reversed the trend in 2011 with a 0.2 percent increase. Population levels have not yet met the pre-recession figure, but are improving at an accelerating pace.

San Dimas Historical Population

Year	Population	% Chg
2000*	34,980	--
2004	35,166	0.5%
2005	34,906	-0.7%
2006	34,516	-1.1%
2007	34,153	-1.1%
2008	33,789	-1.1%
2009	33,596	-0.6%
2010*	33,371	-0.7%
2011	33,433	0.2%
2012	33,516	0.2%
2013	33,706	0.6%
2014	34,072	1.1%

* Per the US Census

Source: State of California, Dept of Finance, E-5 Population and Housing Estimates for Cities - January 1, 2011-2014. Sacramento, CA, May 2014

Higher Education

The San Gabriel Valley is home to a number of public and private universities and colleges. Educational institutions in the area of the Site include: the University of La Verne, Azuza Pacific University, California State Polytechnic University Pomona, The Claremont Colleges, Citrus College, and Mt. San Antonio College.

These institutions sell-out local hotels on move-in/out dates and graduation, and provide sporadic year-round demand from visiting academics and prospective students.

The area universities have attracted start-up businesses taking advantage of their research activities in aerospace, technology, medical device and biomedical fields. Green energy technology firms that have spun off from these universities have made significant contributions to developments in electric batteries, electric car charging stations, solar panels and nanotechnology.

All universities currently face funding uncertainties for federally funded contracts and grants. The Sequestration budget cuts that were tabled for the 2014 fiscal year are set to restart with the 2015 fiscal year, beginning October. When these cuts were first instituted in 2013, universities laid off research-related personnel, reduced admissions and delayed projects.

Manufacturing

Manufacturing employers in the San Gabriel Valley range from industries including computer and electronic products, to plastics and rubber, transportation equipment, chemicals, pharmaceuticals, and furniture. Food, fabricated metal products and apparel are the three largest manufacturing sectors the area. In 2015, San Gabriel Valley's employment is expected to increase in the manufacturing sector.

The three largest manufacturing employers in San Dimas are Louis Vuitton, WaveStream Corporation and Organic Milling Company. The Louis Vuitton manufacturing location is the company's largest North American manufacturing facility. Organic Milling Company manufactures products sold in Trader Joe's stores.

Gilead Sciences is also a major employer located in San Dimas. This pharmaceutical company that focuses on the discovery, research and commercialization of medicines that meets the needs that are currently unserved. Gilead's focus for development are in HIV/AIDS, liver diseases, hematology and cancer, inflammatory and serious respiratory diseases and cardiovascular conditions.

Tourism

Raging Waters is a 50-acre water park located in San Dimas. It is open only summers and fair weather weekends, but attracts 400,000 to 450,000 visitors annually. In 2013, Raging Waters was ranked 14th in attendance at North American water parks according the World Waterpark Association. It reported 423,000 visitors, a decline of 5.5 percent versus 2012. To preserve and enhance visitation, Raging Waters continues to add attractions. More people may be enticed to visit because of its new (2015) hydro-magnetic coaster, the first in California.

With the ongoing statewide water restrictions, the days or hours of operation at Raging Waters could be affected as water costs increase. However, the drought it working to its advantage too. The California drought has been the reason that a proposed water park to the south, in Temecula has been unable to secure financing, so it is unlikely that new competitive water parks will be developed in the near future.

The National Hot Rod Association (NHRA) Motorsports Museum and the Auto Club Raceway at Pomona are located a few miles southeast of San Dimas. The Auto Club Raceway is the oldest venue on the NHRA Full Throttle Drag Racing Series circuit. It has been home to NHRA's season opener, the Kragen O'Reilly NHRA Winternationals, since 1961 and to the season closer, the Automobile Club of Southern California NHRA Finals, since 1984.

The Fairplex, located in Pomona, is home to the Los Angeles County Fair, which is annually held for three weeks in September. Other events held at the Fairplex include the Fourth of July Kaboom Celebration featuring motorcross, monster trucks, and fireworks; and the Los Angeles International Wine Competition, held in May. There is also a fairly steady series of music concerts at the Fairgrounds, which, depending on the entertainer, can cause area hotels to sell-out. A list of a sample of 2015 events, trade shows and conventions at the Fairplex and Auto Club Raceway are provided in the following table.

2015 Fairplex Special Events		
Dates	**Event**	**Description**
Dec 26, 2014 - Jan 11, 2015	Giant LA Winter RV Show	RV trade show
Jan 17, 2015 - 18, 2015	Asian American Expo	Expo and music festival
Jan 23, 2015 - 25, 2015	Grand National Roadster Show	Car show
Jan 30, 2015 - Feb 01, 2015	Horse Expo Pomona	Horse trade show
Feb 05, 2015 - 08, 2015	Circle K NHRA Winternationals*	Race
Feb 23, 2015	Barretts Select Sale	Horse trade show
Mar 05, 2015 - 07, 2015	Quilt, Craft & Sewing Festival	Festival
Mar 07, 2015 - 08, 2015	Celtic Faire at Fairplex	Festival
Mar 14, 2015 - 15, 2015	Street Machine & Muscle Car Nationals	Car show
Mar 15, 2016	Family Winemakers Tasting	Wine trade and consumer tasting event
Mar 26, 2015 - 29, 2015	FMCA 2015 Convention	Family Motor Coach Association showcase
Apr 18, 2015 - 19, 2015	Bushiroad Team League 2015	Bushiroad card game tournament
19-Apr-15	Xtreme Spirit Cheer & Dance Regional Championships	Cheer & dance regional championships
25-Apr-15	AutoCon	Car show
1-May-15	FORD/AAA Student Auto Skills Competition	Auto service technician certification
2-May-15	DeafNation Expo 2015	Deaf community trade show
3-May-15	Sancocho Latin Music & Dance Festival	Latin American festival
May 08, 2015 - 09, 2015	West Coast Historical Militaria Collectibles Show	Militaria antiques trade show
May 21, 2015 - 25, 2015	Mission Circuit Dog Show	Dog show
May 22, 2015 - 31, 2015	Giant RV Show	RV Show
Jun 05, 2015 - 06, 2015	DARPA Robotics Challenge Finals	DARPA Robotics Challenge
6-Jun-15	Golden Future 50+ Senior Expo	Senior trade show
Jun 12, 2015 - 14, 2015	Summer Home & Backyard Show	Home trade show
19-Jun-15	Vans Warped Tour 2015	Music festival
Jun 20, 2015 - 21, 2015	51st Annual L.A. Roadsters Show	Car show
27-Jun-15	Cheers - L.A.'s Wine, Spirits, Beer & Food Festival	Food festival
4-Jul-15	KABOOM! Fourth of July Fireworks Spectacular	Festival and monster truck show
Jul 17, 2015 - 19, 2015	Body Art Expo	Tatoo festival
Aug 01, 2015 - 02, 2015	HARD Summer Music Festival	Music festival
8-Aug-15	2015 Convocation and White Coat Ceremony	Western University ceremony
Aug 13, 2015 - 16, 2015	ECC 2015	Consumer expo
Sep 04, 2015 - 27, 2015	2015 Los Angeles County Fair	County fair
Oct 03, 2015 - 04, 2015	2015 Lucas Oil Off-Road Expo	Off-road companies trade show
Oct 09, 2015 - 18, 2015	63rd Annual California RV Show	RV trade show
Oct 09, 2015 - 24, 2015	Oktoberfest at Fairplex	Festival
7-Nov-15	SoCal MakerCon	Innovation convention
8-Nov-15	ITEX Holiday Barter Fair	Network show
Nov 12, 2015 - 15, 2015	50th Auto Club NHRA Finals*	Hot Rod race
Dec 04, 2015 - 06, 2015	Harvest Festival	Shopping event

* At Auto Club Raceway at Pomona
Source: Fairplex website, June 2015

Residential

California home sales decreased by 8.7 percent in 2014 versus 2013 due to a lack of inventory. However, because of the expected job growth and reasonable mortgage interest rates, the San Gabriel Valley's 2015 home sales are projected to resume growth.

