2407 UNIVERSITY
Mixed-use Development
Master Plan and Site Feasibility Study
Phase 1 Summary Report
TABLE OF CONTENTS

1 Project Vision & Overview
2 The Site
3 Stakeholder Engagement
4 Case Studies & Trends
5 Sustainable Framework
6 Market Study & Scenarios
7 Summary, Program & Next Steps

Appendix
  a. Market Study - Gensler
  b. Hospitality Market Study - HVS
  c. Prior Studies - Inventory & Highlights
vision & overview

Project Team
Introduction
Master Plan Scope & Phases
Engagement Take Away
Common Themes
Program
2407 UNIVERSITY LLC BOARD & KEY STAKEHOLDERS

Richard (Fitz) Pfutzenreuter III, UMN Vice President Budget & Finance; 2407 Board
Pamela Wheelock, UMN Vice President for University Services; 2407 Board
Franke Dutke, United Properties President; 2407 Board
Bill Katter, United Properties Executive Vice President; 2407 Board
Brian Carey, United Properties Executive Vice President; 2407 Board
Eva Stevens, United Properties Executive Vice President
Brandon Champeau, United Properties Vice President
Susan Carlson Weinberg, UMN Director of Real Estate
Monique Mackenzie, UMN CPPM, Director of Planning, Space & Architecture
Andrew Caddock, UMN CPPM
United Properties and the University of Minnesota have joined together for the purposes of studying the development of a mixed-use project adjacent to the University of Minnesota Minneapolis Campus. The 6.5 acre site is located immediately to the east of TCF Bank Stadium adjacent to the UMN campus and includes the on-site Stadium Village Green Line light rail station.

The goal of this study - is to define, advance, and illustrate an innovative Mixed-Use Master Plan concept that leverages the energy and proximity to the University. The 2407 University Development has the opportunity to serve as the physical platform for and symbol of a new era for the University District and the Central Corridor. This study is focused on how it can deliver on its promise to heighten the intersection between the education, research and commerce communities.

A Market Study was conducted concurrent with Phase 1. The Gensler team assessed opportunities for the site based on market dynamics for each of the key program components. HVS provided a market study to assess opportunities for hotel / lodging. The Market Study reports are included in full in the appendix of this document.

In broad terms - the outcome of the market analysis is summarized by the following:

"A Unique Site where X Factors can Shift the Development from Good to Great"

The circumstances of time, opportunity and an intelligent partnering strategy promise to unlock the X-Factor – that unknown influence or connection – be it a unique program component or a catalytic combination of uses - that will shift the development from good to great. This report concludes and summarizes the findings in Phase 1 where we have focused on Visioning, Stakeholder Engagement, Programming, Site Condition and Site Capacity Assessment.

The process and workproduct is intended to bring focus to internal discussions within the 2407 Board, United Properties and the University of Minnesota on their real estate requirements, as well as to assist the team in promoting and advancing the project. The ultimate result of the Pre-Design study will be a Concept Master Plan with illustrations and narratives depicting the project vision and program.
Market Study

Development Inventory and Pipeline

There are prominent districts by use in the University District area. Development has been fairly concentrated in sub-areas, including near our site.

Scope

The Gensler team assessed opportunities for the site based on market dynamics for each of the key program components. The analysis informs use type as well as building footprint and massing and begins to optimize the development program in order to derive maximum value out of a mixed-use program. This analysis focuses on: Who Works Here, Who Lives Here, Who Plays Here, Who Stays Here (HVS provided a market study to assess opportunities for hotel / lodging), with recommendations based on highest and best use considerations.

The results of the Market Study will begin to refine assumptions on target market segments by component, number of units/SF and key revenue-side assumptions (particularly market segmentation targets) that can inform any subsequent financial feasibility as well as the additional master plan phases.

Scenarios Roll-Up

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Size (GSF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Anchor</td>
<td>590,000</td>
</tr>
<tr>
<td>Targeted Destination</td>
<td>815,000</td>
</tr>
<tr>
<td>Collaboration Catalyst</td>
<td>1,102,000</td>
</tr>
</tbody>
</table>

Vision

Phase 1
Start-Up and Mixed-Use Programming Strategy

Phase 2
Mixed-Use & Site & Scenario Concepts

Phase 3
Mixed-Use Concept Development Vision

MIXED-USE MASTER PLAN - PROJECT SCOPE & PHASES
Deliver a superior market return by making the business case visible
• Build pride of place
• Be integrated and accessible
• Create something different and making the development buzz worthy

Be a billboard through accessibility and global and local opportunities and networks
• For the university
• For the university’s research
• For the business community

This is an opportunity to capitalize on some unique partnerships.
A project that responds to what the (business) community is looking for will make money.
To get a strong investment return, the mix of offering needs to differentiate us.
This project needs to make the university’s assets available.

This project should be the neighborhood’s meeting space.
The goal is to further the campus’ image.
This is an opportunity to do something more sophisticated than we’ve seen before.
This could be a private industry incubator.

Be a model for sustainable development by showcasing best practices
• Smart planning and development
• Smart densities
• Smart connection to university and community resources

We are creating a vibrant urban design. It’s an activity center.
We are here to create something lasting and durable.
The light rail is a great selling point.
The site can represent the values of the shared economy.

ENGAGEMENT TAKE AWAY / OBJECTIVES
There have been common themes and concepts that have repeatedly emerged in the course of our visioning conversations and research. We have collected them under three umbrella concepts that may be a guide as we evaluate program choices, site and massing alternatives in the scenario testing phase. They are Landmark Location, Base Camp for Partners and Community|Serendipity.

**Landmark Location**

The prominent location at the intersection of University & Washington Avenues adjacent to TCF Bank Stadium - affords great views for a landmark building. The site’s proximity to the UMN (near but not on) campus - is attractive for private sector partners - offering access, synergy and autonomy.
Base Camp for Partners

Whether you are an industry leader, prospective research partner, entrepreneur or visitor - understanding how and where to connect to the UMN can be challenging. Part front door, part welcome center, part concierge, part base camp - this site is uniquely positioned to invite, welcome, introduce, mix and host.
Once the edge - soon the middle. Long term investment and advocacy by the University, District, and neighborhoods accelerated by the 2014 LRT opening, this site is primed to be an accelerator for ideas, innovation, and connection. Threading through and expanding the community connections with thoughtful openspace, hospitality and retail amenities - researchers, professionals, start-ups, experts, sports fans, students and neighbors meet, mingle, linger and discover. The synergy between strategic program elements and intelligent site design are key to activating the X-factor potential.
<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>GSF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>Grocery</td>
<td>24,000 gsf</td>
</tr>
<tr>
<td></td>
<td>Quick-Service F&amp;B</td>
<td>8,000 gsf</td>
</tr>
<tr>
<td></td>
<td>Full-Service F&amp;B</td>
<td>8,000 gsf</td>
</tr>
<tr>
<td></td>
<td>Personal Services - SM</td>
<td>3,000 gsf</td>
</tr>
<tr>
<td></td>
<td>Convenience Retail</td>
<td>3,000 gsf</td>
</tr>
<tr>
<td></td>
<td>General Merchandise - Sm Format</td>
<td>28,000 gsf</td>
</tr>
<tr>
<td></td>
<td>Entertainment Anchor</td>
<td>44,000 gsf</td>
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<tr>
<td><strong>Retail Total</strong></td>
<td></td>
<td><strong>118,000 gsf</strong></td>
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<tr>
<td>Office</td>
<td>Anchor Tenant</td>
<td>118,000 gsf</td>
</tr>
<tr>
<td></td>
<td>Mid-Sized Tenant</td>
<td>118,000 gsf</td>
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<tr>
<td></td>
<td>Smaller Tenant</td>
<td>18,000 gsf</td>
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<tr>
<td><strong>Office Total</strong></td>
<td></td>
<td><strong>254,000 gsf</strong></td>
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<tr>
<td>Residential</td>
<td>Market Rate Rental - 200 units</td>
<td>200,000 gsf</td>
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<tr>
<td><strong>Residential Total</strong></td>
<td></td>
<td><strong>200,000 gsf</strong></td>
</tr>
<tr>
<td>Hotel</td>
<td>Room total: 400</td>
<td>225,000 gsf</td>
</tr>
<tr>
<td></td>
<td>Limited Service Hotel - 150 rooms</td>
<td>79,000 gsf</td>
</tr>
<tr>
<td></td>
<td>Select Service Hotel - 250 rooms</td>
<td>138,000 gsf</td>
</tr>
<tr>
<td></td>
<td>Additional Mtg Space allowance</td>
<td>8,000 gsf</td>
</tr>
<tr>
<td><strong>Hotel Total</strong></td>
<td></td>
<td><strong>225,000 gsf</strong></td>
</tr>
<tr>
<td>Other</td>
<td>Sports Medicine Clinic or sim.</td>
<td>28,000 gsf</td>
</tr>
<tr>
<td><strong>Other Total</strong></td>
<td></td>
<td><strong>28,000 gsf</strong></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>825,000 gsf</strong></td>
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</table>

**Targeted Destination Program**

**Program: Mixed-Use + X Factor**

**X - Factor Program Catalysts**

- Spec Office
  - University Units / Departments / Showcase
- Branded Residential - Linked to Hotel
  - Active Living Community
- Destination Hotel
  - Enhanced Conference Meeting Facilities
- Collaboration Labs
  - Maker Space
- Music / Entertainment Venue
- Spec Office
- University Units / Departments / Showcase
- Branded Residential - Linked to Hotel
  - Active Living Community
- Destination Hotel
  - Enhanced Conference Meeting Facilities
- Collaboration Labs
  - Maker Space
- Music / Entertainment Venue
Location & Access
University, District & Neighborhood
Regional Site Access
Pedestrian & Bike Access
University Open Space
Pedestrian & Retail Zones
Bike Paths
Open Space & Pedestrian Network
Existing Hotel & Office Uses
Site Photographs
Site Area & Parcels
Current Zoning & F.A.R.
Site Plan & Vehicle Access
FAR Massing Views
Open Space & Pedestrian Access
REGIONAL SITE ACCESS

UMN Westbank - 5 mins
Downtown Mpls - 10 mins
Downtown St. Paul - 26 mins
Airport - 45 mins

LIGHT RAIL
UMN PROPERTY
MAJOR ROADS
SITE ACCESS: PEDESTRIAN & BIKE

McNamara 6min 4min
Medical School 9min 5min
The Commons Hotel 7min 4min
Admissions Office 16min 7min
Ambulatory Care Center 7min 4min
Carlson School of management 28min 12min
Coffman Memorial Union 15min 7min
Surly 15min 4min

SITE ACCESS: PEDESTRIAN & BIKE
PEDESTRIAN & RETAIL ZONES
NEIGHBORHOOD USES: EXISTING HOTEL & OFFICE
SITE PHOTOGRAPHS: EXISTING CONDITIONS

- view north - from 25th + University
- view east - from stadium
- view south - from Light Rail
- view west - from 4th street
### Site Area Summary

<table>
<thead>
<tr>
<th>Parcel Area</th>
<th>SF</th>
<th>Parcel Dims (ft)</th>
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</thead>
<tbody>
<tr>
<td>Gateway Lot</td>
<td>53,508</td>
<td>171 x 312</td>
</tr>
<tr>
<td>Minnesota Lot</td>
<td>87,558</td>
<td>500 x 175</td>
</tr>
<tr>
<td>Days Hotel &amp; Tea House; 2407</td>
<td>102,851</td>
<td>330 x 312</td>
</tr>
<tr>
<td>4th street r.o.w. 2407</td>
<td>40,026</td>
<td>500 x 80</td>
</tr>
</tbody>
</table>

**Total Area:** 6.5 acres | 283,943 sf

Pre-Liminary Zoning Notes:
- Max Site Coverage 70%: 198,760 sf
- Max Impervious Surface 85%: 241,352 sf
- Req'd 1st Flr Comm. 50% for Density Bonus: 93,380 sf

Area tabulations based on the Redevelopment Site - Plan provided by UMN Real Estate office 12.12.2014. This map excludes R.O.W for Light Rail. Assume's this area is buildable parcel area.
SITE CAPACITY: OTHER FACTORS PENDING CONFIRMATION

UTILITIES LOCATION
steam - district energy
water
sanitary sewer
telecommunication cabling
storm sewer
gas
electrical
irrigation

GEO-TECH | ENVIRONMENTAL
soils
surface water
groundwater
EXISTING ZONING

L1  LIGHT INDUSTRIAL
C43  COMMUNITY ACTIVITY CENTER
OR2  HIGH DENSITY OFFICE RESIDENTIAL
PO  PEDESTRIAN ORIENTED OVERLAY
    TRANSIT STATION AREA
    STADIUM VILLAGE AREA
UA  UNIVERSITY AREA OVERLAY

<table>
<thead>
<tr>
<th>FAR Area Max</th>
<th>Height Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>C43/OR2 2.5</td>
<td>709,860</td>
</tr>
<tr>
<td>20% Density Bonus for 20% affordable dwelling units</td>
<td></td>
</tr>
<tr>
<td>20% FAR Bonus for 50% commercial space on 1st floor</td>
<td></td>
</tr>
<tr>
<td>20% FAR Residential Bonus for enclosed parking</td>
<td></td>
</tr>
<tr>
<td>20% BONUS 3</td>
<td>851,830</td>
</tr>
<tr>
<td>PO 3.25 922,800</td>
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<tr>
<td>Density / Far bonuses increase from 20% to 30%</td>
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</tr>
<tr>
<td>30% BONUS 3.25 922,800</td>
<td></td>
</tr>
</tbody>
</table>

Conditional Use / Planned Development Preliminary Notes:
Stadium Height 133’ (Emporis)
Wahu Max Approved Height 131’ (CPED)

SITE CAPACITY: CURRENT ZONING & FAR

2407 UNIVERSITY INVESTMENT LLC | PHASE 1 SUMMARY | 24
Minneapolis, MN | March 31, 2015
SITE CAPACITY: SITE PLAN & VEHICLE ACCESS

PARKING

COMMUNITY ACTIVITY CENTER CR4
OFFICE RETAIL HIGH DENSITY OR2

Hospitality
1 per 3 guest rooms min
1 per guest room max
plus eq. to 10% min (30% max) of the
capacity for affiliated uses
(dining/meeting rooms)

Office
1 per 500 sf over 4,000 sf

Residential
1 per unit

Retail
1 per 500 sf over 4,000 sf min
1 per 200 sf max
(Incl. grocery)

Food & Beverage
1 per 500 sf up to 2,000 sf +
1 per 300 sf over 2,000 sf (min)
1 per 75 sf (max)
(Incl. coffeeshop / restaurant)

Labs
1 per 500 sf over 4,000 sf

PEDESTRIAN OVERLAY PO
Multi-family off-street parking requirement reduced to
70% for Transit Station Areas.
Non-res uses not required to provide accessory off-street
parking facilities.

UNIVERSITY AREA UA
Minimum off-street parking for multi-family = .5 parking
space per bedroom.
Bike/scooter parking = 1 per bedroom.
SITE CAPACITY: PRELIM FAR 2.5 - 3.25

COMMUNITY ACTIVITY CENTER CR4
OFFICE RETAIL HIGH DENSITY OR2

<table>
<thead>
<tr>
<th>FAR</th>
<th>Area Max</th>
<th>Height Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>C43/OR2</td>
<td>2.5</td>
<td>709,860</td>
</tr>
</tbody>
</table>

PEDESTRIAN OVERLAY PO

<table>
<thead>
<tr>
<th>FAR</th>
<th>Area Max</th>
<th>Height shown</th>
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</thead>
<tbody>
<tr>
<td>PO 30% BONUS</td>
<td>3.25</td>
<td>922,800</td>
</tr>
</tbody>
</table>

Density / Far bonuses increase from 20% to 30%
SITE CAPACITY: OUTDOOR AND PEDESTRIAN ACCESS
stakeholder engagement

Interviews & Workshops
Key Commentary & Program Notes
Shared / Owned Program
12 INTERVIEWS & 4 WORKSHOPS

UMN Administration and Leaders
Brian Hermann, UMN, Vice President for Research
Sarah B. Harris, UMN Foundation, Real Estate Advisors, Managing Director
Tom Fisher, UMN Dean College of Design
Maura Donovan, UMN Executive Director, University Economic Development, Office of the Vice President for Research
Tucker LeBien, UMN Associate Vice President for Research, Academic Helath Center
Lisa Lewis, UMN Alumni Association President and CEO
Laurie McLaughlin, UMN Housing and Residential Life, Director
Brian Buhr, UMN Dean, College of Food, Agricultural and Natural Resource Sciences
Steven Crouch, UMN Dean College of Science and Engineering
Jon Dostal, UMN Real Estate Office
Kristen Doyle, UMN Real Estate Office
Denise Mazone, UMN Real Estate Office

Real Estate Broker's Workshop
Jim Montez, Cushman & Wakefield, Senior Director Office
Jen Holm, Cushman & Wakefield, Director Brokerage Services, Retail & Hospitality

UMN Physicians and Fairview Workshop
Mary Johnson, UMPhysicians, COO
Robb Gruman Fairview, VP Facilities & Support
Jerry Plourde, UMPhysicians, VP BD
Joel Schurke UMPhysicians, VP Strategy & BD
Paul Onufert, Fairview VP Operations

Greater MSP & MN Department of Employment and Economic Development Workshop
David Griggs, Greater MSP
Michael Langley, Greater MSP
Peter Frosch, Greater MSP
Kevin McKinnon MN DEED

2407 University Board & Stakeholder Workshop
Richard (Fitz) Pfutzenreuter III, UMN Vice President Budget & Finance / CFO; 2407 Board
Pamela Wheelock, UMN Vice President for University Services; 2407 Board
Franke Dutke, United Properties President; 2407 Board
Brian Carey, United Properties Executive Vice President; 2407 Board
Eva Stevens, United Properties Executive Vice President / COO
Monique Mackenzie, UMN CPPM, Director of Planning, Space & Architecture
Andrew Caddock, UMN CPPM
“Churchill said: We shape our buildings; thereafter they shape us. Today we build concrete bunkers to silo people. Instead, this site should provide the opportunity for industry and faculty to work side-by-side.”

“There’s a lot of excitement for this development. It’s at the nexus of the right assets and flanked by two downtowns, light rail, the university and a strong research element. The people are all together in the room. Greatness should happen here and you have to be confident to break the market model!”

“We need to start creating the type of environments that the students will graduate into: innovative spaces that will attract diverse user groups.”

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**Program:**
- Convening around Grand Challenges
- Collaboratoriums
- Pre-Competitive Space
- Culture of Serendipity
- Meeting and Café Model: High Tea
- Co-working spaces
- Public / private partnerships

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**Program:**
- Signature green space & connective tissue
- Layers of public and private
- Active Alumni & life-long learning
- Rooftops drive retail
- Move quickly

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**Program:**
- Garage Space / Maker Labs / 3-D Printing
- Alternate space to Corporate Campus
- Transdisciplinary magnet
- Neutral site
- Sharing economy
- Recruiting space

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INTERVIEWS
Maura Donovan
UMN Executive Director, University Economic Development Office of the Vice President for Research

“It’s the triple helix of opportunity: Academic, NFP/Government and Industry needs. That’s the vision. The rest of the country is already doing this.”

Tucker LeBien
UMN Associate Vice President for Research, Academic Health Center

“This is an opportunity to be a connector between the university, the medical school and industry. It’s an opportunity to create a digital infrastructure: informatics.”

Lisa Lewis
UMN Alumni Association President and CEO

“40% of our alumni stay connected. This would be a great location for a welcome center and to offer some programming: a welcome back space; a front door.”

Program:
- Front Door
- Strong architectural presence
- Cultural Bridge between UMN & Industry
- Tell the Story of MN & UMN - All Campuses
- Welcome to meet & linger - not high starch
- Event hosting
- Societal needs & Grand challenges
- Concierge Service

Program:
- Event space - conference center
- Transdisciplinary work is the bridge
- Embedded vs adjacent relationships
- Connect Bio-Med to Med School
- 3rd Space / Retail and Dining
- Faculty & Student recruitment

Program:
- Front door - Alumni warmly welcomed & invited to linger
- Powerful Impression of the Architecture - University as “Big Thinkers” is important
- Amenity spaces for sit-down dinners
- Connect alumni to students & University
- Event Space - Dining Amenity - 500+

INTERVIEWS
“I’m not convinced students will walk to the site. Students want to be close to the action.”

“Spaces for conferencing, flex space of intensive and short to intermediate term “innovation clusters” with colleagues from other colleges.”

“Computer science and it’s connection to data analysis and cross disciplinary value is becoming the largest program in the college”
“Retail center is moving east along Washington.”

“The University’s profile has skyrocketed. There’s a reason to be here now.”

“This neighborhood and site has a great story to tell - it just hasn’t been told. All the components are here.”

“Some tenants are motivated by being first - to be a part of driving the development of a neighborhood.”

“Jen Helm
Cushman & Wakefield
Director Brokerage Services Retail & Hospitality

“This site should be a magnet for talent recruiting!”

“Jim Montez
Cushman & Wakefield
Senior Director Office

“There are no site opportunities for better Food & Beverage in this neighborhood - this site will offer that.”

WF Program:
- Not-for-Profit office
- Cluster - around organics research / food & entrepreneurs
- Incubator, co-co type space
- Lounge / Coffee Bar
- Shared Amenity - Conference Space
- Student / Millennial focused retail - sim to Uptown (North Face / Urban Outfitters
- Boutique Grocery - Trader Joes
- Market for New Concepts
- Luxury Cinema
- Food & Bev with Patio
- Pinstripes
- HR office for Medtronic/3M
- Feel good building - meaningful - iconic, cool, green, creative - not suburban

WORKSHOP 1: RETAIL, HOSPITALITY AND COMMERCIAL REAL ESTATE BROKERS
“Patients love the Hilton - Bloomington for recovery with pain management services. International patients and their families need larger rooms for longer periods of time.”

“Proximity to athletes, sports venues & the West Bank adult population makes this site attractive for a possible sports performance clinic with trainer facilities.”

“Centralized Consolidated Laboratory facility - is a 24 hour operation and would require easy access for courier services.”

“The possibility of creating a tech center show place - where med tech / high tech partners could connect.”

Joel Schurke
UMN Physicians, VP Strategy & BD

Mary Johnson
UMN Physicians, COO

Jerry Plourde
UMN Physicians, VP BD

Robb Gruman
Fairview VP Facilities and Support

Paul Onufert
Fairview VP Operations

Program:
- Sports Medicine Outpatient Clinic
- Consolidated Labs
- Cafe to serve Bio Med District
- Extended Stay Hotel for patient’s families
- Extended Stay Hotel for Supervised Recovery
- Future Extended Stay for Elective Surgery
“How do small companies plug in? Small companies want to be next to big companies.”

David Griggs
Greater MSP

“I don’t see residential here. I’d focus on an office/hotel scenario.”

Michael Langley
Greater MSP

“Need to have connectivity at the velocity of innovation. This can’t move at the University’s pace.”

Peter Frosch
Greater MSP

Kevin McKinnon
MN DEED

“[We need a well organized entrepreneurial eco-system.]”

Program:
- First class conference center
- Global Innovation Center
- Shared training space
- Co-working space
- R&D
- Med-Tech | Med Device Cluster
- Food / H2o / Health Solution Cluster
- Global Connections
- Greater MSP office
- Trade Organizations
- Not-for-Profit Organizations
- Co-location for other (smaller) Colleges

WORKSHOP 3: MN DEED & GREATER MSP
WHAT SHOULD BE ON SITE?

**Shared**
- Walk-able site and street
- Convenient parking
- Creative retail and F&B
- Patios, lots of patios
- Interesting Hotel/Lodging
- Collaboratorium
- A co-working space for industry (bio-tech)
- Lecture hall(s)
- Wet labs
- Visiting Faculty housing
- Showcase innovation
- Cause Serendipity
- Think High tea
- Build a concierge/service model
- Create a front door to the university

**Owned**
- Alumni and senior housing
- University Departments
- R&D tenant
- Global Partners touch-down office collaborative spaces
- Industry Partners office collaborative spaces
- Industry Cluster anchor
- Boston Scientific
- Informatics
- Labs
- University Research Facility/Lab
- Office Space
- Sports Medicine Clinic
- Training Center
- Be part of the University’s network
- fiber / data & information / software / virtual tools
- Access on-site / adjacent University amenities

**Hard Program**
- Walk-able site and street
- Convenient parking
- Creative retail and F&B
- Patios, lots of patios
- Interesting Hotel/Lodging
- Collaboratorium
- A co-working space for industry (bio-tech)
- Lecture hall(s)
- Wet labs
- Visiting Faculty housing

**Soft Program**
- Showcase innovation
- Cause Serendipity
- Think High tea
- Build a concierge/service model
- Create a front door to the university
case studies

Intesa University Circle, Cleveland OH
University of Maryland Biopark, Baltimore MD
Centerwest (Biopark), Baltimore MD
Bakery Square/Carnegie Melon, Pittsburgh PA
Penn State Innovation Park, State College PA
AT&T Executive Center, Austin TX
Based around the idea of a high tech office complex, INTESA is a vertically and horizontally integrated mixed-use development combining technology, office space, apartments, restaurants, green space, and structured parking, in a contemporary and sustainable design. Companies will use the space as a ‘high-tech sandbox’, bringing in employees and customers to use and test the newest digital inventions. The facilities include some of the fastest internet connections in the country and plans are underway for a new RTA rapid transit station adjacent.

**RESIDENTIAL**
- 197 apartments - 88 market-rate apartments, 96 micro-suites, 13 townhouse style penthouses
- 242,000 sf total

**OFFICE**
- 186,000 sf office
- 30,000 sf second-story ‘tech ribbon’ for tech executives, employees and students

**RETAIL**
- 20,000 sf total over two buildings

**HOSPITALITY**

**PARKING**
- 710 space garage, 244,000 sf total

URL: [http://www.thecoralcompany.com/properties/intesa/](http://www.thecoralcompany.com/properties/intesa/)
The biopark has two missions: real estate return and academic research. It began with the University of Maryland forming a non-profit corporation, the University Health Sciences Research Park Corporation (RPC) to direct the project. It's now operated on a for-profit basis and offers short-term pre-built lab space for early-stage bioscience companies that require dedicated wet lab and/or office space. This provides opportunities for convenient collaboration with federal, academic, and private entities through the East Coast, including the NIH, FDA, Johns Hopkins and 350+ bioscience companies in Maryland alone. Since opening, it has generated $204 million in capital investment.

UNIVERSITY OF MARYLAND BIOPARK

Residential
- 12 Acres
- 1.8 million sf total
- Location: Baltimore, MD
- University in Proximity: University of Maryland
- Distance to Campus: Adjacent to graduate schools
- Developer: Wexford Science & Technology
- Partners: University of Maryland (PPP)
- Status: Groundbreaking in 2004, 4 buildings completed, 2 more slated to open 2015. Total will be 12 buildings.

Office
- 1,800,000 SF of Office, Collaboration and Lab Spaces.
- On-site conference facilities.

Retail
- ground-level cafe

Parking
- 10 floors of parking - 638 spaces

URL: http://www.umbiopark.com/
Multi-phase, mixed-use development on the west side of Baltimore. Provides the adjacent BioPark and surrounding areas with a live-work-play environment including housing, fitness, retail and entertainment. Planning and design work completed by Gensler. CenterWest's mixed-use residential buildings are part of a 33-acre Planned Unit Development (PUD) on the City's west side. This is the very first phase of the PUD to be designed, which in total has been approved for over 3 million square feet of future development. The area is within walking distance of downtown and many major City destinations.

**RESIDENTIAL**
199,804 sf total over two buildings

**OFFICE**
395,000 sf total

**RETAIL**
19,134 sf total over two buildings

**HOSPITALITY**
72,157 sf total

**PARKING**
72,157 sf total

**Extra Features:** 41,550 sf fitness center
BAKERY SQUARE

DESCRIPTION
6 Acres
$135 million total cost
Location: Pittsburgh, PA
University in Proximity: Carnegie Mellon, the University of Pittsburgh
Distance to Campus: 1.5 miles to Carnegie Mellon, 2.2 miles to the University of Pittsburgh
Developer: Walnut Capital
Status: Groundbreaking 2007, now built

Mixed-use development that includes class A office, retail, dining, a hotel and fitness center. A portion of the project renovated the old Nabisco factory and reprogrammed the space to be office and retail. Industry leaders in the fields of technology and health care – including Google, UPMC Technology Department Center, University of Pittsburgh Science and Technology/Veteran Affairs, Carnegie Mellon and Human Engineering Research Laboratories – have relocated to the site. Upscale retailers are opening as well. Two phases occurred – the first included office and retail and the second included the residential development (with additional class A office space).

RESIDENTIAL
350 apartment units

OFFICE
216,080 sf total

RETAIL
121,060 sf ground floor retail

HOSPITALITY
110 rooms - SpringHill Suites

PARKING
932 spaces garage
99 spaces surface parking

URL: http://bakery-square.com/
Innovation Park at Penn State offers 118-acres of remarkable office, manufacturing, and research space, and is part of one of the world’s premier research institutions, with access to Penn State’s scientific, engineering, technology and business resources, as well as the support services needed to transfer knowledge from the University to the marketplace. The network of resources available at Innovation Park supports early-stage entrepreneurs and established businesses alike.

RESIDENTIAL

Comprises almost the entire development

OFFICE

HOSPITALITY

Penn Starter Conf. Center Hotel (300 Rooms)

RETAIL

PARKING

Reserved. Count not specified.

URL: http://www.innovationpark.psu.edu/

INNOVATION PARK AT PENN STATE
AT&T EXECUTIVE EDUCATION AND CONFERENCE CENTER

**DESCRIPTION**
2.5 Acres  
322,000 SF Business Center  
*Location:* Austin, TX  
*University in Proximity:* University of Texas  
*Distance to Campus:* 0.8 miles  
*Developer:* University of Texas, McCombs School of Business  
*Partner:* University of Texas  
*Status:* Opened August 2008

This hotel and conference center serves as the southern gateway to the University of Texas, welcoming executives, alumni, prospective students and visitors to campus. Contains tiered classrooms, amphitheater, break-out rooms, conference rooms, and a ballroom. A central courtyard provides connections to the outdoors from all primary public spaces.

**RESIDENTIAL**
- 2.5 Acres
- 322,000 SF Business Center
- Location: Austin, TX
- University in Proximity: University of Texas
- Distance to Campus: 0.8 miles
- Developer: University of Texas, McCombs School of Business
- Partner: University of Texas
- Status: Opened August 2008

**OFFICE**
- 300-seat amphitheater
- (3) 90-seat, (6) 65-seat tiered classrooms
- (5) 600-2000 SF flexible-config classrooms
- 18 break-out rooms, 10,000 SF Grand Ballroom

**RETAIL**
- Quick cafe, Bar and sports lounge, Fine dining restaurant

**HOSPITALITY**
- 297 Rooms, 21 Suites
- 829 SF Presidential Suite
- Access to many University of Texas facilities

**PARKING**
- Underground, attached garage

**URL:** [http://bakery-square.com/](http://bakery-square.com/)
sustainability strategies

Considerations
Certification Frameworks
Design Performance Strategy
Synergy
**CONSIDERATIONS**

**NOW** is the time to begin thinking about the sustainability strategy for the mixed-use site. Decisions made now could have significant impact on the overall design strategy and approach to the project. As you define a sustainability position for the project that aligns with your goals and values here are some issues to consider.

As a baseline the Minnesota B3 and Minnesota Energy codes provide requirements for new buildings. If the project is funded by state bonding - MN B3 2015 will require that the facility achieve a 70% energy reduction from baseline building practices.

Will any piece of this project be funded by State bonding?

Will the facility(s) connect to the UMN's district energy?

What should the eco-brand of this project be?

How might the project aspirations align with affiliated identities?

University of Minnesota *Driven to Discover*


Minneapolis *En Avant*

Minnesota *L’etoile du nord*

What level of sustainable commitment will the 'market' expect for an innovative / office building of the future?

As a potential landmark in the Universtiy district - how might this be reflected in the performance and appearance of the development? Hidden? Demonstrative?

How would you measure success for this project?

(i.e. carbon, energy reduction, recycled content, water, habitat, wellness, regionally sourced materials, other?)
REQUIREMENTS & FRAMEWORKS FOR CERTIFICATION

**MINNESOTA ENERGY CODE 2015**
- Buildings, Benchmarks & Beyond
- Required on all projects that receive general obligation bond funding from the State of Minnesota
- Including 70% energy reduction for all buildings beginning in 2015.

**MN B3 VERSION 2.2**
- Site & Water
- Energy & Atmosphere
- Indoor Environmental Quality
- Materials & Waste

**LEED 2009 & LEED v4**
- United States Green Building Council (USGBC)
- Ratings: Silver | Gold | Platinum
- 7 Categories:
  - Sustainable Sites
  - Water Efficiency
  - Energy & Atmosphere
  - Materials & Resources
  - Indoor Environmental Quality
  - Innovation and Design Process
  - Regional Priority Credits

**Living Building Challenge 2.1**
- International Living Future Institute (ILFI)
- The Living Building Challenge is a philosophy, advocacy tool and certification program covering all buildings at all scales.
- 7 Petals:
  - Site
  - Water
  - Energy
  - Health
  - Materials
  - Equity
  - Beauty

**Net Zero 2.1**
- Sub-category of LBC 2.1
- 100% of the project's energy needs must be supplied by on-site renewable energy on a net annual basis.
- 5 Imperatives:
  - Limits to Growth
  - Net Zero Energy
  - Rights to Nature
  - Beauty & Spirit
  - Inspiration & Education

**SITES 2009**
- Sustainable Sites Initiative
- American Society of Landscape Architects (ASLA)
- 7 Petals:
  - Site
  - Water
  - Energy
  - Health
  - Materials
  - Equity
  - Beauty

**U.S. EPA ENERGY STAR**
- United States Environmental Protection Agency (U.S. EPA)
- Certification means meeting designated performance requirements.
- 4 categories:
  - Energy (top 25%)
  - Comfort
  - Lighting
  - Indoor Air Quality

**State Requirements - 2015 and forward**

**Certification Programs**
As a starting point we have identified four central themes from the project brief, stakeholders commentary and collateral materials for each of the joint venture partners.

**ECONOMIC HEALTH**

**INNOVATION**

**COMMUNITY ALLIANCE**

**RESEARCH**

These four core values - (or others if you prefer) - provide the starting point in crafting an holistic approach to sustainability. By examining these themes in relationship to each other we can identify specific sustainable or performance tactics that have overlapping impacts and achieve multiple goals.

Think of this as a road map to help the team navigate the multitude of initiatives, imperatives and alternatives available. Beyond a rating system or checklist - we would like to focus on an approach that will provide greater sustainable returns and lifestyle enhancements that contribute to the cultural and economic vitality of the site. A graphic follows to illustrate synergy/interconnectivity opportunities.

Ultimately the goal is to prioritize strategies and a use of resources that best resonates with the goals of the key stakeholders and the mission of the project.

**DESIGN PERFORMANCE STRATEGY**

**Mixed-Use Development - List of goals / strategies**

- Global Outreach
- UMN Workforce
- Campus Energy Reduction Strategy
- Operational On-going Energy Efficiency Strategy
- Local Purchasing
- High Performance Building
- Performance Metrics
- Transparency
- Leader in High Performance Building
- LEED V.4 Platinum
- Living Building Challenge
- Custom Key Performance Indicators
- 24/7 Activity
- Residential Options
- Green Line Transit Connection
- Transit Oriented Development
- Stormwater Management Plan
- Place Making
- Resiliency Platform
- Education Program
- Pedestrian System
- Community Outreach
- Brownfield Remediation
- Robust UMN Campus Sustainable Leadership Program
- Leader in Research
- Sustainable Energy Research / Living Laboratory
- Phasing Strategy
- Highest & Best Use Strategies
- Job Creation
- Energy Benchmarking
- Access to Daylight
- Alternative Renewable Energy
- Natural Ventilation
- Building Management Systems
- Food & Urban Agriculture
- Open Green Public Spaces
- Cultural Events
- Public Art
- Retail Amenities
- Design for Catastrophic Events
market study & scenarios
APPOROH

We conducted an overview to understand the subject site within the context of its site characteristics, the University District, its adjacent submarkets (including downtown Minneapolis), and the overall Minneapolis metro market.

We summarized University of Minnesota connection and context opportunities, as available. Our findings are intended to inspire additional conversations with potential University or affiliated users to better understand demand for space and hone in on more specific needs from a strategic perspective (i.e., e.g., collaborative or connected users) as well as a tactical perspective (e.g., square footage, infrastructure, and amenities).

LIVE, WORK, PLAY, STAY

Our analyses are informed by review of local market demographics and employment trends and market context, day-time and residential population considerations to support various uses, review of target market segments, and supply and demand analyses.