From 2007 through 2012, San Dimas' median home sales prices declined year over year. However, in 2013, nearly three years of price declines were recovered. In 2014, median home sales prices increased by 17.1 percent in San Dimas. The following table shows the trend in historical median home sales in San Dimas.

San Dimas Median Home Sales Price		
Year	**Price**	**% Change**
2004	$428.0	--
2005	$514.5	20.2%
2006	$535.0	4.0%
2007	$485.0	-9.3%
2008	$422.3	-12.9%
2009	$410.0	-2.9%
2010	$380.0	-7.3%
2011	$371.5	-2.2%
2012	$350.0	-5.8%
2013	$405.5	15.9%
2014	$475.0	17.1%

NOTE: Prices are in thousands.

Source: DataQuick

Redfin estimates that in May, 2015, the average price per square foot grew by 6.1 percent over May of 2014, however, because of the smaller homes transacting during May, the median price fell somewhat.

San Dimas' apartment vacancy rates is a very low 3.8 percent, versus the San Gabriel Valley's vacancy rates of 4.5 percent. Apartment rents are raising faster than home prices and income growth.

Single-family detached homes represent 58 percent of the total housing units in San Dimas. In comparison, 60 percent of the San Gabriel Valley incorporated city housing units are single detached homes. The following table reveals the housing inventory for San Dimas and the incorporated cities of San Gabriel Valley.

2014 Housing Inventory										
		Housing Units								
Area	Total Population	Total	Single Detached	Single Attached	Two to Four	Five or More	Mobile Homes	Total Occupied	Vacancy Rates	Persons per Household
San Dimas	33,686	12,516	7,312	1,621	321	1,820	1,451	12,040	3.8%	2.75
San Gabriel Incorp. Cities	1,511,959	490,705	295,447	43,258	33,213	107,439	11,348	467,927	4.5%	3.19
Los Angeles County	9,958,091	3,463,382	1,719,724	229,155	283,959	1,172,254	58,290	3,258,265	--	--

Source: State of California, Dept. of Finance, E-5 Population and Housing Estimates for Cities, Counties and the State — January 1, 2011- 2014. Sacramento, CA, May 2014

Housing development in San Dimas had been sluggish until 2013 when 199 building permits were issued for single- and multi-family housing, up from 5 the previous year.

As more people move into the San Gabriel Valley demand from family and friends visiting residents should increase.

Foothill Gold Line

The Site is located near a planned stop for the Foothill Gold Line extension, which is a commuter railway that currently runs from Union Station in downtown Los Angeles to Pasadena. The expansion now underway will extend the Gold Line some 11.5 miles to the east, ending in Azuza. The latest segment is scheduled to be completed in September 2015.

The third phase of the Gold Line expansion would extend eastward another 12.3 miles, ending in Montclair and will add six more stops, one of which would be in San Dimas.

The site for the San Dimas Gold Line stop is planned to be located east of San Dimas Avenue between Bonita Avenue and Arrow Highway. Although conceptual engineering began in 2014 for the third phase expansion, funding has not been approved. This $1 billion third phase project will require an additional five years to complete final design and construction.

At present, the tracks are used for two freight trains daily. When freight trains cross Bonita Avenue, next to the Site, the trains' horns will blow. These freight trains cross Bonita Avenue only during daylight hours. The Gold Line trains utilize a more muted crossing noise which has been described as a "quack" sound that is pointed downward. Additionally, these trains are on an electric rail system which is much quieter to operate than freight trains.

Hotel Supply and Demand

Only a few hotels in the area would be competitive with a new hotel on the subject Site. The San Gabriel Valley has a number of older hotels that are obsolete because of age, lack of repair and/or their exterior corridor facilities. In our analysis, we did not analyze hotel performance for the functionally obsolete hotels in the area.

San Dimas has five hotels within its city limits. The Red Roof hotel, the oldest hotel is 31 years old, and the newest hotel is the seven-year-old Holiday Inn Express & Suites hotel. The aggregate average daily rate for the City's hotels is a function of the "hard budget" orientation of the majority of the rooms in San Dimas, most notably the Motel 6 and the Extended Stay America.

Relevant Supply

We have focused our analysis on hotels that are proximate to the site, enjoy national branding, and are in good repair. Although the Red Roof Inn is located in San Dimas, its poor condition precludes it from being included in our analysis.

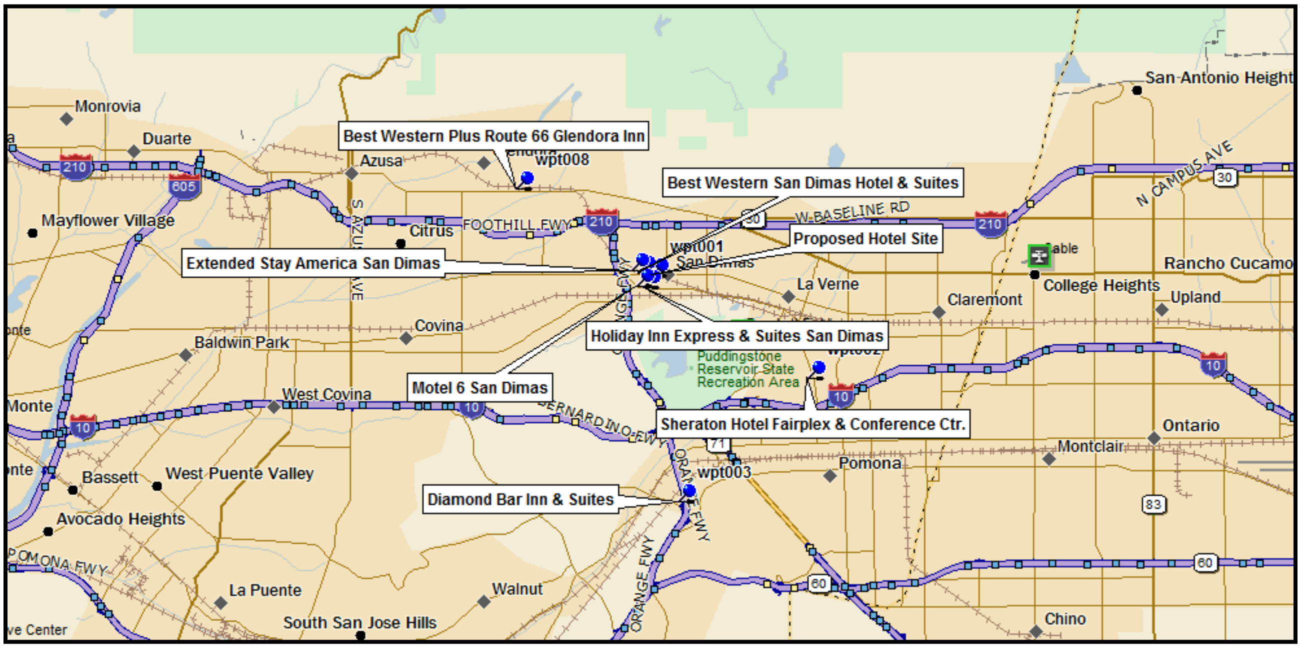
Competitive Set Hotels			
San Dimas Competitors	**Rooms**	**Opened**	**Dist. To Site**
Holiday Inn Express & Suites San Dimas	67	Sep-08	0.4
Best Western San Dimas Hotel & Suites	59	Aug-88	0.2
Extended Stay America Los Angeles San Dimas	104	Feb-99	0.3
Motel 6 Los Angeles San Dimas	118	Jun-85	0.5
Total San Dimas Competitors	348		
San Dimas Hotels' 2014 Occupancy, ADR & RevPAR	**76.3%**	**$81.46**	**$62.15**
Other Competitors			
Sheraton Hotel Fairplex & Conference Center	244	May-92	4.3
Best Western Plus Route 66 Glendora Inn	40	May-07	4.0
Diamond Bar Inn & Suites	161	Jun-85	5.2
Total Other Competitors	445		
Other Hotels' 2014 Occupancy, ADR & RevPAR	**58.1%**	**$111.41**	**$64.77**
Total Competitive Hotels	**793**		
All Hotels' 2014 Occupancy, ADR &RevPAR	**66.1%**	**$96.24**	**$63.64**

Source: STR, Pinnacle Advisory Group

The occupancies for the San Dimas are higher than for the competitive hotels in the neighboring communities. However, the prices charged, referred to as “average daily rates” or “ADRs” are higher in the neighboring communities. Please note that these are effective, net rates, and not some arithmetic average of the asking rates.

To compare hotels that pursue different pricing strategies, we also consider Revenue per Available Room, or “RevPAR”. The formula for RevPAR is occupancy times ADR. Because of the high ratio of rooms in the budget niche, the RevPAR of the San Dimas hotels is $2.62, or 4.1 percent below that the hotels in the neighboring communities.

The following is a map illustrating the hotel Site and its probable competitors.



Historical Performance

Presented in the table on the following page is a chart summarizing the weighted average aggregate performance of all of the competitive hotels.

Historical Market Performance										
	Supply		Demand		Market Performance					
	Available						Average			
Year	Room Nights	% Chg	Total	% Chg	Occupancy	Pt. Chg	Rate	% Chg	RevPAR	% Chg
2009	289,400	--	149,800	--	52%	--	$80	--	$41	--
2010	289,400	0.0%	168,700	12.7%	58%	7%	$75	-6.6%	$44	5.2%
2011	289,400	0.0%	166,200	-1.5%	57%	-1%	$79	5.6%	$45	4.0%
2012	289,400	0.0%	195,600	17.7%	68%	10%	$89	13.1%	$60	33.1%
2013	289,400	0.0%	193,800	-0.9%	67%	-1%	$94	5.2%	$63	4.2%
2014	289,400	0.0%	191,400	-1.2%	66%	-1%	$96	2.5%	$64	1.2%
CAGR*		**0.0%**		**5.0%**				**3.7%**		**9.0%**
YTD ending May:										
2014	119,743	--	77,721	--	65%	--	$96	--	$62	--
2015	119,743	0.0%	77,763	0.1%	65%	0%	$98	2.4%	$64	2.4%

* Compounded Average Growth Rate

Source: Pinnacle Advisory Group

Key takeaways are as follows:

- Because the recession hit so close on the heels of the Best Western Plus Route 66 Geldora and the Holiday Inn Express in San Dimas, annual occupancy was in the 50 percent range until 2012, when it bounced up to the high-60's.

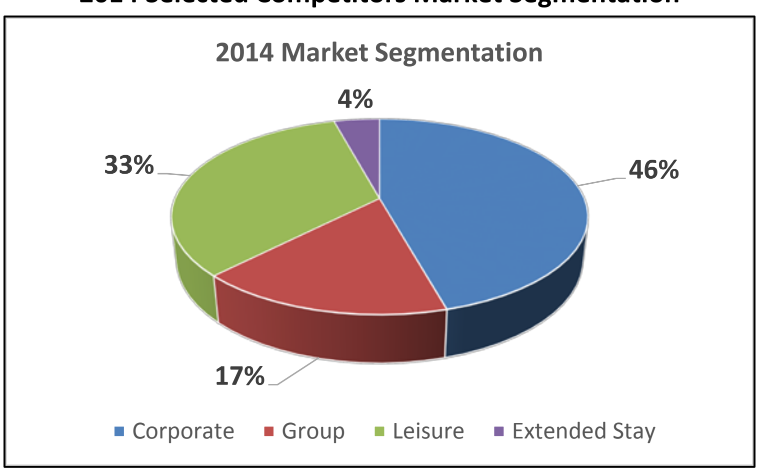
- In 2010, the competitive set's 6.6 percent decline in rates helped to entice *demand* to grow by 12.7 percent. Recovery from the Great Recession, as well as increased events at the Fairplex also helped to improve demand growth in 2012.
- We speculate that in 2013, the conversion of the Comfort Suites to an independent for two months, then to a Best Western, caused some brand-conscious consumers to leave the marketplace. The City of San Dimas' Transient Occupancy Tax Rate increased from 8 percent to 12 percent in fiscal year 2013-2014. This tax increase, in combination with the 5.2 percentage point increase in ADRs in calendar 2013 and a 2.5 percentage point increase in ADRs in calendar 2014, may have driven some price sensitive guests to the neighboring hotels, but the competitors outside of San Dimas reported collectively lower occupancies during the same periods, so it appears to be a brand option issue, unrelated to the tax increase.
- In 2014, the market appears to have stabilized, and the ADR increases in tandem with the tax increase indicate a recovering market.
- As of May 2015 year-to-date, demand for the selected competitive set has remained flat. Average daily rates have increased by 2.4 percent, slightly ahead of inflation.

Market Segmentation

Data gathered during our interviews with representatives from the competitive hotels indicate that hotel room night demand in the subject market is comprised of demand from four primary segments: corporate transient, leisure transient, extended stay and group.

In 2014, corporate demand, the largest of the four segments, accounted for 46 percent of total accommodated room nights while leisure transient demand accounted for 33 percent. Group demand generated 17 percent of total accommodated room nights. Extended stay demand represented 4 percent of total demand. The graph below depicts the market demand segmentation for the competitive market for 2014.

2014 Selected Competitors Market Segmentation



Source: Pinnacle Advisory Group

The following table depicts the room night generated by each market segment from 2009 through May 2015 year-to-date.

Competitive Market Historical Supply and Demand

	Supply		Demand							
Year	Annual Room Nights	% Chg.	Corporate	% Chg.	Leisure	% Chg.	Group	% Chg.	Extd Stay	% Chg.
2009	289,445	-	68,000	-	50,000	-	25,000	-	6,000	-
2010	289,445	0%	77,000	13%	57,000	14%	28,000	12%	7,000	17%
2011	289,445	0%	76,000	-1%	55,000	-4%	28,000	0%	7,000	0%
2012	289,445	0%	89,000	17%	66,000	20%	33,000	18%	8,000	14%
2013	289,445	0%	89,000	0%	64,000	-3%	32,000	-3%	9,000	13%
2014	289,445	0%	88,000	-1%	62,000	-3%	32,000	0%	9,000	0%
CAGR* 2009 - 2014		**0%**		**5%**		**4%**		**5%**		**8%**
YTD May 2014	119,743	-	36,000	-	25,000	-	13,000	-	4,000	-
YTD May 2015	119,743	0%	36,000	0%	25,000	0%	13,000	0%	4,000	0%

* Compounded annual growth rate
NOTE: Demand roomnights rounded to nearest thousand.
Source: Pinnacle Advisory Group

Corporate Demand

Corporate demand in the market is mainly generated through manufacturing company and area sales call demand. Demand timing for this segment typically occurs Monday through Thursday. The corporate segment is the largest source of demand in the market, accounting for 46 percent of total demand, or 88,052 room nights in 2014.