RECOMMENDATIONS

Recommendations on potential SF, price premium considerations, and target market segment and/or tenant types culminate in informed scenarios for site development decisions.
## Executive Summary

**THE RESEARCH**

### MARKET-BASED SITE OVERVIEW

A Unique Site where X Factors can Shift the Development from Good to Great

#### Strengths

- **High visibility** from east and west
- A **gateway** to the U of M campus from the east and to the Prospect Park neighborhood from the west
- **Adjacency** to the primary U of M sports venues (visitors) and U of M Biomedical District (day-time population)
- Adjacency to University campus makes a logical site to house University administrative or departmental space, as needed
- Level of demand generated from University and Medical facilities
- **Easy regional access** to the site from I-280 and I-94, direct connections to University Avenue and the Green Line, transitway and buses

#### Weaknesses

- Perceived challenges of **site access** (particularly for drivers to and within the University District) that has particular implications for retail and office
- The Green Line LRT rail line creates **safety concerns** for pedestrian traffic between site and campus as well as contributes to **constrained vehicular movement** around the site
- On **fringe** of campus – close to residential, away from “heart of campus”
- Perceived as **student housing / sports zone**

#### Opportunities

- There is a large pool of **daytime workers** in education, healthcare, and office occupations - about 30,000 workers in the University District with particular proximity to the Biomedical Discovery District
- There are 33,000 **residents** in the University District market, including **significant off-campus student housing**
- There are roughly 40,000 riders on the **Green Line** (opened June 2014), with direct adjacency to the Stadium Village light rail station
- There are 1.3 million (2013) annual visits to nearby U of M **sports venues** that equates to more retail capture opportunities and general exposure from nearby traffic
- This is a logical site to identify and house **innovative collaborative opportunities** that are connected to University research, programs, etc.
- Close to the **future growth area** of university to the north, particularly for the long term as well as the where retail and other activity is migrating towards
- **Synergistic** with Prospect North planning

#### Threats

- Proximity to downtown leads to **existing and new competition** for office, hotel, and residential demand, particularly with Green Line connections between the two areas
- Proliferation of off-campus student housing essentially surrounding the site makes other market rate residential a challenge (must provide a distinctive package of amenities to be an **island of market rate residential in a sea of student housing**)
- There is **limited development opportunity near the site** to develop stronger concentrations of activity conducive to “fanning the flames” on market-based demand
Executive Summary
THE RESEARCH

MARKET-BASED PERSPECTIVE OF SITE USE
Live, Work, Play, Stay

Live | Residential

- There has been significant off-campus student housing development in the last five years, including adjacent to and around the subject site. This, in part, has established a tone for the site area.

- Urban migration continues to create opportunities to accommodate more young, professional households in and near downtown. This site, however, must compete with downtown and other urban neighborhoods.

- While multiple studies in recent years have shown demand for market-rate housing for the sub-market in which the site is located, one must be thoughtful about the market positioning of the site, the amenities that will attract target segments, and how the site will be positioned with respect to the strengths of other urban neighborhoods.

Play | Retail

- The large pool of daytime workers in education, healthcare, and office occupations, the 13,000 residents in the University District market, Green Line transit riders, and campus visitors (including game-day visitors) generate a relatively deep and diverse retail pool of demand.

- Accessibility and visibility for both pedestrians and drivers are key for retail uses on the site.

- There must be a strategic balance between the day-time and residential population service demand and the destination retail possibilities that the site affords.

- There are various options for destination retail to create linger longer opportunities, which feeds from existing and self-generated demand.

Work | Office

- In general, the University District is not a primary office market for the region, representing 2% of the total regional office rentable building area in 2014.

- While general market demand for office growth appears negligible in the University District, this is a logical site to identify and house innovative collaborative opportunities that are connected to University research, programs, etc.

- The continued development of the Biomedical Discovery District may provide a concentration of research and similar activity that warrants private employers’ desire to have a physical location by the district. This site would be ideal for such activity.

Stay | Hotel

- There is strong demand from University and medical facilities, but also rate sensitivity of these demand generators.

- The site has some distance from downtown, where higher-rated corporate and group demand is located.

- Access and parking are both important considerations.

- There is both existing and proposed competition.

- Availability of ancillary facilities for guests including retail and restaurants can be a market differentiator.
KEY QUESTIONS

AS WE REVIEW PROGRAM ELEMENTS IN PROPOSED SCENARIOS...

Who are the owners, investors, and users for the various components (particularly collaborative opportunities)?

How do these scenarios and identified programs complement the 2407 University Board’s anticipated timing for build-out?
## SCENARIOS: Overview

<table>
<thead>
<tr>
<th>SCENARIO 1: COMMUNITY ANCHOR</th>
<th>SCENARIO 2: TARGETED DESTINATION</th>
<th>SCENARIO 3: COLLABORATION CATALYST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neighborhood connector</td>
<td>An inviting place to linger longer</td>
<td>Dynamic launch pad for innovation</td>
</tr>
<tr>
<td>Respond to demand from neighborhood and day-time markets</td>
<td>Retail shift: accommodate destination entertainment and F&amp;B in addition to neighborhood and day-time demand</td>
<td>Retail shifts, and declines in total GSF to accommodate other ground plane needs (i.e. collaborative programs)</td>
</tr>
<tr>
<td>Low-hanging fruit: U of M general needs and select department(s)</td>
<td>U of M on-site presence expands Some collaborative space introduced Satellite opportunities for private employers</td>
<td>Max out collaborative energy of University-related programs Catalyst for private employers to locate here</td>
</tr>
<tr>
<td>Market-rate rental, which includes some short-term housing</td>
<td>Similar scale to previous scenario remains No short-term housing accommodation</td>
<td>Diversify target markets Market-rate rental housing + branded active living community</td>
</tr>
<tr>
<td>New limited-service lodging to replace existing and “refresh” the East Bank</td>
<td>Diversity of lodging offerings Dual branding consideration Hotel(s) covers short-term housing needs</td>
<td>Diversity of lodging offerings Dual branding consideration further supported by on-site activity</td>
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<tr>
<td>No opportunitistic program</td>
<td>Sports Medicine Clinic</td>
<td>Expanded conference or event space, Collaborative lab / maker space, and consolidated labs</td>
</tr>
</tbody>
</table>

**INTRO**

**THE RESEARCH**

**SCENARIO 1: COMMUNITY ANCHOR**
- Neighborhood connector
  - Respond to demand from neighborhood and day-time markets

**SCENARIO 2: TARGETED DESTINATION**
- An inviting place to linger longer
  - Retail shift: accommodate destination entertainment and F&B in addition to neighborhood and day-time demand

**SCENARIO 3: COLLABORATION CATALYST**
- Dynamic launch pad for innovation
  - Retail shifts, and declines in total GSF to accommodate other ground plane needs (i.e. collaborative programs)
SCENARIOS ROLL-UP

INTRO
THE RESEARCH

SCENARIO 1: COMMUNITY ANCHOR
- MEET TO LEAD
  - MEET
  - LEAD
- PARTNERSHIP
  - MINIMAL
- UNIVERSITY PARTICIPATION
  - SOME

590,000 GSF

<table>
<thead>
<tr>
<th>GSF</th>
<th>Play</th>
<th>Work</th>
<th>Live</th>
<th>Stay</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,200,000</td>
<td>62,000 RSF</td>
<td>150,000 RSF</td>
<td>260 market-rate units</td>
<td>150 rooms - one hotel</td>
<td>None</td>
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<tr>
<td>1,000,000</td>
<td>28,000</td>
<td>216,000</td>
<td>200,000</td>
<td>253,000</td>
<td>118,000</td>
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<tr>
<td>800,000</td>
<td>79,000</td>
<td>264,000</td>
<td>176,000</td>
<td>118,000</td>
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<td>600,000</td>
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<td>400,000</td>
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<tr>
<td>200,000</td>
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</tbody>
</table>

Scenario GSF Estimates:
- reflect general assumptions for gross up from RSF
- reflect rounded numbers
- do NOT include parking

SCENARIO 2: TARGETED DESTINATION
- MEET TO LEAD
  - MEET
  - LEAD
- PARTNERSHIP
  - MODEST
- UNIVERSITY PARTICIPATION
  - MEDIUM

815,000 GSF

<table>
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<th>GSF</th>
<th>Play</th>
<th>Work</th>
<th>Live</th>
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<td>116,000</td>
<td>105,000 RSF</td>
<td>215,000 RSF</td>
<td>200 market-rate units</td>
<td>400 rooms - two hotels</td>
<td>25,000 RSF Sports Medicine</td>
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<tr>
<td>223,000</td>
<td>216,000</td>
<td>200,000</td>
<td>253,000</td>
<td>118,000</td>
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<td>325,000</td>
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</tbody>
</table>

SCENARIO 3: COLLABORATION CATALYST
- MEET TO LEAD
  - MEET
  - LEAD
- PARTNERSHIP
  - MANY
- UNIVERSITY PARTICIPATION
  - HIGH

1,081,000 GSF

<table>
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<tr>
<th>GSF</th>
<th>Play</th>
<th>Work</th>
<th>Live</th>
<th>Stay</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>92,000 RSF</td>
<td>265,000 RSF</td>
<td>300 market-rate units</td>
<td>400 rooms - two hotels</td>
<td>25,000 RSF Sports Medicine</td>
<td>15,000 RSF Collab/Maker Space 60,000 RSF Consolidated Labs</td>
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<tr>
<td>223,000</td>
<td>216,000</td>
<td>200,000</td>
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</tbody>
</table>

Scenario GSF Estimates:
- reflect general assumptions for gross up from RSF
- reflect rounded numbers
- do NOT include parking
summary & program

Summary
Program Scenario 2+
Towards Scenario 3
Next Steps
IN SUMMARY  Innovation & Mixed Use

In the course of evaluating a Mixed-Use development strategy for this site – we have identified both limiting factors and exciting possibilities.

On the one hand the Market Study results recommend a relatively modest build-out of Live|Work|Stay|Play program elements that will meet the market need. On the other hand, we have repeatedly identified needs, desires and opportunities that this unique location proffers. The circumstances of time, opportunity and an intelligent partnering strategy promise to unlock the X-Factor – that unknown influence or connection – that will shift the development from good to great. To that end the Project Vision evidenced in illustrations, outcomes and collateral resulting from the Master Plan Study will be used to advance conversations with potential partners and tenants.

Together we have outlined a project program to be tested in Phase 2 massing and site plan studies. Based on the 2407 Board’s response to the market study and stakeholder input - this program incorporates market recommendations and some opportunistic program components as defined in Scenario 2: Targeted Destination. The Board has expressed interest in going further - towards Scenario 3: Collaboration Catalyst to maximize the potential of this site as an innovation hub that boosts public-private engagement, energizes the district and community and delivers a superior market return. Possible program catalysts are identified as opportunistic additions to the program, they are recorded on the following pages.

Further program refinement early in Phase 2 is anticipated as information related to the University’s space needs forecast and the extent of Transit Hub related requirements is defined. At this time the existing on-site surface parking is not planned to be replaced with structured parking in the development scenarios on this site. Phasing considerations will be incorporated into the scenario studies of Phase 2 for Board consideration.
### PROGRAM: MIXED-USE - TARGETED DESTINATION (2+)

#### Scenario 2 - Program Outline

GSF Estimates reflect general assumptions for gross up from RSF and reflect rounded numbers.

#### Preliminary Parking Factors

Parking estimates were factored based upon GSF estimates and prem Community Activity Center (CR4), Office Retail High Density (OR2), Pedestrian Overlay (PO) district zoning requirements.

#### Transit Hub Program - 2009

Transit Hub Program to be Confirmed by UMN. Areas based on 2009 BWBR SD Package.

### RETAIL

<table>
<thead>
<tr>
<th>Category</th>
<th>GSF (gsf)</th>
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<tbody>
<tr>
<td>Grocery</td>
<td>24,000</td>
</tr>
<tr>
<td>Quick-Service F&amp;B</td>
<td>8,000</td>
</tr>
<tr>
<td>Full-Service F&amp;B</td>
<td>8,000</td>
</tr>
<tr>
<td>Personal Services - SM</td>
<td>3,000</td>
</tr>
<tr>
<td>Convenience Retail</td>
<td>3,000</td>
</tr>
<tr>
<td>General Merchandise - Sm Format</td>
<td>28,000</td>
</tr>
<tr>
<td>Entertainment Anchor</td>
<td>44,000</td>
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**Retail Total**: 118,000 gsf

### OFFICE

<table>
<thead>
<tr>
<th>Tenant Type</th>
<th>GSF (gsf)</th>
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<tr>
<td>Anchor Tenant</td>
<td>118,000</td>
</tr>
<tr>
<td>Mid-Sized Tenant</td>
<td>118,000</td>
</tr>
<tr>
<td>Smaller Tenant</td>
<td>18,000</td>
</tr>
</tbody>
</table>

**Office Total**: 254,000 gsf

### RESIDENTIAL

<table>
<thead>
<tr>
<th>Category</th>
<th>GSF (gsf)</th>
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</thead>
<tbody>
<tr>
<td>Market Rate Rental - 200 units</td>
<td>200,000</td>
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</tbody>
</table>

**Residential Total**: 200,000 gsf

### HOTEL

<table>
<thead>
<tr>
<th>Category</th>
<th>GSF (gsf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anchor Tenant</td>
<td>118,000</td>
</tr>
<tr>
<td>Mid-Sized Tenant</td>
<td>118,000</td>
</tr>
<tr>
<td>Smaller Tenant</td>
<td>18,000</td>
</tr>
<tr>
<td>Limited Service Hotel - 150 rooms</td>
<td>79,000</td>
</tr>
<tr>
<td>Select Service Hotel - 250 rooms</td>
<td>138,000</td>
</tr>
<tr>
<td>Additional Mtg. Space allowance</td>
<td>8,000</td>
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</table>

**Hotel Total**: 225,000 gsf

### OTHER

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<tr>
<th>Category</th>
<th>GSF (gsf)</th>
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<tbody>
<tr>
<td>Sports Medicine Clinic or sim.</td>
<td>28,000</td>
</tr>
</tbody>
</table>

**Other Total**: 28,000 gsf

### PARKING

**Mixed Use (estimated on program components)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Parking Spaces</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>180</td>
</tr>
<tr>
<td>Office</td>
<td>374</td>
</tr>
<tr>
<td>Residential (based on 200 units)</td>
<td>140</td>
</tr>
<tr>
<td>Hotel</td>
<td>141</td>
</tr>
<tr>
<td>Other</td>
<td>36</td>
</tr>
</tbody>
</table>

**Parking for Mixed Use Total**: 871

**UMN Replacement**

<table>
<thead>
<tr>
<th>Category</th>
<th>Parking Spaces</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minnesota - Contract Lot</td>
<td>214</td>
</tr>
<tr>
<td>Gateway - Contract Lot</td>
<td>116</td>
</tr>
</tbody>
</table>

**Parking - UMN Replacement**: 330

**TOTAL**: 1201

**STADIUM VILLAGE LRT - Transit Hub Program**

- Bike Center
- Bus Depot
- Parking (~900 spaces)
- Passenger Waiting and Vending
- Suport & Circulation

**TOTAL**: 347,000 gsf

GSF Estimates reflect general assumptions for gross up from RSF and reflect rounded numbers.
### Retail

<table>
<thead>
<tr>
<th>Category</th>
<th>Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grocery</td>
<td>24,000 gsf</td>
</tr>
<tr>
<td>Quick-Service F&amp;B</td>
<td>8,000 gsf</td>
</tr>
<tr>
<td>Full-Service F&amp;B</td>
<td>8,000 gsf</td>
</tr>
<tr>
<td>Personal Services - SM</td>
<td>3,000 gsf</td>
</tr>
<tr>
<td>Convenience Retail</td>
<td>3,000 gsf</td>
</tr>
<tr>
<td>General Merchandise - Sm Format</td>
<td>28,000 gsf</td>
</tr>
<tr>
<td>Entertainment Anchor</td>
<td>44,000 gsf</td>
</tr>
<tr>
<td><strong>Retail Total</strong></td>
<td><strong>118,000 gsf</strong></td>
</tr>
</tbody>
</table>

### Office

<table>
<thead>
<tr>
<th>Category</th>
<th>Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anchor Tenant</td>
<td>118,000 gsf</td>
</tr>
<tr>
<td>Mid-Sized Tenant</td>
<td>118,000 gsf</td>
</tr>
<tr>
<td>Smaller Tenant</td>
<td>18,000 gsf</td>
</tr>
<tr>
<td><strong>Office Total</strong></td>
<td><strong>254,000 gsf</strong></td>
</tr>
</tbody>
</table>

### Residential

<table>
<thead>
<tr>
<th>Category</th>
<th>Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Rate Rental - 200 units</td>
<td>200,000 gsf</td>
</tr>
<tr>
<td><strong>Residential Total</strong></td>
<td><strong>200,000 gsf</strong></td>
</tr>
</tbody>
</table>

### Hotel

<table>
<thead>
<tr>
<th>Category</th>
<th>Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Room total: 400</td>
<td></td>
</tr>
<tr>
<td>Limited Service Hotel - 150 rooms</td>
<td>79,000 gsf</td>
</tr>
<tr>
<td>Select Service Hotel - 250 rooms</td>
<td>138,000 gsf</td>
</tr>
<tr>
<td>Additional Mtg Space allowance</td>
<td>8,000 gsf</td>
</tr>
<tr>
<td><strong>Hotel Total</strong></td>
<td><strong>225,000 gsf</strong></td>
</tr>
</tbody>
</table>

### Other

<table>
<thead>
<tr>
<th>Category</th>
<th>Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sports Medicine Clinic or sim.</td>
<td>28,000 gsf</td>
</tr>
<tr>
<td><strong>Other Total</strong></td>
<td><strong>28,000 gsf</strong></td>
</tr>
</tbody>
</table>

### Total

<table>
<thead>
<tr>
<th>Category</th>
<th>Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>825,000 gsf</strong></td>
</tr>
</tbody>
</table>

---

**Targeted Destination Program**

**Mixed-Use + X Factor Towards 3: Collaboration Catalyst**
Phase 2
Mixed-Use & Site & Scenario Concepts

1. Site Plan and Massing Scenarios:
   a. Program and massing scenarios to test assumptions, refine massing, area and site design alternatives.
   b. Present up to three (3) conceptual site plan / building scenarios for the Client’s review and comment. Each scenario will include: site plan, entry & service access locations, 3-D isometric views of building massing, stacking diagrams and corresponding metrics of each of three massing options (component areas and FAR) with a highlight pros and cons analysis for each alternative.
   c. Identify relevant precedents to frame an aesthetic & material palette for the project and renderings.

2. Present Scenarios to Client for review and comment

---

Phase 3
Mixed-Use Concept Development Vision

1. Based on the direction of the client Gensler will prepare one scenario that includes the preferred options and elements. The Concept Plan package to include:
   a. Building location(s) and “block” massing
   b. Site circulation for pedestrians, vehicles, bikes, and service
   c. Typical floor plans, including building core(s) locations, access & primary program elements
   d. Office floor plan scenarios for multi-tenant conditions, base building common areas and amenity layout.
   e. Up to (4) Project Renderings to illustrate the project

2. Present the final site master plan and conceptual design to United Properties / UMN team and Stakeholders

3. High resolution files (jpg or pdf) of the project views and plans will be provided for use in creating marketing collateral and communication materials for the project.

---

NEXT STEPS
appendix

a. Market Study - Gensler
b. Hospitality Market Study - HVS
c. Prior Studies - Inventory & Highlights
a. Market Study - Gensler
SCOPE

The Gensler team assessed opportunities for the site based on market dynamics for each of the key program components. The analysis informs use type as well as building footprint and massing and begins to optimize the development program in order to derive maximum value out of a mixed-use program. This analysis focuses on: Who Works Here, Who Lives Here, Who Plays Here, Who Stays Here (HVS provided a market study to assess opportunities for hotel / lodging), with recommendations based on highest and best use considerations.

The results of the Market Study will begin to refine assumptions on target market segments by component, number of units/SF and key revenue-side assumptions (particularly market segmentation targets) that can inform any subsequent financial feasibility as well as the additional master plan phases.
2407 University Market Study

Table of Contents

1 - EXECUTIVE SUMMARY
- Approach and Team
- Site Overview
- Live, Work, Play, Stay
- What We Heard
- Scenarios

2 - SUMMARY OF ANALYSIS
- General Market Considerations
- Live (Residential)
- Work (Office)
- Play (Retail and Entertainment)
- Stay (Hotel / Lodging)
EXECUTIVE SUMMARY
FINDINGS AND SCENARIOS
Executive Summary

THE RESEARCH

APPROACH AND TEAM

2407 UNIVERSITY
University of Minnesota + United Properties

Gensler
Market Study
Strategy
Design

HVS
Hospitality Market Study

APPROACH

We conducted an overview to understand the subject site within the context of its site characteristics, the University District, its adjacent submarkets (including downtown Minneapolis), and the overall Minneapolis metro market.

We summarized University of Minnesota connection and context opportunities, as available. Our findings are intended to inspire additional conversations with potential University or affiliated users to better understand demand for space and hone in on more specific needs from a strategic perspective (i.e. e.g. collaborative or connected users) as well as a tactical perspective (e.g. square footage, infrastructure, and amenities).

LIVE, WORK, PLAY, STAY

Our analyses are informed by review of local market demographics and employment trends and market context, day-time and residential population considerations to support various uses, review of target market segments, and supply and demand analyses.

RECOMMENDATIONS

Recommendations on potential SF, price premium considerations, and target market segment and/or tenant types culminate in informed scenarios for site development decisions.

Live
Residential

Work
Office

Play
Retail

Stay
Hotel
MARKET-BASED SITE OVERVIEW
A Unique Site where X Factors can Shift the Development from Good to Great

Strengths

- High visibility from east and west
  - A gateway to the U of M campus from the east and to the Prospect Park neighborhood from the west
- Adjacency to the primary U of M sports venues (visitors) and U of M Biomedical District (day-time population)
- Adjacency to University campus makes a logical site to house University administrative or departmental space, as needed
- Level of demand generated from University and Medical facilities
- Easy regional access to the site from I-280 and I-94, direct connections to University Avenue and the Green Line, transitway and buses

Opportunities

- There is a large pool of daytime workers in education, healthcare, and office occupations - about 30,000 workers in the University District with particular proximity to the Biomedical Discovery District
- There are 13,000 residents in the University District market, including significant off-campus student housing around the site
- There are roughly 40,000 riders on the Green Line (opened June 2014), with direct adjacency to the Stadium Village light rail station
- There are 1.3 million (2013) annual visits to nearby U of M sports venues that equates to more retail capture opportunities and general exposure from nearby traffic
- This is a logical site to identify and house innovative collaborative opportunities that are connected to University research, programs, etc.
- Close to the future growth area of university to the north, particularly for the long term as well as where retail and other activity is migrating towards
- Synergistic with Prospect North planning

Weaknesses

- Perceived challenges of site access (particularly for drivers to and within the University District) that has particular implications for retail and office
- The Green Line LRT rail line creates safety concerns for pedestrian traffic between site and campus as well as contributes to constrained vehicular movement around the site
- On fringe of campus – close to residential, away from “heart of campus”
- Perceived as student housing / sports zone

Opportunities

- Proximity to downtown leads to existing and new competition for office, hotel, and residential demand, particularly with Green Line connections between the two areas
- Proliferation of off-campus student housing essentially surrounding the site makes other market rate residential a challenge (must provide a distinctive package of amenities to be an island of market rate residential in a sea of student housing)
- There is limited development opportunity near the site to develop stronger concentrations of activity conducive to “fanning the flames” on market-based demand
Executive Summary
THE RESEARCH

MARKET-BASED PERSPECTIVE OF SITE USE
Live, Work, Play, Stay

- There has been significant off-campus student housing development in the last five years, including adjacent to and around the subject site. This, in part, has established a tone for the site area.
- Urban migration continues to create opportunities to accommodate more young, professional households in and near downtown. This site, however, must compete with downtown and other urban neighborhoods.
- While multiple studies in recent years have shown demand for market-rate housing for the sub-market in which the site is located, one must be thoughtful about the market positioning of the site, the amenities that will attract target segments, and how the site will be positioned with respect to the strengths of other urban neighborhoods.

- The large pool of daytime workers in education, healthcare, and office occupations, the 13,000 residents in the University District market, Green Line transit riders, and campus visitors (including game-day visitors) generate a relatively deep and diverse retail pool of demand.
- Accessibility and visibility for both pedestrians and drivers are key for retail uses on the site.
- There must be a strategic balance between the day-time and residential population service demand and the destination retail possibilities that the site affords.
- There are various options for destination retail to create linger longer opportunities, which feeds from existing and self-generated demand.

- In general, the University District is not a primary office market for the region, representing 2% of the total regional office rentable building area in 2014.
- While general market demand for office growth appears negligible in the University District, this is a logical site to identify and house innovative collaborative opportunities that are connected to University research, programs, etc.
- The continued development of the Biomedical Discovery District may provide a concentration of research and similar activity that warrants private employers desire to have a physical location by the district. This site would be ideal for such activity.

- There is strong demand from University and medical facilities, but also rate sensitivity of these demand generators.
- The site has some distance from downtown, where higher-rated corporate and group demand is located.
- Access and parking are both important considerations.
- There is both existing and proposed competition.
- Availability of ancillary facilities for guests including retail and restaurants can be a market differentiator.
HIGH-LEVEL PROGRAM
INSIGHTS IDENTIFYING KEY PROGRAMMATIC THEMES + ELEMENTS

HOUSING / SERVICE
- GREEN "4th" A WALKABLE STREET
- GREATER PARKING
- VISITING FACULTY HOUSING
- COOL CREATIVE BUILDING
- EMPHASIS ON TRANSIT - LTR, BUS, AIR
- SPORTS MED
- TRIA
- ELECTIVE SURGERY

RETAIL / AMENITIES
- FLAGSHIP STORE
- NORMAL RETAIL
- VISITOR CENTER
- PATIO RULES
- SHOWCASE INNOVATION
- ECON. ALIGNED AMENITIES + HOUSING
- KINKOS FOR 3-D PRINTING
- "HIGH TEA"
- HIGHER QUALITY RESTAURANT
- "NORMAL" RETAIL
- "FLAGSHIP" STORE

THINK / MAKE / WORK / SHOW
- COLLABORATORIUM
- NETWORK CONCIERGE
- MEDICAL + BIOMED + MED SCHOOL RESEARCH FAC.
- START UP ENTREPRENEUR
- BOSTON SCIENTIFIC CURRENT LEASE 1000SF
- WET LAB SPACE
- BIO-MED LIFE SCIENCE OFFICE
- MEET + LEAD: OFFICE DOESN'T EXIST
- UNDERSTAND CURRENT "SILOS"

HOSPITALITY / MEET
- SHARING ECONOMY
- VET MED NEEDS HOTEL (CONNECT WITH TRANSPORT)
- GOOD MEETING SPACE AT HOTELS
- WHAT MAKES IT ECON VIABLE
- "HIGH TEA"
- SERENDIPITY

- SHARING CONFERENCE SPACES INCLUDE TELECOM
- NEED FOR LECTURE HALL
- NON-ACADEMIC
- NETWORK CONCIERGE
- MEDICAL + BIOMED + MED SCHOOL RESEARCH FAC.
- START UP ENTREPRENEUR
- BOSTON SCIENTIFIC CURRENT LEASE 1000SF
- WET LAB SPACE
- BIO-MED LIFE SCIENCE OFFICE
- MEET + LEAD: OFFICE DOESN'T EXIST
- UNDERSTAND CURRENT "SILOS"
SCENARIOS

THOUGHTFUL PACKAGING OF PROGRAM AND USES
KEY QUESTIONS

AS WE REVIEW PROGRAM ELEMENTS IN PROPOSED SCENARIOS...

Who are the owners, investors, and users for the various components (particularly collaborative opportunities)?

How do these scenarios and identified programs complement the 2407 University Board’s anticipated timing for build-out?
### SCENARIOS:
#### Overview

<table>
<thead>
<tr>
<th>SCENARIO 1: COMMUNITY ANCHOR</th>
<th>SCENARIO 2: TARGETED DESTINATION</th>
<th>SCENARIO 3: COLLABORATION CATALYST</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Neighborhood connector</strong></td>
<td><strong>An inviting place to linger longer</strong></td>
<td><strong>Dynamic launch pad for innovation</strong></td>
</tr>
<tr>
<td>Respond to demand from neighborhood and day-time markets</td>
<td>Retail shift: accommodate destination entertainment and F&amp;B in addition to neighborhood and day-time demand</td>
<td>Retail shifts, and declines in total GSF to accommodate other ground plane needs (i.e. collaborative programs)</td>
</tr>
<tr>
<td><strong>Low-hanging fruit: U of M general needs and select department(s)</strong></td>
<td><strong>U of M on-site presence expands Some collaborative space introduced Satellite opportunities for private employers</strong></td>
<td><strong>Max out collaborative energy of University-related programs Catalyst for private employers to locate here</strong></td>
</tr>
<tr>
<td><strong>Market-rate rental, which includes some short-term housing</strong></td>
<td><strong>Similar scale to previous scenario remains No short-term housing accommodation</strong></td>
<td><strong>Diversify target markets Market-rate rental housing + branded active living community</strong></td>
</tr>
<tr>
<td><strong>New limited-service lodging to replace existing and &quot;refresh&quot; the East Bank</strong></td>
<td><strong>Diversity of lodging offerings Dual branding consideration Hotel(s) covers short-term housing needs</strong></td>
<td><strong>Diversity of lodging offerings Dual branding consideration further supported by on-site activity</strong></td>
</tr>
<tr>
<td><strong>No opportunistic program</strong></td>
<td><strong>Sports Medicine Clinic</strong></td>
<td><strong>Expanded conference or event space, Collaborative lab / maker space, and consolidated labs</strong></td>
</tr>
</tbody>
</table>

**PLAY | Retail**
**WORK | Office**
**LIVE | Residential**
**STAY | Hotel**
**OTHER**
SCENARIOS: Meeting the Market to Leading the Market

### SCENARIO 1: COMMUNITY ANCHOR
- **Meet**: Minimal
- **Lead**: Moderate
- **Partnership**: Some
- **University Participation**: Some

- **Play|Retail**: Capture demand and bring the trend of retail gravity migrating towards the east edge of the campus. Focus more on tenanting that caters to neighborhood residential and day-time populations: grocery, smaller format general merchandise, and quick serve, mid-scale F&B. There is likely a level of specialty grocery to be considered in each scenario. The grocery opportunity will be driven partially by other grocery that may be introduced to the market in other neighborhood developments.

- **Work|Office**: Leveraging low-hanging fruit to fulfill the basic needs of the University, particularly around general office and key departmental needs. Ideally, administrative groups on this site would still be strategically located (e.g. regular public interactions). As identified by the University, and potentially consolidating leased space (as part of the University real estate portfolio optimization).

- **Live|Residential**: Provide market-rate rental targeting young, urban professionals 25-45 in age and price points around $1.80 - $2.10 / SF at an average unit size of 800 RSF. Strategic resident amenities will be of importance. Accommodate a certain amount of short-term housing demand from various University programs as part of the market rate development - most likely for transitioning or visiting faculty and staff.

- **Stay|Hotel**: Redevelopment of a new limited-service lodging product will “refresh” the East Bank, offering a quality product at an affordable price for area demand generators.

- **Other**: This is no opportunistic program included in this scenario. Across all scenarios, we can leverage key public plaza space on the site for event days - e.g. open-air market and pop-up retail and food vendors. This does not impact building program, but does influence place-making.

### SCENARIO 2: TARGETED DESTINATION
- **Meet**: Minimal
- **Lead**: Moderate
- **Partnership**: Medium
- **University Participation**: High

- **Play|Retail**: Retail shifts to accommodate new destination entertainment and F&B and capture more expenditures from campus visitors as well as draw additional demand from the local area (beyond the neighborhood). Retail catering to residential and day-time continues, but grocery takes on smaller footprint to accommodate other retail types.

- **Work|Office**: The University on-site presence expands (located to maximize strategic adjacencies between the co-located groups). As identified by the University. Some collaborative space like a co-working tenant is introduced. As University presence increases, the addition of some modest private sector that want a campus landing pad is possible.

- **Live|Residential**: Diversity of lodging offerings will cater to a wide range of guests, while maintaining operating efficiencies through dual branding.

- **Stay|Hotel**: Sports Medicine Clinic (partnership between Athletic Department and U of M medical partners) is located on the site. Depending on the scale of operations and program, this could become an amenity for on-site residents and/or drive a certain number of overnight visits.

- **Other**: Collaborative lab / maker space, and consolidated labs all become part of the site’s collaborative center of gravity.

### SCENARIO 3: COLLABORATION CATALYST
- **Meet**: Minimal
- **Lead**: Many
- **Partnership**: High
- **University Participation**: Many

- **Play|Retail**: Retail shifts, and declines in total GSF compared to other scenarios, to accommodate other ground plane needs from collaborative tenants. Retail is similar to other scenarios but without a destination entertainment anchor.

- **Work|Office**: As the collaborative energy of programs intensifies on the site, we anticipate additional private employers will want to engage with the University and some may even desire to be primarily located at the site instead of having a satellite there.

- **Live|Residential**: While the overall scale of residential increases, the market segmentation diversifies. The market-rate rental housing still targets young, urban professionals, but an life-long learning, active living community is also added. This age-restricted development would be heavily branded with the University and likely require a strong level of programming and amenities connected to the University and its medical system.

- **Stay|Hotel**: Complementary uses, such as a conference center, extensive training center, or innovation facility, may serve as demand generators for a higher-end lodging facility.

- **Other**: Collaborative lab / maker space, and consolidated labs all become part of the site’s collaborative center of gravity.
**SCENARIOS ROLL-UP**

**SCENARIO 1: COMMUNITY ANCHOR**

- **GSF**: 590,000 GSF
- **Play**: 62,000 RSF
- **Work**: 150,000 RSF
- **Live**: 260 market-rate units
- **Stay**: 150 rooms - one hotel
- **Other**: None

**SCENARIO 2: TARGETED DESTINATION**

- **GSF**: 815,000 GSF
- **Play**: 105,000 RSF
- **Work**: 215,000 RSF
- **Live**: 200 market-rate units
- **Stay**: 400 rooms - two hotels
- **Other**: None

**SCENARIO 3: COLLABORATION CATALYST**

- **GSF**: 1,081,000 GSF
- **Play**: 92,000 RSF
- **Work**: 265,000 RSF
- **Live**: 300 market-rate units
- **Stay**: 400 rooms - two hotels
- **Other**: 25,000 RSF Sports Medicine, 15,000 RSF Collab/Maker Space, 60,000 RSF Consolidated Labs

**Legend**

- **GSF**
  - 0
  - 200,000
  - 400,000
  - 600,000
  - 800,000
  - 1,000,000
  - 1,200,000

- **Activity**
  - **Play**: Orange
  - **Work**: Blue
  - **Live**: Purple
  - **Stay**: Red
  - **Other**: Grey

**Scenario GSF Estimates:**
- reflect general assumptions for gross up from RSF
- reflect rounded numbers
- do NOT include parking
SCENARIO 1: COMMUNITY ANCHOR

**PLAY | Retail**
- Grocery: 24,000 GSF
- Quick-service F&B: 8,000 GSF
- Full-service F&B: 8,000 GSF
- Destination F&B: 3,000 GSF
- Personal services - smaller: 8,000 GSF
- Personal services - larger: 8,000 GSF
- Convenience retail: 28,000 GSF

**WORK | Office**
- Anchor tenant: 118,000 GSF
- Mid-size tenant: 59,000 GSF
- Smaller tenant: 64,000 GSF

**LIVE | Residential**
- Short-term lease: 200,000 GSF
- Market rate rental: 64,000 GSF
- Senior housing: 200,000 GSF
- For-sale condo: 200,000 GSF
- For-sale townhouse: 200,000 GSF

**STAY | Hotel**
- Limited service: 79,000 GSF
- Full-service: 79,000 GSF
- Extended stay: 79,000 GSF
- Select service: 79,000 GSF
- Consolidated labs: 79,000 GSF

**OTHER**
- Expanded event: 8,000 GSF
- Collaborative lab/ maker space: 8,000 GSF
- Sports medicine clinic: 8,000 GSF
- Personal services - smaller: 8,000 GSF
- Personal services - larger: 8,000 GSF
- Convenience retail: 28,000 GSF

**LEGEND**
- Max value (the largest sub-use across all scenarios)
- Sub-use value
SCENARIO 2: TARGETED DESTINATION

**MEET THE MARKET**

- **PLAY | Retail**
  - Grocery: 24,000 GSF
  - Quick-service F&B: 8,000 GSF
  - Full-service F&B: 8,000 GSF
  - Destination F&B: 3,000 GSF

- **WORK | Office**
  - Anchor Tenant: 118,000 GSF
  - Mid-size tenant: 118,000 GSF
  - Smaller Tenant: 18,000 GSF
  - Spec: 

- **LIVE | Residential**
  - Short-term Lease: 
  - Market Rate Rental: 
  - Senior Housing: 
  - For-sale Condo: 
  - For-sale Townhouse: 
  - 200,000 GSF

- **STAY | Hotel**
  - Limited Service: 79,000 GSF
  - Full-service: 
  - Extended Stay: 
  - Select Service: 138,000 GSF

- **OTHER**
  - Expanded Event: 
  - Collaborative Lab/Maker Space: 
  - Sports Medicine Clinic: 
  - Consolidated Labs: 28,000 GSF

**LEAD THE MARKET**

- **Convenience**
- **General Merchandise**
- **Entertainment Anchor**
- **Personal Services**
  - For-sale Condo: 28,000 GSF
  - Townhouse: 3,000 GSF
  - For-sale - Larger: 44,000 GSF
  - For-sale - Smaller: 3,000 GSF

**Legend**

- **Max Value**
- **Sub-use Value**
- **Meet the Market**
- **Lead the Market**
A SUM GREATER THAN ITS PARTS

CONSIDER...AS THE PROCESS OF IMPLEMENTATION EVOLVES, SOME ADDITIONAL FACTORS THAT MAY IMPACT THE OPTIMUM PROGRAM FOR THE SITE INCLUDE:

• The achievable FAR for the site (and across parcels) and how best to amplify financial performance through strategic parcelization and thoughtful, flexible phasing that accommodates demand when it is identified and can respond to changes in pipeline activity
• Potential build-to-suit opportunities for U of M or other corporate or institutional users
• Program and physical space opportunities to provide both residents and visitors with an engaging experience, even while accommodating everyday needs
• Optimizing the availability of functional, viable, ground-plane retail
• Activation of pedestrian and outdoor space as a place-maker and thread that pulls the development components together
• Showcasing the views of, from, and to the building itself to generate price or occupancy premiums
• Creating a lasting, positive impact on community and building resilience into the development
• Embracing brand and elevating image of the University
MARKET OVERVIEW
TRENDS AND MARKET DYNAMICS
GENERAL MARKET CONSIDERATIONS
Site Market Area

In general, the geographic areas used in this analysis and referred to as the **University District (UD)** include the outlined area surrounding the site and the University of Minnesota. This area reflects boundaries from a market perspective.