Demand from the transient corporate business traveler is often characterized by the following:

- High degree of single occupancy
- Average length of stay between one and three nights
- Strong interest in loyalty to frequent guest programs
- Seeks a strong price to value relationship
- Requires proximity to place of business and easy accessibility to transportation routes

Although corporate demand decreased by 0.6 percent in 2014, the six year compounded annual growth rate was 5.3 percent. As of May 2015 year-to-date, corporate demand has remained flat. The recovery-fueled growth spurt is largely over. Future gains will be driven by industrial and office space absorption.

We have estimated no growth in corporate demand this year, as corporate travelers adjust to the new, higher ADRs. Forecasted growth rates are expected to range from 1.0 percent to 2.5 percent between 2016 and 2020.

Leisure Demand

Leisure demand represents the second largest demand segment in the competitive market, accounting for approximately 33 percent of total demand in 2014, or 62,342 room nights. Leisure demand in the market is generated by families visiting local colleges, tourists visiting Raging Waters and other area tourist attractions like the Fairplex, the National Hot Rod Museum, as well as price-sensitive tourists visiting the greater Los Angeles area.

Demand generated by the leisure traveler is often characterized by the following:

- High incidence of weekend occupancy
- Average length of stay of one or two nights
- High percentage of multiple occupancy

In 2014, accommodated demand in the leisure segment decreased approximately 2.3 percent. As of May year-to-date 2015, leisure demand has increased by 0.6 percent. As with commercial demand, the recovery fueled growth spurt is largely over. Based on our understanding of leisure demand in the competitive market, we have projected no growth in leisure demand in 2015. Again, after an adjustment period, we are forecasting leisure growth ranging from 1.0 to 2.5 percent between 2016 and 2020.

Group Demand

Group demand in the market is comprised of groups that require sleeping rooms only, such as tourist groups visiting San Dimas and the greater Los Angeles area, and corporate and social groups requiring meeting space. Group demand in the competitive market is comprised of corporate group sales and training, and SMERF-related (Social, Military, Education, Religious, Fraternal) groups. Group business represents 17 percent of demand, or 31,881 room nights in 2014.

The group segment can be characterized by the following:

- Require discounted room rates
- Variety of room configuration required or double bedded-rooms

Group demand has reported a compound annual growth rate of 5.0 percent from 2009 through 2014. However has declined by 1.1 percent on a year-to-date basis. Based on our understanding of the local market area, we have projected flat annual growth of group demand in 2015. For 2016 through 2020, we are forecasting growth rates between zero to 2.0 percent.

Extended Stay Demand

Extended stay demand is captured by hotels designed to cater to guests with 7+ days per stay, and transient hotels accommodating extended stay guests that were unable to find lodging that would best suit their needs. Extended stay business represents only 4 percent of demand, or 9,128 room nights in 2014. It is accommodated mainly by the Extended Stay America.

The extended stay segment can be characterized by the following:

- Require discounted room rates for longer length of stay
- Average length of stay of 5+ nights

- Require an in-room kitchen

Extended stay demand has reported a compound annual growth rate of 7.6 percent from 2009 through 2014. It has increased by 1.2 percent on a year-to-date basis. We have assumed no demand growth in 2015, followed by a range of increases ranging from 1.0 to 2.5 percent from 2016 to 2020.

Potential New Supply

During the course of our fieldwork, we interviewed economic development professionals, the San Dimas Chamber of Commerce, local hospitality operators, and hospitality industry contacts to ascertain the status of any proposed or rumored hotel developments. We found no plans for other new hotel development in the trade area.

We have assumed that the subject hotel opens on January 1, 2018. This would allow the City of San Dimas one year to identify a credible developer and close on the land sale. The developer would then have 18 months to obtain design approvals (6 months) and construct the hotel (12 months).

The average size of the competitive hotels in San Dimas is 87 rooms, with the so-called "hard budget" hotels like the Motel 6 pulling the average up. The market occupancies in the mid-60s are not compelling enough to entice a developer to risk a high key count. We have assumed an 80-room hotel in our analysis. This is a very typical size for most major brands, and they have devised "prototype" plans in this range for franchisees to adapt to their sites.

Market Growth Forecasts

Demand growth has been set back in recent years, as the operators of the competitive hotels pursued higher-rated demand at the expense of lower-rated business. Thus far, this strategy has allowed the market to capture higher revenues at a time when minimum wage and employee benefits are increasing faster than inflation. So long as the market continues to operate in the mid-60 range, this may be a more profitable plan for many operators.

Following are our assumptions regarding growth in demand:

- Manufacturing-related demand will continue to grow at a steady pace.
- Leisure demand will increase as price sensitive consumers continue to vacation in the greater Los Angeles area.
- Extended stay demand will increase as corporate projects, relocation and training will continue to grow.

Presented in the following table are the historical and projected changes in supply and demand for the competitive market. It assumes that the Subject Hotel opens on January 1, 2018, increasing supply by 10 percent.

Historical and Forecast Marketwide Performance									
	Supply*	% Chg	Demand*	% Chg	Occ	ADR	% Chg	RevPAR	% Chg
2009	289	--	159	--	54.9%	$83	--	$46	--
2010	289	0%	178	12%	61.6%	$78	-6%	$48	6%
2011	289	0%	176	-1%	60.8%	$83	6%	$50	4%
2012	289	0%	196	11%	67.6%	$89	8%	$60	20%
2013	289	0%	194	-1%	67.0%	$94	5%	$63	4%
2014	289	0%	191	-1%	66.1%	$96	2%	$64	1%
CAGR		**0.0%**		**3.8%**			**3.0%**		**6.9%**
Forecast									
2015	289	0%	191	0.0%	66.1%	$99	2.5%	$65	2%
2016	289	0%	194	1.3%	67.0%	$102	3.0%	$68	4%
2017	289	0%	197	1.5%	68.0%	$105	3.5%	$72	5%
2018	319	10%	201	2.0%	63.0%	$108	3.0%	$68	-5%
2019	319	0%	206	2.4%	64.5%	$112	3.0%	$72	5%
2020	319	0%	207	0.7%	65.0%	$115	3.0%	$75	4%
2021	319	0%	207	0.0%	65.0%	$118	3.0%	$77	3%
Forecast CAGR		**1.6%**		**1.3%**			**3.1%**		**2.8%**

*Annual roomnights, in '000's
CAGR - Compounded Annual Growth Rate
Source: Pinnacle Advisory Group

We theorize that the local operators will preserve the 2.5 percent ADR increase obtained through May and will have occupancies that are flat to 2014. RevPAR should keep pace with inflation

However, in future years, as hotel operators wean travelers off discounts, we see both occupancy and ADR growing modestly, until the proposed subject 80 room hotel opens. The 10 percent supply increase should cause occupancies to fall approximately five percentage points temporarily. The new hotel should however, be readily absorbed without triggering ADR discounting.

The addition of the proposed hotel will likely cause the long-term average occupancy of these hotels to stabilize at 65 percent, its four-year average from 2011 through 2014.

Average daily rates are expected to increase by 3.0 percent in 2016, then increase to 3.5 percent in 2017, before falling off to 3.0 percent per year with the opening of the proposed hotel.

Proposed Hotel Options

We have evaluated the types of hotels that would best suit the proposed hotel site. The two main types that would be a good fit for the location in San Dimas are as follows:

- ***Moderately priced limited service transient hotel –*** Please note that in the hotel industry, a “transient” hotel is not one that caters to vagrants, but rather, a traditional hotel with an average length of stay that is well under one week. National brands in the upper midscale transient category include: Hampton Inn, Fairfield Inn, Holiday Inn Express, and Comfort Suites.

These hotels serve transient business and leisure customers. Typical amenities include a complimentary breakfast, free WiFi, business centers, fitness rooms, and swimming pools. These brands' national recognition, guest frequency programs, customer loyalty, along with their worldwide reservations systems are successful in capturing and creating demand in the lodging sector.

- ***Moderately priced extended stay hotel*** – The national brands that best represent these upper midscale hotels include TownePlace Suites, Home2 Suites by Hilton, Candlewood, and Cambria. These hotels feature in-room kitchens with full-sized refrigerators, microwaves, coffee maker, cooktop, dishes, glassware and utensils. These hotels include amenities such as complimentary breakfast, complimentary WiFi, business centers, exercise facilities, swimming pools, and outdoor lounge areas. As TownePlace Suites is a Marriott product and Home2 Suites is a Hilton product, their worldwide reservations systems and parent company recognition and frequency programs will help capture demand and loyalty.

With only 4 percent extended stay demand we are of the opinion that the moderately priced, limited service, transient hotel concept would best suit the Site.

We have concluded from the fact that the owner of the Best Western San Dimas let the Comfort Inn franchise expire that this brand was not performing.

There is currently no limited service products franchised by Marriott International (e.g., Fairfield Inn) or Hilton Worldwide (e.g., Hampton Inn) in the vicinity. The closest Hampton Inn and Fairfield Inn to the Site are approximately 8 miles away, in West Covina. Both of these brands are frequently affected by trade area "impact issues", that is, the potential for adverse effect by branding a hotel in a nearby community with the same, or similar brand.

The subject Site would likely have no such impact issues for the Hampton Inn or Fairfield Inn brands.

If the Site is developed as a newly constructed hotel with one of these brands, it will generate demand very loyal to their brands, likely drawing this in to the market area. Additionally, these brands typically capture strong market rate premiums, thus driving rates higher for the entire competitive market.

For the purposes of this study, we have assumed the development of an 80-unit, moderately priced, competitively branded, limited service hotel such as a Hampton Inn or Fairfield Inn hotel. We will refer to this proposed project as the "Subject Hotel."

Subject Hotel Forecasts

Penetration rates refer to relative positioning. A hotel that was operating exactly "at Market" would have a penetration rate of 100 percent. Achieving higher performance would be reflected in penetration rates above 100 percent. Lower performance would be measured with penetration rates below 100 percent. Below is a penetration analysis as applied to the results of the San Dimas hotels, versus the average for competitive hotels in the neighboring communities:

Penetration Example, Using the 2014 Sub-Market Performance				
Sub-market	Occupancy	ADR	Occupancy Penetration	ADR Penetration
San Dimas Competitors	76.3%	$81	115%	85%
Other Hotels	58.1%	$111	88%	116%
Weighted Average	66.1%	$96	100%	100%

Source: STR and Pinnacle Advisory Group

Within the context of this overall market, we have projected the occupancy and ADR for the 80-room Subject Hotel, opening January 1, 2018, as shown in the penetration analysis in the following table.

Projected Occupancy, ADR, and Penetration of Proposed Hotel San Dimas

Calendar	Market Occ	Subject Occ	% Fair Share	Market ADR	Subject ADR	% Fair Share	Market RevPAR	Subject RevPAR	% Fair Share
2018	63%	61%	97%	$108	$141	130%	$68	$86	126%
2019	65%	65%	102%	$112	$151	135%	$72	$99	137%
2020	65%	70%	108%	$115	$155	135%	$75	$109	145%
2021	65%	70%	108%	$118	$160	135%	$77	$112	145%
2022	65%	70%	108%	$122	$165	135%	$79	$115	145%

Source: Pinnacle Advisory Group

The subject will be the first new hotel in the area in ten years when it opens. New hotels generally outperform older hotels, especially with regard to ADR. Therefore, we have forecast penetration rates in the various segments that equate to a weighted average penetration rate of 108 percent, with higher figures in the commercial and leisure segments, and lower penetration rates in the group and extended stay segments.

The real advantage should be captured in the hotel's ADR. The two brands envisioned are positioned well above the Motel 6 and Extended Stay America on the quality spectrum, on par with the Holiday Inn Express, and slightly below the Sheraton. Please note that there is less of a differential between full-service and select-service hotels that is widely believed. (It is not unheard of for a new Hampton Inn & Suites to achieve the same ADR as an older Hilton Hotel.) Quality discrepancies within the Best Western system and among independents make it difficult to draw comparisons to the other hotels.

In today's dollars, the stabilized year rate in 2020 equates to $130 in 2014 currency.

Our forecasts were based on our knowledge of the penetration rates of individual hotels within the competitive sets. We are of the opinion that a new, well branded select-service hotel could achieve occupancies and ADRs that are significantly above the market's current average performance, and consistent with the results of its top performers.

Summary Forecast

Presented in the following table is our summary forecast for the proposed 80-room Subject Hotel in San Dimas.

Projected Occupancy, ADR, and RevPAR of Proposed Hotel San Dimas						
Year	Subject Occ	% Chg	Subject ADR	% Chg	Subject RevPAR	% Chg
2018	61.0%	-	$141	-	$86	-
2019	65.5%	5%	$151	7%	$99	15%
2020	70.0%	4%	$155	3%	$109	10%
2021	70.0%	0%	$160	3%	$112	3%
2022	70.0%	0%	$165	3%	$115	3%

Source: Pinnacle Advisory Group

Test of Feasibility

In order to test the feasibility of the proposed development, we have prepared statements of estimated annual operating results for the first five years of operation for the proposed 80-room Branded Select Service Hotel.

Statements of Estimated Annual Operating Results

Smith Travel Research (STR) is a hospitality industry leader in capturing, then aggregating and reporting individual hotel data such as occupancy, average daily rate, total hotel revenues and operating expenses. The sample of operating revenues and expenses that STR captures is considerably lower than hotels that report their occupancy and average daily rate data.

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STR's product that provides customized weighted averages of operating statement revenues and expenses is called the HOST (Hotel Operating Statistics) report. The purpose of these customized reports is to allow analysis of department line items by comparing total weighted average dollar amount, percent of revenue, per occupied room (POR) and per available room (PAR).

When estimating operating results, individual statistics or a combination of these statistics are analyzed to calculate annual totals.

- The percent of revenue statistic is calculated by the total or departmental amount divided by the relevant total revenue. An example of when this statistic is utilized would be when calculating Franchise Fee expense, which is calculated as a percentage (or ratio) of Rooms Revenue. A&G expense however, is calculated as a ratio of total revenue.

- The POR statistic is calculated by the department total divided by the total number of annual rooms sold for the reporting period. This statistic is typically used to forecast departmental expenses that rely heavily on the number of guests occupying the hotel such as Rooms Department Expense.

- The PAR statistic is calculated by the department total divided by the total number of available rooms on any single day, on our case, 80. This statistic is typically reviewed for department totals that are generated, regardless how sold out the hotel may be. An example of when PAR is used would be the Administrative and General departmental expense, less of credit card commissions.

When reviewing the total statistics, other facility factors are also considered. Total rooms in the hotel should be taken into consideration. A larger hotel may have a lower POR statistic than a smaller hotel due to efficiencies spread out to the larger base of total rooms. An older hotel will typically have higher Repairs and Maintenance expenses than newer hotels, while younger hotels will typically have lower Utilities expenses as new hotels are built to be more energy efficient.

We reviewed the actual performance of various greater Los Angeles branded limited service hotels and a composite STR HOST Report for selected limited service hotels in the area.

This comparison is presented on the following page together with the first five years of our ten-year projections.