The area stretches from E. Hennepin from the west and north, I-280 to the east / southeast and the Mississippi River to the south.

This area includes Marcy-Holmes, Prospect Park / E. River Road, Como, and University neighborhoods. The BNSF rail corridor also cuts through this area and to the north of the site.
With a total population of roughly 11,000 residents in 2014, the University District area grew by roughly 1.7% annually, nearly seven times the average population growth rate for the city. Households increased from approximately 10,100 in 2000 to approximately 12,100 in 2014, adding nearly 150 households per year during this time frame.

University District Population Growth

City Average, 2000-2014

Graphic 2 - Population Growth Rate (2000 - 2014)

Graphic 3 - Total Population (2000 - 2014)

Graphic 4 - Annual Households Per Year
HOUSEHOLD CHARACTERISTICS

Householders are young and educated, not surprising in this University setting.

The median age of residents in the University District area is 23 years of age, with approximately 75% of residents between the ages of 15 to 34, also known as the Millennial generation.

Residents in the University District have a median household income of roughly $30,000, approximately 30% lower than the citywide Median Household Income (MHI), reflective of the student population in the market. The higher income in the Site Area Census Tract reflects the Prospect Park neighborhood.

Residents in this area are highly educated, with more than 60% of residents having obtained a bachelors or masters / professional degree, compared to 45% citywide.
HOUSEHOLD SEGMENTATION

The University District Area is fairly homogeneous with respect to household segmentation.

1. The census tract in which the site is located is fairly homogeneous, with two primary household segments represented. These same two segments represent about half of the households in the greater University District area.

The remainder of the District area is mainly comprised of three other segments. In comparison to the City of Minneapolis at large, these five segments represent less than half of the segments that are present in the greater City of Minneapolis.

Graphic 10 - Household Segments that comprise more than 5% of City of Minneapolis Population
HOUSEHOLD SEGMENTATION

The University District Area already attracts the types of households we would anticipate for residential target markets.

Two-thirds of the nation’s young, educated population (25-34 year olds with a BA degree) live in the nation’s 51 largest metropolitan areas, those with a million or more in population.

In these 51 largest metropolitan areas, college-educated 25 to 34 year olds are more than twice likely than all residents of metro areas to live in close-in urban neighborhoods.

For the Minneapolis-St. Paul-Bloomington metro area, the number of people in this category increased by almost 39,000 between 2000 and 2012, from 182,000 to 221,000 (rounded). This is an increase of 21% overall, or overall 15% compounded annual growth rate.

The greatest opportunity to draw market rate residential demand for the site is from young, educated professionals.

Target segments for on-site residential include college-educated 25-34 year olds, which are already dominant in the University District area Emerald City, Laptops and Lattes, and Metro Renters. Also, these three segments comprise over one third of households in the City of Minneapolis.
EMPLOYMENT / INDUSTRY COHORT

Regional office employment is growing, as well as education and health care industries.

1. Minneapolis regional office employment grew by roughly 20,000 employees from 2005 to 2014, at an annualized rate of 1%.

2. Education services, as well as health care and social assistance grew at annualized rates of 2% and 4%, adding 28,000 and 72,000 employees respectively.

3. Office workers account for approximately 1% of all office workers in the region, and make up approximately 10% of employment in University District.

4. Educational services make up 12% of regional employment in this industry sector and nearly half of total employment in the University District district.

5. Health care employment in the University District district accounts for 3% of all health care employment throughout the region, and approximately 16% of total employment in the district.

Graphic 12 - Regional Employment (Office, Education, Healthcare)
UNIVERSITY STATISTICS
The University campus workforce is the primary daytime demand driver

1. Overall, there are about 42,000 full-time students and 9,300 part-time students at the University of Minnesota. This population has been holding relatively steady over last five years.

2. There are over 22,000 faculty and staff at the Twin Cities campus. This total includes the Medical School, Duluth Medical School, and Duluth Pharmacy.

There are roughly 700 employees in the nearby East Gateway Biomedical Discovery District.

Source: University of Minnesota; Data Warehouse - DWEO tables.
Notes:
The Twin Cities campus includes the Medical School, Duluth Medical School, and Duluth Pharmacy.
IPEDS (Integrated Postsecondary Education Data System) definitions are used.
GAMEDAY

The primary U of M sports venues located near the site also generate significant visits.

There are over 1 million visits generated by sports-related activities annually at facilities near the subject site.

---

2013 attendance estimates are reviewed because 2014 estimates are inflated due to the Vikings use of TCF Bank Stadium for the 2014 season.
TRANSIT RIDERSHIP
The new Green Line and its adjacent Stadium Village station generates additional foot traffic.

Ridership as of December 2014 is already close to surpassing 2030 projections (of over 40,000 weekday boardings).

A summary of 2014 ridership details shows that weekly ridership (weekdays boardings) at the Stadium Village Station has averaged almost 1,900 between September and December 2014.

![Graph 18 - Ridership by stop(s)](image)

![Graph 19 - 2014 Total Ridership by Month](image)
DEVELOPMENT INVENTORY AND PIPELINE*

There are prominent districts by use in the University District area. Development has been fairly concentrated in sub-areas, including near our site.

* Pipeline = under construction or in planning
LIVE, WORK, PLAY, STAY
EXPLORING THE FOUR USES
**SUPPLY / PIPELINE**

Local market-rate demand tracks to city-wide trends

Most of the residential product is concentrated in certain areas of UD.

Roughly 600 multifamily units were constructed between 2010 and 2014.

There are 600 marke-rate units currently under construction and another 700 market-rate units proposed in the University District ~1,300 (non-student specific) units total.

The most significant UD market-rate residential projects in the pipeline are located in the Marcy Holmes neighborhood.

Note: A proposed development east of the Subject Site in the Prospect Park submarket is a transit-oriented development adjacent to the Central Corridor Prospect Park station (the next station east of the Subject Property station) with an arts anchor (MN Textile Center).

Plans include demolition of an existing vacant warehouse and development of approximately 200-250 units of energy efficient multifamily housing, with a mix of market rate and affordable units (not targeted to students).

Any residential activity on this site would want to consider timing of this project so as not to oversaturate the market, which would negatively impact absorption rates.
SUPPLY / PIPELINE

Significant new supply in off-campus student housing, with market rate near-by

Overall, there are a total of 13,000 residential units located in the University District neighborhood.

A majority of the residential development is located in the census tract directly south of the subject site.

From 2000 to 2014, the University District added roughly 2,500 units at an annualized rate of 1.6%, equating to roughly 180 units annually during this time period.

Most of the development in our sub-area is comprised of mid/high rise. About half of the Census Tract inventory is renter occupied (reflecting Prospect Park neighborhood impact) while the greater UD area has an even greater proportion as renter occupied.
DEMAND
There is modest absorption in the market

Total residential absorption of 150 households annually from 2000 to 2014

About 1/3 (50 households) are associated with non-students.

Local vacancy rates doubled in the UD area from 3% to 6% from 2000 to 2014.

Household growth appears to be on pace with annual residential absorption between the same years. Demand in the UD area is similar to the broader city trend of 75 units absorbed for every 100 units developed.

The market rate housing projections indicate roughly 80 new households to be added annually from 2015 to 2030.
UNIT CHARACTERISTICS
Effective rent rates have been on the rise

Average home values in the University District market were approximately $315,000, approximately 15% greater than average citywide home values.

Overall, about half of the Minneapolis CBD market are one bedroom units, 13% are studios, 35% to bedrooms and the remainder are three-plus bedrooms.

In the UD area average per unit rents are approximately $930, significantly below the Minneapolis CBD rates reported by REIS.

Units built after 2009 rent for an average of approximately $1,900 per unit, 40% greater than units built prior to 2009.

Overall, average contract rent is under $1,000 across the three geographies.

These units represent 25% of total residential inventory and have vacancy rates of 19% more than two times the average vacancy rate for the market.
DEMAND

Building inventory is fairly concentrated along corridors

East of I-35W, office is concentrated around the University campus and along University Avenue.

There is currently 30,000 square feet of office proposed for the University District area.
SUPPLY / PIPELINE
There has been no significant new supply in the submarket within the last 15 years

Total existing office space supply equals roughly 1.7 million square feet of rentable building area in 45 buildings in 2014, UD represents 2% of total supply.

Of the office buildings located, 73% were constructed prior to 1979, with 7% (3 buildings) coming on line between 2000 and 2009 (likely sometime prior to 2006).

Nearly 30% (12 buildings) of commercial office buildings in the University District district are greater than 50,000 square feet in size, five of which are greater than 100,000 square feet. The largest commercial office building is McNamara Alumni Building, at 200 SE Oak, which is approximately 400,000 square feet of rentable building area.
DEMAND

The following large lease expirations may be prospective site tenants (primary or satellite locations), particularly if they have university affiliations or collaborations.

<table>
<thead>
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<th>BUSINESS SERVICES</th>
<th>7 to 12 Months</th>
<th>13 to 24 Months</th>
<th>25 to 36 Months</th>
<th>37 to 48 Months</th>
<th>49 to 60 Months</th>
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<td>209,137</td>
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<td>686,832</td>
<td>365,208</td>
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<td>2,243,369</td>
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Graphic 33 - Larger Minneapolis Area Tenants with Expiring Leases in Upcoming Years
DEMAND

Annual absorption has been modest: 5ksf in the past year, 15ksf in the past two years

Absorption has been flat over the past eight years, yet since 2012 roughly 30,000 square feet of rentable building area has been absorbed in the local market.

Local lease expirations include the University of Minnesota at 2829 University Ave SE, with roughly 50,000 square foot lease expiring in 2018, as well as Code 42 Software Inc., at 1 Main St. SE, with 30,000 square feet of office space expiring in 2016.

Currently, 2.5% of the total office space is vacant, slightly below a long-term average vacancy of 3% for the area.
PERFORMANCE

Vacancy has been relatively static at 3% with rates trailing Downtown averages.

Direct lease rates for office space are slightly below the long-term average of $16.30 and current rates at $15.80.

Comparatively, lease rates are 10% higher in Downtown Minneapolis.
About 25,000 square feet of primarily Food & Beverage (F&B) is being constructed across University Avenue at the Wahu development and is anticipated to open in 2015.

There is another estimated 40,000 SF of proposed retail in the UD.
SUPPLY / PIPELINE

There has been a modest uptick in retail supply

In the University District submarket there is a total supply of 1.4 million square feet of retail space as of 2014.

From 2006 to 2014, rentable retail inventory increased by approximately 60,000 square feet, equating to roughly 7,000 square feet annually (roughly 2 – 3 store fronts).

Full-service, limited service restaurants, as well as drinking establishments account for more than a third of all retailer store fronts in the University District area, equating to roughly 100 stores.

Smaller specialty food store represent 5% of total store fronts in the area, a total of 12 stores; however a full-size grocery store is not located within the area.

Graphic 39 - Existing Retail Inventory
PERFORMANCE
Rates have fluctuated and have declined since 2010

Direct lease rates for retail space have fluctuated substantially in the past eight years, reaching a peak of roughly $27 in 2006, dropping to $10 per square foot on average currently.

Current lease rates are below an eight-year average of $18 per square foot.

Comparatively, lease rates are slightly below the citywide average of $13 per square foot.

The current average vacancy rate for retail space is roughly 6% in the University District market, roughly 100 basis points above the eight-year average.
DEMAND

Thoughtful tenanting considers primary users and is mindful of absorption capture

New demand is estimated to be around 8,000 square feet annually, assuming new household massing and university growth.

Opportunity is focused on five primary retail targets: Local Residents, Local Workers, Game-day Visitors, U of M Faculty and Staff, and Students.

Current state demand is between 110KSF and 130KSF.

Net future demand (in addition to current state demand) through 2030 is between 130KSF and 150KSF, in total.

Our site could capture a portion of this overall demand.
SUPPLY / PIPELINE

There are numerous hotel projects in downtown, in various planning stages.

There are six hotels in the planning stage that do not have room estimates in addition to another hotel in planning where the type of hotel has not yet been identified. These would be in addition to the pipeline summarized in this chart.

The first in this pipeline opens in May 2015.

Surrounding cities facing new supply prospects including full-service development.

Brand availability is shrinking.

<table>
<thead>
<tr>
<th>Pipeline Hotels - Minneapolis</th>
<th># Rooms</th>
<th>Type of Hotel</th>
<th>Location</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hampton Inn &amp; Suites</td>
<td>211</td>
<td>Limited Service</td>
<td>19 North 8th Street Minneapolis</td>
<td>U/C, Opening 5/2015</td>
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<tr>
<td>AC by Marriott (4th &amp; Hennepin)</td>
<td>244</td>
<td>Select Service</td>
<td>4th &amp; Hennepin Minneapolis</td>
<td>Planning</td>
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<td>Conrad Hotel (6th St/Hennepin)</td>
<td>270</td>
<td>Full Service</td>
<td>6th &amp; Hennepin Minneapolis</td>
<td>Planning</td>
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<td>Nicollet Site (10 S. 3rd St)</td>
<td>182</td>
<td>Full Service</td>
<td>30 S. 3rd Street Minneapolis</td>
<td>Planning</td>
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<tr>
<td>Sherman Hotel (Chicago &amp; Washington)</td>
<td>110-150</td>
<td>NAV</td>
<td>Chicago &amp; Washington Minneapolis</td>
<td>Planning</td>
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<tr>
<td>Iron Horse Hotel (North Loop)</td>
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<td>Boutique</td>
<td>Washington Ave &amp; 3rd Avenue N Minneapolis</td>
<td>Planning</td>
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<td>CPM Extended Stay Hotel (near ACC/Stadium Village)</td>
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<td>Limited Service</td>
<td>501 Horan Boulevard SE Minneapolis</td>
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<td>Hampton Inn &amp; Suites Prospect Park</td>
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<td>Denlykton Hotel</td>
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<tr>
<th>Pipeline Hotels - Non-Minneapolis</th>
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<th>Type of Hotel</th>
<th>Location</th>
<th>Status</th>
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<td>Limited Service</td>
<td>near I-95 W and County Road C (23)</td>
<td>U/C, Opening 5/2015</td>
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<td>HMH2 Suites Roseville</td>
<td>102</td>
<td>Limited Service</td>
<td>near I-95 W and County Road C (23)</td>
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<td>JW Marriott Mall of America - Bloomington</td>
<td>342</td>
<td>Full Service</td>
<td>Lindau and Rose Way - Bloomington</td>
<td>Planning</td>
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<td>Hyatt Regency Bloomington Central Station</td>
<td>902</td>
<td>Full Service</td>
<td>American Blvd E and 33rd Ave S - Bloomington</td>
<td>U/C - late 2015 opening</td>
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<td>Custom House Hotel (St. Paul Post Office)</td>
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<td>Select Service</td>
<td>Kellogg &amp; Olds - St. Paul</td>
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<td>Xcel Center Site - St. Paul (Opus)</td>
<td>TBD</td>
<td>Full Service</td>
<td>Kellogg &amp; 7th St W - St. Paul</td>
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<td>Seven Corners Hardware St. Paul</td>
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<td>Limited Service</td>
<td>7th St W &amp; Walnut St - St. Paul</td>
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<td>Courtyard by Marriott St. Louis Park</td>
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<td>Zanthan Ave &amp; Wayzata - St. Louis Park</td>
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Graphic 44 - Minneapolis Area Hotel Pipeline Summary
Graphic 45 - Minneapolis Area Hotel Pipeline List
DEMAND
The market is close to reaching peak again

Average occupancy of 65.5% over last ten years with peak of 71.4% in 2007.

The market is indicative of unaccommodated demand and new supply. The last major supply addition was 2008/09.

University area hotels, including the Commons Hotel and Days Inn, report that University and medical-related demand make up 60-65% of their total occupied room nights. Downtown hotels report little University-related demand unless it is meeting-related, or during major sporting events.

University demand varies significantly from visiting professors, parents, and sports teams to international students and continuing education participants.

Medical demand is often very price sensitive and can be for extended periods of time. This type of demand prefers shuttle service and larger rooms.
PERFORMANCE

Hotel’s performance is limited due to seasonality

June – October are strongest months for occupancy and average rate.

Due to seasonal limitations, it is difficult for occupancy to surpass 70%; rates range from $95-$125 throughout the year.

Graphic 47 - Area Monthly Occupancy and Average Rates
4) PERFORMANCE (continued)

On-campus location of a hotel is an important factor to consider.

Performance of 19 on-campus hotels vs competitive set were analyzed.

Occupancy is comparable or slightly higher, while average rate is significantly higher for on-campus hotels.

Graphic 48 - Campus Hotel Performance Indices
APPENDIX
ADDITIONAL INFORMATION
PIPELINE SUMMARY FOR THE UNIVERSITY DISTRICT AREA (ZIPS 55414, 55455)

Office Pipeline –
• Proposed - I-35W and University Ave, 30,000

Retail Pipeline –
• Under Construction - 1016 Washington Ave SE, 25,563
• Proposed - 1721 Como Ave SE, 12,000
• Proposed - 315 27th Ave SE, 28,149

Residential Pipeline –
• Under Construction - 701 15th Ave SE - Student, 202 units
• Under Construction - 1016 Washington Ave SE - Student, 333 units
• Under Construction - 501 15th Ave SE - All, 16 units
• Under Construction - 1227 4th St SE - Student, 66 units
• Under Construction - 415 SE Main St - All, 162 units
• Under Construction - 301 Main St SE - All, 251 units
• Proposed - 201 2nd St SE - All, 93 units
• Proposed - 700 NE Central Ave - All, 156 units
• Proposed - 2901 4th St SE - , 200 units
• Proposed - 200 Central Ave SE - All, 275 units
b. Hospitality Market Study - HVS
FEASIBILITY STUDY

Proposed University Limited-Service Hotel

2407 UNIVERSITY AVENUE
MINNEAPOLIS, MINNESOTA

SUBMITTED TO:
Mr. Brandon Champeau
United Properties
3600 American Boulevard West, Suite 750
Minneapolis, Minnesota, 55431
+1 (952) 837-8653

PREPARED BY:
HVS Consulting and Valuation Services
Division of TS Worldwide, LLC
33972 North Oak Drive
Pequot Lakes, Minnesota, 59472
+1 (303) 588-6558
March 17, 2015

Mr. Brandon Champeau  
United Properties  
3600 American Boulevard West, Suite 750  
Minneapolis, Minnesota, 55431

Re: Proposed University Limited-Service Hotel  
Minneapolis, Minnesota  
HVS Reference: 2015020005

Dear Mr. Champeau:

Pursuant to your request, we herewith submit our feasibility study pertaining to the above-captioned property. We have inspected the real estate and analyzed the hotel market conditions in the Minneapolis, Minnesota area. We have studied the proposed project, and the results of our fieldwork and analysis are presented in this report. We have also reviewed the proposed improvements for this site. Our report was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation.

We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

Sincerely,

TS Worldwide, LLC

Tanya J. Pierson, MAI, Managing Director  
TPierson@hvs.com, +1 (303) 588-6558  
State Appraiser License (MN) 40268741
# Table of Contents

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</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Executive Summary</td>
<td>4</td>
</tr>
<tr>
<td>2.</td>
<td>Description of the Site and Neighborhood</td>
<td>17</td>
</tr>
<tr>
<td>3.</td>
<td>Market Area Analysis</td>
<td>25</td>
</tr>
<tr>
<td>4.</td>
<td>Supply and Demand Analysis</td>
<td>48</td>
</tr>
<tr>
<td>5.</td>
<td>Description of the Proposed Project</td>
<td>81</td>
</tr>
<tr>
<td>6.</td>
<td>Projection of Occupancy and Average Rate</td>
<td>91</td>
</tr>
<tr>
<td>7.</td>
<td>Projection of Income and Expense</td>
<td>101</td>
</tr>
<tr>
<td>8.</td>
<td>Feasibility Analysis</td>
<td>119</td>
</tr>
<tr>
<td>9.</td>
<td>Statement of Assumptions and Limiting Conditions</td>
<td>133</td>
</tr>
<tr>
<td>10.</td>
<td>Certification</td>
<td>136</td>
</tr>
</tbody>
</table>

Addenda

- Penetration Explanation  
  i

Site Plan
Qualifications
Copy of Appraisal License
1. Executive Summary

The subject of the feasibility study is a site made up of three parcels, totaling 244,154 square feet (5.61-acres), that is proposed for a mixed-use development. The additional uses within the development had not been determined at the time of our analysis. The site is currently improved with a Days Inn Hotel and surface parking. The purpose of our study is to determine the type of hotel, if any, best suited for the development.

Based on our analysis of the market supply and demand, it is our recommendation that a portion of the site be improved with a limited-service lodging facility; we recommend the hotel will be affiliated with the SpringHill Suites by Marriott, or comparable well-recognized limited-service brand affiliation. Based on the Minnesota Vikings use of TCF Stadium through the end of the 2015/16 football season, our projections assume the property will open by June 1, 2017. It is our recommendation that the property feature 150 rooms, a breakfast dining area and lounge, at least one meeting room, an indoor pool and whirlpool, a fitness room, a business center, a market pantry, a guest laundry room, and vending areas. The hotel will also feature all necessary back-of-the-house space. The following is an illustration of the SpringHill Suites by Marriott prototype design, as provided by Marriott International.
The subject site’s location is 2407 University Avenue, Minneapolis, Minnesota, 55414.

The effective date of the report is March 17, 2015. The subject site was inspected by Tanya J. Pierson, MAI on January 16, 2015.

The proposed subject site, which will be part of a mixed-use development, consists of three parcels that are owned by entities including the University of Minnesota and United Properties. United Properties and the University of Minnesota purchased the 2.449-acre parcel that houses the existing Days Inn in September of 2013 for $10.6 million from CRI Hotel Income. The University of Minnesota has owned the remaining parcels (1.253 acres and 1.903 acres) for several years.

Details pertaining to management terms were not yet determined at the time of this report. Our market study assumes that the proposed hotel will be managed by a professional hotel-operating company, with fees deducted at rates consistent with current market standards. We have assumed a market-appropriate total management fee of 3.0% of total revenues in our study.

We recommend that the proposed subject hotel operate as an upscale, limited-service property. While we have placed heavy consideration on the SpringHill
Suites by Marriott brand, other potential brands include Holiday Inn Express Hotel & Suites and Fairfield Inn & Suites by Marriott. While a specific franchise affiliation and/or brand has yet to be finalized, our projections are based on one of these well-recognized affiliations. Based on our review of the agreement’s terms or expected terms, the SpringHill Suites by Marriott franchise is reflected in our forecasts with a royalty fee of 5% of rooms revenue, and a marketing assessment of 2.5% of rooms revenue. Reservations fees will also be due, and are included in the rooms expense line item of our forecast.

Local employers and headquarter offices in the area, including the University of Minnesota, Thrivent Financial, Target Corporation, and Wells Fargo, as well as the Minneapolis Convention Center, represent the primary sources of demand for the competitive set of hotels in this market. Occupied room nights increased between 2005 and 2007 and again between 2009 and 2011. Market-wide occupancy decreased in 2008 and 2009 because of the entrance of the Aloft Hotel and the Hilton Garden Inn Downtown. New supply, combined with a continued deterioration of the national economy, resulted in a historically low occupancy of 53.4% for the market in 2009. Nonetheless, occupancy performance in 2010 illustrated a significant rebound given the improving economy and increased commercial travel. Demand levels continued to strengthen through 2011 as market-wide occupancy surpassed 65%. Demand decreased in 2012 and 2013 with the partial closures of the Courtyard by Marriott (former Hotel Metrodome) and Hyatt Place (former Aspen Suites) for renovations. Year-end 2014 demand levels show a strong improvement over 2013, primarily due to the entrance of strong brands (Courtyard by Marriott and Hyatt Place) in late 2013, the completion of renovations at The Commons Hotel, and the significant summer demand generated by the MLB All-Star Game in July and two heavily attended events at the Minneapolis Convention Center.

The following table provides a historical perspective on the supply and demand trends for a selected set of hotels, as provided by Smith Travel Research.
The following tables reflect our estimates of operating data for hotels on an individual basis. These trends are presented in detail in the Supply and Demand Analysis chapter of this report.
### FIGURE 1-2  COMPETITORS – OPERATING PERFORMANCE

<table>
<thead>
<tr>
<th>Property</th>
<th>Number of Rooms</th>
<th>Commercial Meeting and Group Leisure</th>
<th>Estimated 2012</th>
<th>Estimated 2013</th>
<th>Estimated 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Weighted Room Count</td>
<td>Weighted Room Count</td>
<td>Weighted Room Count</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Occ.</td>
<td>Average Rate</td>
<td>RevPAR</td>
</tr>
<tr>
<td>Days Inn Hotel University Avenue</td>
<td>130</td>
<td>30 %</td>
<td>130</td>
<td>79 %</td>
<td>$76.00</td>
</tr>
<tr>
<td>Commons Hotel Minneapolis</td>
<td>304</td>
<td>25 %</td>
<td>304</td>
<td>49</td>
<td>101.00</td>
</tr>
<tr>
<td>University Inn Minneapolis</td>
<td>45</td>
<td>30 %</td>
<td>45</td>
<td>72</td>
<td>60.00</td>
</tr>
<tr>
<td>Courtyard Minneapolis Downtown</td>
<td>265</td>
<td>20 %</td>
<td>265</td>
<td>59</td>
<td>114.00</td>
</tr>
<tr>
<td>Aloft Minneapolis</td>
<td>155</td>
<td>65 %</td>
<td>155</td>
<td>76</td>
<td>113.00</td>
</tr>
<tr>
<td>Best Western Downtown</td>
<td>199</td>
<td>50 %</td>
<td>199</td>
<td>50</td>
<td>100.00</td>
</tr>
<tr>
<td>Hyatt Place Minneapolis Downtown</td>
<td>213</td>
<td>75 %</td>
<td>213</td>
<td>60</td>
<td>90.00</td>
</tr>
<tr>
<td>Hilton Garden Inn Minneapolis Downtown</td>
<td>210</td>
<td>60 %</td>
<td>210</td>
<td>74</td>
<td>128.00</td>
</tr>
<tr>
<td>Crowne Plaza Minneapolis Northstar Downtown</td>
<td>222</td>
<td>60 %</td>
<td>222</td>
<td>68</td>
<td>121.00</td>
</tr>
<tr>
<td>Holiday Inn Express Minneapolis Conference Center</td>
<td>96</td>
<td>55 %</td>
<td>96</td>
<td>78</td>
<td>110.00</td>
</tr>
<tr>
<td>Ramada Plaza Minneapolis</td>
<td>249</td>
<td>50 %</td>
<td>249</td>
<td>41</td>
<td>95.00</td>
</tr>
<tr>
<td>Residence Inn by Marriott Minneapolis Downtown at The Depot</td>
<td>131</td>
<td>60 %</td>
<td>131</td>
<td>76</td>
<td>120.00</td>
</tr>
<tr>
<td>Hotel Minneapolis Autograph Collection</td>
<td>222</td>
<td>60 %</td>
<td>222</td>
<td>82</td>
<td>133.00</td>
</tr>
<tr>
<td>Depot Minneapolis A Renaissance Hotel</td>
<td>225</td>
<td>60 %</td>
<td>225</td>
<td>72</td>
<td>132.00</td>
</tr>
<tr>
<td>Sheraton Midtown Minneapolis</td>
<td>136</td>
<td>60 %</td>
<td>136</td>
<td>63</td>
<td>128.00</td>
</tr>
</tbody>
</table>

| Totals/Averages                          | 2,802           | 55 %                                 | 2,764         | 64.2 %     | $312.62 | 2,802         | 66.1 %     | $119.57 | 2,802         | 71.1 %     | $127.80 |

| Exec. Summary                           |                 |                                      |               |               |          |               |               |          |               |               |          |
Based on our analysis presented in the Projection of Occupancy and Average Rate chapter, we have chosen to use a stabilized occupancy level of 71% and a base-year rate position of $121.00 for the proposed subject hotel. The following table reflects a summary of our market-wide and proposed subject hotel occupancy and average rate projections.

### FIGURE 1-3 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Rate Occupancy</th>
<th>Average Rate Growth</th>
<th>Average Rate</th>
<th>Subject Property (Calendar Year)</th>
<th>Average Rate Occupancy</th>
<th>Average Rate Growth</th>
<th>Average Rate</th>
<th>Average Rate Penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Year</td>
<td>71.1 %</td>
<td>—</td>
<td>$127.80</td>
<td>—</td>
<td>—</td>
<td>$121.00</td>
<td>94.7 %</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>70.5</td>
<td>5.0 %</td>
<td>134.19</td>
<td>—</td>
<td>5.0 %</td>
<td>127.05</td>
<td>94.7</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>68.8</td>
<td>4.0</td>
<td>139.56</td>
<td>—</td>
<td>4.0</td>
<td>132.13</td>
<td>94.7</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>63.5</td>
<td>3.0</td>
<td>143.75</td>
<td>64.0 %</td>
<td>3.0</td>
<td>136.10</td>
<td>94.7</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>65.1</td>
<td>6.0</td>
<td>152.37</td>
<td>68.0</td>
<td>6.0</td>
<td>144.26</td>
<td>94.7</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>65.1</td>
<td>4.0</td>
<td>158.47</td>
<td>71.0</td>
<td>4.0</td>
<td>150.03</td>
<td>94.7</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>65.4</td>
<td>3.0</td>
<td>163.22</td>
<td>71.0</td>
<td>3.0</td>
<td>154.53</td>
<td>94.7</td>
<td></td>
</tr>
</tbody>
</table>

The following table summarizes the proposed subject hotel’s forecast, reflecting fiscal years beginning June 1, 2017.

### FIGURE 1-4 FORECAST OF FISCIALIZED OCCUPANCY AND AVERAGE RATE

<table>
<thead>
<tr>
<th>Year</th>
<th>Occupancy</th>
<th>Average Rate</th>
<th>RevPAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017/18</td>
<td>66 %</td>
<td>$139.47</td>
<td>$92.05</td>
</tr>
<tr>
<td>2018/19</td>
<td>69</td>
<td>146.65</td>
<td>101.19</td>
</tr>
<tr>
<td>2019/20</td>
<td>71</td>
<td>151.89</td>
<td>107.85</td>
</tr>
</tbody>
</table>

Our positioning of each revenue and expense level is supported by comparable operations or trends specific to this market. Our forecast of income and expense is presented in the following table.
## FIGURE 1-5 DETAILED FORECAST OF INCOME AND EXPENSE

<table>
<thead>
<tr>
<th></th>
<th>2017/18 Begins June</th>
<th>2018/19</th>
<th>Stabilized</th>
<th>2020/21</th>
<th>2021/22</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of Rooms:</strong></td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td><strong>Occupancy:</strong></td>
<td>66%</td>
<td>69%</td>
<td>71%</td>
<td>71%</td>
<td>71%</td>
</tr>
<tr>
<td><strong>Average Rate:</strong></td>
<td>$139.47</td>
<td>$146.65</td>
<td>$151.89</td>
<td>$156.45</td>
<td>$161.14</td>
</tr>
<tr>
<td><strong>RevPAR:</strong></td>
<td>$92.05</td>
<td>$101.19</td>
<td>$107.84</td>
<td>$111.08</td>
<td>$114.41</td>
</tr>
<tr>
<td><strong>Days Open:</strong></td>
<td>365</td>
<td>365</td>
<td>365</td>
<td>365</td>
<td>365</td>
</tr>
<tr>
<td><strong>Occupied Rooms:</strong></td>
<td>36,135</td>
<td>%Gross</td>
<td>37,778</td>
<td>%Gross</td>
<td>38,873</td>
</tr>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td>PAR</td>
<td>POR</td>
<td>PAR</td>
<td>POR</td>
</tr>
<tr>
<td><strong>Rooms</strong></td>
<td>$5,040</td>
<td>97.0%</td>
<td>$33,600</td>
<td>97.2%</td>
<td>$36,933</td>
</tr>
<tr>
<td><strong>Other Operated Departments</strong></td>
<td>145</td>
<td>2.8%</td>
<td>968</td>
<td>4.0%</td>
<td>968</td>
</tr>
<tr>
<td><strong>Rentals &amp; Other Income</strong></td>
<td>10</td>
<td>0.2%</td>
<td>69</td>
<td>0.2%</td>
<td>69</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$5,196</td>
<td>100.0%</td>
<td>$34,637</td>
<td>143.7%</td>
<td>$38,015</td>
</tr>
<tr>
<td><strong>DEPARTMENTAL EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Rooms</strong></td>
<td>1,136</td>
<td>22.5%</td>
<td>7,572</td>
<td>31.4%</td>
<td>7,572</td>
</tr>
<tr>
<td><strong>Other Operated Departments</strong></td>
<td>111</td>
<td>76.1%</td>
<td>737</td>
<td>3.0%</td>
<td>737</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,246</td>
<td>24.0%</td>
<td>8,309</td>
<td>34.4%</td>
<td>8,309</td>
</tr>
<tr>
<td><strong>DEPARTMENTAL INCOME</strong></td>
<td>3,949</td>
<td>76.0%</td>
<td>26,328</td>
<td>109.2%</td>
<td>26,328</td>
</tr>
<tr>
<td><strong>UNDISTRIBUTED OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Administrative &amp; General</strong></td>
<td>423</td>
<td>8.1%</td>
<td>2,822</td>
<td>11.7%</td>
<td>2,822</td>
</tr>
<tr>
<td><strong>Marketing</strong></td>
<td>244</td>
<td>4.3%</td>
<td>1,491</td>
<td>6.19%</td>
<td>1,491</td>
</tr>
<tr>
<td><strong>Franchise Fee</strong></td>
<td>378</td>
<td>7.3%</td>
<td>2,520</td>
<td>10.4%</td>
<td>2,520</td>
</tr>
<tr>
<td><strong>Prop. Operations &amp; Maint.</strong></td>
<td>180</td>
<td>3.5%</td>
<td>1,198</td>
<td>4.97%</td>
<td>1,198</td>
</tr>
<tr>
<td><strong>Utilities</strong></td>
<td>208</td>
<td>4.0%</td>
<td>1,385</td>
<td>5.75%</td>
<td>1,385</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,412</td>
<td>27.2%</td>
<td>9,416</td>
<td>39.09%</td>
<td>9,416</td>
</tr>
<tr>
<td><strong>HOUSE PROFIT</strong></td>
<td>2,537</td>
<td>48.8%</td>
<td>16,912</td>
<td>70.2%</td>
<td>16,912</td>
</tr>
<tr>
<td><strong>Management Fee</strong></td>
<td>156</td>
<td>3.0%</td>
<td>1,039</td>
<td>4.31%</td>
<td>1,039</td>
</tr>
<tr>
<td><strong>INCOME BEFORE FIXED CHARGES</strong></td>
<td>2,381</td>
<td>45.8%</td>
<td>15,873</td>
<td>65.89%</td>
<td>15,873</td>
</tr>
<tr>
<td><strong>FIXED EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Property Taxes</strong></td>
<td>562</td>
<td>10.8%</td>
<td>3,744</td>
<td>15.54%</td>
<td>3,744</td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td>41</td>
<td>0.8%</td>
<td>273</td>
<td>1.13%</td>
<td>273</td>
</tr>
<tr>
<td><strong>Reserve for Replacement</strong></td>
<td>104</td>
<td>2.0%</td>
<td>693</td>
<td>2.88%</td>
<td>693</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>706</td>
<td>13.6%</td>
<td>4,709</td>
<td>19.55%</td>
<td>4,709</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td>$1,674</td>
<td>32.2%</td>
<td>$11,163</td>
<td>46.34%</td>
<td>$12,868</td>
</tr>
</tbody>
</table>

*Departmental expenses are expressed as a percentage of departmental revenues.*
### FIGURE 1-6 TEN-YEAR FORECAST OF INCOME AND EXPENSE

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Rooms</th>
<th>Occupied Rooms</th>
<th>Occupancy</th>
<th>RevPAR</th>
<th>Revenue</th>
<th>Dependent Expenses</th>
<th>Departmental Income</th>
<th>Undistributed Operating Expenses</th>
<th>Fixed Expenses</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017/18</td>
<td>150</td>
<td>36,135</td>
<td>66%</td>
<td>$92.05</td>
<td>$5,040</td>
<td>1,136</td>
<td>3,949</td>
<td>423</td>
<td>2537</td>
<td>$1,674</td>
</tr>
<tr>
<td>2018/19</td>
<td>150</td>
<td>37,778</td>
<td>69%</td>
<td>$101.19</td>
<td>$5,540</td>
<td>1,190</td>
<td>4,398</td>
<td>443</td>
<td>2578</td>
<td>$1,930</td>
</tr>
<tr>
<td>2019/20</td>
<td>150</td>
<td>38,873</td>
<td>71%</td>
<td>$107.84</td>
<td>$5,905</td>
<td>1,240</td>
<td>4,716</td>
<td>473</td>
<td>2597</td>
<td>$2,066</td>
</tr>
<tr>
<td>2020/21</td>
<td>150</td>
<td>38,873</td>
<td>71%</td>
<td>$111.08</td>
<td>$6,082</td>
<td>1,277</td>
<td>4,857</td>
<td>494</td>
<td>2656</td>
<td>$2,128</td>
</tr>
<tr>
<td>2021/22</td>
<td>150</td>
<td>38,873</td>
<td>71%</td>
<td>$114.41</td>
<td>$6,264</td>
<td>1,315</td>
<td>5,022</td>
<td>517</td>
<td>2723</td>
<td>$2,192</td>
</tr>
<tr>
<td>2022/23</td>
<td>150</td>
<td>38,873</td>
<td>71%</td>
<td>$117.85</td>
<td>$6,452</td>
<td>1,355</td>
<td>5,152</td>
<td>533</td>
<td>2823</td>
<td>$2,257</td>
</tr>
<tr>
<td>2023/24</td>
<td>150</td>
<td>38,873</td>
<td>71%</td>
<td>$121.38</td>
<td>$6,646</td>
<td>1,396</td>
<td>5,307</td>
<td>552</td>
<td>2893</td>
<td>$2,325</td>
</tr>
<tr>
<td>2024/25</td>
<td>150</td>
<td>38,873</td>
<td>71%</td>
<td>$125.02</td>
<td>$6,845</td>
<td>1,437</td>
<td>5,466</td>
<td>571</td>
<td>2962</td>
<td>$2,395</td>
</tr>
<tr>
<td>2025/26</td>
<td>150</td>
<td>38,873</td>
<td>71%</td>
<td>$128.77</td>
<td>$7,050</td>
<td>1,481</td>
<td>5,630</td>
<td>589</td>
<td>3032</td>
<td>$2,466</td>
</tr>
<tr>
<td>2026/27</td>
<td>150</td>
<td>38,873</td>
<td>71%</td>
<td>$132.64</td>
<td>$7,260</td>
<td>1,525</td>
<td>5,799</td>
<td>606</td>
<td>3092</td>
<td>$2,541</td>
</tr>
</tbody>
</table>

*Departmental expenses are expressed as a percentage of departmental revenues.*
As illustrated, the hotel is expected to stabilize at a profitable level. Please refer to the Forecast of Income and Expense chapter of our report for a detailed explanation of the methodology used in deriving this forecast.