Comparable Operating Statements

	Selected Hotels HOST Comp			Comparable #1			Comparable #2			Subject Year 3		
Year	2014			2013			2014			deflated to 2014		
	Actual			Actual			Actual			Forecast		
Number of Rooms:	109			131			91			80		
Occupancy:	60.8%			67.5%			83.5%			70.0%		
Average Rate:	$128			$86			$114			$ 130		
RevPAR:	$78			$58			$95			$91		
	$	%	*POR/PAR*	$	%	*POR/PAR*	$	%	*POR/PAR*	$	%	*POR/PAR*
OPERATING REVENUES												
Rooms	3,108,178	97.3	*128.20*	2,774,448	98.6	*85.91*	3,167,349	97.3	*114.16*	2,655,663	98.1	*129.93*
F&B Catering Commissions	32,488	1.0	*1.34*	0	0.0	*0.00*	0	0.0	*0.00*	0	0.0	*0.00*
Minor Operating Departments	42,428	1.3	*1.75*	38,128	1.4	*1.18*	87,340	2.7	*3.15*	51,087	1.9	*2.50*
Miscellaneous Income	12,123	0.4	*0.50*	0	0.0	*0.00*	0	0.0	*0.00*	0	0.0	*0.00*
Total Operating Revenue	**3,195,217**	**100.0**	***131.79***	**2,812,576**	**100.0**	***87.09***	**3,254,689**	**100.0**	***117.31***	**2,706,749**	**100.0**	***132.43***
DEPARTMENTAL EXPENSES (1)												
Rooms	662,852	21.3	*27.34*	769,271	27.7	*23.82*	552,783	17.5	*19.92*	583,727	22.0	*28.56*
Minor Operating Departments	46,308	109.1	*1.91*	66,759	175.1	*2.07*	203,154	232.6	*7.32*	56,949	111.5	*2.79*
Total	709,159	22.2	*29.25*	836,030	29.7	*25.89*	755,937	23.2	*27.25*	640,675	23.7	*31.35*
DEPARTMENTAL INCOME	**2,486,058**	**77.8**	***22,755.68***	**1,976,546**	**70.3**	***15,088.14***	**2,498,752**	**76.8**	***27,458.81***	**2,066,074**	**76.3**	***25,825.92***
OPERATING EXPENSES												
Administrative & General	228,386	7.1	*2,090*	256,895	9.1	*1,961*	216,266	6.6	*2,377*	142,372	5.3	*1,780*
Credit Card Commissions	0	0.0	*0*	0	0.0	*0*	0	0.0	*0*	67,836	2.5	*848*
Sales & Marketing	169,229	5.3	*1,549*	175,955	6.3	*1,343*	305,108	9.4	*3,353*	103,011	3.8	*1,288*
Franchise Fees	196,140	6.1	*1,795*	194,211	6.9	*1,483*	221,714	6.8	*2,436*	205,184	7.6	*2,565*
Repairs & Maintenance	152,500	4.8	*1,396*	104,352	3.7	*797*	144,708	4.4	*1,590*	125,623	4.6	*1,570*
Utilities	140,862	4.4	*1,289*	147,666	5.3	*1,127*	127,058	3.9	*1,396*	113,898	4.2	*1,424*
Total	887,116	27.8	*8,120*	879,079	31.3	*6,711*	1,014,854	31.2	*11,152*	757,923	28.0	*9,474*
GROSS OPERATING PROFIT	**1,598,942**	**50.0**	***14,636***	**1,097,467**	**39.0**	***8,378***	**1,483,898**	45.6	***16,307***	**1,308,150**	48.3	***16,352***
Base Management Fees	51,399	1.6	*470*	111,418	4.0	*851*	97,641	3.0	*1,073*	81,236	3.0	*1,015*
INCOME BEFORE NON-OPERATING INC & EXP	**1,547,543**	**48.4**	***14,165***	**986,049**	**35.1**	***7,527***	**1,386,257**	**42.6**	***15,234***	**1,226,914**	**45.3**	***15,336***
NON-OPERATING INCOME & EXPENSES												
Property & Other Tax	129,952	4.1	*1,189*	109,526	3.9	*836*	90,000	2.8	*989*	132,323	4.9	*1,654*
Insurance	44,610	1.4	*408*	25,260	0.9	*193*	22,800	0.7	*251*	34,337	1.3	*429*
Rent	93,100	2.9	*852*	0	0.0	*0*	0	0.0	*0*	0	0.0	*0*
Reserve for Replacement	107,162	3.4	*981*	60,676	2.2	*463*	162,734	5.0	*1,788*	108,035	4.0	*1,350*
Total	374,824	11.7	*3,431*	402,063	14.3	*3,069*	292,214	9.0	*3,211*	274,695	10.1	*3,434*
NET OPERATING INCOME (2)	**1,172,719**	**36.7**	***10,734***	**583,986**	**20.8**	***4,458***	**1,094,043**	**33.6**	***12,022***	**952,220**	**35.2**	***11,903***

Notes
(1) Departmental expense ratios are expressed as a percentage of their respective departmental revenues.
(2) Income before other deductions such debt service, interest, depreciation, amortization, and income taxes.

Source: Pinnacle Advisory Group

Forecast of Income & Expense
Proposed Hotel San Dimas - San Dimas, CA

Year [1]	**2018**			**2019**			**2020**			**2021**			**2022**		
Number of Rooms:	80			80			80			80			80		
Occupancy:	61%			65%			70%			70%			70%		
Average Rate:	$141			$151			$155			$160			$165		
RevPAR:	$86			$99			$109			$112			$115		
	$ (000's)	%	*POR/PAR*	$ (000's)	%	*POR/PAR*	$ (000's)	%	*POR/PAR*	$ (000's)	%	*POR/PAR*	$ (000's)	%	*POR/PAR*
OPERATING REVENUES															
Rooms	2,508	97.8	*140.84*	2,881	98.0	*150.63*	3,171	98.1	*155.15*	3,266	98.1	*159.79*	3,364	98.1	*164.59*
F&B Commissions	0	0.0	*0.00*	0	0.0	*0.00*	0	0.0	*0.00*	0	0.0	*0.00*	0	0.0	*0.00*
Minor Operating Departments	57	2.2	*3.20*	59	2.0	*3.08*	61	1.9	*2.98*	62	1.9	*3.03*	64	1.9	*3.13*
Total Operating Revenue	**2,565**	**100.0**	***144.04***	**2,940**	**100.0**	***153.72***	**3,232**	**100.0**	***158.13***	**3,328**	**100.0**	***162.83***	**3,428**	**100.0**	***167.72***
DEPARTMENTAL EXPENSES [2]															
Rooms	613	24.4	*34.42*	654	22.7	*34.19*	697	22.0	*34.10*	718	22.0	*35.13*	740	22.0	*36.21*
Minor Operating Departments	64	112.3	*3.59*	66	111.9	*3.45*	68	111.5	*3.33*	70	112.9	*3.42*	72	112.5	*3.52*
Total	677	26.4	*38.02*	720	24.5	*37.65*	765	23.7	*37.43*	788	23.7	*38.55*	812	23.7	*39.73*
DEPARTMENTAL INCOME	**1,888**	**73.6**	***106.02***	**2,220**	**75.5**	***116.07***	**2,467**	**76.3**	***120.70***	**2,540**	**76.3**	***124.27***	**2,616**	**76.3**	***127.99***
OPERATING EXPENSES															
Administrative & General	160	6.2	*2,000*	165	5.6	*2,063*	170	5.3	*2,125*	175	5.3	*2,188*	181	5.3	*2,263*
Credit Card Commissions	64	2.5	*800*	74	2.5	*925*	81	2.5	*1,013*	83	2.5	*1,038*	86	2.5	*1,075*
Sales & Marketing	116	4.5	*1,450*	119	4.0	*1,488*	123	3.8	*1,538*	126	3.8	*1,575*	130	3.8	*1,625*
Franchise Fees	231	9.0	*2,888*	238	8.1	*2,975*	245	7.6	*3,063*	252	7.6	*3,150*	260	7.6	*3,250*
Repairs & Maintenance	141	5.5	*1,763*	145	4.9	*1,813*	150	4.6	*1,875*	154	4.6	*1,925*	159	4.6	*1,988*
Utilities	128	5.0	*1,600*	132	4.5	*1,650*	136	4.2	*1,700*	140	4.2	*1,750*	144	4.2	*1,800*
Total	840	32.7	*10,500*	873	29.6	*10,913*	905	28.0	*11,313*	930	28.0	*11,625*	960	28.0	*12,000*
GROSS OPERATING PROFIT	**1,048**	**40.9**	***13,100***	**1,347**	**45.9**	***16,838***	**1,562**	**48.3**	***19,525***	**1,610**	**48.3**	***20,125***	**1,656**	**48.3**	***20,700***
Base Management Fees	77	3.0	*963*	88	3.0	*1,100*	97	3.0	*1,213*	100	3.0	*1,250*	103	3.0	*1,288*
INCOME BEFORE NON-OPERATING INCOME & EXPENSES	**971**	**37.9**	***12,138***	**1,259**	**42.8**	***15,738***	**1,465**	**45.3**	***18,313***	**1,510**	**45.4**	***18,875***	**1,553**	**45.3**	***19,413***
NON-OPERATING INCOME & EXPENSES															
Property & Other Tax	152	5.9	*1,900*	155	5.3	*1,938*	158	4.9	*1,975*	162	4.9	*2,025*	165	4.8	*2,063*
Insurance	39	1.5	*488*	40	1.4	*500*	41	1.3	*513*	42	1.3	*525*	43	1.3	*538*
Reserve for Replacement	103	4.0	*1,288*	118	4.0	*1,475*	129	4.0	*1,613*	133	4.0	*1,663*	137	4.0	*1,713*
Total	294	11.4	*3,675*	313	10.7	*3,913*	328	10.2	*4,100*	337	10.2	*4,213*	345	10.1	*4,313*
NET OPERATING INCOME [3]	**677**	**26.5**	***8,463***	**946**	**32.2**	***11,825***	**1,137**	**35.1**	***14,213***	**1,173**	**35.1**	***14,663***	**1,208**	**35.2**	***15,100***