The Feasibility Analysis chapter of this report converts these cash flows into a net present value indication (equal to the estimated construction cost) assuming set-forth debt and equity requirements. Because a construction budget is not yet in place, we have relied on estimates provided by Marriott International for construction costs of a prototypical SpringHill Suites. In addition to their cost estimates of approximately $100,000 for hard costs and FF&E, we have incorporated an additional $50,000 per room to account for land costs, pre-opening, and working capital expenses, to result in a total estimated cost of $150,000 per room. It is important to note that we are not professional cost estimators, and highly recommend the engagement of a professional cost estimator/contractor for a more accurate estimate prior to proceeding with this project.

Based on the positioned cost of $150,000 per room or $22,500,000 total cost, the conclusion indicates that an equity investor contributing $6,750,000 (roughly 30% of the total development cost) would expect to receive a 20.3% internal rate of return over a ten-year holding period. This level of equity return is within the range of typical equity returns for a project of this nature.

The proposed subject hotel has an opportunity to serve an unrepresented niche in the market. While the greater Minneapolis market offers a wide complement of hotels, the area near the subject site remains underserved by affordably priced, franchise-affiliated lodging facilities. Based on our market analysis, if the existing Days Inn were to be torn down, there would be sufficient market support for a proposed 150-room SpringHill Suites by Marriott, or comparably branded property. Our conclusions are based primarily on the long-term strength of this hotel market and the University of Minnesota. The greater Minneapolis market successfully absorbed a significant amount of supply that opened throughout 2009, and the projected long-term growth of demand and average rate indicates that the market should successfully absorb the new supply from the proposed hotels in the area, including the proposed subject hotel. The hotel site is located at the East Bank of the University of Minnesota, at the Stadium Village Station for the new Green Line light-rail, and is proximate to major interstates; furthermore, the proposed hotel will offer an appropriate array of facilities and amenities that should allow the property to perform well among the commercial and extended-stay segments. Based on these parameters and considering construction costs for a SpringHill Suites by Marriott hotel, as provided by Marriott International, the feasibility of the subject project is confirmed, based on the positioned cost of $150,000 per room.
It is important to note that our recommendations of facilities are based on the current economic environment. Should the University of Minnesota and United Partners choose to take a more aggressive route with the redevelopment of the entire subject site, to include additional office space, a medical clinic, and/or a “catalyst” project with significant involvement from the University or a research partner, our recommendations for hotel development could potentially change. Suggested hotel development may include more than one hotel, consisting of a dual-branded property, or a full-service hotel. A dual-branded property could serve two distinct users while benefitting from operating efficiencies of joint public space and shared back-of-house areas, while a full-service hotel may offer more upscale facilities and amenities and a moderate amount of meeting space to serve the needs of a dedicated user. As details become available on the chosen redevelopment plan, our recommendations may need to be revised to reflect potential impact on the hotel usage in the area and the type of hotel(s) best suited for the redevelopment. However, based on current market dynamics, including available demand and anticipated new supply, it is our recommendation that the existing Days Inn Hotel be razed and a new limited-service hotel, operating as a SpringHill Suites by Marriott or comparable well-recognized limited-service brand, be developed.

**Assignment Conditions**

“Extraordinary Assumption” is defined in USPAP as follows:

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinions or conclusions. Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.¹

The analysis is based on the extraordinary assumption that the described improvements have been completed as of the prospective opening date. The reader should understand that the completed subject property does not yet, in fact, exist as of the date of this feasibility study. Our feasibility study does not address unforeseeable events that could alter the proposed project and/or the market conditions reflected in the analyses; we assume that no significant changes, other than those anticipated and explained in this report, will take place between the date of inspection and anticipated opening date as detailed in this feasibility study. Our feasibility study also assumes the property will be branded as a SpringHill Suites by Marriott or comparable limited-service national franchise

The use of these extraordinary assumptions may have affected the assignment results. We have made no other extraordinary assumptions specific to this feasibility study. However, several important general assumptions have been made that apply to this feasibility study, as well as our studies of proposed hotels in general. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.

"Hypothetical Condition" is defined in USPAP as follows:

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.2

We have made no assumptions of hypothetical conditions in our report.

We have not made any jurisdictional exceptions to the Uniform Standards of Professional Appraisal Practice in our analysis or report.

This feasibility report is being prepared for use in the development of the proposed subject hotel.

The client for this engagement is United Properties. This report is intended for the addressee firm and the University of Minnesota, and may not be distributed to or relied upon by other persons or entities.

The methodology used to develop this study is based on the market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled The Valuation of Hotels and Motels,3 Hotels, Motels and Restaurants: Valuations and Market Studies,4 The Computerized Income Approach

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1. All information was collected and analyzed by the staff of TS Worldwide, LLC. Information was supplied by the client and/or the property's development team.

2. The subject site has been evaluated from the viewpoint of its physical utility for the future operation of a hotel, as well as access, visibility, and other relevant factors.

3. The subject property's proposed improvements have been reviewed for their expected quality of construction, design, and layout efficiency.

4. The surrounding economic environment, on both an area and neighborhood level, has been reviewed to identify specific hostelry-related economic and demographic trends that may have an impact on future demand for hotels.

5. Dividing the market for hotel accommodations into individual segments defines specific market characteristics for the types of travelers expected to utilize the area's hotels. The factors investigated include purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.

6. An analysis of existing and proposed competition provides an indication of the current accommodated demand, along with market penetration and the degree of competitiveness. Unless noted otherwise, we have inspected the competitive lodging facilities summarized in this report.

7. Documentation for an occupancy and average rate projection is derived utilizing the build-up approach based on an analysis of lodging activity.

8. A detailed projection of income and expense made in accordance with the Uniform System of Accounts for the Lodging Industry sets forth the anticipated economic benefits of the subject property.

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9. A feasibility analysis is performed that compares the net present value of the forecast cash flows to the positioned development cost of the hotel of $150,000 per room.
2. Description of the Site and Neighborhood

The suitability of the land for the operation of a lodging facility is an important consideration affecting the economic viability of a property and its ultimate marketability. Factors such as size, topography, access, visibility, and the availability of utilities have a direct impact on the desirability of a particular site.

The subject site is located in the Stadium Village neighborhood on the University of Minnesota campus, northwest of the intersection formed by University Avenue SE and Southeast 25th Avenue. This site is in the city of Minneapolis, Minnesota.

The subject site consists of three parcels, totaling 244,154 square feet (5.61-acres), that is proposed for a mixed-use development. The site is currently improved with a Days Inn Hotel and surface parking. The parcels’ adjacent uses are set forth in the following table.

<table>
<thead>
<tr>
<th>Direction</th>
<th>Adjacent Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>Green LRT Line</td>
</tr>
<tr>
<td>South</td>
<td>University Avenue SE</td>
</tr>
<tr>
<td>East</td>
<td>Southeast 25th Avenue</td>
</tr>
<tr>
<td>West</td>
<td>Stadium Village Green Line LRT Station</td>
</tr>
</tbody>
</table>
VIEW OF SUBJECT SITE

AERIAL PHOTOGRAPH
Primary vehicular access to the proposed subject hotel will be provided by Southeast 25th Avenue. The topography of the parcel is generally flat, and the site’s shape is rectangular.

Upon completion of redevelopment, the subject site is anticipated to contain excess land that could be sold, entitled, or developed for alternate use. As such, the site is expected to be partially developed with the improvements outlined in this report, with a portion of excess land remaining for complimentary mixed-use development.
Access and Visibility

It is important to analyze the site in regard to ease of access with respect to regional and local transportation routes and demand generators. The subject site is readily accessible to a variety of local and county roads, as well as state and interstate highways.

Primary regional access through the area is provided by north/south Interstate 35, which extends to such cities as Des Moines, Iowa to the south and Duluth to the north. Interstate 35 divides into two thoroughfares (I-35 West and I-35 East) that segment the flow of traffic to Minneapolis and St. Paul, respectively. East/west Interstate 94 is another major highway, which provides access to such cities as Fargo, North Dakota to the west and Eau Claire to the east. Local and regional routes include branches of Interstate 94, such as Interstates 394, 494, and 694. The subject market is served by a variety of additional local highways, which are illustrated on the map.
From Interstate 94, motorists take the Huron Boulevard SE Exit and proceed north on this thoroughfare for approximately one-half mile to Southeast Delaware Street. Motorists execute a right turn onto Southeast Delaware Street, followed by an immediate left-hand turn on the Southeast 25th Avenue, and travel for approximately one block to the subject site, which is located on the motorists’ left-hand side. The subject site is located at a busy intersection. The proposed subject hotel is expected to have adequate signage at the street; thus, the hotel should benefit from very good visibility from within its local neighborhood. Overall, the subject site benefits from good accessibility, and the proposed hotel is expected to enjoy very good visibility attributes.

**Airport Access**

The proposed subject hotel will be served by the Minneapolis-St. Paul International Airport, which is located approximately ten miles to the south of the subject site. From the airport, motorists will follow signs to State Highway 55 and travel northwest on this thoroughfare to Interstate 94. Motorists will then proceed east on Interstate 94 to the Huron Boulevard Southeast Exit, continuing to the subject site as previously noted.

**Neighborhood**

The neighborhood surrounding a lodging facility often has an impact on a hotel’s status, image, class, style of operation, and sometimes its ability to attract and properly serve a particular market segment. This section of the report investigates the subject neighborhood and evaluates any pertinent location factors that could affect its future occupancy, average rate, and overall profitability.

The neighborhood surrounding the subject site can be loosely defined as the University of Minnesota - Twin Cities campus, which is generally bounded by Southeast 8th Street to the north, Southeast 25th Avenue to the east, the Mississippi River to the south, and Southeast 10th Avenue to the west. This neighborhood is in the growth stage of its life cycle, with pockets of moderate development occurring in the student-housing sector. Within the immediate proximity of the site, land use is a mixture of commercial, residential, and educational in nature. The neighborhood is characterized by university buildings, athletic facilities, student housing, and retail outlets.

Some specific businesses and entities in the area include McNamara Alumni Center, TCF Stadium, Williams Arena, University of Minnesota Medical Center Fairview, The Commons Hotel, and Wahu Student Apartments. Restaurants within immediate proximity of the subject site include Burger King, Chipotle, Kowloon Restaurant, Noodles & Company, and Applebee’s. Major changes in this neighborhood include ongoing construction of the Wahu Apartment complex, which will contain 333 student-housing units, to be available for the Fall 2015 academic semester. In addition, the $160-million University of Minnesota Ambulatory Care Center is also under construction at 909 Fulton Street, which is
expected to open in 2016. In general, we would characterize the neighborhood as 65% university/medical use, 15% residential use, 5% retail/restaurant use, 5% hotel use, 5% office use, and 5% other. The proposed subject hotel’s redevelopment should be a positive influence on the area; the hotel is expected to be in character with and to complement surrounding land uses.

Overall, the supportive nature of the development in the immediate area is considered appropriate for and conducive to the operation of a hotel.

The subject site will reportedly be served by all necessary utilities.

Geological and soil reports were not provided to us or made available for our review during the preparation of this report. We are not qualified to evaluate soil conditions other than by a visual inspection of the surface; no extraordinary conditions were apparent.
We were not informed of any site-specific nuisances or hazards, and there were no visible signs of toxic ground contaminants at the time of our inspection. Because we are not experts in this field, we do not warrant the absence of hazardous waste and urge the reader to obtain an independent analysis of these factors.

According to the Federal Emergency Management Agency map illustrated below, the subject site is located in flood zone X.

**COPY OF FLOOD MAP AND COVER**

The flood zone definition for the X designation is as follows: areas outside the 500-year flood plain; areas of the 500-year flood; areas of the 100-year flood with average depths of less than one foot or with drainage areas less than one square mile and areas protected by levees from the 100-year flood.

According to the local planning office, the subject property is zoned as follows: C3A/PO/UA - Community Activity Center District/Pedestrian Oriented Overlay District/University Area Overlay District. This zoning designation allows for many commercial uses, including retail outlets, service-oriented businesses, and hotels and motels. We assume that all necessary permits and approvals will be secured (including the appropriate liquor license if applicable) and that the subject property will be constructed in accordance with local zoning ordinances, building
codes, and all other applicable regulations. Our zoning analysis should be verified before any physical changes are made to the site.

**Easements and Encroachments**

We are not aware of any easements attached to the property that would significantly affect the utility of the site or marketability of this project.

**Conclusion**

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities. The subject site is favorably located adjacent to a light-rail station and the University of Minnesota, along a major commercial corridor. In general, the site should be well suited for future hotel use, with acceptable access, visibility, and topography for an effective operation.
3. Market Area Analysis

The economic vitality of the market area and neighborhood surrounding the subject site is an important consideration in forecasting lodging demand and future income potential. Economic and demographic trends that reflect the amount of visitation provide a basis from which to project lodging demand. The purpose of the market area analysis is to review available economic and demographic data to determine whether the local market will undergo economic growth, stabilize, or decline. In addition to predicting the direction of the economy, the rate of change must be quantified. These trends are then correlated based on their propensity to reflect variations in lodging demand, with the objective of forecasting the amount of growth or decline in visitation by individual market segment (e.g., commercial, meeting and group, and leisure).

Market Area Definition

The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject site is located in the city of Minneapolis, the county of Hennepin, and the state of Minnesota. Minneapolis is the largest city in the state of Minnesota. Located at the banks of the Mississippi River, Minneapolis and St. Paul form the Twin Cities area, home to 3.7 million residents. Minneapolis is considered one of the most progressive cities in the United States, as it is home to several Fortune 500 companies, the Guthrie Theater, and a highly advanced pedestrian skyway system that connects most of the buildings in the downtown area. Minneapolis’s diverse employment base, spanning the finance, retail, education, and healthcare fields, continues to provide an attractive business climate for the Midwestern region.
The proposed subject property's market area can be defined by its Combined Statistical Area (CSA): Minneapolis-St. Paul-St. Cloud, MN-WI. The CSA represents adjacent metropolitan and micropolitan statistical areas that have a moderate degree of employment interchange. Micropolitan statistical areas represent urban areas in the United States based around a core city or town with a population of 10,000 to 49,999; the MSA requires the presence of a core city of at least 50,000 people and a total population of at least 100,000 (75,000 in New England). The following exhibit illustrates the market area.
A primary source of economic and demographic statistics used in this analysis is the *Complete Economic and Demographic Data Source* published by Woods & Poole Economics, Inc.—a well-regarded forecasting service based in Washington, D.C. Using a database containing more than 900 variables for each county in the nation, Woods & Poole employs a sophisticated regional model to forecast economic and demographic trends. Historical statistics are based on census data and information published by the Bureau of Economic Analysis. Projections are formulated by Woods & Poole, and all dollar amounts have been adjusted for inflation, thus reflecting real change.

These data are summarized in the following table.
### FIGURE 3-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<td><strong>Average Annual Compounded Change</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Resident Population (Thousands)</strong></td>
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<td></td>
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<td></td>
</tr>
<tr>
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<td>1,117.8</td>
<td>1,154.1</td>
<td>1,177.3</td>
<td>1,212.2</td>
<td>0.3 %</td>
<td>0.7 %</td>
<td>0.4 %</td>
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<td>2,981.2</td>
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<td>3,410.0</td>
<td>3,741.8</td>
<td>1.0</td>
<td>1.2</td>
<td>1.3</td>
</tr>
<tr>
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<td>3,622.2</td>
<td>3,754.0</td>
<td>4,111.0</td>
<td>1.0</td>
<td>1.2</td>
<td>1.3</td>
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<td>State of Minnesota</td>
<td>4,933.7</td>
<td>5,310.7</td>
<td>5,455.9</td>
<td>5,862.6</td>
<td>0.7</td>
<td>0.9</td>
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<td>340,554.3</td>
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<tr>
<td><strong>Per-Capita Personal Income</strong></td>
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<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Hennepin County</td>
<td>$48,770</td>
<td>$49,465</td>
<td>$53,426</td>
<td>$59,665</td>
<td>0.1</td>
<td>2.6</td>
<td>1.6</td>
</tr>
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<td>Minneapolis-St. Paul-Bloomington, MN-WI MSA</td>
<td>41,627</td>
<td>42,146</td>
<td>43,775</td>
<td>47,284</td>
<td>0.1</td>
<td>1.3</td>
<td>1.1</td>
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<td>Minneapolis-St. Paul-St. Cloud, MN-WI CSA</td>
<td>40,439</td>
<td>41,110</td>
<td>42,705</td>
<td>46,198</td>
<td>0.2</td>
<td>1.3</td>
<td>1.1</td>
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<tr>
<td>State of Minnesota</td>
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<td>38,528</td>
<td>39,858</td>
<td>43,539</td>
<td>0.6</td>
<td>1.1</td>
<td>1.3</td>
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<td>United States</td>
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<td>36,907</td>
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<td>0.6</td>
<td>0.9</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>W&amp;P Wealth Index</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Hennepin County</td>
<td>141.9</td>
<td>134.8</td>
<td>140.6</td>
<td>143.4</td>
<td>(0.5)</td>
<td>1.4</td>
<td>0.3</td>
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<td>Minneapolis-St. Paul-Bloomington, MN-WI MSA</td>
<td>124.1</td>
<td>116.8</td>
<td>117.8</td>
<td>116.8</td>
<td>(0.6)</td>
<td>0.3</td>
<td>(0.1)</td>
</tr>
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<td>121.0</td>
<td>114.2</td>
<td>115.2</td>
<td>114.3</td>
<td>(0.6)</td>
<td>0.3</td>
<td>(0.1)</td>
</tr>
<tr>
<td>State of Minnesota</td>
<td>108.8</td>
<td>106.9</td>
<td>107.4</td>
<td>107.5</td>
<td>(0.2)</td>
<td>0.2</td>
<td>0.0</td>
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<tr>
<td>United States</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>0.0</td>
<td>0.0</td>
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</tr>
<tr>
<td><strong>Food and Beverage Sales (Millions)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Hennepin County</td>
<td>$2,073</td>
<td>$2,319</td>
<td>$2,471</td>
<td>$2,619</td>
<td>1.1</td>
<td>2.1</td>
<td>0.8</td>
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<td>Minneapolis-St. Paul-Bloomington, MN-WI MSA</td>
<td>4,197</td>
<td>4,688</td>
<td>5,154</td>
<td>5,826</td>
<td>1.1</td>
<td>3.2</td>
<td>1.8</td>
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<tr>
<td>Minneapolis-St. Paul-St. Cloud, MN-WI CSA</td>
<td>4,539</td>
<td>5,099</td>
<td>5,609</td>
<td>6,353</td>
<td>1.2</td>
<td>3.2</td>
<td>1.8</td>
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<td>6,095</td>
<td>6,770</td>
<td>7,441</td>
<td>8,394</td>
<td>1.1</td>
<td>3.2</td>
<td>1.7</td>
</tr>
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<td>United States</td>
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<td>408,974</td>
<td>453,784</td>
<td>512,773</td>
<td>1.8</td>
<td>3.5</td>
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<td><strong>Total Retail Sales (Millions)</strong></td>
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<td></td>
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<td></td>
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<td>Hennepin County</td>
<td>$20,880</td>
<td>$21,576</td>
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<td>0.3</td>
<td>3.4</td>
<td>1.4</td>
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<td>Minneapolis-St. Paul-Bloomington, MN-WI MSA</td>
<td>45,796</td>
<td>44,686</td>
<td>49,985</td>
<td>57,686</td>
<td>(0.2)</td>
<td>3.8</td>
<td>2.1</td>
</tr>
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<td>Minneapolis-St. Paul-St. Cloud, MN-WI CSA</td>
<td>50,127</td>
<td>49,034</td>
<td>54,803</td>
<td>63,220</td>
<td>(0.2)</td>
<td>3.8</td>
<td>2.1</td>
</tr>
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<td>State of Minnesota</td>
<td>70,324</td>
<td>68,138</td>
<td>75,698</td>
<td>86,330</td>
<td>(0.3)</td>
<td>3.6</td>
<td>1.9</td>
</tr>
<tr>
<td>United States</td>
<td>3,612,260</td>
<td>3,796,423</td>
<td>4,219,294</td>
<td>4,803,190</td>
<td>0.5</td>
<td>3.6</td>
<td>1.9</td>
</tr>
</tbody>
</table>

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.
The U.S. population has grown at an average annual compounded rate of 0.9% from 2010 through 2013. The county’s population has grown more slowly than the nation’s population; the average annual growth rate of 0.7% between 2010 and 2013 reflects a gradually expanding area. Following this population trend, per-capita personal income increased modestly, at 2.6% on average annually for the county between 2010 and 2013. Local wealth indexes have remained stable in recent years, registering a relatively high 140.6 level for the county in 2013.

Food and beverage sales totaled $2,471 million in the county in 2013, versus $2,319 million in 2010. This reflects a 2.1% average annual change, which is stronger than the 1.1% pace recorded in the prior decade, the latter years of which were adversely affected by the recession. Over the long term, the pace of growth is forecast to moderate to a more sustainable level of 0.8%, which is forecast through 2020. The retail sales sector demonstrated an annual increase of 0.3% registered in the decade 2000 to 2010, followed by an increase of 3.4% in the period 2010 to 2013. An increase of 1.4% average annual change is expected in county retail sales through 2020.

The characteristics of an area’s workforce provide an indication of the type and amount of transient visitation likely to be generated by local businesses. Sectors such as finance, insurance, and real estate (FIRE); wholesale trade; and services produce a considerable number of visitors who are not particularly rate-sensitive. The government sector often generates transient room nights, but per-diem reimbursement allowances often limit the accommodations selection to budget and mid-priced lodging facilities. Contributions from manufacturing, construction, transportation, communications, and public utilities (TCPU) employers can also be important, depending on the company type.

The following table sets forth the county workforce distribution by business sector in 2000, 2010, and 2013, as well as a forecast for 2020.
### FIGURE 3-2  HISTORICAL AND PROJECTED EMPLOYMENT (000S)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm</td>
<td>1.0</td>
<td>0.9</td>
<td>0.9</td>
<td>1.0</td>
<td>(1.2)</td>
<td>0.1</td>
<td>0.9</td>
</tr>
<tr>
<td>Forestry, Fishing, Related Activities And Other</td>
<td>0.4</td>
<td>0.5</td>
<td>0.5</td>
<td>0.6</td>
<td>1.0</td>
<td>4.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Mining</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
<td>(0.3)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Utilities</td>
<td>4.5</td>
<td>3.2</td>
<td>3.1</td>
<td>3.0</td>
<td>(3.2)</td>
<td>(0.8)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Construction</td>
<td>41.2</td>
<td>29.1</td>
<td>31.1</td>
<td>36.3</td>
<td>(3.4)</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>106.7</td>
<td>74.5</td>
<td>75.8</td>
<td>72.8</td>
<td>(3.5)</td>
<td>0.6</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Total Trade</td>
<td>158.5</td>
<td>139.0</td>
<td>143.2</td>
<td>153.2</td>
<td>(1.3)</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>59.9</td>
<td>53.5</td>
<td>55.2</td>
<td>58.2</td>
<td>(1.1)</td>
<td>1.0</td>
<td>0.8</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>98.6</td>
<td>85.5</td>
<td>88.0</td>
<td>95.0</td>
<td>(1.4)</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Transportation And Warehousing</td>
<td>45.6</td>
<td>31.0</td>
<td>30.1</td>
<td>30.8</td>
<td>(3.8)</td>
<td>(0.9)</td>
<td>0.3</td>
</tr>
<tr>
<td>Information</td>
<td>31.6</td>
<td>23.3</td>
<td>22.5</td>
<td>22.9</td>
<td>(3.0)</td>
<td>(1.2)</td>
<td>0.2</td>
</tr>
<tr>
<td>Finance And Insurance</td>
<td>83.9</td>
<td>93.2</td>
<td>97.1</td>
<td>106.1</td>
<td>1.1</td>
<td>1.4</td>
<td>1.3</td>
</tr>
<tr>
<td>Real Estate And Rental And Lease</td>
<td>35.5</td>
<td>45.9</td>
<td>47.0</td>
<td>52.6</td>
<td>2.6</td>
<td>0.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Total Services</td>
<td>438.7</td>
<td>488.5</td>
<td>520.1</td>
<td>592.2</td>
<td>1.1</td>
<td>2.1</td>
<td>1.9</td>
</tr>
<tr>
<td>Professional And Technical Services</td>
<td>94.5</td>
<td>100.3</td>
<td>108.3</td>
<td>124.0</td>
<td>0.6</td>
<td>2.6</td>
<td>2.0</td>
</tr>
<tr>
<td>Management Of Companies And Enterprises</td>
<td>37.1</td>
<td>41.3</td>
<td>41.4</td>
<td>46.6</td>
<td>1.1</td>
<td>0.1</td>
<td>1.7</td>
</tr>
<tr>
<td>Administrative And Waste Services</td>
<td>68.8</td>
<td>65.9</td>
<td>73.2</td>
<td>85.1</td>
<td>(0.4)</td>
<td>3.6</td>
<td>2.2</td>
</tr>
<tr>
<td>Educational Services</td>
<td>15.7</td>
<td>27.2</td>
<td>31.1</td>
<td>37.2</td>
<td>5.6</td>
<td>4.5</td>
<td>2.6</td>
</tr>
<tr>
<td>Health Care And Social Assistance</td>
<td>94.1</td>
<td>117.6</td>
<td>125.3</td>
<td>143.3</td>
<td>2.3</td>
<td>2.1</td>
<td>1.9</td>
</tr>
<tr>
<td>Arts, Entertainment, And Recreation</td>
<td>22.4</td>
<td>27.4</td>
<td>29.1</td>
<td>31.8</td>
<td>2.0</td>
<td>2.0</td>
<td>1.3</td>
</tr>
<tr>
<td>Accommodation And Food Services</td>
<td>58.4</td>
<td>62.5</td>
<td>65.3</td>
<td>71.7</td>
<td>0.7</td>
<td>1.5</td>
<td>1.4</td>
</tr>
<tr>
<td>Other Services, Except Public Administration</td>
<td>47.6</td>
<td>46.4</td>
<td>46.4</td>
<td>52.5</td>
<td>(0.3)</td>
<td>0.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Total Government</td>
<td>100.0</td>
<td>99.1</td>
<td>99.2</td>
<td>106.1</td>
<td>(0.1)</td>
<td>0.1</td>
<td>1.0</td>
</tr>
<tr>
<td>Federal Civilian Government</td>
<td>13.8</td>
<td>13.9</td>
<td>13.8</td>
<td>13.6</td>
<td>0.0</td>
<td>(0.1)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Federal Military</td>
<td>4.8</td>
<td>5.0</td>
<td>4.9</td>
<td>4.9</td>
<td>0.4</td>
<td>(0.9)</td>
<td>0.1</td>
</tr>
<tr>
<td>State And Local Government</td>
<td>81.4</td>
<td>80.2</td>
<td>80.5</td>
<td>87.6</td>
<td>(0.2)</td>
<td>0.1</td>
<td>1.2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,048.3</td>
<td>1,028.9</td>
<td>1,071.3</td>
<td>1,178.2</td>
<td>(0.2)</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>MSA</td>
<td>2,109.9</td>
<td>2,191.1</td>
<td>2,290.8</td>
<td>2,552.5</td>
<td>0.4</td>
<td>1.5</td>
<td>1.6</td>
</tr>
<tr>
<td>U.S.</td>
<td>165,370.9</td>
<td>173,767.3</td>
<td>179,451.2</td>
<td>197,077.4</td>
<td>0.6</td>
<td>1.1</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Source: Woods & Poole Economics, Inc.
Woods & Poole Economics, Inc. reports that during the period from 2000 to 2010, total employment in the county contracted at an average annual rate of -0.2%. This trend was below the growth rate recorded by the MSA and also lagged the national average. More recently, the pace of total employment growth in the county accelerated to 1.4% on an annual average from 2010 to 2013, reflecting the initial years of the recovery.

Of the primary employment sectors, Total Services recorded the highest increase in number of employees during the period from 2010 to 2013, increasing by 31,598 people, or 6.5%, and rising from 47.5% to 48.5% of total employment. Of the various service sub-sectors, Health Care And Social Assistance and Professional And Technical Services were the largest employers. Strong growth was also recorded in the Total Trade sector, as well as the Finance And Insurance sector, which expanded by 3.0% and 1.8%, respectively, in the period 2010 to 2013. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 1.4% on average annually through 2020. The trend is above the forecast rate of change for the U.S. as a whole during the same period.

The following table illustrates historical and projected employment, households, population and average household income data as provided by REIS for the overall Minneapolis-St. Paul market.
### FIGURE 3-3  HISTORICAL & PROJECTED EMPLOYMENT, HOUSEHOLDS, POPULATION, AND HOUSEHOLD INCOME STATISTICS

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Employment</th>
<th>% Chg</th>
<th>Office Employment</th>
<th>% Chg</th>
<th>Industrial Employment</th>
<th>% Chg</th>
<th>Households</th>
<th>% Chg</th>
<th>Population</th>
<th>% Chg</th>
<th>Household Avg. Income</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>1,734,230</td>
<td></td>
<td>537,803</td>
<td></td>
<td>326,923</td>
<td></td>
<td>1,166,070</td>
<td></td>
<td>3,038,160</td>
<td></td>
<td>$98,520</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>1,720,130</td>
<td>(0.8)</td>
<td>537,388</td>
<td>(0.1)</td>
<td>314,783</td>
<td>(3.7)</td>
<td>1,177,700</td>
<td>1.0</td>
<td>3,064,220</td>
<td>0.9</td>
<td>100,356</td>
<td>1.9</td>
</tr>
<tr>
<td>2003</td>
<td>1,726,170</td>
<td>0.4</td>
<td>541,526</td>
<td>0.8</td>
<td>309,858</td>
<td>(1.6)</td>
<td>1,189,520</td>
<td>1.0</td>
<td>3,091,510</td>
<td>0.9</td>
<td>104,262</td>
<td>3.9</td>
</tr>
<tr>
<td>2004</td>
<td>1,748,800</td>
<td>1.3</td>
<td>545,176</td>
<td>0.7</td>
<td>312,824</td>
<td>1.0</td>
<td>1,200,980</td>
<td>1.0</td>
<td>3,118,180</td>
<td>0.9</td>
<td>110,715</td>
<td>6.2</td>
</tr>
<tr>
<td>2005</td>
<td>1,779,330</td>
<td>1.7</td>
<td>557,475</td>
<td>2.3</td>
<td>314,136</td>
<td>0.4</td>
<td>1,213,840</td>
<td>1.1</td>
<td>3,148,070</td>
<td>1.0</td>
<td>111,630</td>
<td>0.8</td>
</tr>
<tr>
<td>2006</td>
<td>1,788,330</td>
<td>0.5</td>
<td>563,057</td>
<td>1.0</td>
<td>314,169</td>
<td>0.0</td>
<td>1,229,500</td>
<td>1.3</td>
<td>3,183,140</td>
<td>1.1</td>
<td>116,859</td>
<td>4.7</td>
</tr>
<tr>
<td>2007</td>
<td>1,793,270</td>
<td>0.3</td>
<td>563,739</td>
<td>0.1</td>
<td>311,251</td>
<td>(0.9)</td>
<td>1,245,140</td>
<td>1.3</td>
<td>3,216,500</td>
<td>1.0</td>
<td>122,094</td>
<td>4.5</td>
</tr>
<tr>
<td>2008</td>
<td>1,768,330</td>
<td>(1.4)</td>
<td>560,101</td>
<td>(0.6)</td>
<td>302,947</td>
<td>(2.7)</td>
<td>1,259,570</td>
<td>1.2</td>
<td>3,247,370</td>
<td>1.0</td>
<td>121,543</td>
<td>(0.5)</td>
</tr>
<tr>
<td>2009</td>
<td>1,687,830</td>
<td>(4.6)</td>
<td>541,481</td>
<td>(3.3)</td>
<td>275,523</td>
<td>(9.1)</td>
<td>1,272,880</td>
<td>1.1</td>
<td>3,273,480</td>
<td>0.8</td>
<td>116,392</td>
<td>(4.2)</td>
</tr>
<tr>
<td>2010</td>
<td>1,708,500</td>
<td>1.2</td>
<td>550,968</td>
<td>1.8</td>
<td>278,533</td>
<td>1.1</td>
<td>1,288,470</td>
<td>1.2</td>
<td>3,302,180</td>
<td>0.9</td>
<td>122,016</td>
<td>4.8</td>
</tr>
<tr>
<td>2011</td>
<td>1,750,330</td>
<td>2.4</td>
<td>563,223</td>
<td>2.2</td>
<td>285,171</td>
<td>2.4</td>
<td>1,304,960</td>
<td>1.3</td>
<td>3,336,980</td>
<td>1.1</td>
<td>125,635</td>
<td>3.0</td>
</tr>
<tr>
<td>2012</td>
<td>1,772,970</td>
<td>1.3</td>
<td>569,660</td>
<td>1.1</td>
<td>288,108</td>
<td>1.0</td>
<td>1,323,670</td>
<td>1.4</td>
<td>3,371,370</td>
<td>1.0</td>
<td>130,411</td>
<td>3.8</td>
</tr>
<tr>
<td>2013</td>
<td>1,812,030</td>
<td>2.2</td>
<td>576,494</td>
<td>1.2</td>
<td>293,278</td>
<td>1.8</td>
<td>1,341,140</td>
<td>1.3</td>
<td>3,407,010</td>
<td>1.1</td>
<td>130,416</td>
<td>0.0</td>
</tr>
</tbody>
</table>

**Forecasts**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Employment</th>
<th>% Chg</th>
<th>Office Employment</th>
<th>% Chg</th>
<th>Industrial Employment</th>
<th>% Chg</th>
<th>Households</th>
<th>% Chg</th>
<th>Population</th>
<th>% Chg</th>
<th>Household Avg. Income</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,817,170</td>
<td>0.3</td>
<td>579,540</td>
<td>0.5</td>
<td>295,185</td>
<td>0.7</td>
<td>1,358,310</td>
<td>1.3</td>
<td>3,438,520</td>
<td>0.9</td>
<td>$133,200</td>
<td>2.1</td>
</tr>
<tr>
<td>2015</td>
<td>1,854,790</td>
<td>2.1</td>
<td>588,479</td>
<td>1.5</td>
<td>299,540</td>
<td>1.5</td>
<td>1,378,620</td>
<td>1.5</td>
<td>3,468,910</td>
<td>0.9</td>
<td>136,888</td>
<td>2.8</td>
</tr>
<tr>
<td>2016</td>
<td>1,888,850</td>
<td>1.8</td>
<td>598,221</td>
<td>1.7</td>
<td>303,062</td>
<td>1.2</td>
<td>1,398,600</td>
<td>1.4</td>
<td>3,499,630</td>
<td>0.9</td>
<td>140,816</td>
<td>2.9</td>
</tr>
<tr>
<td>2017</td>
<td>1,904,430</td>
<td>0.8</td>
<td>605,909</td>
<td>1.3</td>
<td>302,477</td>
<td>(0.2)</td>
<td>1,418,280</td>
<td>1.4</td>
<td>3,532,910</td>
<td>1.0</td>
<td>144,387</td>
<td>2.5</td>
</tr>
<tr>
<td>2018</td>
<td>1,908,960</td>
<td>0.2</td>
<td>608,830</td>
<td>0.5</td>
<td>300,714</td>
<td>(0.6)</td>
<td>1,436,500</td>
<td>1.3</td>
<td>3,566,840</td>
<td>1.0</td>
<td>146,456</td>
<td>1.4</td>
</tr>
</tbody>
</table>

**Average Annual Compound Change**

<table>
<thead>
<tr>
<th>Period</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001 - 2013</td>
<td>0.4 %</td>
</tr>
<tr>
<td>2001 - 2007</td>
<td>0.6 %</td>
</tr>
<tr>
<td>2007 - 2010</td>
<td>(1.6) %</td>
</tr>
<tr>
<td>2010 - 2013</td>
<td>2.0 %</td>
</tr>
<tr>
<td>Forecast 2013 - 2018</td>
<td>1.0 %</td>
</tr>
</tbody>
</table>

Source: REIS Report, 3rd Quarter, 2014
For the Minneapolis-St. Paul market, of the roughly 1,800,000 persons employed, 32% work in offices and are categorized as office employees, while 16% are categorized as industrial employees. Total employment decreased by an average annual compound rate of -1.6% during the recession of 2007 to 2010, followed by an improvement of 2.0% from 2010 to 2013. By comparison, office employment reflected compound change rates of -0.8% and 1.5%, during same respective periods. Total employment is expected to expand by 0.3% in 2014, while office employment is forecast to expand by 0.5% in 2014. Forecasts for the period 2013 through 2018 anticipate total employment will improve at an average annual compound rate of 1.0%, and office employment is forecast to improve by 1.1% on average annually during the same time frame.

The number of households are forecast to improve by 1.4% on average annually between 2013 and 2018. Population is forecast to expand during this same time frame, at an average annual compounded rate of 0.9%. Household average income is forecast to grow by 2.3% on average annually between 2013 through 2018.

The following table presents historical unemployment rates for the proposed subject hotel’s market area.

<table>
<thead>
<tr>
<th>FIGURE 3-4</th>
<th>UNEMPLOYMENT STATISTICS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
<td><strong>County</strong></td>
</tr>
<tr>
<td>2004</td>
<td>4.4 %</td>
</tr>
<tr>
<td>2005</td>
<td>3.8</td>
</tr>
<tr>
<td>2006</td>
<td>3.6</td>
</tr>
<tr>
<td>2007</td>
<td>4.2</td>
</tr>
<tr>
<td>2008</td>
<td>4.9</td>
</tr>
<tr>
<td>2009</td>
<td>7.5</td>
</tr>
<tr>
<td>2010</td>
<td>7.0</td>
</tr>
<tr>
<td>2011</td>
<td>6.1</td>
</tr>
<tr>
<td>2012</td>
<td>5.2</td>
</tr>
<tr>
<td>2013</td>
<td>4.7</td>
</tr>
</tbody>
</table>

*Recent Month - Nov*

<table>
<thead>
<tr>
<th></th>
<th><strong>County</strong></th>
<th><strong>MSA</strong></th>
<th><strong>State</strong></th>
<th><strong>U.S.</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>4.1 %</td>
<td>4.1 %</td>
<td>4.3 %</td>
<td>7.0 %</td>
</tr>
<tr>
<td>2014</td>
<td>2.9</td>
<td>3.0</td>
<td>3.2</td>
<td>5.8</td>
</tr>
</tbody>
</table>

* Letters shown next to data points (if any) reflect revised population controls and/or model re-estimation implemented by the BLS.

Source: U.S. Bureau of Labor Statistics
The unemployment rate for the U.S. fluctuated within the narrow range of 4.6% to 5.5% in the period spanning from 2004 to 2007. The recession and financial crisis in 2007 and 2008 resulted in heightened unemployment rates, which peaked at 10.0% in October of 2009. Job growth resumed in late 2009; the national unemployment rate has steadily declined since 2010. Total nonfarm payroll employment increased by 321,000 in November of 2014, with gains relatively widespread and particularly strong in the professional and business services, retail trade, health care, and manufacturing categories. The unemployment rate was 5.8% in November of 2014 (unchanged from October). Over the last twelve months, the unemployment rate has declined by 1.2 points and 1.7 million persons. This positive trend reflects steady progress by the U.S. economy.

Locally, the unemployment rate was 4.7% in 2013; for this same area in 2014, the most recent month’s unemployment rate was registered at 2.9%, versus 4.1% for the same month in 2013. After showing year-over-year improvement, unemployment began to rise in 2007 as the region entered an economic slowdown, and this trend continued through 2009 as the height of the national recession took hold. However, unemployment declined in 2010 as the economy rebounded, a trend that continued through 2013. The most recent comparative period illustrates improvement, indicated by the lower unemployment rate in the latest available data for 2014. Local employment has been consistent at entities such as the University of Minnesota and HealthPartners. According to Wells Fargo’s Minnesota Economic Outlook, employment growth has outpaced that of the nation for three years, and the November 2014 unemployment level for the state is the fifth lowest in the nation. Our interviews with economic development officials reflect an optimistic outlook for the greater Twin Cities area.

Providing additional context for understanding the nature of the regional economy, the following table presents a list of the major employers in the subject property’s market.
The following bullet points highlight major demand generators for this market:

- The finance industry is a key component of the downtown area’s economy. Wells Fargo, which has significant regional operations in Minneapolis, is one of the largest employers for the market. Wells Fargo has proven to be one of the nation’s stronger financial institutions, noting a net income of $21.9 billion in 2013. In the third quarter of 2014, the company announced a profit of $5.7 billion, which was an increase of 3% over the same quarter in 2013. Wells Fargo, which acquired Wachovia in December of 2008 for $15.1 billion, is one of the largest banks in the nation. A mixed-use project, including 1.1 million square feet of office space, is under construction in eastern Downtown, near the new Vikings stadium. Ryan Companies, the developer, is including the office space so that Wells Fargo can consolidate its Minneapolis operations. Other companies, such as Target, Ameriprise Financial, Thrivent Financial, and U.S. Bancorp, also have a strong presence Downtown.

- The healthcare sector in the area is regularly recognized for advancements made in the medical field. Several high-tech and pharmaceutical companies support the region’s medical industry by offering the latest state-of-the-art equipment and medicine. HealthPartners is a major employer in the area, providing quality healthcare for tens of thousands of members in Minnesota and western Wisconsin. HealthPartners is the largest consumer-governed, nonprofit healthcare organization in the nation. The organization reports that healthcare costs to its members are roughly 35% below the national average; the company has been able to limit costs by reducing unnecessary testing and
encouraging the use of generic prescription drugs. UnitedHealth Group is another major healthcare-related employer in the greater Minneapolis area. UHG provides network-based healthcare benefits and technology-enabled health services to more than 85 million consumers under two platforms, UnitedHealthcare and Optum. UnitedHealth Group reported third-quarter 2014 revenues of $32.8 billion, up 7% over the same quarter of 2013.

The University of Minnesota Medical Center Fairview is an 800-bed, general medical and surgical facility with more than 34,000 annual admissions. In addition, the University of Minnesota Masonic Children’s Hospital hosts a broad range of pediatric programs including surgery, cardiac care, oncology services, and organ transplantation. This facility performed the first successful pediatric blood marrow transplant, the first successful infant heart transplant in Minnesota, and the first pediatric cochlear-ear-implant surgery. Furthermore, the 330,000-square-foot, $160-million University of Minnesota Ambulatory Care Center is currently under construction, with a January 2016 completion date. This facility will house multiple clinics and an outpatient surgery center.

- The Twin Cities region is home to the University of Minnesota, which is located on two campuses in the cities of Minneapolis and St. Paul; the campuses are linked through a dedicated bus system. The University’s enrollment totaled 51,147 students in the fall of 2014. The University is highly regarded as one of the top-funded research institutions in the United States. In January of 2013, the U of M Twin Cities was named a Best Value Public College by Kiplinger’s Personal Finance and was named in the top 25 public colleges by Forbes Magazine in 2014. Significant university milestones include the first successful human bone marrow transplant, the first successful open-heart surgery, and the first wearable artificial pacemaker. In May of 2013, the University of Minnesota finalized a $300,000-per-game (or a maximum of $3 million per season) agreement with the Minnesota Vikings to use the TCF Bank Stadium during the 2014 and 2015 NFL seasons, while the new Vikings stadium is completed. The agreement includes the launch of a Minnesota Vikings Good Neighbor Partnership Fund, through which the team will contribute $125,000 per season toward projects benefiting nearby neighborhoods and businesses.

According to economic development officials, Minneapolis weathered the recession better than other markets due to its diverse economy and strong healthcare and education sectors. Wells Fargo reported that Minnesota continues to rack up solid economic gains across a broad assortment of industries. The Wells Fargo Minnesota Economic Activity Index showed improvement and matched its highest reading since the recession ended. The Downtown revitalization plan is underway, with a number of developments already under construction or in planning. In addition, the construction of the new Vikings stadium is expected to
jumpstart economic development, reshaping the area’s urban landscape; the city has been selected to host Super Bowl LII in 2018 and the NCAA Final Four in 2019. Renovations of Target Center and the Nicollet Mall are also anticipated to fuel economic growth in Downtown Minneapolis. Furthermore, the city recently hosted the 2014 Major League Baseball All-Star Game and all of the events associated with the Midsummer Classic, such as the All-Star FanFest, the All-Star Gala, the Futures Game, and the Home Run Derby. The Minneapolis-St. Paul region remains one of the most cost-efficient places to live and do business in the United States. Its combination of big-city business amenities and small-market ease of living has historically made the metro area a magnet for investment.

### Office Space Statistics

Trends in occupied office space are typically among the most reliable indicators of lodging demand, as firms that occupy office space often exhibit a strong propensity to attract commercial visitors. Thus, trends that cause changes in vacancy rates or in the amount of occupied office space may have a proportional impact on commercial lodging demand and a less direct effect on meeting demand. The following table details office space statistics for the pertinent market area.

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Inventory</th>
<th>Occupied Office</th>
<th>Vacancy Rate</th>
<th>Average Asking Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Buildings</td>
<td>Space</td>
<td>Rate</td>
<td>per ft²</td>
</tr>
<tr>
<td>1 Midway</td>
<td>52</td>
<td>3,854,000</td>
<td>21.0 %</td>
<td>$19.69</td>
</tr>
<tr>
<td>2 St. Paul Central Business District</td>
<td>28</td>
<td>5,094,000</td>
<td>25.7</td>
<td>20.05</td>
</tr>
<tr>
<td>3 Dakota County</td>
<td>102</td>
<td>4,414,000</td>
<td>17.9</td>
<td>18.39</td>
</tr>
<tr>
<td>4 Washington County</td>
<td>40</td>
<td>1,512,000</td>
<td>26.2</td>
<td>18.11</td>
</tr>
<tr>
<td>5 Southwest/Northeast Scott County</td>
<td>203</td>
<td>20,740,000</td>
<td>16.3</td>
<td>24.27</td>
</tr>
<tr>
<td><strong>6 Minneapolis Central Business District</strong></td>
<td><strong>136</strong></td>
<td><strong>27,225,000</strong></td>
<td><strong>14.2</strong></td>
<td><strong>23.16</strong></td>
</tr>
<tr>
<td>7 West/Northwest</td>
<td>159</td>
<td>11,881,000</td>
<td>16.4</td>
<td>23.38</td>
</tr>
<tr>
<td>8 Northeast</td>
<td>64</td>
<td>3,620,000</td>
<td>18.4</td>
<td>18.33</td>
</tr>
<tr>
<td>9 Anoka County</td>
<td>21</td>
<td>611,000</td>
<td>23.6</td>
<td>17.82</td>
</tr>
<tr>
<td><strong>Totals and Averages</strong></td>
<td><strong>805</strong></td>
<td><strong>78,951,000</strong></td>
<td><strong>16.9 %</strong></td>
<td><strong>$22.49</strong></td>
</tr>
</tbody>
</table>

Source: REIS Report, 3rd Quarter, 2014

The greater Minneapolis-St. Paul market comprises a total of 79.0 million square feet of office space. For the 3rd Quarter of 2014, the market reported a vacancy rate of 16.9% and an average asking rent of $22.49. The subject property is located in the Minneapolis Central Business District submarket, which houses 27,225,000 square feet of office space. The submarket’s vacancy rate of 14.2% is below the overall market average. The average asking lease rate of $23.16 is above the average for the broader market.
The following table illustrates a trend of office space statistics for the overall Minneapolis-St. Paul market and the Minneapolis Central Business District submarket.
### FIGURE 3-7  
**HISTORICAL AND PROJECTED OFFICE SPACE STATISTICS – GREATER MARKET VS. SUBMARKET**

#### Minneapolis-St. Paul Market

<table>
<thead>
<tr>
<th>Year</th>
<th>Available Office Space</th>
<th>% Chg</th>
<th>Occupied Office Space</th>
<th>% Chg</th>
<th>Vacancy Rate</th>
<th>Asking Lease Rate</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>74,931,000</td>
<td>—</td>
<td>64,603,000</td>
<td>—</td>
<td>13.8 %</td>
<td>$22.50</td>
<td>—</td>
</tr>
<tr>
<td>2002</td>
<td>75,645,000</td>
<td>1.0 %</td>
<td>61,961,000</td>
<td>(4.1) %</td>
<td>18.1 %</td>
<td>21.70</td>
<td>(3.6) %</td>
</tr>
<tr>
<td>2003</td>
<td>75,809,000</td>
<td>0.2 %</td>
<td>61,029,000</td>
<td>(1.5) %</td>
<td>19.5 %</td>
<td>21.01</td>
<td>(3.2) %</td>
</tr>
<tr>
<td>2004</td>
<td>75,508,000</td>
<td>(0.4) %</td>
<td>61,099,000</td>
<td>0.1 %</td>
<td>19.1 %</td>
<td>20.92</td>
<td>(0.4) %</td>
</tr>
<tr>
<td>2005</td>
<td>75,996,000</td>
<td>0.6 %</td>
<td>61,734,000</td>
<td>1.0 %</td>
<td>18.8 %</td>
<td>20.62</td>
<td>(1.4) %</td>
</tr>
<tr>
<td>2006</td>
<td>76,127,000</td>
<td>0.2 %</td>
<td>63,155,000</td>
<td>2.3 %</td>
<td>17.0 %</td>
<td>21.03</td>
<td>2.0 %</td>
</tr>
<tr>
<td>2007</td>
<td>77,079,000</td>
<td>1.3 %</td>
<td>65,436,000</td>
<td>3.6 %</td>
<td>15.1 %</td>
<td>21.72</td>
<td>3.3 %</td>
</tr>
<tr>
<td>2008</td>
<td>78,014,000</td>
<td>1.2 %</td>
<td>64,950,000</td>
<td>(0.7) %</td>
<td>16.7 %</td>
<td>21.89</td>
<td>0.8 %</td>
</tr>
<tr>
<td>2009</td>
<td>78,297,000</td>
<td>0.4 %</td>
<td>63,006,000</td>
<td>(3.0) %</td>
<td>19.5 %</td>
<td>21.81</td>
<td>(0.4) %</td>
</tr>
<tr>
<td>2010</td>
<td>78,324,000</td>
<td>0.0 %</td>
<td>62,819,000</td>
<td>(0.3) %</td>
<td>19.8 %</td>
<td>21.61</td>
<td>(0.9) %</td>
</tr>
<tr>
<td>2011</td>
<td>78,292,000</td>
<td>(0.0) %</td>
<td>63,574,000</td>
<td>1.2 %</td>
<td>18.8 %</td>
<td>21.79</td>
<td>0.8 %</td>
</tr>
<tr>
<td>2012</td>
<td>78,411,000</td>
<td>0.2 %</td>
<td>64,183,000</td>
<td>1.0 %</td>
<td>18.1 %</td>
<td>22.11</td>
<td>1.5 %</td>
</tr>
<tr>
<td>2013</td>
<td>78,951,000</td>
<td>0.7 %</td>
<td>65,286,000</td>
<td>1.7 %</td>
<td>17.3 %</td>
<td>22.35</td>
<td>1.1 %</td>
</tr>
</tbody>
</table>

#### Minneapolis Central Business District Submarket

<table>
<thead>
<tr>
<th>Year</th>
<th>Available Office Space</th>
<th>% Chg</th>
<th>Occupied Office Space</th>
<th>% Chg</th>
<th>Vacancy Rate</th>
<th>Asking Lease Rate</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>26,533,000</td>
<td>—</td>
<td>23,694,000</td>
<td>—</td>
<td>10.7 %</td>
<td>$24.62</td>
<td>—</td>
</tr>
<tr>
<td>2002</td>
<td>26,841,000</td>
<td>1.2 %</td>
<td>22,010,000</td>
<td>(7.1) %</td>
<td>18.0 %</td>
<td>22.90</td>
<td>(7.0) %</td>
</tr>
<tr>
<td>2003</td>
<td>26,962,000</td>
<td>0.5 %</td>
<td>21,327,000</td>
<td>(3.1) %</td>
<td>20.9 %</td>
<td>21.67</td>
<td>(5.4) %</td>
</tr>
<tr>
<td>2004</td>
<td>27,077,000</td>
<td>0.4 %</td>
<td>21,201,000</td>
<td>(0.6) %</td>
<td>21.7 %</td>
<td>21.51</td>
<td>(0.7) %</td>
</tr>
<tr>
<td>2005</td>
<td>27,448,000</td>
<td>1.4 %</td>
<td>21,739,000</td>
<td>2.5 %</td>
<td>20.8 %</td>
<td>20.78</td>
<td>(3.4) %</td>
</tr>
<tr>
<td>2006</td>
<td>27,298,000</td>
<td>(0.5) %</td>
<td>22,630,000</td>
<td>4.1 %</td>
<td>17.1 %</td>
<td>20.90</td>
<td>0.6 %</td>
</tr>
<tr>
<td>2007</td>
<td>27,277,000</td>
<td>(0.1) %</td>
<td>23,404,000</td>
<td>3.4 %</td>
<td>14.2 %</td>
<td>21.52</td>
<td>3.0 %</td>
</tr>
<tr>
<td>2008</td>
<td>27,262,000</td>
<td>(0.1) %</td>
<td>22,982,000</td>
<td>(1.8) %</td>
<td>15.7 %</td>
<td>21.85</td>
<td>1.5 %</td>
</tr>
<tr>
<td>2009</td>
<td>27,170,000</td>
<td>(0.3) %</td>
<td>22,279,000</td>
<td>(3.1) %</td>
<td>18.0 %</td>
<td>22.47</td>
<td>2.8 %</td>
</tr>
<tr>
<td>2010</td>
<td>27,170,000</td>
<td>0.0 %</td>
<td>22,307,000</td>
<td>0.1 %</td>
<td>17.9 %</td>
<td>22.33</td>
<td>(0.6) %</td>
</tr>
<tr>
<td>2011</td>
<td>27,170,000</td>
<td>0.0 %</td>
<td>22,904,000</td>
<td>2.7 %</td>
<td>15.7 %</td>
<td>22.42</td>
<td>0.4 %</td>
</tr>
<tr>
<td>2012</td>
<td>27,177,000</td>
<td>0.0 %</td>
<td>23,236,000</td>
<td>1.4 %</td>
<td>14.5 %</td>
<td>22.84</td>
<td>1.9 %</td>
</tr>
<tr>
<td>2013</td>
<td>27,225,000</td>
<td>0.2 %</td>
<td>23,305,000</td>
<td>0.3 %</td>
<td>14.4 %</td>
<td>23.18</td>
<td>1.5 %</td>
</tr>
</tbody>
</table>

**Forecasts**

<table>
<thead>
<tr>
<th>Year</th>
<th>Available Office Space</th>
<th>% Chg</th>
<th>Occupied Office Space</th>
<th>% Chg</th>
<th>Vacancy Rate</th>
<th>Asking Lease Rate</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>78,961,000</td>
<td>0.0 %</td>
<td>65,871,000</td>
<td>0.9 %</td>
<td>16.6 %</td>
<td>22.55</td>
<td>0.9 %</td>
</tr>
<tr>
<td>2015</td>
<td>79,539,000</td>
<td>0.7 %</td>
<td>66,635,000</td>
<td>1.2 %</td>
<td>16.2 %</td>
<td>23.05</td>
<td>2.2 %</td>
</tr>
<tr>
<td>2016</td>
<td>80,256,000</td>
<td>0.9 %</td>
<td>67,657,000</td>
<td>1.5 %</td>
<td>15.7 %</td>
<td>23.75</td>
<td>3.0 %</td>
</tr>
<tr>
<td>2017</td>
<td>81,349,000</td>
<td>1.4 %</td>
<td>69,460,000</td>
<td>2.7 %</td>
<td>14.6 %</td>
<td>24.55</td>
<td>3.4 %</td>
</tr>
<tr>
<td>2018</td>
<td>82,514,000</td>
<td>1.4 %</td>
<td>71,187,000</td>
<td>2.5 %</td>
<td>13.7 %</td>
<td>25.56</td>
<td>4.1 %</td>
</tr>
</tbody>
</table>

**Average Annual Compound Change**

<table>
<thead>
<tr>
<th>Year</th>
<th>% Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001 - 2013</td>
<td>0.4 %</td>
</tr>
<tr>
<td>2001 - 2007</td>
<td>0.5 %</td>
</tr>
<tr>
<td>2007 - 2010</td>
<td>0.5 %</td>
</tr>
<tr>
<td>2010 - 2013</td>
<td>0.3 %</td>
</tr>
<tr>
<td>Forecast 2013 - 2018</td>
<td>0.9 %</td>
</tr>
</tbody>
</table>

**Source:** REIS Report, 3rd Quarter, 2014
The inventory of office space in the Minneapolis-St. Paul market increased at an average annual compound rate of 0.4% from 2001 through 2013, while occupied office space remained relatively stable at an average annual rate of 0.1% over the same period. During the period of 2001 through 2007, occupied office space expanded at an average annual compound rate of 0.2%. From 2007 through 2010, occupied office space contracted at an average annual compound rate of -1.4%, reflecting the impact of the recession. The onset of the recovery is evident in the 1.3% average annual change in occupied office space from 2010 to 2013. From 2013 through 2018, the inventory of occupied office space is forecast to increase at an average annual compound rate of 1.7%, with available office space expected to increase 0.9%, thus resulting in an anticipated vacancy rate of 13.7% as of 2018.

**Convention Activity**

A convention center serves as a gauge of visitation trends to a particular market. Convention centers also generate significant levels of demand for area hotels and serve as a focal point for community activity. Typically, hotels within the closest proximity to a convention center—up to three miles away—will benefit the most. Hotels serving as headquarters for an event benefit the most by way of premium rates and hosting related banquet events. During the largest of conventions, peripheral hotels may benefit from compression within the city as a whole.

The Minneapolis Convention Center, located in the heart of Downtown, hosts events and conventions for international to local clientele. In total, the Minneapolis Convention Center contains more than one million square feet of space and covers four city blocks. With nearly 500,000 square feet of exhibit space, 87 column-free meeting rooms, and 2 large ballrooms, it can comfortably accommodate 50,000 attendees. The convention center features a 100,000-square-foot exhibit hall that can be converted into a ballroom.
The following table illustrates recent use statistics for this facility.

### FIGURE 3-8 CONVENTION CENTER STATISTICS

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Events</th>
<th>Percent Change</th>
<th>Number of Delegates</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>322</td>
<td>—</td>
<td>360,054</td>
<td>—</td>
</tr>
<tr>
<td>2008</td>
<td>306</td>
<td>(5.0) %</td>
<td>395,012</td>
<td>9.7 %</td>
</tr>
<tr>
<td>2009</td>
<td>278</td>
<td>(9.2)</td>
<td>404,054</td>
<td>2.3</td>
</tr>
<tr>
<td>2010</td>
<td>332</td>
<td>19.4</td>
<td>673,650</td>
<td>66.7</td>
</tr>
<tr>
<td>2011</td>
<td>301</td>
<td>(9.3)</td>
<td>666,234</td>
<td>(1.1)</td>
</tr>
<tr>
<td>2012</td>
<td>388</td>
<td>28.9</td>
<td>671,416</td>
<td>0.8</td>
</tr>
<tr>
<td>2013</td>
<td>461</td>
<td>18.8</td>
<td>672,260</td>
<td>0.1</td>
</tr>
<tr>
<td>2014</td>
<td>534</td>
<td>15.8</td>
<td>742,965</td>
<td>10.5</td>
</tr>
</tbody>
</table>

Source: Meet Minneapolis
According to the Meet Minneapolis Convention & Visitors Association, the provided statistics represent the events at Minneapolis Convention Center, including in-house events. Consistent with national trends, the number of events declined in 2008 and 2009; however, the number of delegates attending conventions and other events increased during those years. In 2010, both the number of conventions and attendees increased significantly, but the city’s convention activity modestly decreased in 2011. This downward trend was reversed in 2012, with both the number of events and attendees increasing once again. While the number of events increased by almost 19% in 2013, the number of delegates remained flat. The number of events and total delegates increased significantly in 2014; the delegate increase was largely influenced by the All-Star Game. The facility's mid-market price point is an advantageous attribute that should continue to support convention demand in the near future.

Airport passenger counts are important indicators of lodging demand. Depending on the type of service provided by a particular airfield, a sizable percentage of arriving passengers may require hotel accommodations. Trends showing changes in passenger counts also reflect local business activity and the overall economic health of the area.

The Minneapolis-St. Paul International Airport (MSP) is located seven miles southeast of Downtown Minneapolis and about seven miles southwest of Downtown St. Paul. The airport is serviced by major commercial airlines, as well as numerous charter and cargo carriers. Virtually every aspect of the airport was improved through a $3.1-billion expansion effort over the last decade. In 2002, the Metropolitan Airports Commission (MAC) opened two new Lindbergh Terminal concourses, A and B, and a second-phase expansion of Concourse C. MAC also opened the Humphrey Terminal and an eight-story parking ramp at the Humphrey Terminal, developed new cargo facilities, and finished work on numerous airfield projects. A fourth runway opened in 2005, and a 4,300-space parking structure was completed in 2008. In September of 2012, MAC presented its environmental assessment for the airport’s proposed $1.5-billion expansion to support continued passenger growth through 2020. Federal approval of the assessment is required before the MAC can proceed with any expansion. The airport’s long-term comprehensive plan calls for major expansion of the facilities at Terminal 2. The plan is designed to increase gate capacity as passenger demand warrants it; however, expansion plans are currently undergoing hearings. At the time of this report, no timeline or design had been established. In addition, the MAC recently issued an RFP for development of a full-service hotel at the Lindbergh Terminal.

The following table illustrates recent operating statistics for the Minneapolis St. Paul International Airport, which is the primary airport facility serving the proposed subject hotel’s submarket.
**FIGURE 3-9**  AIRPORT STATISTICS - MINNEAPOLIS ST. PAUL INTERNATIONAL AIRPORT

<table>
<thead>
<tr>
<th>Year</th>
<th>Passenger Traffic</th>
<th>Percent Change*</th>
<th>Percent Change**</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>37,663,664</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2006</td>
<td>35,633,019</td>
<td>(5.4) %</td>
<td>(5.4) %</td>
</tr>
<tr>
<td>2007</td>
<td>35,157,322</td>
<td>(1.3)</td>
<td>(3.4)</td>
</tr>
<tr>
<td>2008</td>
<td>34,056,443</td>
<td>(3.1)</td>
<td>(3.3)</td>
</tr>
<tr>
<td>2009</td>
<td>32,378,599</td>
<td>(4.9)</td>
<td>(3.7)</td>
</tr>
<tr>
<td>2010</td>
<td>32,839,441</td>
<td>1.4</td>
<td>(2.7)</td>
</tr>
<tr>
<td>2011</td>
<td>33,118,499</td>
<td>0.8</td>
<td>(2.1)</td>
</tr>
<tr>
<td>2012</td>
<td>33,170,960</td>
<td>0.2</td>
<td>(1.8)</td>
</tr>
<tr>
<td>2013</td>
<td>33,892,074</td>
<td>2.2</td>
<td>(1.3)</td>
</tr>
<tr>
<td>2014</td>
<td>33,897,335</td>
<td>0.0</td>
<td>(1.2)</td>
</tr>
</tbody>
</table>

*Annual average compounded percentage change from the previous year
**Annual average compounded percentage change from first year of data

Source: Minneapolis St. Paul International Airport

**FIGURE 3-10**  LOCAL PASSENGER TRAFFIC VS. NATIONAL TREND

This facility recorded 33,897,335 passengers in 2014. The change in passenger traffic between 2013 and 2014 was minimal.

Source: HVS, Local Airport Authority
University Comparative Analysis

For comparative purposes, we have evaluated various market statistics of similar universities or colleges in regard to population, enrollment, and availability of hotels in each market. The University of Minnesota is at the top of the range of comparables in terms of population-per-student ratio and population-per-room ratio.

### FIGURE 3-11 UNIVERSITY STATISTICS

<table>
<thead>
<tr>
<th>City</th>
<th>University</th>
<th>City Population</th>
<th>University Enrollment</th>
<th>Population to Enrollment</th>
<th>No. of Hotels</th>
<th>Avg. Room Count</th>
<th>Ratio: Population to Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minneapolis, MN</td>
<td>University of Minnesota</td>
<td>400,070</td>
<td>51,147</td>
<td>7.82</td>
<td>9,482</td>
<td>46</td>
<td>206 (42.2)</td>
</tr>
<tr>
<td>Ann Arbor, MI</td>
<td>University of Michigan</td>
<td>113,934</td>
<td>43,625</td>
<td>2.61</td>
<td>4,137</td>
<td>27</td>
<td>104 (14.9)</td>
</tr>
<tr>
<td>Madison, WI</td>
<td>University of Wisconsin</td>
<td>243,344</td>
<td>43,193</td>
<td>5.63</td>
<td>7,085</td>
<td>63</td>
<td>112 (34.3)</td>
</tr>
<tr>
<td>State College, PA</td>
<td>Penn State University</td>
<td>42,034</td>
<td>46,068</td>
<td>0.91</td>
<td>2,812</td>
<td>27</td>
<td>104 (14.9)</td>
</tr>
<tr>
<td>Ithaca, NY</td>
<td>Cornell University</td>
<td>30,014</td>
<td>21,593</td>
<td>1.39</td>
<td>1,656</td>
<td>20</td>
<td>83 (18.1)</td>
</tr>
<tr>
<td>Chapel Hill, NC</td>
<td>University of North Carolina</td>
<td>57,233</td>
<td>29,155</td>
<td>1.96</td>
<td>1,510</td>
<td>14</td>
<td>108 (37.9)</td>
</tr>
<tr>
<td>Charlottesville, VA</td>
<td>University of Virginia</td>
<td>43,475</td>
<td>21,238</td>
<td>2.05</td>
<td>3,546</td>
<td>32</td>
<td>111 (12.3)</td>
</tr>
<tr>
<td>College Park, MD</td>
<td>University of Maryland</td>
<td>31,274</td>
<td>32,734</td>
<td>0.96</td>
<td>1,067</td>
<td>12</td>
<td>89 (29.3)</td>
</tr>
<tr>
<td>Lansing, MI</td>
<td>Michigan State University</td>
<td>113,972</td>
<td>50,085</td>
<td>2.28</td>
<td>2,969</td>
<td>26</td>
<td>114 (38.4)</td>
</tr>
<tr>
<td>Columbus, OH</td>
<td>Ohio State University</td>
<td>822,553</td>
<td>58,322</td>
<td>14.10</td>
<td>18,581</td>
<td>150</td>
<td>124 (44.3)</td>
</tr>
<tr>
<td>Bloomington, IN</td>
<td>Indiana University</td>
<td>78,902</td>
<td>46,416</td>
<td>1.70</td>
<td>2,306</td>
<td>25</td>
<td>92 (34.2)</td>
</tr>
<tr>
<td>Urbana/Champaign, IL</td>
<td>University of Illinois</td>
<td>124,942</td>
<td>43,603</td>
<td>2.87</td>
<td>3,591</td>
<td>38</td>
<td>95 (34.8)</td>
</tr>
<tr>
<td>Iowa City, IA</td>
<td>University of Iowa</td>
<td>71,591</td>
<td>31,387</td>
<td>2.28</td>
<td>671</td>
<td>7</td>
<td>96 (106.7)</td>
</tr>
<tr>
<td>Seattle, WA</td>
<td>University of Washington</td>
<td>652,405</td>
<td>44,786</td>
<td>14.57</td>
<td>21,195</td>
<td>136</td>
<td>156 (30.8)</td>
</tr>
<tr>
<td>Pittsburgh, PA</td>
<td>University of Pittsburgh</td>
<td>305,841</td>
<td>28,823</td>
<td>10.61</td>
<td>12,769</td>
<td>79</td>
<td>162 (24.0)</td>
</tr>
<tr>
<td>New Brunswick, NJ</td>
<td>Rutgers University</td>
<td>55,831</td>
<td>40,720</td>
<td>1.37</td>
<td>670</td>
<td>4</td>
<td>168 (83.3)</td>
</tr>
<tr>
<td>Amherst, MA</td>
<td>University of Massachusetts</td>
<td>38,651</td>
<td>28,236</td>
<td>1.37</td>
<td>185</td>
<td>3</td>
<td>62 (208.9)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>3,226,066</td>
<td>661,131</td>
<td>4.88</td>
<td>94,232</td>
<td>718</td>
<td>131 (34.2)</td>
</tr>
</tbody>
</table>

### Tourist Attractions

Minneapolis is well known for its extensive theater and live-performance art offerings, world-class shopping, and eclectic dining venues. The market benefits from a wide variety of tourist and leisure attractions popular with families visiting from out of town, locals, or international visitors. The peak season for tourism in this area is from May to September, when the area enjoys warmer summer weather. During other times of the year, weekend demand comprises travelers passing through en route to other destinations, people visiting friends or relatives, and other similar weekend demand generators. Primary attractions in the area include the following:

- The 4.2-million-square-foot Mall of America complex attracts more than 40 million visitors a year; between 35 and 40% of these visitors are individuals who live farther than 150 miles from the nation's largest retail and entertainment complex. Construction began on Phase 1C of the expansion in
July of 2014; this particular phase is planned to include a 342-room JW Marriott hotel and 135,000 square feet of retail space, with completion anticipated by late 2015. Additionally, a 500-room Radisson Blu hotel opened on March 15, 2013 at the south end of the mall.

- Sporting events are a big attraction in the Twin Cities area. The Hubert H. Humphrey Metrodome, usually simply called The Metrodome, is a domed sports stadium in Downtown Minneapolis, which is the current home of the Minnesota Vikings. Construction of a new $975-million Vikings Stadium began in January of 2014, with the facility expected to be open for the 2016 football season. In the interim years, the Vikings will play at TCF Bank Stadium on the University of Minnesota campus. The new Vikings Stadium will host Super Bowl LII in 2018. The Target Center, an arena sponsored by the Target Corporation, is located in Downtown Minneapolis. The center is home to the NBA's Minnesota Timberwolves and WNBA's Minnesota Lynx and recently began a $97-million renovation. The Xcel Energy Center in St. Paul is home to the NHL's Minnesota Wild and the NLL's Minnesota Swarm, and is a premier location for concerts, shows, and athletic tournaments. In 2010, the Minnesota Twins Major League Baseball team began the season in its new home, Target Field, an open-air ballpark featuring 39,500 seats. This venue hosted the 2014 All-Star Game in July.

- The Twin Cities area is considered by Minnesotans as the capital for the arts of the Upper Midwest. The $125-million, 285,000-square-foot Guthrie Theater, a Tony Award-winning center for theater performance, production, education, and professional training, is located in the historic Mills District on the banks of the Mississippi River in Downtown Minneapolis. The facility, which opened in 2006, includes three theaters, public lobbies, rehearsal rooms, classrooms, administrative offices, production and support facilities, restaurants, bars, and parking.

- The Minneapolis Institute of Arts is a comprehensive art museum located on a campus in Minneapolis that covers nearly eight acres. The Minneapolis Institute of Arts features an encyclopedic collection of more than 100,000 objects, spanning 5,000 years of world history. The building is located within the Washburn/Fair Oaks Mansion District, a neighborhood of mansions built by wealthy Minneapolis business leaders between 1880 and 1920; the district is listed in the National Register of Historic Places. Entry to the museum is free, except for special exhibitions.
This section discussed a wide variety of economic indicators for the pertinent market area. The greater Twin Cities area is experiencing a period of economic strength. As previously noted, major employment centers are varied, and the market benefits from continued retail and residential construction underway or planned throughout the city. Office vacancy is diminishing throughout the market, and the unemployment rate continues to improve. Major employers and the area's proximity to the Minneapolis-St. Paul International Airport, the University of Minnesota, and the Mall of America provide for a well-balanced mix of economic drivers for this downtown market; as such, the overall outlook is positive.

Our analysis of the outlook for this specific market also considers the broader context of the national economy. The U.S. economy began to pull out of the Great Recession and financial crisis in 2010 and experienced four consecutive quarters of economic growth. Following a slight contraction in the first quarter of 2011, the economy grew at positive, albeit fluctuating, rates through the fourth quarter of 2013, as evidenced in the following table. During the first quarter of 2014, the economy contracted by a seasonally adjusted annual rate of 2.1%, largely attributed to the severe winter weather that hampered normal business activity throughout much of the country. A rebound in the second and third quarters registered 4.6% and 3.5% growth, respectively. The third-quarter increase reflected advances in personal consumption expenditures (PCE), exports, nonresidential fixed investment, federal government spending, and state and local government spending. Imports, which are a subtraction in the calculation of GDP, decreased. Nonresidential fixed investments also improved in the third quarter.
The performance of the economic drivers of lodging demand was positive in the third quarter of 2014, with real personal consumption expenditures increasing 1.8%, durable goods increasing 7.2%, and services increasing 1.1%. The World Bank (WB) and Economist Intelligence Unit (EIU) anticipate GDP to rise by an annualized rate of 2.75% and 2.2% for 2014, respectively. The economy's expansion is expected to accelerate in 2015, with GDP growth projected at 3.0% and 3.2% by the WB and EIU, respectively. These forecasts support continued expansion of lodging demand, which in turn continues to generate strong interest by hotel investors.
4. Supply and Demand Analysis

In the lodging industry, price varies directly, but not proportionately, with demand and inversely, but not proportionately, with supply. Supply is measured by the number of guestrooms available, and demand is measured by the number of rooms occupied; the net effect of supply and demand toward equilibrium results in a prevailing price, or average rate. The purpose of this section is to investigate current supply and demand trends, as indicated by the current competitive market, and to set forth a basis for the projection of future supply and demand growth.