Notes
(1) All years represent calendar years beginning January 1 and ending December 31.
(2) Departmental expense ratios are expressed as a percentage of their respective departmental revenues.
(3) Income before other deductions such debt service, interest, depreciation, amortization, and income taxes.
(4) This forecast is intended to be read in conjunction with supporting documentation prepared by Pinnacle Advisory Group. Unauthorized use is prohibited.

Source: Pinnacle Advisory Group

Our rationale for the other income and expense projections are as follows:

The Rooms Department costs are the single most important line item. The composite STR HOST report shows a cost of $27.34 per occupied room in 2014 currency, but at a much lower occupancy. The Rooms department grows more efficient at higher occupancies, as the management and front desk staffing are seldom increased. However, the state minimum wage is increasing and the ripple effect is likely to continue for another two to three years. We used a rooms cost of $28.56 in 2014 dollars, or 22 percent of sales. The expense ratio is slightly higher than the comparable HOST report's 21.3 percent of sales to allow for the minimum wage increases and trickle-up wage pressure. The cost per occupied room is approximately a dollar higher, for the same reason.

The Administrative & General costs in the composite STR HOST report revealed a cost of $2,090 per available room in 2014 dollars. However, this departmental cost includes credit card commissions, which are highly variable with revenues, unlike the remainder of A&G costs, which are generally "fixed". To address the ramp-up of our new property, we forecast the credit card commission expense separately and assumed a 2.5 percent commission rate. The combined Administrative & General overhead, plus credit card commission expense added to 7.8 percent of revenue, slightly higher than the composite HOST report of 7.1 percent of revenue.

Sales & Marketing expenses should be analyzed in tandem with franchise fees due to differences in reporting conventions. We suspect that some STR HOST contributors classified the system fees as a marketing expense, and showed only the royalty or "license" fee as a franchise fee. (The per-reservation and frequent guest program usage charges should be, and in our report, have been reflected in the Rooms Department.) We have shown both the estimated royalty fee and the brand-marketing system fee as a franchise expense.

In the composite STR HOST report a cost of $1,549 per room was reported for Sales & Marketing, with a somewhat low amount for franchise fees. We forecast local marketing at $1,288 per available room and paired it with a higher franchise fee.

The composite HOST report shows a 6.1 percent of revenue cost for Franchise Fees. The 7.6 percent ratio for Franchise Fees cost in our forecast reflects both franchise and "system" charges. Our combined Sales & Marketing and Franchise fees add to 11.8 percent of gross sales, the same as for the HOST report.

Repairs & Maintenance at Comparable Hotel #2 cost $1,590 per available room, so staying consistent with that similarly sized hotel, we forecast a $1,570 cost per room for this expense.

Utilities costs were shown at $1,396 per room at Comparable Hotel #2, the newest hotel. We assumed a $1,424 cost per room which is 2.0 percent higher than Comparable Hotel #2 as the Proposed Hotel is expected to have fewer rooms than Comparable Hotel #2 and will be slightly less space-efficient.

Property Taxes were estimated based on the $12.8 million cost, from which entrepreneurial profit, project management fees, and franchise application fees were deducted for an $11.3 million real/personal property basis, and taxed at an effective tax rate of 1.15 percent.

Not all of the hotels in the HOST report sample report a reserve for replacement in their statements. Since hotels and motels require frequent renovations, it is a lender standard to deduct 4.0 percent per year to accrue for periodic renovations.

Estimation of Probable Value, Upon Completion

The stream of revenue can be converted to a lump sum value through a tool called a discounted cash flow (DCF). This is the obverse of calculating the account balance at the end of a series of deposits, which have also been growing through compound interest. A DCF answers the question: What would you pay today for an investment, given a specific series of forecast income payments? Because these income amounts are forecast (not entirely predictable) the rate that is used to convert them to a lump sum value has to reflect the compound interest rate, and some *risk* for the estimated nature of the payments.

Discount rates are higher than interest rate to reflect the risk, but they also recognize the time value of money.

The analytical convention in a DCF of assuming a sale at the end of year 10 obviates the need to forecast income for the life of the asset, and then to discount that income stream back for 35 or 40 years. Capitalization rates, often referred as "cap rates," are a ratio of a single year's Net Operating Income (NOI) to the property asset value. The capitalization rate is a measure that quantifies property value per dollar of current net income.

In a DCF analysis, the sale at the end of the ten year hold is called a reversionary sale, and the capitalization rate used on the 11^{th} year's income (another analytical convention) is called a reversionary cap rate, or a terminal cap rate.

Presented below are ranges for appropriate capitalization and discount rates.

Investor Survey- Discount and Capitalization Rates

Publication	Property Type	Discount Rates	Terminal Capitalization Rates
Korpacz Real Estate Investor Survey	Select-Service	10.90%	8.65%
Q1 2015		9.00% - 13.00%	6.00% - 11.00%
IRR Viewpoint	CBD Class A, Los Angeles	9.50%	8.25%
2015	*(Averages)*		
Realty Rates Investor Survey	Limited-Service	13.99%	n/a
Q1 2015	*(New Development)*	8.24% - 18.92%	
IRR Viewpoint	Limited-Service	10.38%	9.31%
2015	US Average	7.5% - 13.50%	

[1] Based on a stabilized NOI.

[2] Going-In capitallization rate (applied to next year's NOI)

Source: Respective publications

This project is in the LA area, and will be new, good quality construction. We believe that a discount rate of 10 percent, and a terminal capitalization rate of 9.0 percent are appropriate.

Presented below is our DCF, which shows ten years of income, discounted back to today's dollars at 10 percent, and then an assumed sale at year ten, which is also discounted back to today's dollars.