The 150-room Proposed University Limited-Service Hotel will be located in Minneapolis, Minnesota. The greater market surrounding the subject site offers 46 hotels and motels, spanning 9,482 rooms.

Of this larger supply set, the proposed subject hotel is expected to compete with a smaller set of hotels based on various factors. These factors may include location, price point, product quality, length of stay (such as an extended-stay focus vs. non-extended-stay focus), room type (all-suite vs. standard), hotel age, or brand, among other factors. We have reviewed these pertinent attributes and established an expected competitive set based upon this review. Our review of the proposed subject hotel’s specific competitive set within the Minneapolis area begins after our review of national occupancy, average rate, and RevPAR trends.

The proposed subject hotel’s local lodging market is most directly affected by the supply and demand trends within the immediate area. However, individual markets are also influenced by conditions in the national lodging market. We have reviewed national lodging trends to provide a context for the forecast of the supply and demand for the proposed subject hotel’s competitive set.

Smith Travel Research (STR) is an independent research firm that compiles data on the lodging industry, and this information is routinely used by typical hotel buyers. Figure 4-1 presents annual hotel occupancy and average rate data since 1987. Figures 4-2 and 4-3 illustrate the more recent trends, categorized by geography, price point, type of location, and chain scale. The statistics include occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.
FIGURE 4-1 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS

Source: STR
### FIGURE 4-2 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS – YEAR-TO-DATE DATA

<table>
<thead>
<tr>
<th>Region</th>
<th>Occupancy - Thru December</th>
<th>Average Rate - Thru December</th>
<th>RevPAR - Thru December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2014</td>
<td>% Change</td>
</tr>
<tr>
<td>United States</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New England</td>
<td>62.4</td>
<td>63.7</td>
<td>2.1 %</td>
</tr>
<tr>
<td>Middle Atlantic</td>
<td>65.9</td>
<td>66.9</td>
<td>1.6 %</td>
</tr>
<tr>
<td>South Atlantic</td>
<td>61.9</td>
<td>64.8</td>
<td>4.8 %</td>
</tr>
<tr>
<td>East North Central</td>
<td>59.0</td>
<td>60.6</td>
<td>2.7 %</td>
</tr>
<tr>
<td>East South Central</td>
<td>56.8</td>
<td>59.1</td>
<td>4.1 %</td>
</tr>
<tr>
<td>West North Central</td>
<td>57.7</td>
<td>59.6</td>
<td>3.3 %</td>
</tr>
<tr>
<td>West South Central</td>
<td>61.4</td>
<td>63.7</td>
<td>3.8 %</td>
</tr>
<tr>
<td>Mountain</td>
<td>60.2</td>
<td>63.2</td>
<td>4.9 %</td>
</tr>
<tr>
<td>Pacific</td>
<td>69.4</td>
<td>71.5</td>
<td>3.0 %</td>
</tr>
<tr>
<td>Class</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luxury</td>
<td>68.6</td>
<td>70.0</td>
<td>2.2 %</td>
</tr>
<tr>
<td>Upper Upscale</td>
<td>70.1</td>
<td>71.8</td>
<td>2.4 %</td>
</tr>
<tr>
<td>Upscale</td>
<td>69.4</td>
<td>71.8</td>
<td>3.4 %</td>
</tr>
<tr>
<td>Upper Midscale</td>
<td>63.2</td>
<td>65.8</td>
<td>4.0 %</td>
</tr>
<tr>
<td>Midscale</td>
<td>56.8</td>
<td>59.0</td>
<td>3.9 %</td>
</tr>
<tr>
<td>Economy</td>
<td>55.2</td>
<td>57.4</td>
<td>4.0 %</td>
</tr>
<tr>
<td>Location</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>70.5</td>
<td>72.3</td>
<td>2.7 %</td>
</tr>
<tr>
<td>Suburban</td>
<td>62.8</td>
<td>65.4</td>
<td>4.1 %</td>
</tr>
<tr>
<td>Airport</td>
<td>69.7</td>
<td>72.4</td>
<td>3.9 %</td>
</tr>
<tr>
<td>Interstate</td>
<td>54.7</td>
<td>56.8</td>
<td>3.8 %</td>
</tr>
<tr>
<td>Resort</td>
<td>64.0</td>
<td>66.2</td>
<td>3.6 %</td>
</tr>
<tr>
<td>Small Metro/Town</td>
<td>54.7</td>
<td>56.5</td>
<td>3.3 %</td>
</tr>
<tr>
<td>Chain Scale</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luxury</td>
<td>74.6</td>
<td>75.2</td>
<td>0.9 %</td>
</tr>
<tr>
<td>Upper Upscale</td>
<td>71.9</td>
<td>73.6</td>
<td>2.3 %</td>
</tr>
<tr>
<td>Upscale</td>
<td>71.6</td>
<td>73.9</td>
<td>3.3 %</td>
</tr>
<tr>
<td>Upper Midscale</td>
<td>63.8</td>
<td>66.4</td>
<td>4.0 %</td>
</tr>
<tr>
<td>Midscale</td>
<td>55.9</td>
<td>58.3</td>
<td>4.3 %</td>
</tr>
<tr>
<td>Economy</td>
<td>55.2</td>
<td>57.3</td>
<td>3.8 %</td>
</tr>
<tr>
<td>Independents</td>
<td>58.5</td>
<td>60.7</td>
<td>3.7 %</td>
</tr>
</tbody>
</table>

Source: STR - December 2014 Lodging Review
### FIGURE 4-3  NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS – CALENDAR YEAR DATA

<table>
<thead>
<tr>
<th>Region</th>
<th>Occupancy</th>
<th>Average Rate</th>
<th>RevPAR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2013 % Change</td>
<td>2012</td>
</tr>
<tr>
<td>United States</td>
<td>61.3 %</td>
<td>62.3 %</td>
<td>1.5 %</td>
</tr>
<tr>
<td>New England</td>
<td>61.4 %</td>
<td>62.5 %</td>
<td>1.8 %</td>
</tr>
<tr>
<td>Middle Atlantic</td>
<td>66.5 %</td>
<td>66.0 %</td>
<td>(0.7)</td>
</tr>
<tr>
<td>South Atlantic</td>
<td>60.8 %</td>
<td>62.0 %</td>
<td>1.9</td>
</tr>
<tr>
<td>East North Central</td>
<td>58.4 %</td>
<td>59.1 %</td>
<td>1.2</td>
</tr>
<tr>
<td>East South Central</td>
<td>56.2 %</td>
<td>56.9 %</td>
<td>1.2</td>
</tr>
<tr>
<td>West North Central</td>
<td>57.3 %</td>
<td>57.9 %</td>
<td>1.0</td>
</tr>
<tr>
<td>West South Central</td>
<td>60.5 %</td>
<td>61.4 %</td>
<td>1.5</td>
</tr>
<tr>
<td>Mountain</td>
<td>59.1 %</td>
<td>60.3 %</td>
<td>1.9</td>
</tr>
<tr>
<td>Pacific</td>
<td>67.8 %</td>
<td>69.5 %</td>
<td>2.5</td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luxury</td>
<td>69.5 %</td>
<td>70.6 %</td>
<td>1.6 %</td>
</tr>
<tr>
<td>Upscale</td>
<td>65.5 %</td>
<td>66.1 %</td>
<td>0.9</td>
</tr>
<tr>
<td>Midprice</td>
<td>62.3 %</td>
<td>63.1 %</td>
<td>1.4</td>
</tr>
<tr>
<td>Economy</td>
<td>56.2 %</td>
<td>57.3 %</td>
<td>2.1</td>
</tr>
<tr>
<td>Budget</td>
<td>55.5 %</td>
<td>56.3 %</td>
<td>1.5</td>
</tr>
<tr>
<td>Location</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>69.4 %</td>
<td>70.5 %</td>
<td>1.6 %</td>
</tr>
<tr>
<td>Suburban</td>
<td>61.6 %</td>
<td>62.8 %</td>
<td>1.9</td>
</tr>
<tr>
<td>Airport</td>
<td>68.0 %</td>
<td>69.8 %</td>
<td>2.6</td>
</tr>
<tr>
<td>Interstate</td>
<td>54.5 %</td>
<td>54.8 %</td>
<td>0.6</td>
</tr>
<tr>
<td>Resort</td>
<td>63.2 %</td>
<td>64.1 %</td>
<td>1.4</td>
</tr>
<tr>
<td>Small Metro/Town</td>
<td>54.3 %</td>
<td>54.9 %</td>
<td>1.0</td>
</tr>
<tr>
<td>Chain Scale</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luxury</td>
<td>73.3 %</td>
<td>74.6 %</td>
<td>1.8 %</td>
</tr>
<tr>
<td>Upper Upscale</td>
<td>70.9 %</td>
<td>71.9 %</td>
<td>1.5</td>
</tr>
<tr>
<td>Upscale</td>
<td>70.9 %</td>
<td>71.7 %</td>
<td>1.2</td>
</tr>
<tr>
<td>Mid-scale w/ F&amp;B</td>
<td>63.0 %</td>
<td>63.8 %</td>
<td>1.2</td>
</tr>
<tr>
<td>Mid-scale w/o F&amp;B</td>
<td>54.8 %</td>
<td>55.8 %</td>
<td>1.8</td>
</tr>
<tr>
<td>Economy</td>
<td>54.2 %</td>
<td>55.0 %</td>
<td>1.5</td>
</tr>
<tr>
<td>Independents</td>
<td>58.0 %</td>
<td>58.9 %</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Source: STR - December 2013 Lodging Review
Following the significant occupancy and RevPAR decline experienced during the last recession, demand growth resumed in 2010, led by select markets that had recorded growth trends in the fourth quarter of 2009. The pace of demand growth accelerated through the year; in 2010, lodging demand in the U.S. increased by 7.3% over that registered in 2009. A return of business travel and some group activity contributed to these positive trends. The resurgence in demand was partly fueled by the significant price discounts that were widely available in the first half of 2010. These discounting policies were largely phased out in the latter half of the year, balancing much of the early rate loss. Average rate decreased by only 0.1% in 2010 when compared to 2009.

Demand growth remained strong, but decelerated from 2011 through 2013, increasing at rates of 4.7%, 2.8%, and 2.0%, respectively. Demand growth then surged to 4.0% in 2014, driven by a strong economy, a robust oil and gas sector, and limited new supply, among other factors. Average rate rebounded by respective rates of 3.8% and 4.2% in 2011 and 2012, followed by increases of 4.0% and 4.6%, respectively, in 2013 and 2014. In 2012, occupancy reached 61.3% (exceeding the ten-year average); moreover, occupancy gained another point in 2013, ending the year at 62.2%. The nation's occupancy in 2014 registered an additional gain of just over two points, finishing the year at 64.4% and approaching a level not experienced since the mid-1990s. Average rate finished the year just over $110 in 2013, with a 4.6% gain registered in 2014; as a result, average rate ended 2014 at $115.32. As shown, demand and average rates continue to strengthen. These trends, combined with the low levels of supply growth anticipated through the end of this year, should boost occupancy beyond its prior mid-1990’s peak in 2015. On a national average, strengthening occupancy levels should also permit hotels to increase room rates at or just beyond the 4.5% achieved in 2014.

As previously noted, Smith Travel Research (STR) is an independent research firm that compiles and publishes data on the lodging industry, routinely used by typical hotel buyers. HVS has ordered and analyzed an STR Trend Report of historical supply and demand data for a group of hotels considered applicable to this analysis for the proposed subject hotel. This information is presented in the following table, along with the market-wide occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.
<table>
<thead>
<tr>
<th>Year</th>
<th>Average Daily Room Count</th>
<th>Available Room Nights</th>
<th>Change in Available Room Nights</th>
<th>Occupied Room Nights</th>
<th>Change in Occupied Room Nights</th>
<th>Occupancy</th>
<th>Change in Occupancy</th>
<th>Average Rate Change</th>
<th>RevPAR Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>2,055</td>
<td>749,911</td>
<td>—</td>
<td>531,992</td>
<td>—</td>
<td>70.9 %</td>
<td>—</td>
<td>$100.34</td>
<td>$71.18</td>
</tr>
<tr>
<td>2006</td>
<td>2,209</td>
<td>806,335</td>
<td>7.5 %</td>
<td>557,490</td>
<td>4.8 %</td>
<td>69.1</td>
<td>5.8 %</td>
<td>106.13</td>
<td>73.38</td>
</tr>
<tr>
<td>2007</td>
<td>2,219</td>
<td>809,935</td>
<td>0.4 %</td>
<td>578,612</td>
<td>3.8 %</td>
<td>71.4</td>
<td>5.0</td>
<td>111.47</td>
<td>79.63</td>
</tr>
<tr>
<td>2008</td>
<td>2,377</td>
<td>867,616</td>
<td>7.1 %</td>
<td>548,619</td>
<td>(5.2)</td>
<td>63.2</td>
<td>7.1</td>
<td>119.34</td>
<td>75.46</td>
</tr>
<tr>
<td>2009</td>
<td>2,788</td>
<td>1,017,680</td>
<td>17.3 %</td>
<td>543,555</td>
<td>(0.9)</td>
<td>53.4</td>
<td>(12.0)</td>
<td>105.05</td>
<td>56.11</td>
</tr>
<tr>
<td>2010</td>
<td>2,806</td>
<td>1,024,190</td>
<td>(0.1)</td>
<td>615,168</td>
<td>13.2 %</td>
<td>60.1</td>
<td>0.5</td>
<td>105.60</td>
<td>63.43</td>
</tr>
<tr>
<td>2011</td>
<td>2,806</td>
<td>1,024,068</td>
<td>(0.0)</td>
<td>675,233</td>
<td>9.8</td>
<td>65.9</td>
<td>5.0</td>
<td>110.87</td>
<td>73.10</td>
</tr>
<tr>
<td>2012</td>
<td>2,802</td>
<td>1,022,907</td>
<td>(0.1)</td>
<td>655,924</td>
<td>(2.9)</td>
<td>64.1</td>
<td>1.6</td>
<td>112.62</td>
<td>72.21</td>
</tr>
<tr>
<td>2013</td>
<td>2,643</td>
<td>964,581</td>
<td>(5.7)</td>
<td>639,397</td>
<td>(2.5)</td>
<td>66.3</td>
<td>6.5</td>
<td>119.96</td>
<td>79.52</td>
</tr>
<tr>
<td>2014</td>
<td>2,802</td>
<td>1,022,730</td>
<td>6.0 %</td>
<td>721,943</td>
<td>12.9 %</td>
<td>70.6</td>
<td>6.5</td>
<td>127.78</td>
<td>90.20</td>
</tr>
</tbody>
</table>

Average Annual Compounded Change: 3.5 % 3.5 % 2.7 % 2.7 %

### Hotels Included in Sample

<table>
<thead>
<tr>
<th>Hotel Name</th>
<th>Number of Rooms</th>
<th>Year Affiliated</th>
<th>Year Opened</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residence Inn Minneapolis Downtown @ The Depot</td>
<td>131</td>
<td>Mar 2001</td>
<td>Mar 2001</td>
</tr>
<tr>
<td>Renaissance Minneapolis Hotel The Depot</td>
<td>225</td>
<td>May 2007</td>
<td>Jul 2001</td>
</tr>
<tr>
<td>Autograph Collection The Hotel Minneapolis</td>
<td>222</td>
<td>Jun 2010</td>
<td>Aug 2008</td>
</tr>
<tr>
<td>Crowne Plaza Minneapolis Northstar Downtown</td>
<td>222</td>
<td>Jan 1994</td>
<td>Jun 1963</td>
</tr>
<tr>
<td>Holiday Inn Express &amp; Stes Minneapolis Dwtn Conv</td>
<td>96</td>
<td>Apr 1998</td>
<td>Apr 1998</td>
</tr>
<tr>
<td>Hilton Garden Inn Minneapolis Downtown</td>
<td>210</td>
<td>Feb 2009</td>
<td>Feb 2009</td>
</tr>
<tr>
<td>Best Western Plus The Normandy Inn &amp; Suites</td>
<td>199</td>
<td>Mar 2011</td>
<td>Jun 1927</td>
</tr>
<tr>
<td>Sheraton Hotel Minneapolis Midtown</td>
<td>136</td>
<td>Dec 2005</td>
<td>Dec 2005</td>
</tr>
<tr>
<td>Ramada Plaza Minneapolis</td>
<td>249</td>
<td>Jun 2009</td>
<td>Jun 1980</td>
</tr>
<tr>
<td>University Inn</td>
<td>45</td>
<td>May 1990</td>
<td>Jan 1900</td>
</tr>
<tr>
<td>The Commons Hotel</td>
<td>304</td>
<td>Aug 2011</td>
<td>Mar 1985</td>
</tr>
<tr>
<td>Days Inn University Of Minnesota</td>
<td>130</td>
<td>Jun 1983</td>
<td>Jun 1983</td>
</tr>
<tr>
<td>aloft Hotel Minneapolis</td>
<td>155</td>
<td>Aug 2008</td>
<td>Aug 2008</td>
</tr>
<tr>
<td>Hyatt Place Minneapolis Downtown</td>
<td>213</td>
<td>Oct 2013</td>
<td>Oct 1984</td>
</tr>
<tr>
<td>Courtyard Minneapolis Downtown</td>
<td>265</td>
<td>Sep 2013</td>
<td>Dec 1986</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,802</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: STR Global
It is important to note some limitations of the STR data. Hotels are occasionally added to or removed from the sample, and not every property reports data in a consistent and timely manner; these factors can influence the overall quality of the information by skewing the results. These inconsistencies may also cause the STR data to differ from the results of our competitive survey. Nonetheless, STR data provide the best indication of aggregate growth or decline in existing supply and demand; thus, these trends have been considered in our analysis. Opening dates, as available, are presented for each reporting hotel in the previous table.

The competitive set reflected in this trend includes a wide range of hotels, ranging from non-affiliated limited-service hotels to upscale full-service hotels. Most of these properties capture university and medical-related demand in the market and were, therefore, selected as competitive hotels to evaluate market performance. The STR data for the competitive set reflect a market-wide occupancy level of 70.6% in 2014, which compares to 66.3% for 2013. The overall average occupancy level for the calendar years presented equates to 63.4%. Local employers and headquarter offices in the area, including the University of Minnesota, Thrivent Financial, Target Corporation, and Wells Fargo, as well as the Minneapolis Convention Center, represent the primary sources of demand for the competitive set of hotels in this market. Occupied room nights increased between 2005 and 2007 and again between 2009 and 2011. Market-wide occupancy decreased in 2008 and 2009 because of the entrance of the Aloft Hotel and the Hilton Garden Inn Downtown. New supply, combined with a continued deterioration of the national economy, resulted in a historically low occupancy of 53.4% for the market in 2009. Nonetheless, occupancy performance in 2010 illustrated a significant rebound given the improving economy and increased commercial travel. Demand levels continued to strengthen through 2011 as market-wide occupancy surpassed 65%. Demand decreased in 2012 and 2013 with the partial closures of the Courtyard by Marriott (former Hotel Metrodome) and Hyatt Place (former Aspen Suites) for renovations. Year-end 2014 demand levels show a strong improvement over 2013, primarily due to the entrance of strong brands (Courtyard by Marriott and Hyatt Place) in late 2013, the completion of renovations at The Commons Hotel, and the significant summer demand generated by the MLB All-Star Game in July and two heavily attended events at the Minneapolis Convention Center.

The STR data for the competitive set reflect a market-wide average rate level of $127.78 in 2014, which compares to $119.96 for 2013. The average across all calendar years presented for average rate equates to $114.18. Average rates in this market realized growth between 2005 and 2008. While average rate was boosted by the 2008 Republican National Convention in St. Paul, average rate growth began to slow in late 2008, concurrent with the onset of the recession, and rate declined in significantly 2009 as new supply in the downtown area ramped up. Average rate increased moderately (by 5.0%) in 2011 as travel levels increased...
concurrent with the national economic recovery; average rate continued to increase in 2012, 2013, and 2014, following significant upgrades at several competitive properties. In 2014, strong summer demand from the All-Star Game, Shriners Convention, and the USA Girls Volleyball National Championship helped drive high-rated demand downtown, as did the re-introduction of the Courtyard by Marriott Downtown Minneapolis and the Hyatt Place as renovated supply. These occupancy and average rate trends resulted in a RevPAR level of $90.20 in 2014.

**Seasonality**

Monthly occupancy and average rate trends are presented in the following tables.
### Monthly Occupancy Trends

<table>
<thead>
<tr>
<th>Month</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>50.0 %</td>
<td>52.5 %</td>
<td>57.0 %</td>
<td>50.5 %</td>
<td>39.2 %</td>
<td>42.2 %</td>
<td>43.3 %</td>
<td>47.2 %</td>
<td>50.9</td>
<td>52.7</td>
</tr>
<tr>
<td>February</td>
<td>63.4</td>
<td>59.8</td>
<td>68.0</td>
<td>60.6</td>
<td>40.1</td>
<td>47.6</td>
<td>51.4</td>
<td>56.4</td>
<td>60.0</td>
<td>62.5</td>
</tr>
<tr>
<td>March</td>
<td>69.2</td>
<td>69.0</td>
<td>73.4</td>
<td>63.3</td>
<td>47.5</td>
<td>54.5</td>
<td>63.1</td>
<td>59.1</td>
<td>59.6</td>
<td>63.4</td>
</tr>
<tr>
<td>April</td>
<td>71.8</td>
<td>73.4</td>
<td>69.3</td>
<td>73.0</td>
<td>56.4</td>
<td>60.7</td>
<td>69.4</td>
<td>60.2</td>
<td>69.8</td>
<td>69.6</td>
</tr>
<tr>
<td>May</td>
<td>72.1</td>
<td>69.0</td>
<td>77.0</td>
<td>70.1</td>
<td>59.1</td>
<td>62.0</td>
<td>68.6</td>
<td>65.8</td>
<td>68.5</td>
<td>73.8</td>
</tr>
<tr>
<td>June</td>
<td>81.4</td>
<td>79.5</td>
<td>82.0</td>
<td>77.0</td>
<td>54.9</td>
<td>69.2</td>
<td>83.4</td>
<td>77.6</td>
<td>76.7</td>
<td>88.2</td>
</tr>
<tr>
<td>July</td>
<td>82.9</td>
<td>76.7</td>
<td>81.2</td>
<td>70.0</td>
<td>66.8</td>
<td>72.8</td>
<td>77.7</td>
<td>72.4</td>
<td>69.3</td>
<td>84.0</td>
</tr>
<tr>
<td>August</td>
<td>84.9</td>
<td>78.0</td>
<td>80.9</td>
<td>68.5</td>
<td>60.8</td>
<td>70.4</td>
<td>80.1</td>
<td>76.9</td>
<td>78.2</td>
<td>85.4</td>
</tr>
<tr>
<td>September</td>
<td>83.9</td>
<td>78.4</td>
<td>76.2</td>
<td>75.1</td>
<td>61.9</td>
<td>69.1</td>
<td>72.9</td>
<td>71.1</td>
<td>73.9</td>
<td>77.9</td>
</tr>
<tr>
<td>October</td>
<td>80.1</td>
<td>79.0</td>
<td>80.8</td>
<td>60.9</td>
<td>65.4</td>
<td>72.4</td>
<td>77.4</td>
<td>76.0</td>
<td>79.9</td>
<td>76.6</td>
</tr>
<tr>
<td>November</td>
<td>63.6</td>
<td>65.4</td>
<td>62.7</td>
<td>53.7</td>
<td>49.9</td>
<td>57.1</td>
<td>57.3</td>
<td>58.1</td>
<td>58.8</td>
<td>63.7</td>
</tr>
<tr>
<td>December</td>
<td>49.3</td>
<td>48.2</td>
<td>48.7</td>
<td>39.7</td>
<td>37.0</td>
<td>42.0</td>
<td>45.7</td>
<td>48.5</td>
<td>50.5</td>
<td>49.0</td>
</tr>
</tbody>
</table>

**Annual Occupancy**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>70.9</td>
<td>69.1</td>
<td>71.4</td>
<td>63.2</td>
<td>53.4</td>
<td>60.1</td>
<td>65.9</td>
<td>64.1</td>
<td>66.3</td>
<td>70.6</td>
</tr>
</tbody>
</table>

Source: STR Global
## FIGURE 4-6  MONTHLY AVERAGE RATE TRENDS

<table>
<thead>
<tr>
<th>Month</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>$87.13</td>
<td>$94.76</td>
<td>$101.85</td>
<td>$104.97</td>
<td>$98.87</td>
<td>$95.65</td>
<td>$102.61</td>
<td>$105.37</td>
<td>$107.16</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>91.24</td>
<td>95.70</td>
<td>105.02</td>
<td>106.64</td>
<td>104.38</td>
<td>95.86</td>
<td>99.55</td>
<td>101.06</td>
<td>108.38</td>
<td>110.66</td>
</tr>
<tr>
<td>March</td>
<td>93.59</td>
<td>99.50</td>
<td>107.50</td>
<td>111.58</td>
<td>105.43</td>
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<td>100.81</td>
<td>100.88</td>
<td>105.47</td>
<td>113.04</td>
</tr>
<tr>
<td>April</td>
<td>95.50</td>
<td>105.51</td>
<td>108.04</td>
<td>113.11</td>
<td>107.40</td>
<td>103.32</td>
<td>103.12</td>
<td>109.98</td>
<td>119.85</td>
<td>120.43</td>
</tr>
<tr>
<td>May</td>
<td>96.14</td>
<td>102.56</td>
<td>112.00</td>
<td>115.34</td>
<td>106.93</td>
<td>105.61</td>
<td>107.73</td>
<td>112.26</td>
<td>119.46</td>
<td>127.47</td>
</tr>
<tr>
<td>June</td>
<td>105.08</td>
<td>111.94</td>
<td>116.60</td>
<td>121.95</td>
<td>101.36</td>
<td>109.85</td>
<td>116.80</td>
<td>119.78</td>
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<td>July</td>
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<td>111.77</td>
<td>114.85</td>
<td>118.15</td>
<td>110.84</td>
<td>110.02</td>
<td>115.11</td>
<td>119.91</td>
<td>124.13</td>
<td>145.22</td>
</tr>
<tr>
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<td>109.19</td>
<td>114.11</td>
<td>128.56</td>
<td>99.73</td>
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</tr>
<tr>
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<td>108.19</td>
<td>115.12</td>
<td>148.21</td>
<td>104.89</td>
<td>109.08</td>
<td>123.08</td>
<td>116.56</td>
<td>127.90</td>
<td>138.64</td>
</tr>
<tr>
<td>October</td>
<td>107.01</td>
<td>117.54</td>
<td>119.06</td>
<td>122.26</td>
<td>114.10</td>
<td>114.55</td>
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</tr>
<tr>
<td>November</td>
<td>97.40</td>
<td>106.21</td>
<td>111.02</td>
<td>113.43</td>
<td>99.57</td>
<td>104.97</td>
<td>108.00</td>
<td>110.01</td>
<td>116.66</td>
<td>123.96</td>
</tr>
<tr>
<td>December</td>
<td>94.40</td>
<td>99.83</td>
<td>104.77</td>
<td>106.33</td>
<td>93.91</td>
<td>100.64</td>
<td>99.31</td>
<td>104.77</td>
<td>106.86</td>
<td>109.05</td>
</tr>
</tbody>
</table>

**Annual Average Rate**  
$\text{Annual Average Rate} = \frac{\text{Sum of Monthly Average Rates}}{12}$

Annual Average Rate  
$\text{Annual Average Rate} = \begin{array}{llllllllll}
100.34 & 106.13 & 111.47 & 119.34 & 105.05 & 105.60 & 110.87 & 112.62 & 119.96 & 127.78
\end{array}$

Source: STR Global
The illustrated monthly occupancy and average rates patterns reflect important seasonal characteristics. We have reviewed these trends in developing our forthcoming forecast of market-wide demand and average rate.

A review of the trends in occupancy, average rate, and RevPAR per day of the week over the past three fiscal years provides some insight into the impact that the current economic conditions have had on the competitive lodging market. The data, as provided by Smith Travel Research, are illustrated in the following table.
In most markets, business travel, including individual commercial travelers and corporate groups, is the predominant source of demand on Monday through Thursday nights. Leisure travelers and non-business-related groups generate a majority of demand on Friday and Saturday nights.
The following table illustrates the breakdown of occupancy and average rate on a monthly basis for the competitive set, based on the type of demand, including transient (commercial and leisure) or group.

<table>
<thead>
<tr>
<th>Month</th>
<th>Transient</th>
<th>Group</th>
<th>Total</th>
<th>Transient</th>
<th>ADR</th>
<th>Group</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 14</td>
<td>44.4</td>
<td>8.2</td>
<td>52.7</td>
<td>$105.43</td>
<td>$116.43</td>
<td>$107.16</td>
<td></td>
</tr>
<tr>
<td>Feb 14</td>
<td>49.0</td>
<td>13.5</td>
<td>62.5</td>
<td>$109.71</td>
<td>$114.03</td>
<td>$110.66</td>
<td></td>
</tr>
<tr>
<td>Mar 14</td>
<td>49.1</td>
<td>14.3</td>
<td>63.4</td>
<td>$109.63</td>
<td>$124.75</td>
<td>$113.04</td>
<td></td>
</tr>
<tr>
<td>Apr 14</td>
<td>52.1</td>
<td>17.5</td>
<td>69.6</td>
<td>$120.60</td>
<td>$119.87</td>
<td>$120.43</td>
<td></td>
</tr>
<tr>
<td>May 14</td>
<td>53.2</td>
<td>20.6</td>
<td>73.8</td>
<td>$126.55</td>
<td>$129.82</td>
<td>$127.47</td>
<td></td>
</tr>
<tr>
<td>Jun 14</td>
<td>54.8</td>
<td>33.4</td>
<td>88.2</td>
<td>$143.74</td>
<td>$130.33</td>
<td>$138.66</td>
<td></td>
</tr>
<tr>
<td>Jul 14</td>
<td>58.8</td>
<td>25.1</td>
<td>84.0</td>
<td>$144.99</td>
<td>$145.73</td>
<td>$145.22</td>
<td></td>
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<tr>
<td>Aug 14</td>
<td>64.0</td>
<td>21.4</td>
<td>85.4</td>
<td>$140.19</td>
<td>$127.42</td>
<td>$136.98</td>
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<tr>
<td>Sep 14</td>
<td>55.0</td>
<td>22.9</td>
<td>77.9</td>
<td>$140.19</td>
<td>$134.92</td>
<td>$138.64</td>
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<tr>
<td>Oct 14</td>
<td>54.8</td>
<td>21.9</td>
<td>76.6</td>
<td>$138.54</td>
<td>$131.01</td>
<td>$136.39</td>
<td></td>
</tr>
<tr>
<td>Nov 14</td>
<td>52.4</td>
<td>11.3</td>
<td>63.7</td>
<td>$124.51</td>
<td>$121.45</td>
<td>$123.96</td>
<td></td>
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<tr>
<td>Dec 14</td>
<td>43.5</td>
<td>5.5</td>
<td>49.0</td>
<td>$108.95</td>
<td>$109.80</td>
<td>$109.05</td>
<td></td>
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<tr>
<td>Total 2014</td>
<td>52.6</td>
<td>18.0</td>
<td>70.6</td>
<td>$127.47</td>
<td>$128.68</td>
<td>$127.78</td>
<td></td>
</tr>
</tbody>
</table>

% of Total

- Transient: 74.5%
- Group: 25.5%
- Total: 100%

Source: STR Analytics

While transient demand is fairly steady throughout the year, group demand increases from April through October. With both types of demand, average rate increases during the summer months, with group rates slightly higher than transient rates throughout the year.

**SUPPLY**

Based on an evaluation of the occupancy, rate structure, market orientation, chain affiliation, location, facilities, amenities, reputation, and quality of each area hotel, as well as the comments of management representatives, we have identified several properties that are expected to be competitive with the proposed subject hotel. In an effort to determine the appropriate type of hotel for the subject site, we have reviewed the performance of a wide range of hotels in Downtown Minneapolis, as well as in the University of Minnesota area. This sampling of hotels includes full-, select-, and limited-service hotels, with a broad mix of facilities and
amenities. The market segmentation and annual estimated performance is shown in the following table.

This information was compiled from personal interviews, inspections, lodging directories, and our in-house library of operating data. The table also sets forth each property’s penetration factors; penetration is the ratio between a specific hotel’s operating results and the corresponding data for the market. If the penetration factor is greater than 100%, the property is performing better than the market as a whole; conversely, if the penetration is less than 100%, the hotel is performing at a level below the market-wide average.
## FIGURE 4-9 COMPETITORS – OPERATING PERFORMANCE

<table>
<thead>
<tr>
<th>Property</th>
<th>Number of Rooms</th>
<th>Commercial</th>
<th>Meeting and Group</th>
<th>Leisure</th>
<th>Weighted Annual Room Count</th>
<th>Occ.</th>
<th>Average Rate</th>
<th>RevPAR</th>
<th>Estimated 2012</th>
<th>Weighted Annual Room Count</th>
<th>Occ.</th>
<th>Average Rate</th>
<th>RevPAR</th>
<th>Estimated 2013</th>
<th>Weighted Annual Room Count</th>
<th>Occ.</th>
<th>Average Rate</th>
<th>RevPAR</th>
<th>Estimated 2014</th>
<th>RevPAR Change</th>
<th>Occupancy Penetration</th>
<th>Yield Penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Days Inn Hotel University Avenue</td>
<td>130</td>
<td>30 %</td>
<td>50 %</td>
<td>20 %</td>
<td>130</td>
<td>79 %</td>
<td>$76.00</td>
<td>$60.04</td>
<td>130</td>
<td>76 %</td>
<td>$82.00</td>
<td>$62.32</td>
<td>130</td>
<td>72 %</td>
<td>$91.00</td>
<td>65.52</td>
<td>5.1 %</td>
<td>101.2 %</td>
<td>72.1 %</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commons Hotel Minneapolis</td>
<td>304</td>
<td>25 %</td>
<td>50 %</td>
<td>25</td>
<td>304</td>
<td>49</td>
<td>$101.00</td>
<td>$49.49</td>
<td>304</td>
<td>60</td>
<td>$130.00</td>
<td>$78.00</td>
<td>304</td>
<td>69</td>
<td>$137.00</td>
<td>94.53</td>
<td>21.2 %</td>
<td>97.0</td>
<td>104.0</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>University Inn Minneapolis</td>
<td>45</td>
<td>40 %</td>
<td>30 %</td>
<td>30</td>
<td>45</td>
<td>72</td>
<td>$60.00</td>
<td>$43.20</td>
<td>45</td>
<td>75</td>
<td>$80.00</td>
<td>$60.00</td>
<td>45</td>
<td>73</td>
<td>$90.00</td>
<td>65.70</td>
<td>9.5</td>
<td>102.6</td>
<td>72.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Courtyard Minneapolis Downtown</td>
<td>265</td>
<td>60 %</td>
<td>20 %</td>
<td>20</td>
<td>265</td>
<td>59</td>
<td>$114.00</td>
<td>$67.76</td>
<td>265</td>
<td>40</td>
<td>$120.00</td>
<td>$48.00</td>
<td>265</td>
<td>69</td>
<td>$138.00</td>
<td>95.22</td>
<td>99.4</td>
<td>97.0</td>
<td>104.7</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Aloft Minneapolis</td>
<td>155</td>
<td>65 %</td>
<td>16 %</td>
<td>25</td>
<td>155</td>
<td>76</td>
<td>$113.00</td>
<td>$85.88</td>
<td>155</td>
<td>77</td>
<td>$116.00</td>
<td>$89.32</td>
<td>155</td>
<td>79</td>
<td>$121.00</td>
<td>95.59</td>
<td>7.0</td>
<td>111.1</td>
<td>105.2</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Best Western Downtown</td>
<td>199</td>
<td>50 %</td>
<td>20 %</td>
<td>30</td>
<td>199</td>
<td>50</td>
<td>$100.00</td>
<td>$50.00</td>
<td>199</td>
<td>65</td>
<td>$101.00</td>
<td>$65.65</td>
<td>199</td>
<td>60</td>
<td>$113.00</td>
<td>67.80</td>
<td>3.3</td>
<td>84.4</td>
<td>74.6</td>
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<tr>
<td>Hyatt Place Minneapolis Downtown</td>
<td>213</td>
<td>75 %</td>
<td>10 %</td>
<td>15</td>
<td>213</td>
<td>60</td>
<td>$90.00</td>
<td>$54.00</td>
<td>213</td>
<td>43</td>
<td>$124.00</td>
<td>$53.32</td>
<td>213</td>
<td>66</td>
<td>$131.00</td>
<td>86.46</td>
<td>62.2</td>
<td>92.8</td>
<td>95.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hilton Garden Inn Minneapolis Downtown</td>
<td>210</td>
<td>60 %</td>
<td>20 %</td>
<td>20</td>
<td>210</td>
<td>74</td>
<td>$128.00</td>
<td>$94.72</td>
<td>210</td>
<td>77</td>
<td>$131.00</td>
<td>$101.38</td>
<td>210</td>
<td>74</td>
<td>$137.00</td>
<td>101.38</td>
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<td>104.0</td>
<td>111.5</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Crowne Plaza Minneapolis Northstar Downtown</td>
<td>222</td>
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<td>10</td>
<td>222</td>
<td>68</td>
<td>$121.00</td>
<td>$82.28</td>
<td>222</td>
<td>75</td>
<td>$123.00</td>
<td>$92.25</td>
<td>222</td>
<td>80</td>
<td>$125.00</td>
<td>100.00</td>
<td>8.4</td>
<td>112.5</td>
<td>110.0</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Holiday Inn Express Minneapolis Conference Center</td>
<td>96</td>
<td>55 %</td>
<td>20 %</td>
<td>25</td>
<td>96</td>
<td>78</td>
<td>$110.00</td>
<td>$85.80</td>
<td>96</td>
<td>81</td>
<td>$115.00</td>
<td>$93.15</td>
<td>96</td>
<td>79</td>
<td>$122.00</td>
<td>96.38</td>
<td>3.5</td>
<td>111.1</td>
<td>106.0</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Ramada Plaza Minneapolis</td>
<td>249</td>
<td>50 %</td>
<td>20 %</td>
<td>30</td>
<td>249</td>
<td>41</td>
<td>$95.00</td>
<td>$38.95</td>
<td>249</td>
<td>52</td>
<td>$86.00</td>
<td>$44.72</td>
<td>249</td>
<td>52</td>
<td>$90.00</td>
<td>46.80</td>
<td>4.7</td>
<td>73.1</td>
<td>51.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residence Inn by Marriott Minneapolis Downtown at The Depot</td>
<td>131</td>
<td>60 %</td>
<td>10 %</td>
<td>30</td>
<td>131</td>
<td>76</td>
<td>$120.00</td>
<td>$91.20</td>
<td>131</td>
<td>87</td>
<td>$115.00</td>
<td>$100.05</td>
<td>131</td>
<td>85</td>
<td>$119.00</td>
<td>101.15</td>
<td>1.1</td>
<td>119.5</td>
<td>111.3</td>
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</tr>
<tr>
<td>Hotel Minneapolis Autograph Collection</td>
<td>222</td>
<td>60 %</td>
<td>30 %</td>
<td>10</td>
<td>222</td>
<td>82</td>
<td>$133.00</td>
<td>$109.06</td>
<td>222</td>
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<td>$122.64</td>
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<tr>
<td>Depot Minneapolis A Renaissance Hotel</td>
<td>225</td>
<td>60 %</td>
<td>30 %</td>
<td>10</td>
<td>225</td>
<td>72</td>
<td>$132.00</td>
<td>$95.04</td>
<td>225</td>
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<td>225</td>
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<td>$144.00</td>
<td>108.00</td>
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<tr>
<td>Sheraton Midtown Minneapolis</td>
<td>136</td>
<td>60 %</td>
<td>15 %</td>
<td>25</td>
<td>136</td>
<td>63</td>
<td>$128.00</td>
<td>$80.64</td>
<td>136</td>
<td>66</td>
<td>$131.00</td>
<td>$86.46</td>
<td>136</td>
<td>67</td>
<td>$132.00</td>
<td>88.44</td>
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<td>94.2</td>
<td>97.3</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Totals/Averages</td>
<td>2,802</td>
<td>55 %</td>
<td>25 %</td>
<td>20 %</td>
<td>2,764</td>
<td>64.2%</td>
<td>$112.62</td>
<td>$72.33</td>
<td>2,802</td>
<td>66.1 %</td>
<td>$119.57</td>
<td>$78.99</td>
<td>2,802</td>
<td>71.1 %</td>
<td>$127.80</td>
<td>$90.91</td>
<td>15.1 %</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Supply and Demand Analysis

Proposed University Limited-Service Hotel – Minneapolis, Minnesota

February-2015
Given the broad selection of hotels, estimated 2014 year-end occupancy ranged from 52% to 85%, with an average of approximate 71%. In terms of average rate, the lowest levels were realized at non-branded or lower-quality level properties, and the higher average rates were garnered by upscale downtown hotels. It is important to note that while some properties are limited in their amenities, such as the Hilton Garden Inn and Holiday Inn Express, they are still able to command average rates comparable to full-service hotels in the market. Brand, location, and condition are the primary drivers for occupancy, while location plays a fundamental role in captured average rate.

The following map illustrates the locations of the proposed subject hotel and its future competitors.
MAP OF COMPETITION
Because this hotel site is located on the campus of the University of Minnesota, we have also considered the performance of hotels located on other college campuses, as well as their performance relative to their competitive set. The following table illustrates the properties included in the analysis. It is important to note that we did not include data for hotels going through a significant renovation/brand change during the period analyzed, as we did not want this disruption to skew the data.

**FIGURE 4-10  ON-CAMPUS HOTELS REVIEWED**

<table>
<thead>
<tr>
<th>Name of Establishment</th>
<th>City &amp; State</th>
<th>Class</th>
<th>Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel UMass</td>
<td>Amherst, MA</td>
<td>Upper Upscale Class</td>
<td>116</td>
</tr>
<tr>
<td>Statler Hotel</td>
<td>Ithaca, NY</td>
<td>Luxury Class</td>
<td>153</td>
</tr>
<tr>
<td>The Nittany Lion Inn</td>
<td>State College, PA</td>
<td>Upscale Class</td>
<td>223</td>
</tr>
<tr>
<td>Hilton The Inn @ Penn</td>
<td>Philadelphia, PA</td>
<td>Upper Upscale Class</td>
<td>243</td>
</tr>
<tr>
<td>George Washington Univ Inn</td>
<td>Washington, DC</td>
<td>Upper Upscale Class</td>
<td>95</td>
</tr>
<tr>
<td>Marriott Conference Center College Park</td>
<td>Adelphi, MD</td>
<td>Upper Upscale Class</td>
<td>237</td>
</tr>
<tr>
<td>The Carolina Inn</td>
<td>Chapel Hill, NC</td>
<td>Luxury Class</td>
<td>185</td>
</tr>
<tr>
<td>Holiday Inn University Of Memphis</td>
<td>Memphis, TN</td>
<td>Upper Midscale Class</td>
<td>82</td>
</tr>
<tr>
<td>Blackwell Hotel</td>
<td>Columbus, OH</td>
<td>Upper Upscale Class</td>
<td>151</td>
</tr>
<tr>
<td>Gildden House Inn</td>
<td>Cleveland, OH</td>
<td>Upper Upscale Class</td>
<td>60</td>
</tr>
<tr>
<td>Ohio University Inn &amp; Conf Ctr</td>
<td>Athens, OH</td>
<td>Upscale Class</td>
<td>139</td>
</tr>
<tr>
<td>Morris Inn</td>
<td>South Bend, IN</td>
<td>Luxury Class</td>
<td>150</td>
</tr>
<tr>
<td>Kellogg Hotel &amp; Conference Center</td>
<td>East Lansing, MI</td>
<td>Upscale Class</td>
<td>160</td>
</tr>
<tr>
<td>Iowa House Hotel</td>
<td>Iowa City, IA</td>
<td>Midscale Class</td>
<td>96</td>
</tr>
<tr>
<td>Holiday Inn Manhattan @ The Campus</td>
<td>Manhattan, KS</td>
<td>Upper Midscale Class</td>
<td>113</td>
</tr>
<tr>
<td>Kimpton Hotel Lumen</td>
<td>Dallas, TX</td>
<td>Upper Upscale Class</td>
<td>93</td>
</tr>
<tr>
<td>Hilton University Of Houston</td>
<td>Houston, TX</td>
<td>Upper Upscale Class</td>
<td>86</td>
</tr>
<tr>
<td>University Guest House &amp; Conference Center</td>
<td>Salt Lake City, UT</td>
<td>Upscale Class</td>
<td>180</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>2,562</strong></td>
</tr>
</tbody>
</table>
# Figure 4-11 Performance of On-Campus Hotels vs. Competitive Set

<table>
<thead>
<tr>
<th>Year</th>
<th>Campus Hotels</th>
<th>Competitive Sets</th>
<th>Source: STR Analytics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Rooms</td>
<td>Occ.</td>
<td>ADR</td>
</tr>
<tr>
<td>2000</td>
<td>1,833</td>
<td>62.2</td>
<td>$102.05</td>
</tr>
<tr>
<td>2001</td>
<td>1,833</td>
<td>62.3</td>
<td>$103.51</td>
</tr>
<tr>
<td>2002</td>
<td>1,975</td>
<td>62.7</td>
<td>$107.91</td>
</tr>
<tr>
<td>2003</td>
<td>2,106</td>
<td>62.5</td>
<td>$108.76</td>
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<tr>
<td>2004</td>
<td>2,159</td>
<td>63.5</td>
<td>$113.71</td>
</tr>
<tr>
<td>2005</td>
<td>2,071</td>
<td>65.1</td>
<td>$119.07</td>
</tr>
<tr>
<td>2006</td>
<td>1,713</td>
<td>63.4</td>
<td>$126.09</td>
</tr>
<tr>
<td>2007</td>
<td>2,099</td>
<td>68.1</td>
<td>$135.08</td>
</tr>
<tr>
<td>2008</td>
<td>2,052</td>
<td>66.7</td>
<td>$141.85</td>
</tr>
<tr>
<td>2009</td>
<td>2,158</td>
<td>62.6</td>
<td>$136.56</td>
</tr>
<tr>
<td>2010</td>
<td>2,396</td>
<td>64.8</td>
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<tr>
<td>2011</td>
<td>2,417</td>
<td>65.5</td>
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<td>2012</td>
<td>2,551</td>
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</tr>
<tr>
<td>2013</td>
<td>2,535</td>
<td>65.9</td>
<td>$150.34</td>
</tr>
<tr>
<td>2014</td>
<td>2,574</td>
<td>69.6</td>
<td>$155.42</td>
</tr>
</tbody>
</table>
The following chart illustrates that, since 2008, a slight occupancy premium has been captured, but a much stronger average-rate penetration has been attained because of the convenience of the on-campus location.

Hotels that are located at or near a university derive numerous benefits from this proximity. The most notable benefit is the opportunity to participate in the demand generated by the institution. This demand can be classified as: friends and family visiting students or attending university-related events, such as graduation; prospective students (and families) from outside the region; alumni; individuals and teams participating in sporting events sponsored by the university; visiting professionals, including professors, doctors, and lecturers; individuals conducting business with the university's divisions, departments, or related institutions; and individuals attending university-sponsored events, such as continuing education or symposia. In addition, a university is often one of the largest employers in the
area, and employment levels are generally subject to minimal fluctuation, regardless of economic cycles. Larger institutions often include medical schools and/or centers, which create jobs and bring people to the area. Many universities sponsor research centers, which in turn give rise to new businesses. The presence of a relatively well-educated workforce, together with the proximity to the resources of the institution, can also attract employers to the local area. Finally, the university population (including students and staff) requires the support of an array of retail and service business, which generate direct and indirect economic activity from which the community benefits. Collectively, these factors create a favorable economic climate from which hotels can derive significant benefit. A lodging facility located on campus is usually in the best position to participate in all of the potential sources of year-round demand.

**Supply Changes**

It is important to consider any new hotels that may have an impact on the proposed subject hotel’s operating performance.

Numerous hotels are proposed in Minneapolis, as well as the surrounding suburbs. While not all of these projects would be competitive with a hotel at the proposed site, it is important to consider the possible impact of this supply on the greater market overall. The following table and maps illustrate the proposed hotel projects in Minneapolis and surrounding areas.
### FIGURE 4-13 NEW SUPPLY – IN MINNEAPOLIS AND OUTSIDE OF DOWNTOWN AREA

#### New Hotels - Minneapolis

<table>
<thead>
<tr>
<th>Hotel Name</th>
<th># Rooms</th>
<th>Type of Hotel</th>
<th>Location</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hampton Inn &amp; Suites</td>
<td>211</td>
<td>Limited-Service</td>
<td>19 North 8th Street Minneapolis</td>
<td>U/C Opening 5/2015</td>
</tr>
<tr>
<td>AC by Marriott</td>
<td>244</td>
<td>Select-Service</td>
<td>4th &amp; Hennepin Minneapolis</td>
<td>Planning</td>
</tr>
<tr>
<td>Conrad/Full-Service Hotel</td>
<td>270</td>
<td>Full-Service</td>
<td>6th &amp; Hennepin Minneapolis</td>
<td>Planning</td>
</tr>
<tr>
<td>Canopy by Hilton Nicollet Site</td>
<td>182</td>
<td>Full-Service</td>
<td>30 S. 3rd Street Minneapolis</td>
<td>Planning</td>
</tr>
<tr>
<td>Sherman Hotel</td>
<td>TBD-150</td>
<td>TBD</td>
<td>Chicago &amp; Washington Minneapolis</td>
<td>Planning</td>
</tr>
<tr>
<td>Iron Horse Hotel (North Loop)</td>
<td>110</td>
<td>Boutique</td>
<td>Washington Ave &amp; 3rd Avenue N Minneapolis</td>
<td>Planning</td>
</tr>
<tr>
<td>CPM Extended-Stay Hotel (near ACC/Stadium Village)</td>
<td>155</td>
<td>Limited-Service</td>
<td>501 Huron Boulevard SE Minneapolis</td>
<td>Planning</td>
</tr>
<tr>
<td>Hampton Inn &amp; Suites Prospect Park</td>
<td>117</td>
<td>Limited-Service</td>
<td>2812 University Avenue SE Minneapolis</td>
<td>Planning</td>
</tr>
<tr>
<td>TCF Building</td>
<td>TBD</td>
<td>TBD</td>
<td>801 Marquette Minneapolis</td>
<td>Planning</td>
</tr>
<tr>
<td>Downtown East</td>
<td>TBD</td>
<td>Limited or Select</td>
<td>no specific site (by Wells Fargo/New Stadium)</td>
<td>Planning</td>
</tr>
<tr>
<td>Uptown Hotel (Graves)</td>
<td>TBD</td>
<td>Boutique</td>
<td>3001 Hennepin Ave Minneapolis</td>
<td>Planning</td>
</tr>
<tr>
<td>Dinkytown Hotel</td>
<td>TBD</td>
<td>TBD</td>
<td>1315 4th St SE Minneapolis</td>
<td>Planning</td>
</tr>
<tr>
<td>Holiday Inn Express</td>
<td>119</td>
<td>Limited-Service</td>
<td>317 2nd Ave South</td>
<td>Planning</td>
</tr>
</tbody>
</table>

#### New Hotels - Non-Minneapolis

<table>
<thead>
<tr>
<th>Hotel Name</th>
<th># Rooms</th>
<th>Type of Hotel</th>
<th>Location</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hampton Inn &amp; Suites Roseville</td>
<td>100</td>
<td>Limited-Service</td>
<td>near I-35 W and County Road C (23)</td>
<td>Planning</td>
</tr>
<tr>
<td>Home2 Suites Roseville</td>
<td>102</td>
<td>Limited-Service</td>
<td>near I-35 W and County Road C (23)</td>
<td>Planning</td>
</tr>
<tr>
<td>JW Marriott Mall of America Bloomington</td>
<td>342</td>
<td>Full-Service</td>
<td>Lindau and Ikea Way - Bloomington</td>
<td>U/C - late 2015 opening</td>
</tr>
<tr>
<td>Hyatt Regency Bloomington Central Station</td>
<td>302</td>
<td>Full-Service</td>
<td>American Blvd E and 33rd Ave S - Bloomington</td>
<td>U/C - late 2015 opening</td>
</tr>
<tr>
<td>Custom House Hotel (St. Paul Post Office)</td>
<td>150</td>
<td>Select-Service</td>
<td>Kellogg &amp; Sibley - St. Paul</td>
<td>Planning</td>
</tr>
<tr>
<td>Xcel Center Site - St. Paul (Opus)</td>
<td>TBD</td>
<td>Full-Service</td>
<td>Kellogg &amp; 7th St W - St. Paul</td>
<td>Planning</td>
</tr>
<tr>
<td>Seven Corners Hardware St. Paul</td>
<td>150</td>
<td>Limited-Service</td>
<td>7th St W &amp; Walnut St - St. Paul</td>
<td>Planning</td>
</tr>
<tr>
<td>Courtyard by Marriott St. Louis Park</td>
<td>TBD</td>
<td>Select-Service</td>
<td>Zarthan Ave &amp; Wayzata - St. Louis Park</td>
<td>Planning</td>
</tr>
</tbody>
</table>

#### Expansion

<table>
<thead>
<tr>
<th>Hotel Name</th>
<th># Rooms</th>
<th>Type of Hotel</th>
<th>Location</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renaissance Depot Minneapolis</td>
<td>110</td>
<td>Full-Service</td>
<td>225 3rd Ave S. Minneapolis</td>
<td>Expansion in Planning</td>
</tr>
</tbody>
</table>
Based upon our research and inspection (as applicable), specific new supply considered in our analysis is presented in the following table.
A 210-unit Hampton Inn & Suites is under construction near the Target Center. Given its price point and limited-service orientation, this property is expected to be primarily competitive. Additionally, a 240-room AC Hotel by Marriott has been announced for development at 401 Hennepin Avenue. As this property is anticipated to operate at a higher rate, but in consideration of its Marriott affiliation, it has been weighted secondarily competitive. The proposed Conrad Hotel (or other full-service branded hotel) will be located in the Plymouth Building and will be upscale in nature; therefore, this proposed hotel has not been considered quantitatively in our analysis. A 117-unit Hampton Inn & Suites is proposed for development at the light-rail stop in Prospect Park, to the east of the subject site. Given its brand and location, this property is expected to be primarily competitive. Furthermore, a 155-unit, extended-stay hotel is proposed for the existing EverFresh Foods site at 501 Huron Boulevard SE. Given this location and expected limited-service product offering, this property has been deemed primarily competitive.

In addition, proximate to the Aloft hotel, a 100–150-room, undetermined, brand-affiliated hotel at Washington and Chicago is proposed for development by Sherman & Associates; this project has been weighted secondarily competitive because of its uncertainty. A Holiday Inn Express hotel project was recently announced by Torgerson Hospitality for development at 317 Second Avenue South in Downtown Minneapolis. We anticipate this property to be directly competitive with the proposed subject property. Other hotel projects being discussed for Minneapolis include an Iron Horse Hotel, a limited- or select-service hotel proximate to the new Vikings Stadium, a Canopy by Hilton hotel on the former Nicollet Hotel site, an undetermined hotel in Dinkytown, and a potential hotel at

<table>
<thead>
<tr>
<th>Proposed Property</th>
<th>Number of Rooms</th>
<th>Total Competitive Level</th>
<th>Weighted Room Count</th>
<th>Estimated Opening Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed University Limited-Service Hotel</td>
<td>150</td>
<td>100 %</td>
<td>150</td>
<td>June 1, 2017</td>
</tr>
<tr>
<td>Proposed Hampton Inn &amp; Suites Downtown</td>
<td>211</td>
<td>100</td>
<td>211</td>
<td>May 1, 2015</td>
</tr>
<tr>
<td>Proposed AC Hotel</td>
<td>244</td>
<td>25</td>
<td>61</td>
<td>June 1, 2016</td>
</tr>
<tr>
<td>Proposed Hampton Inn Prospect Park</td>
<td>117</td>
<td>100</td>
<td>117</td>
<td>September 1, 2016</td>
</tr>
<tr>
<td>Proposed Extended Stay Stadium Village</td>
<td>155</td>
<td>100</td>
<td>155</td>
<td>July 1, 2016</td>
</tr>
<tr>
<td>Proposed Washington Ave/Sherman Hotel</td>
<td>125</td>
<td>50</td>
<td>63</td>
<td>January 1, 2017</td>
</tr>
<tr>
<td>Proposed Holiday Inn Express</td>
<td>119</td>
<td>100</td>
<td>119</td>
<td>January 1, 2017</td>
</tr>
<tr>
<td>Additional Supply</td>
<td>500</td>
<td>25</td>
<td>125</td>
<td>April 1, 2017</td>
</tr>
<tr>
<td>Totals/Averages</td>
<td>1,891</td>
<td>1,001</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
the TCF Bank Building. Given the uncertainty of some of these projects, we have accounted for 500 new rooms as potential new supply at a 25% competitive level in our analysis.

While we have taken reasonable steps to investigate proposed hotel projects and their status, due to the nature of real estate development, it is impossible to determine with certainty every hotel that will be opened in the future, or what their marketing strategies and effect in the market will be. Depending on the outcome of current and future projects, the future operating potential of the proposed subject hotel may be positively or negatively affected. Future improvement in market conditions will raise the risk of increased competition. Our forthcoming forecast of stabilized occupancy and average rate is intended to reflect such risk.

**Supply Conclusion**

We have identified various properties that are expected to be competitive to some degree with the proposed subject hotel. We have also investigated potential increases in competitive supply in this Minneapolis submarket. The Proposed University Limited-Service Hotel should enter a dynamic market of varying product types and price points. Next, we will present our forecast for demand change, using the historical supply data presented as a starting point.

**DEMAND**

The following table presents the most recent trends for the subject hotel market as tracked by HVS. These data pertain to the competitors discussed previously in this section; performance results are estimated, rounded for the competition, and in some cases weighted if there are secondary competitors present. In this respect, the information in the table differs from the previously presented STR data and is consistent with the supply and demand analysis developed for this report.

**FIGURE 4-15 HISTORICAL MARKET TRENDS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Accommodated Room Nights</th>
<th>% Change</th>
<th>Room Nights Available</th>
<th>% Change</th>
<th>Market Occupancy</th>
<th>Market ADR</th>
<th>% Change</th>
<th>Market RevPAR</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Est. 2012</td>
<td>647,992</td>
<td>—</td>
<td>1,008,860</td>
<td>—</td>
<td>64.2 %</td>
<td>$112.62</td>
<td>—</td>
<td>$72.33</td>
<td>—</td>
</tr>
<tr>
<td>Est. 2013</td>
<td>675,666</td>
<td>4.3 %</td>
<td>1,022,730</td>
<td>1.4 %</td>
<td>66.1</td>
<td>119.57</td>
<td>6.2 %</td>
<td>78.99</td>
<td>9.2 %</td>
</tr>
<tr>
<td>Est. 2014</td>
<td>727,471</td>
<td>7.7 %</td>
<td>1,022,730</td>
<td>0.0</td>
<td>71.1</td>
<td>127.80</td>
<td>6.9</td>
<td>90.91</td>
<td>15.1</td>
</tr>
<tr>
<td>Avg. Annual Compounded Chg., Est. 2012-Est. 2014:</td>
<td>6.0 %</td>
<td>0.7 %</td>
<td></td>
<td></td>
<td>6.5 %</td>
<td>12.1 %</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Demand Analysis**

**Using Market Segmentation**

For the purpose of demand analysis, the overall market is divided into individual segments based on the nature of travel. Based on our fieldwork, area analysis, and knowledge of the local lodging market, we estimate the 2014 distribution of accommodated-room-night demand as follows.
The market’s demand mix comprises commercial demand, with this segment representing roughly 55% of the accommodated room nights in this Minneapolis submarket. The remaining portion comprises meeting and group at 25%, with the final portion leisure in nature, reflecting 20%.

It is important to note that University-related demand and medical-related demand make up a significant portion of the accommodated rooms nights for hotels located proximate to the University, including the Days Inn, University Inn, and Commons Hotel. This demand is classified in the above three categories, depending on the nature of the visit (for business reasons, for a meeting or group event, or for pleasure or non-business). The Commons Hotel reported that 65-70% of their total business is associated with the University or related hospitals, while 60% of the Days Inn room nights were from these sources in 2014. Room night data for the University Inn was not provided.

Using the distribution of accommodated hotel demand as a starting point, we will analyze the characteristics of each market segment in an effort to determine future trends in room-night demand.

**Commercial Segment**

Commercial demand consists mainly of individual businesspeople passing through the subject market or visiting area businesses, in addition to high-volume corporate accounts generated by local firms. Brand loyalty (particularly frequent-traveler programs), as well as location and convenience with respect to businesses and amenities, influence lodging choices in this segment. Companies typically designate hotels as “preferred” accommodations in return for more favorable rates, which are discounted in proportion to the number of room nights produced by a commercial client. Commercial demand is strongest Monday through Thursday nights, declines significantly on Friday and Saturday, and increases somewhat on Sunday night. It is relatively constant throughout the year, with marginal declines in late December and during other holiday periods.
The Minneapolis region boasts a diverse economy with industries that span the financial, healthcare, education, and retail sectors. In the local market area, commercial demand is generated by a number of diverse firms with national or regional headquarters in the vicinity, such as Wells Fargo & Co., Target Corporation, UnitedHealth Group, Ameriprise Financial, U.S. Bancorp, and Capella Education Company, in addition to demand generated from the University of Minnesota and the associated hospitals. Recent occupancy trends in the market suggest an increase in corporate travel budgets and the strengthening of the commercial demand segment. As discussed in the Market Area Analysis chapter of this report, many local companies reported an increase in 2014 performance over 2013. The positive trend in corporate activity is anticipated to continue in the near term, particularly for hotels in the eastern portion of Downtown with the opening up of the Wells Fargo office complex. Considering both current and historical trends, we project demand change rates of 3.5% in 2015, 4.0% in 2016, and 5.0% in 2017. After these first three projection years, we have forecast demand change rates of 4.0% in 2018 and 2.0% in 2019.

Meeting and Group Segment

The meeting and group market includes meetings, seminars, conventions, trade association shows, and similar gatherings of ten or more people. Peak convention demand typically occurs in the spring and fall. Although there are numerous classifications within the meeting and group segment, the primary categories considered in this analysis are corporate groups, associations, and SMERFE (social, military, ethnic, religious, fraternal, and educational) groups. Corporate groups typically meet during the business week, most commonly in the spring and fall months. These groups tend to be the most profitable for hotels, as they typically pay higher rates and usually generate ancillary revenues including food and beverage and/or banquet revenue. SMERFE groups are typically price-sensitive and tend to meet on weekends and during the summer months or holiday season, when greater discounts are usually available; these groups generate limited ancillary revenues. Association demand is generally divided on a geographical basis, with national, regional, and state associations representing the most common sources. Professional associations and/or those supported by members’ employers often meet on weekdays, while other associations prefer to hold events on weekends. The profile and revenue potential of associations varies depending on the group and the purpose of the meeting or event.

In forecasting meeting and group demand growth, we have considered our growth projections relating to the commercial demand segment, the leisure demand segment, and activity at the Minneapolis Convention Center. As mentioned in the Market Area Analysis chapter of this report, convention center activity registered a significant rebound in 2012, setting a new record for the number of events and delegates. This positive trend continued in 2013, and 2014 was another record year. The continuous uptick in convention center activity can be attributed to the
increased sales and marketing efforts by the local CVB, positive local corporate
trends, and a high level of development activity occurring in Downtown
Minneapolis, such as Target Center renovations and new residential and office
towers. Convention center officials are also optimistic about the years beyond
2014, in particular 2018, when Minneapolis will host Super Bowl LII. Group
demand is also generated by university-related programs, such as sporting events
and continuing education. We expect growth within this demand segment to
continue through 2016, with a slight decline in 2017 given the lower-than-
anticipated group bookings that year, followed by more sustainable levels in 2018
and beyond. Considering both current and historical trends, we project demand
change rates of 3.0% in 2015, 3.0% in 2016, and -2.0% in 2017. After these first
three projection years, we have forecast demand change rates of 2.0% in 2018 and
1.0% in 2019.

Leisure demand consists of individuals and families spending time in an area or
passing through en route to other destinations. Travel purposes include
sightseeing, recreation, or visiting friends and relatives. Leisure demand also
includes room nights booked through Internet sites such as Expedia, Hotels.com,
and Priceline; however, leisure may not be the purpose of the stay. This demand
may also include business travelers and group and convention attendees who use
these channels to take advantage of any discounts that may be available on these
sites. Leisure demand is strongest Friday and Saturday nights, and all week during
holiday periods and the summer months. These peak periods represent the
inverse of commercial visitation trends, underscoring the stabilizing effect of
capturing weekend and summer tourist travel. Future leisure demand is related to
the overall economic health of the region and the nation. Trends showing changes
in state and regional unemployment and disposable personal income correlate
strongly with leisure travel levels.

Leisure demand is generated by local attractions, such as Nicollet Mall and the Mall
of America, and by events hosted at the Target Center, Target Field, TCF Stadium,
and the various theaters Downtown. Renovations occurring at the Target Center
and the Nicollet Mall are anticipated to fuel economic growth in Downtown
Minneapolis, and the ongoing expansion of the Mall of America is also expected to
lure additional visitation to the Twin Cities. Furthermore, the city’s hosting of the
upcoming Super Bowl in 2018 at the new Vikings Stadium (currently under
construction) should further bolster leisure activity in Downtown Minneapolis.
Considering these factors, we forecast steady growth through 2018; however, the
excessive one-time demand expected from the Super Bowl in 2018 is anticipated
to result in a correction and lower level of leisure demand in 2019. Considering
both current and historical trends, we project demand change rates of 1.0% in
2015, 1.5% in 2016, and 2.0% in 2017. After these first three projection years, we
have forecast demand change rates of 10.0% in 2018 and -6.0% in 2019.
Conclusion

The purpose of segmenting the lodging market is to define each major type of demand, identify customer characteristics, and estimate future growth trends. Starting with an analysis of the local area, three segments were defined as representing the subject property's lodging market. Various types of economic and demographic data were then evaluated to determine their propensity to reflect changes in hotel demand. Based on this procedure, we forecast the following average annual compounded market-segment growth rates.

| FIGURE 4-17  AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES |
|-----------------|-----------------|----------------|----------------|----------------|----------------|----------------|
| Commercial      | 3.5 % | 4.0 % | 5.0 % | 4.0 % | 2.0 % | 1.0 % |
| Meeting and Group | 3.0   | 3.0   | -2.0  | 2.0   | 1.0   | 0.0   |
| Leisure         | 1.0   | 1.5   | 2.0   | 10.0  | -6.0  | 0.0   |
| Base Demand Growth | 2.9 % | 3.3 % | 2.6 % | 4.7 % | 0.1 % | 0.6 % |

Latent Demand

A table presented earlier in this section illustrated the accommodated-room-night demand in the subject property's competitive market. Because this estimate is based on historical occupancy levels, it includes only those hotel rooms that were used by guests. Latent demand reflects potential room-night demand that has not been realized by the existing competitive supply; this type of demand can be divided into unaccommodated demand and induced demand.

Unaccommodated Demand

Unaccommodated demand refers to individuals who are unable to secure accommodations in the market because all the local hotels are filled. These travelers must defer their trips, settle for less desirable accommodations, or stay in properties located outside the market area. Because this demand did not yield occupied room nights, it is not included in the estimate of historical accommodated-room-night demand. If additional lodging facilities are expected to enter the market, it is reasonable to assume that these guests will be able to secure hotel rooms in the future, and it is therefore necessary to quantify this demand.

Unaccommodated demand is further indicated if the market is at all seasonal, with distinct high and low seasons; such seasonality indicates that although year-end occupancy may not average in excess of 70%, the market sells out many nights during the year.

The following table presents our estimate of unaccommodated demand in the subject market.
Our interviews with market participants found that the market generally sells out on Tuesday, Wednesday, Friday, and Saturday nights during the peak travel season, as well as sporadically within other periods throughout the year. Special events, such as Vikings games and University of Minnesota football games, as well as graduation, regularly sell out competitive hotels. A portion of this demand, which is currently turned away, should return to the market concurrent with the supply increase. Accordingly, we have forecast unaccommodated demand equivalent to 8.7% of the base-year demand, resulting from our analysis of monthly and weekly peak demand and sell-out trends.

Induced demand represents the additional room nights that are expected to be attracted to the market following the introduction of a new demand generator. Situations that can result in induced demand include the opening of a new manufacturing plant, the expansion of a convention center, or the addition of a new hotel with a distinct chain affiliation or unique facilities. Although increases in demand are expected in the local market, we have accounted for this growth in the determination of market-segment growth rates rather than induced demand.

Based upon a review of the market dynamics in the subject property’s competitive environment, we have forecast growth rates for each market segment. Using the calculated potential demand for the market, we have determined market-wide accommodated demand based on the inherent limitations of demand fluctuations and other factors in the market area.

The following table details our projection of lodging demand growth for the subject market, including the total number of occupied room nights and any residual unaccommodated demand in the market.
### FIGURE 4-19 FORECAST OF MARKET OCCUPANCY

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Demand</td>
<td>410,379</td>
<td>426,794</td>
<td>448,134</td>
<td>466,059</td>
<td>475,380</td>
<td>480,134</td>
</tr>
<tr>
<td>Unaccommodated Demand</td>
<td>33,449</td>
<td>34,787</td>
<td>36,527</td>
<td>37,988</td>
<td>38,748</td>
<td>39,135</td>
</tr>
<tr>
<td>Total Demand</td>
<td>443,829</td>
<td>461,582</td>
<td>484,661</td>
<td>504,047</td>
<td>514,128</td>
<td>519,269</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>11.9 %</td>
<td>4.0 %</td>
<td>5.0 %</td>
<td>4.0 %</td>
<td>2.0 %</td>
<td>1.0 %</td>
</tr>
<tr>
<td><strong>Meeting and Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Demand</td>
<td>189,386</td>
<td>195,067</td>
<td>191,166</td>
<td>194,989</td>
<td>196,939</td>
<td>196,939</td>
</tr>
<tr>
<td>Unaccommodated Demand</td>
<td>8,222</td>
<td>8,469</td>
<td>8,299</td>
<td>8,465</td>
<td>8,550</td>
<td>8,550</td>
</tr>
<tr>
<td>Total Demand</td>
<td>197,607</td>
<td>203,536</td>
<td>199,465</td>
<td>203,454</td>
<td>205,489</td>
<td>205,489</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>7.5 %</td>
<td>3.0 %</td>
<td>(2.0) %</td>
<td>2.0 %</td>
<td>1.0 %</td>
<td>0.0 %</td>
</tr>
<tr>
<td><strong>Leisure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Demand</td>
<td>148,571</td>
<td>150,799</td>
<td>153,815</td>
<td>169,197</td>
<td>159,045</td>
<td>159,045</td>
</tr>
<tr>
<td>Unaccommodated Demand</td>
<td>23,528</td>
<td>23,881</td>
<td>24,359</td>
<td>26,795</td>
<td>25,187</td>
<td>25,187</td>
</tr>
<tr>
<td>Total Demand</td>
<td>172,099</td>
<td>174,680</td>
<td>178,174</td>
<td>195,991</td>
<td>184,232</td>
<td>184,232</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>17.0 %</td>
<td>1.5 %</td>
<td>2.0 %</td>
<td>10.0 %</td>
<td>(6.0) %</td>
<td>0.0 %</td>
</tr>
</tbody>
</table>

| **Overall Demand Growth** | 4.2 % | 4.6 % | 8.0 % | 0.1 % | 0.5 % |

| **Market Mix**         |       |       |       |       |       |       |
| Commercial             | 54.6 % | 55.0 % | 56.2 % | 55.8 % | 56.9 % | 57.1 % |
| Meeting and Group      | 24.3 % | 24.2 % | 23.1 % | 22.5 % | 22.7 % | 22.6 % |
| Leisure                | 21.2 % | 20.8 % | 20.7 % | 21.7 % | 20.4 % | 20.3 % |

| **Existing Hotel Supply** | 2,802 | 2,803 | 2,802 | 2,802 | 2,802 | 2,802 |

| Proposed Hotels        |       |       |       |       |       |       |
| Proposed University Limited-Service Hotel | ³ | 88 | 150 | 150 | 150 |
| Proposed Hampton Inn & Suites Downtown | ² | 142 | 211 | 211 | 211 | 211 |
| Proposed AC Hotel ¹    | ³ | 36 | 61 | 61 | 61 | 61 |
| Proposed Hampton Inn Prospect Park | ³ | 39 | 117 | 117 | 117 | 117 |
| Proposed Extended Stay Stadium Village | ³ | 78 | 155 | 155 | 155 | 155 |
| Proposed Washington Ave/Sherman Hotel | ³ | 62 | 63 | 63 | 63 |
| Proposed Holiday Inn Express | ³ | 119 | 119 | 119 | 119 |
| Additional Supply ¹ ³ | 94 | 125 | 125 | 125 |

| **Change to Existing Hotels** |       |       |       |       |       |       |
| Depot Minneapolis A Renaissance Hotel | ³ | 110 | 110 | 110 | 110 |
| Days Inn Hotel University Avenue | ³ | -119 | -130 | -130 | -130 |

| Available Rooms per Night | 1,074,425 | 1,152,323 | 1,346,713 | 1,380,613 | 1,380,613 | 1,380,613 |
| Nights per Year           | 365 | 365 | 365 | 365 | 365 | 365 |
| **Total Supply**          | 2,944 | 3,157 | 3,690 | 3,783 | 3,783 | 3,783 |
| **Rooms Supply Growth**   | 5.1 % | 7.3 % | 16.9 % | 2.5 % | 0.0 % | 0.0 % |
| **Marketwide Occupancy**  | 70.5 % | 68.8 % | 63.5 % | 65.1 % | 65.1 % | 65.4 % |

¹ Opening in June 2017 of the 100% competitive, 150-room Proposed University Limited-Service Hotel
² Opening in May 2015 of the 100% competitive, 211-room Proposed Hampton Inn & Suites Downtown
³ Opening in June 2016 of the 25% competitive, 244-room Proposed AC Hotel
⁻ Opening in September 2016 of the 100% competitive, 117-room Proposed Hampton Inn Prospect Park
⁴ Opening in July 2016 of the 100% competitive, 155-room Proposed Extended Stay Stadium Village
⁵ Opening in January 2017 of the 50% competitive, 125-room Proposed Washington Ave/Sherman Hotel
⁶ Opening in January 2017 of the 100% competitive, 119-room Proposed Holiday Inn Express
⁷ Opening in April 2017 of the 25% competitive, 500-room Additional Supply
⁻ Opening in January 2016 of the 100% competitive, Depot Minneapolis A Renaissance Hotel
² Change of room count in January 2016 of the 100% competitive, Depot Minneapolis A Renaissance Hotel
These room-night projections for the market area will be used in forecasting the proposed subject hotel's occupancy and average rate in Chapter 6.
5. Description of the Proposed Improvements

The quality of a lodging facility’s physical improvements has a direct influence on marketability, attainable occupancy, and average room rate. The design and functionality of the structure can also affect operating efficiency and overall profitability. This section investigates the subject property’s proposed physical improvements and personal property in an effort to determine how they are expected to contribute to attainable cash flows.