Discounted Cash Flow Analysis
Proposed Hotel San Dimas
As of 1/1/2018

Discount Rate	10.0%
Terminal Capitalization Rate	9.0%

Year*	Cash Flow	Present Value Factor at 10.0%	Present Value Cash Flow	Cash on Cash Return
2018	$677,000	0.909091	$615,455	5.2%
2019	$946,000	0.826446	$781,818	7.3%
2020	$1,137,000	0.751315	$854,245	8.7%
2021	$1,173,000	0.683013	$801,174	9.0%
2022	$1,208,000	0.620921	$750,073	9.3%
2023	$1,245,000	0.564474	$702,770	9.6%
2024	$1,284,000	0.513158	$658,895	9.9%
2025	$1,326,000	0.466507	$618,588	10.2%
2026	$1,368,000	0.424098	$580,166	10.5%
2027	$1,411,000	0.385543	$544,001	10.9%
Reversion	$15,795,862	0.385543	$6,089,984	
Indication of market value "as is"				$12,997,169

Estimated reversion:	
Terminal Year Expected Cash Flow (Year 2028)	1,454,000
Add back: property taxes	182,000
Tax Neutral NOI	1,636,000
Terminal capitalization rate	9.00%
Tax Rate	1.15%
Tax Neutral Capitalization Rate	10.15%
Estimated sales price in Year 11	$16,118,227
Less: costs of sale (2.0%)	$322,365
Amount of reversion	$15,795,862
Indication of market value "as is"	$12,997,169
Less: Capital Deduction	-
Indication of market value "as is"	**$12,997,169**
(Rounded)	**$13,000,000**
Per Key	**$162,500**

* All years represent calendar years beginning January 1 and ending December 31.

Source: Pinnacle Advisory Group

From this analysis, we believe that the value of an 80-room select-service hotel, upon completion, would be approximately $13 million.

Estimation of Construction Cost

To estimate the cost of the proposed hotel, we obtained the bid-out costs for a 99-room Hampton Inn to be built in Central California. We adjusted out the cost of the atypical site work and adjusted the costs for the differences in location, and size.

This other proposed hotel indicates that the cost to build a similar select service hotel in San Dimas would be $13.0 million, or $162,500 per room including land and a 10 percent profit for the developer, the same as the approximate value upon completion. This means that the project is feasible.

In order to double check our conclusion, we calculated the Debt Service Coverage ratio. This is a check that banks perform, to make sure that there is an adequate cushion between the annual mortgage payment and the cash flows.

Current underwriting standards allow for loans of up to 65 percent on project cost. Therefore, a loan of approximately $7,600,000 (cost before entrepreneurial profit, or $13,000,000 x 90% x 65%) could be taken out at the end of construction to re-finance the completed hotel.

At a fixed-interest rate of 5.74 percent, which is typical now for bridge and construction loans for lodging, and the typical 22 year amortization schedule, the annual debt service payment would be $617,000.

Our five-year cash flow forecasts indicate that the subject hotel would offer its lender a debt service coverage ratio of 1.10 ($677,000/$617,000) even in Year One. By Year Three, the DCR would be 1.8.

The proposed development passes the test of financial feasibility.

Incremental Tax Revenues

The City of San Dimas will benefit from the new hotel in terms of incremental tax revenues, property taxes, and the effect of spending by the employees in the new jobs created.

The property taxes were estimated at $130,000 per year. This was based on the estimated cost, minus project management fees, entrepreneurial profit, and the franchise application fees, taxed at an effective tax rate of 1.15 percent.

In regards to the Transient Occupancy Tax, the City will benefit from the incremental rooms revenues captured by the proposed hotel. We have forecast that the market recovers to within one percentage point of its current level. We estimate that, after stabilization, 90 percent of the Proposed Hotel's rooms revenues will be specific to the new, nationally-franchised brand-loyal customers and will be incremental to the City of San Dimas, meaning that they will be paid by guests that would not otherwise stay in San Dimas.

In the first five years of the Proposed Hotel's operation, the City of San Dimas should capture $1,470,000 in incremental Transient Occupancy Tax revenues, calculated as follows:

Estimated Transient Occupancy Tax Collection

Year	Room Revenues	Tax Rate	% incremental	Est TOT Tax
2018	$2,508,000	12%	50%	$150,480
2019	$2,881,000	12%	75%	$259,290
2020	$3,171,000	12%	90%	$342,468
2021	$3,266,000	12%	90%	$352,728
2022	$3,364,000	12%	90%	$363,312
Five Year Total Estimated TOT				**$1,468,278**

Source: Pinnacle Advisory Group

Incremental Employment

After reviewing the Hampton Inn prototype staffing guides and conferring with the developer, we estimate that the Proposed Branded Limited Service Hotel will employ approximately 20 Full-time Equivalent (FTE) employees, as follows:

Estimated Jobs Created by the Proposed Branded Limited Service Hotel

Position	FTEs*	Notes
GM	1	Salaried
AGM/Sales	1	Salaried
Exec Housekeeper	1	Salaried
Maintenance	1	Salaried
Asst. Maintenance	0.85	34 total hours per week
Night Auditor	1.4	7 nights coverage, 8 hour shifts
Front Desk	2.8	1 staff/shift for 2 shifts/day, daily
Breakfast Attendant	0.875	1 staff/shift for 5 hour shifts, daily
Maids	7	80 rooms @ 70%, 13 rooms per maid, daily
Laundry	2.8	1 staff/shift for 2 shifts/day, daily
Total	**19.725**	
Rounded	**20**	

** Full-Time Equivalent (40 hour work week positions)*

Source: Pinnacle Advisory Group

Most of the jobs originated at the Proposed Hotel will be incremental, as with the transient occupancy tax. We estimate that over time, only 10 percent of the staff will migrate from other San Dimas hotels, so 18 positions will be incremental.

We estimate that the Proposed Hotel will generate 18 new jobs for the City of San Dimas.

Summary

Our research indicates that the Proposed San Dimas Limited-Service Hotel is financially feasible.

Further, that it will generate approximately $1,470,000 in incremental Transient Occupancy Tax revenues during its first five years of operation.

Some 18 new employees will indirectly benefit, with retail purchases that will increase San Dimas's sales tax receipts.

Assumptions and Limiting Conditions

1. Our conclusions are explicitly based upon the assumptions that the proposed hotel is built as an 80-room nationally branded limited service hotel and opens on January 1, 2018. It is expressly understood that the conclusions of this analysis could change upon any deviation from this assumptions. The changes that might arise could be material.
2. As in all studies of this type, the estimated results are based upon competent and efficient management and presume no significant change in the competitive position of the lodging industry in the immediate area set forth in our study.
3. Estimated results are also based on an evaluation of the present general economy of the area and do not take into account, or make provisions for, the effect of any sharp rise or decline in the local or general economic conditions that may occur. There usually will be differences between the estimated and actual results, because events and circumstances frequently do not occur as expected. Those differences may be material.
4. It is expressly understood that the scope of our study and report thereon does not include the possible impact of zoning or environmental regulations, licensing requirements or other such restrictions concerning the project except where such matters have been brought to our attention and are disclosed within this report.
5. Neither all nor part of the contents of this report (especially any findings or conclusions, the identity of the consultants, or the firm with which they are connected) shall be disseminated to the public through advertising media, news media, sales media or any public means of communication without the prior written consent and approval of Pinnacle Advisory Group.
6. This document does not constitute a comprehensive market or financial feasibility study, which evaluated the projected net income of the hotel as compared with development costs. Such studies can be provided as a supplement under a separate proposal.
7. No liability is assumed for matters legal in nature. Pinnacle Advisory Group cannot be held liable in any cause of action concerning this assignment for any compensatory dollar amount over and above the fees collected from this engagement.
8. Any and all legal expenses incurred in the defense or representation of Pinnacle Advisory Group, its principals and its employees will be the responsibilities of the client.