Project Overview

The purpose of our study is to determine the type of hotel, if any, best suited for the development. Based on our analysis of the market supply and demand, it is our recommendation that a portion of the site be improved with a limited-service lodging facility; we recommend the hotel will be affiliated with the SpringHill Suites by Marriott, or comparable well-recognized limited-service brand affiliation. Based on the Minnesota Vikings use of TCF Stadium through the end of the 2015/16 football season, we would expect that the existing Days Inn would stay open through December of 2015, with demolition to start shortly thereafter. Our projections assume the property will open by June 1, 2017.

The SpringHill Suites by Marriott brand targets corporate-transient demand during the mid-week period; however, it is also popular with weekend leisure travelers given the mix of amenities and spacious guestrooms, which are approximately 25% larger than traditional hotel rooms. Each SpringHill Suites by Marriott hotel offers a complimentary breakfast with healthy options, a market pantry, a business center, a swimming pool and whirlpool, and a fitness room. Guestrooms feature separate working and sleeping areas, and each room offers a kitchenette with mini-refrigerator, microwave, and coffeemaker. Main competitors of the SpringHill Suites by Marriott brand include Hilton Garden Inn, Country Inn & Suites, La Quinta Inn & Suites, Starwood’s Four Points by Sheraton, and Cambria Suites, among others. As of year-end 2014, there were 314 SpringHill Suites by Marriott properties (36,968 rooms) in the U.S. In 2014, the chain operated at an average occupancy level of 73.8%, with an average rate of $112.14 and a RevPAR of $82.78 for its North American properties.
Summary of the Facilities

Based on information provided by the proposed subject hotel’s development representatives, the following table summarizes the facilities that are expected to be available at the proposed subject hotel.
Once guests enter the site, ample parking is expected be available on the surface lot around the perimeter of the hotel, or in a parking structure, and will be determined based on the density of other mixed-uses on the site. Site improvements should include freestanding signage, located on the western and southern sides of the site (additional signage will be placed on the exterior of the building). We assume that all signage will adequately identify the property and meet brand standards. Planned landscaping should allow for a positive guest impression and competitive exterior appearance. Sidewalks should be present along the front entrance and around the perimeter of the hotel. Overall, the site improvements for the property are anticipated to be adequate.

The hotel structure is expected to comprise one single building, which will be constructed of steel and reinforced concrete. The exterior and roof of the hotel should be finished with material that meets brand standards, complementary to the university setting. Stairways and elevators will provide internal vertical transportation within the main structure as needed. Heating and cooling will be provided by through-the-wall units and several large units for the public areas. We

### FIGURE 5-1  PROPOSED FACILITIES SUMMARY

<table>
<thead>
<tr>
<th>Guestroom Configuration</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>150</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Food &amp; Beverage Facilities</th>
<th>Seating Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakfast Dining Area &amp; Lounge</td>
<td>TBD</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indoor Meeting &amp; Banquet Facilities</th>
<th>Square Footage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum of One Room</td>
<td>TBD</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amenities &amp; Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indoor Swimming Pool</td>
</tr>
<tr>
<td>Indoor Whirlpool</td>
</tr>
<tr>
<td>Fitness Room</td>
</tr>
<tr>
<td>Business Center</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parking Spaces</td>
</tr>
<tr>
<td>Elevators</td>
</tr>
<tr>
<td>Life-Safety Systems</td>
</tr>
<tr>
<td>Construction Details</td>
</tr>
</tbody>
</table>

Site Improvements and Hotel Structure
assume that all structural components will meet local building codes and that no significant defaults will occur during construction that would affect the future operating potential of the hotel or delay its assumed opening date.

If developed as a SpringHill Suites by Marriott, guests will enter the hotel through a single set of automatic doors, which will open directly to the lobby. The lobby should be adequate and appropriate for an upscale hotel of this nature. Per brand standards, the lobby walls will be finished with wallcovering, and the floor will be finished with stone tiles and carpet. The front desk will feature a stone countertop, installed with appropriate property management and telephone systems. The lobby area, coined the Great Room, will feature a contemporary design in line with the latest SpringHill Suites prototype and will include custom lighting, music, moveable "soft walls," and changeable graphic panels to create distinctive environments throughout the day. The furnishings and finishes in this space should offer an appropriate first impression, and the design of the space should lend itself to adequate efficiency. We assume that all property management and guestroom technology will be appropriately installed for the effective management of hotel operations.

**TYPICAL SPRINGHILL SUITES BY MARRIOTT LOBBY**

The hotel’s breakfast dining area should be located adjacent to the Great Room. Its size and layout should be appropriate for the hotel. Per SpringHill Suites by Marriott brand standards, the hotel should offer the Suite Seasons Breakfast® complimentary breakfast. The hotel should also feature a lobby lounge/bar, ESCAPE, to be centrally located within the Great Room. The furnishings of these spaces should be of a similar style and finish as lobby and guestroom furnishings.
Overall, the hotel is expected to provide a competitive offering of food and beverage facilities for a property of this type.
**Meeting and Banquet Space**

The hotel should feature at least one meeting room, to be located off of the lobby. This meeting space should be appropriate for a hotel of this type, and we assume that it will meet brand standards. Public restrooms near the entrance to the meeting space should enhance the overall functionality of the area.

**Recreational Amenities**

The hotel should also offer an indoor pool, an indoor whirlpool, and a fitness room as recreational facilities. Restrooms will be present off the pool area.

**Additional Amenities**

Other amenities should include a business center, The Market (a 24-hour pantry), and a guest laundry room, as well as a vending area near the elevator bay on each guestroom floor. Overall, the supporting facilities should be appropriate for a hotel of this type, and we assume that they will meet brand standards.

**Guestrooms**

Based on our brand recommendation of a SpringHill Suites by Marriott, we anticipate that the hotel will feature suite-style guestroom configurations. Guestrooms should be present on all levels of the property’s proposed single building. The guestroom suites will be roughly 25% larger than standard guestrooms, including separated living and sleeping areas. The typical mix of rooms for a SpringHill Suites is 67% kings and 33% queen/queen; however, given the number of sporting events and family visitors, we would recommend a higher concentration of two-bedded rooms. In addition to the typical furnishings, guestrooms will feature a flat-panel television, a sectional sofa with foldout double bed, a modular work desk and chair, and a kitchenette with a small refrigerator, a microwave, and a coffeemaker. In accordance with the new SpringHill Suites by Marriott prototype, the hotel will feature a contemporary, chic design throughout the guestroom suites. Other amenities will include an iron and ironing board, high-speed Internet access, and two telephones with data ports. Overall, the guestroom suites should offer a competitive product for this neighborhood.

Guestroom bathrooms are expected to be of a standard size, with a single sink with vanity area and either a shower-in-tub or shower-only configuration. The commode will be located adjacent to the main bathroom in a separate room with an additional vanity area. These rooms will be accessed through sleek, attractive sliding doors. The vanity areas are anticipated to feature stone countertops. The floors are expected to be finished with tile, and the walls with wallcovering. Bathroom amenities will include a hairdryer and complimentary toiletries. Overall, the bathroom design should be appropriate for a product of this type.
TYPICAL SPRINGHILL SUITES BY MARRIOTT GUESTROOM

GUESTROOM FLOOR PLANS

The interior guestroom corridors should be wide and functional, permitting the easy passage of housekeeping carts. Corridor carpet, wallcovering, signage, and lighting should be in keeping with the overall look and design of the rest of the property.
The hotel is expected to be served by the necessary back-of-the-house space, including an in-house laundry facility, administrative offices, and a kitchen to service the needs of the breakfast operation and lounge/bar. These spaces should be adequate for a hotel of this type and should allow for the efficient operation of the property under competent management.

We assume that the property will be built according to all pertinent codes and brand standards. Moreover, we assume its construction will not create any environmental hazards (such as mold) and that the property will fully comply with the Americans with Disabilities Act.

Our analysis assumes that, after its opening, the hotel will require ongoing upgrades and periodic renovations in order to maintain its competitive level in this market and to remain compliant with brand standards. These costs should be adequately funded by the forecasted reserve for replacement, as long as a successful, ongoing preventive-maintenance program is employed by hotel staff.

Because a construction budget is not yet in place, we have relied on estimates provided by Marriott International for construction costs of a prototypical SpringHill Suites. In addition to their cost estimates of approximately $100,000 for hard costs and FF&E, as shown in the following table, we have incorporated an additional $50,000 per room to account for land costs, pre-opening, and working capital expenses, to result in a total estimated cost of $150,000 per room. It is important to note that we are not professional cost estimators, and highly recommend the engagement of a professional cost estimator/contractor for a more accurate estimate prior to proceeding with this project.
FIGURE 5-2 SPRINGHILL SUITES BY MARRIOTT PROTOTYPICAL COST BUDGET

<table>
<thead>
<tr>
<th>Category</th>
<th>Gen 3</th>
<th>Gen 4.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Contractor Cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Requirements</td>
<td>1,396,500</td>
<td>1,264,000</td>
</tr>
<tr>
<td>Contingencies</td>
<td>3,600,000</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Subtenants</td>
<td>77,600</td>
<td>64,000</td>
</tr>
<tr>
<td>Deferred</td>
<td>31,000</td>
<td>28,000</td>
</tr>
<tr>
<td>Work in Progress</td>
<td>3,500,000</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Utilities</td>
<td>73,000</td>
<td>69,000</td>
</tr>
<tr>
<td>Property &amp; Fixtures</td>
<td>1,176,000</td>
<td>1,064,000</td>
</tr>
<tr>
<td>Furniture</td>
<td>1,414,000</td>
<td>1,278,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>1,428,000</td>
<td>1,246,000</td>
</tr>
<tr>
<td>Fixtures</td>
<td>1,386,000</td>
<td>1,246,000</td>
</tr>
<tr>
<td>Electrical</td>
<td>20,000</td>
<td>17,000</td>
</tr>
<tr>
<td>Total</td>
<td>8,715,000</td>
<td>8,035,000</td>
</tr>
</tbody>
</table>

Owner's Supply Items
- 133,000 | 100,000 |
- 1,064 | 1,022 |

Incentive Construction Costs
- 123,000 | 98,000 |
- 944 | 915 |

Building Permit, Utility Tap and Impact Fees
- 445,000 | 378,000 |
- 5,000 | 4,000 |

Total: 10,635,000 | 8,035,000 |

Subtotal Category 2-7: 12,389,800 | 9,841,800 |

Piping Management - Internal
- 200,000 | 200,000 |

Design Management - Internal
- 68,000 | 68,000 |

Total Target Costs: 13,035,800 | 10,409,800 |

LEED Cost
- 2,000,000 | 1,600,000 |

Total Before Incentives: 15,035,800 | 12,009,800 |

Indoor Pool

<table>
<thead>
<tr>
<th>Parameter Quantity</th>
<th>70,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 2 - Building</td>
<td>20,000</td>
</tr>
<tr>
<td>Category 3 - HVAC/Plumbing</td>
<td>30,000</td>
</tr>
<tr>
<td>Category 4 - Fire Protection/Security</td>
<td>50,000</td>
</tr>
<tr>
<td>Category 5 - Energy Efficiency</td>
<td>10,000</td>
</tr>
<tr>
<td>Category 6 - Site &amp; Utilities</td>
<td>20,000</td>
</tr>
<tr>
<td>Category 7 - Off Design Fee</td>
<td>50,000</td>
</tr>
</tbody>
</table>

Subtotal Category 2-7: 12,050,800 | 12,708,000 |

Piping Management - Internal
- 200,000 | 200,000 |

Design Management - Internal
- 68,000 | 68,000 |

Total Project: 12,300,800 | 12,776,000 |
Overall, the proposed subject hotel should offer a well-designed, functional layout of support areas and guestrooms. All typical and market-appropriate features and amenities are expected to be included in the hotel’s design. We assume that the building will be fully open and operational on the stipulated opening date and will meet all local building codes and brand standards. Furthermore, we assume that the hotel staff will be adequately trained to allow for a successful opening and that pre-marketing efforts will have introduced the product to major local accounts at least six months in advance of the opening date.
6. Projection of Occupancy and Average Rate

Along with average rate results, the occupancy levels achieved by a hotel are the foundation of the property's financial performance and market value. Most of a lodging facility's other revenue sources (such as food, beverages, other operated departments, and rentals and other income) are driven by the number of guests, and many expense levels vary with occupancy. To a certain degree, occupancy attainment can be manipulated by management. For example, hotel operators may choose to lower rates in an effort to maximize occupancy. Our forecasts reflect an operating strategy that we believe would be implemented by a typical, professional hotel management team to achieve an optimal mix of occupancy and average rate.

The subject property's forecasted market share and occupancy levels are based upon its anticipated competitive position within the market, as quantified by its penetration rate. The penetration rate is the ratio of a property's market share to its fair share. A complete discussion of the concept of penetration is presented in the addenda.

Penetration Rate Analysis

In the following table, the penetration rates attained by the primary competitors and the aggregate secondary competitors are set forth for each segment for the base year.

Historical Penetration Rates by Market Segment
The Aloft Minneapolis achieved the highest penetration rates within the commercial segment. The highest penetration rate in the meeting and group segment was achieved by the Days Inn Hotel University Avenue, while the Residence Inn by Marriott Minneapolis Downtown at The Depot led the market with the highest leisure penetration rate.

Because the supply and demand balance for the competitive market is dynamic, there is a circular relationship between the penetration factors of each hotel in the market. The performance of individual new hotels has a direct effect upon the aggregate performance of the market, and consequently upon the calculated penetration factor for each hotel in each market segment. The same is true when the performance of existing hotels changes, either positively (following a refurbishment, for example) or negatively (when a poorly maintained or marketed hotel loses market share).

A hotel’s penetration factor is calculated as its achieved market share of demand divided by its fair share of demand. Thus, if one hotel’s penetration performance increases, thereby increasing its achieved market share, this leaves less demand for the other hotels in the market.
available in the market for the other hotels to capture and the penetration performance of one or more of those other hotels consequently declines (other things remaining equal). This type of market share adjustment takes place every time there is a change in supply, or a change in the relative penetration performance of one or more hotels in the competitive market.

Our projections of penetration, demand capture, and occupancy performance for the subject property account for these types of adjustments to market share within the defined competitive market. Consequently, the actual penetration factors applicable to the subject property and its competitors for each market segment in each projection year may vary somewhat from the penetration factors delineated in the previous tables.

The following tables set forth, by market segment, the projected adjusted penetration rates for the proposed subject hotel and each hotel in the competitive set.

**FIGURE 6-2 COMMERCIAL SEGMENT ADJUSTED PENETRATION RATES**

<table>
<thead>
<tr>
<th>Hotel</th>
<th>2014 %</th>
<th>2015 %</th>
<th>2016 %</th>
<th>2017 %</th>
<th>2018 %</th>
<th>2019 %</th>
<th>2020 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Days Inn Hotel University Avenue</td>
<td>56</td>
<td>56</td>
<td>55</td>
<td>44</td>
<td>44</td>
<td>43</td>
<td>43</td>
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<tr>
<td>Commons Hotel Minneapolis</td>
<td>44</td>
<td>45</td>
<td>44</td>
<td>44</td>
<td>43</td>
<td>43</td>
<td>43</td>
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<tr>
<td>University Inn Minneapolis</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>74</td>
<td>74</td>
<td>74</td>
<td></td>
</tr>
<tr>
<td>Courtyard Minneapolis Downtown</td>
<td>107</td>
<td>107</td>
<td>106</td>
<td>105</td>
<td>104</td>
<td>104</td>
<td></td>
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<tr>
<td>Aloft Minneapolis</td>
<td>132</td>
<td>133</td>
<td>131</td>
<td>131</td>
<td>129</td>
<td>129</td>
<td></td>
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<tr>
<td>Best Western Downtown</td>
<td>77</td>
<td>78</td>
<td>77</td>
<td>76</td>
<td>76</td>
<td>76</td>
<td></td>
</tr>
<tr>
<td>Hyatt Place Minneapolis Downtown</td>
<td>128</td>
<td>128</td>
<td>126</td>
<td>126</td>
<td>125</td>
<td>125</td>
<td></td>
</tr>
<tr>
<td>Hilton Garden Inn Minneapolis Downtown</td>
<td>115</td>
<td>115</td>
<td>113</td>
<td>114</td>
<td>112</td>
<td>112</td>
<td></td>
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<tr>
<td>Crowne Plaza Minneapolis Northstar Downtown</td>
<td>124</td>
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<td>123</td>
<td>122</td>
<td>121</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holiday Inn Express Minneapolis Conference Center</td>
<td>112</td>
<td>112</td>
<td>111</td>
<td>111</td>
<td>110</td>
<td>110</td>
<td></td>
</tr>
<tr>
<td>Ramada Plaza Minneapolis</td>
<td>67</td>
<td>67</td>
<td>66</td>
<td>66</td>
<td>66</td>
<td>66</td>
<td></td>
</tr>
<tr>
<td>Residence Inn by Marriott Minneapolis Downtown at The Depot</td>
<td>132</td>
<td>132</td>
<td>130</td>
<td>130</td>
<td>129</td>
<td>129</td>
<td></td>
</tr>
<tr>
<td>Hotel Minneapolis Autograph Collection</td>
<td>127</td>
<td>127</td>
<td>126</td>
<td>126</td>
<td>125</td>
<td>124</td>
<td>124</td>
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<tr>
<td>Depot Minneapolis A Renaissance Hotel</td>
<td>116</td>
<td>116</td>
<td>115</td>
<td>115</td>
<td>114</td>
<td>113</td>
<td>113</td>
</tr>
<tr>
<td>Sheraton Midtown Minneapolis</td>
<td>104</td>
<td>104</td>
<td>103</td>
<td>103</td>
<td>102</td>
<td>101</td>
<td>101</td>
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<tr>
<td>Proposed University Limited-Service Hotel</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>70</td>
<td>74</td>
<td>78</td>
<td>78</td>
</tr>
<tr>
<td>Proposed Hampton Inn &amp; Suites Downtown</td>
<td>—</td>
<td>95</td>
<td>104</td>
<td>114</td>
<td>113</td>
<td>112</td>
<td>112</td>
</tr>
<tr>
<td>Proposed AC Hotel</td>
<td>—</td>
<td>—</td>
<td>104</td>
<td>114</td>
<td>118</td>
<td>117</td>
<td>117</td>
</tr>
<tr>
<td>Proposed Hampton Inn Prospect Park</td>
<td>—</td>
<td>—</td>
<td>69</td>
<td>80</td>
<td>84</td>
<td>83</td>
<td>83</td>
</tr>
<tr>
<td>Proposed Extended Stay Stadium Village</td>
<td>—</td>
<td>—</td>
<td>50</td>
<td>70</td>
<td>74</td>
<td>73</td>
<td>73</td>
</tr>
<tr>
<td>Proposed Washington Ave/Sherman Hotel</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>109</td>
<td>118</td>
<td>127</td>
<td></td>
</tr>
<tr>
<td>Proposed Holiday Inn Express</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>94</td>
<td>103</td>
<td>112</td>
<td>112</td>
</tr>
<tr>
<td>Additional Supply</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>99</td>
<td>108</td>
<td>112</td>
<td>112</td>
</tr>
</tbody>
</table>

Within the commercial segment, the proposed subject hotel’s occupancy penetration is positioned at a slightly below-market-average level by the stabilized period due to its somewhat distanced location from Downtown Minneapolis. However, the proposed subject hotel is expected to outperform the nearby...
Commons Hotel in the commercial market segment because of its strong franchise affiliation.

### FIGURE 6-3  MEETING AND GROUP SEGMENT ADJUSTED PENETRATION RATES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Days Inn Hotel University Avenue</td>
<td>200 %</td>
<td>204 %</td>
<td>212 %</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commons Hotel Minneapolis</td>
<td>192</td>
<td>196</td>
<td>203</td>
<td>203 %</td>
<td>199 %</td>
<td>198 %</td>
<td>198 %</td>
</tr>
<tr>
<td>University Inn Minneapolis</td>
<td>122</td>
<td>124</td>
<td>129</td>
<td>129</td>
<td>126</td>
<td>125</td>
<td>125</td>
</tr>
<tr>
<td>Courtyard Minneapolis Downtown</td>
<td>77</td>
<td>78</td>
<td>81</td>
<td>81</td>
<td>80</td>
<td>79</td>
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<tr>
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<td>71</td>
<td>71</td>
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<td>39</td>
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<tr>
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<td>88</td>
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<td>91</td>
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<td>60</td>
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<tr>
<td>Residence Inn by Marriott Minneapolis Downtown at The Depot</td>
<td>47</td>
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<td>50</td>
<td>50</td>
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<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Hotel Minneapolis Autograph Collection</td>
<td>137</td>
<td>140</td>
<td>145</td>
<td>145</td>
<td>142</td>
<td>141</td>
<td>141</td>
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<tr>
<td>Depot Minneapolis A Renaissance Hotel</td>
<td>125</td>
<td>128</td>
<td>133</td>
<td>132</td>
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<td>129</td>
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<tr>
<td>Sheraton Midtown Minneapolis</td>
<td>56</td>
<td>57</td>
<td>59</td>
<td>59</td>
<td>58</td>
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<tr>
<td>Proposed University Limited-Service Hotel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proposed Hampton Inn &amp; Suites Downtown</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>169</td>
<td>171</td>
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<tr>
<td>Proposed Extended Stay Stadium Village</td>
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<td>106</td>
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<td>114</td>
<td>113</td>
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<tr>
<td>Proposed Washington Ave/Sherman Hotel</td>
<td>—</td>
<td>—</td>
<td>90</td>
<td>95</td>
<td>98</td>
<td>98</td>
<td>98</td>
</tr>
<tr>
<td>Proposed Holiday Inn Express</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>74</td>
<td>78</td>
<td>82</td>
<td>82</td>
</tr>
<tr>
<td>Additional Supply</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>85</td>
<td>88</td>
<td>93</td>
<td>93</td>
</tr>
</tbody>
</table>

SpringHill Suites by Marriott and comparable limited-service hotels are not known for group accommodations; however, this property will be located proximate to the University of Minnesota. As noted previously, area hotels benefit from significant demand during athletic games and numerous special events. Therefore, this factor, in addition to the proposed subject hotel’s all-suite accommodations, should lead to a strong meeting and group penetration level.
The proposed subject hotel should benefit from a strong amount of leisure demand during the peak season and weekends, considering its proximity to the University of Minnesota, TCF Stadium, and the Green Line light-rail stop. With the proposed subject hotel's location being so favorable to weekend uses, we would anticipate the hotel to experience high levels of peak weekends, with weekend-transient leisure supplemented by some weekend group. Any visitors to University of Minneapolis that have a preference for a franchise-affiliated property are expected to see the proposed SpringHill Suites as a lodging choice within walking distance of the campus. The proposed subject hotel is forecast to realize a leisure penetration level above fair share by the stabilized year.

These positioned segment penetration rates result in the following market segmentation forecast.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Days Inn Hotel University Avenue</td>
<td>100 %</td>
<td>100 %</td>
<td>102 %</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commons Hotel Minneapolis</td>
<td>120</td>
<td>120</td>
<td>122</td>
<td>121 %</td>
<td>120 %</td>
<td>119 %</td>
<td>119 %</td>
</tr>
<tr>
<td>University Inn Minneapolis</td>
<td>152</td>
<td>152</td>
<td>155</td>
<td>154</td>
<td>152</td>
<td>151</td>
<td>151</td>
</tr>
<tr>
<td>Courtyard Minneapolis Downtown</td>
<td>96</td>
<td>96</td>
<td>98</td>
<td>97</td>
<td>96</td>
<td>95</td>
<td>95</td>
</tr>
<tr>
<td>Aloft Minneapolis</td>
<td>137</td>
<td>137</td>
<td>140</td>
<td>139</td>
<td>137</td>
<td>136</td>
<td>136</td>
</tr>
<tr>
<td>Best Western Downtown</td>
<td>125</td>
<td>125</td>
<td>127</td>
<td>126</td>
<td>125</td>
<td>124</td>
<td>124</td>
</tr>
<tr>
<td>Hyatt Place Minneapolis Downtown</td>
<td>69</td>
<td>69</td>
<td>70</td>
<td>70</td>
<td>69</td>
<td>68</td>
<td>68</td>
</tr>
<tr>
<td>Hilton Garden Inn Minneapolis Downtown</td>
<td>103</td>
<td>103</td>
<td>105</td>
<td>104</td>
<td>103</td>
<td>102</td>
<td>102</td>
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<td>57</td>
<td>56</td>
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<td>55</td>
<td>55</td>
</tr>
<tr>
<td>Holiday Inn Express Minneapolis Conference Center</td>
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<td>140</td>
<td>139</td>
<td>137</td>
<td>136</td>
<td>136</td>
</tr>
<tr>
<td>Ramada Plaza Minneapolis</td>
<td>108</td>
<td>108</td>
<td>110</td>
<td>110</td>
<td>108</td>
<td>108</td>
<td>108</td>
</tr>
<tr>
<td>Residence Inn by Marriott Minneapolis Downtown at The Depot</td>
<td>177</td>
<td>177</td>
<td>180</td>
<td>179</td>
<td>177</td>
<td>176</td>
<td>176</td>
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<tr>
<td>Hotel Minneapolis Autograph Collection</td>
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<td>57</td>
<td>58</td>
<td>58</td>
<td>57</td>
<td>57</td>
<td>57</td>
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<tr>
<td>Depot Minneapolis A Renaissance Hotel</td>
<td>52</td>
<td>52</td>
<td>53</td>
<td>53</td>
<td>52</td>
<td>52</td>
<td>52</td>
</tr>
<tr>
<td>Sheraton Midtown Minneapolis</td>
<td>116</td>
<td>116</td>
<td>118</td>
<td>118</td>
<td>116</td>
<td>115</td>
<td>115</td>
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<tr>
<td>Proposed University Limited-Service Hotel</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>111</td>
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<td>Proposed Hampton Inn &amp; Suites Downtown</td>
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<td>107</td>
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<td>—</td>
<td>91</td>
<td>96</td>
<td>100</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>Proposed Hampton Inn Prospect Park</td>
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<td>—</td>
<td>102</td>
<td>106</td>
<td>110</td>
<td>109</td>
<td>109</td>
</tr>
<tr>
<td>Proposed Extended Stay Stadium Village</td>
<td>—</td>
<td>—</td>
<td>97</td>
<td>101</td>
<td>100</td>
<td>99</td>
<td>99</td>
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<tr>
<td>Proposed Washington Ave/Sherman Hotel</td>
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<td>—</td>
<td>101</td>
<td>105</td>
<td>109</td>
<td>109</td>
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<tr>
<td>Proposed Holiday Inn Express</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>101</td>
<td>110</td>
<td>119</td>
<td>119</td>
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<td>Additional Supply</td>
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<td>—</td>
<td>—</td>
<td>81</td>
<td>90</td>
<td>94</td>
<td>94</td>
</tr>
</tbody>
</table>

The proposed subject hotel should benefit from a strong amount of leisure demand during the peak season and weekends, considering its proximity to the University of Minnesota, TCF Stadium, and the Green Line light-rail stop. With the proposed subject hotel's location being so favorable to weekend uses, we would anticipate the hotel to experience high levels of peak weekends, with weekend-transient leisure supplemented by some weekend group. Any visitors to University of Minneapolis that have a preference for a franchise-affiliated property are expected to see the proposed SpringHill Suites as a lodging choice within walking distance of the campus. The proposed subject hotel is forecast to realize a leisure penetration level above fair share by the stabilized year.

These positioned segment penetration rates result in the following market segmentation forecast.
The proposed subject hotel's occupancy forecast is set forth as follows, with the adjusted projected penetration rates used as a basis for calculating the amount of captured market demand.

<table>
<thead>
<tr>
<th>Segment</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>39%</td>
<td>39%</td>
<td>41%</td>
<td>41%</td>
</tr>
<tr>
<td>Meeting and Group</td>
<td>39%</td>
<td>37%</td>
<td>37%</td>
<td>37%</td>
</tr>
<tr>
<td>Leisure</td>
<td>23%</td>
<td>24%</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Based on our analysis of the proposed subject hotel and market area, we have selected a stabilized occupancy level of 71%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life, given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the subject property may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.
**Average Rate Analysis**

One of the most important considerations in estimating the value of a lodging facility is a supportable forecast of its attainable average rate, which is more formally defined as the average rate per occupied room. Average rate can be calculated by dividing the total rooms revenue achieved during a specified period by the number of rooms sold during the same period. The projected average rate and the anticipated occupancy percentage are used to forecast rooms revenue, which in turn provides the basis for estimating most other income and expense categories.

**Competitive Position**

Although the average rate analysis presented here follows the occupancy projection, these two statistics are highly correlated; in reality, one cannot project occupancy without making specific assumptions regarding average rate. This relationship is best illustrated by revenue per available room (RevPAR), which reflects a property’s ability to maximize rooms revenue. The following table summarizes the historical average rate and the RevPAR of the subject property's future primary competitors.

**FIGURE 6-7 BASE-YEAR AVERAGE RATE AND REVPAR OF THE COMPETITORS**

<table>
<thead>
<tr>
<th>Property</th>
<th>Estimated 2014 Average Room Rate</th>
<th>Average Room Rate Penetration</th>
<th>Rooms Revenue Per Available Room (RevPAR)</th>
<th>RevPAR Penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Days Inn Hotel University Avenue</td>
<td>$91.00</td>
<td>71.2 %</td>
<td>$65.52</td>
<td>72.1 %</td>
</tr>
<tr>
<td>Commons Hotel Minneapolis</td>
<td>137.00</td>
<td>107.2</td>
<td>94.53</td>
<td>104.0</td>
</tr>
<tr>
<td>University Inn Minneapolis</td>
<td>90.00</td>
<td>70.4</td>
<td>65.70</td>
<td>72.3</td>
</tr>
<tr>
<td>Courtyard Minneapolis Downtown</td>
<td>138.00</td>
<td>108.0</td>
<td>95.22</td>
<td>104.7</td>
</tr>
<tr>
<td>Aloft Minneapolis</td>
<td>121.00</td>
<td>94.7</td>
<td>95.59</td>
<td>105.2</td>
</tr>
<tr>
<td>Best Western Downtown</td>
<td>113.00</td>
<td>88.4</td>
<td>67.80</td>
<td>74.6</td>
</tr>
<tr>
<td>Hyatt Place Minneapolis Downtown</td>
<td>131.00</td>
<td>102.5</td>
<td>86.46</td>
<td>95.1</td>
</tr>
<tr>
<td>Hilton Garden Inn Minneapolis Downtown</td>
<td>137.00</td>
<td>107.2</td>
<td>101.38</td>
<td>111.5</td>
</tr>
<tr>
<td>Crowne Plaza Minneapolis Northstar Downtown</td>
<td>125.00</td>
<td>97.8</td>
<td>100.00</td>
<td>110.0</td>
</tr>
<tr>
<td>Holiday Inn Express Minneapolis Conference Center</td>
<td>122.00</td>
<td>95.5</td>
<td>96.38</td>
<td>106.0</td>
</tr>
<tr>
<td>Ramada Plaza Minneapolis</td>
<td>90.00</td>
<td>70.4</td>
<td>46.80</td>
<td>51.5</td>
</tr>
<tr>
<td>Residence Inn by Marriott Minneapolis Downtown at The Depot</td>
<td>119.00</td>
<td>93.1</td>
<td>101.15</td>
<td>111.3</td>
</tr>
<tr>
<td>Hotel Minneapolis Autograph Collection</td>
<td>157.00</td>
<td>122.8</td>
<td>128.74</td>
<td>141.6</td>
</tr>
<tr>
<td>Depot Minneapolis A Renaissance Hotel</td>
<td>144.00</td>
<td>112.7</td>
<td>108.00</td>
<td>118.8</td>
</tr>
<tr>
<td>Sheraton Midtown Minneapolis</td>
<td>132.00</td>
<td>103.3</td>
<td>88.44</td>
<td>97.3</td>
</tr>
<tr>
<td><strong>Overall Average</strong></td>
<td><strong>$127.80</strong></td>
<td></td>
<td><strong>$90.91</strong></td>
<td></td>
</tr>
</tbody>
</table>

The defined competitive market realized an overall average rate of $127.80 in the 2014 base year, improving from the 2013 level of $119.57. The Hotel Minneapolis achieved the highest estimated average rate in the local competitive market, by a
significant margin, because of its upscale amenities and popularity with Marriott-loyal corporate travelers. Other important rate aspects of this market include proximity to Target headquarters, skyway connectivity, and brand affiliation. The selected rate position for the proposed subject hotel, in base-year dollars, takes into consideration factors such as its location on the campus of the University of Minnesota, its brand affiliation, and its all-suite product offering. We have selected the rate position of $121.00, in base-year dollars, for the proposed subject hotel.

Market-wide rates began to trend upward in 2011, realizing very strong levels in 2013 and 2014. It is important to note that the substantial rate growth in 2014 was fueled by three significant events during the summer, including the MLB All-Star Game. We expect average rates to continue to improve, as hoteliers are anticipated to shift their focus toward more aggressive rate growth, owing to the market surpassing peak demand levels, albeit at slightly lower levels as new supply enters the market. We forecast strong rate growth in 2018 given the city’s hosting of the Super Bowl that year.

Based on these considerations, the following table illustrates the projected average rate and the growth rates assumed. As a context for the average rate growth factors, note that we have applied underlying inflation rates of 2.0%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2013.

As illustrated above, a 5.0% rate of change is expected for the subject property’s positioned 2014 room rate in 2015. This is followed by growth rates of 4.0% and 3.0% in 2016 and 2017, respectively. The competitive submarket should realize continued rate growth through the near term due to strong corporate travel and higher-rated leisure business during peak visitation months. The proposed subject hotel’s rate position should reflect growth similar to market trends because of its

<table>
<thead>
<tr>
<th>Year</th>
<th>Area-wide Market (Calendar Year)</th>
<th>Subject Property (Calendar Year)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Occupancy</td>
<td>Average Rate</td>
</tr>
<tr>
<td>Base Year</td>
<td>71.1 %</td>
<td>134.19</td>
</tr>
<tr>
<td>2015</td>
<td>70.5</td>
<td>4.0</td>
</tr>
<tr>
<td>2016</td>
<td>68.8</td>
<td>3.0</td>
</tr>
<tr>
<td>2017</td>
<td>63.5</td>
<td>5.0</td>
</tr>
<tr>
<td>2018</td>
<td>65.1</td>
<td>6.0</td>
</tr>
<tr>
<td>2019</td>
<td>65.1</td>
<td>4.0</td>
</tr>
<tr>
<td>2020</td>
<td>65.4</td>
<td>3.0</td>
</tr>
</tbody>
</table>
new upscale facility, all-suite accommodations, anticipated strong brand affiliation, and service level. The proposed subject hotel’s penetration rate is forecast to reach 94.7% by the stabilized period.

The North American lodging market bottomed out in late 2009, at which time demand rebounded and the supply pipeline diminished. In 2010, occupancy rebounded strongly, and by 2011, average rates in most U.S. markets showed increases. By year-end 2014, occupancy approached the levels realized during the 1994–1996 timeframe, and average rate remained well above the prior 2008 peak. In many primary markets, strong occupancy levels and a lack of new supply are allowing hotel operators to make continued, aggressive average rate gains in 2015. While average rate growth is strong in some secondary and tertiary markets, it may be limited in the near term by the entrance of new supply. With demand now recovered from the correction in 2009, and new supply remaining muted in 2015 and 2016, markets should be able to support continued, healthy average rate gains in the near term.

The following occupancies and average rates will be used to project the subject property’s rooms revenue; this forecast reflects years beginning on June 1, 2017, which corresponds with our financial projections.

**FIGURE 6-9 FORECASTS OF OCCUPANCY, AVERAGE RATE, AND REVPAR**

<table>
<thead>
<tr>
<th>Year</th>
<th>Occupancy</th>
<th>Average Rate</th>
<th>RevPAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017/18</td>
<td>66 %</td>
<td>$139.47</td>
<td>$92.05</td>
</tr>
<tr>
<td>2018/19</td>
<td>69</td>
<td>146.65</td>
<td>101.19</td>
</tr>
<tr>
<td>2019/20</td>
<td>71</td>
<td>151.89</td>
<td>107.85</td>
</tr>
</tbody>
</table>
7. **Projection of Income and Expense**

In this chapter of our report, we have compiled a forecast of income and expense for the proposed subject hotel. This forecast is based on the facilities program set forth previously, as well as the occupancy and average rate forecast discussed previously.

The forecast of income and expense is expressed in current dollars for each year. The stabilized year is intended to reflect the anticipated operating results of the property over its remaining economic life, given any or all applicable stages of build-up, plateau, and decline in the life cycle of the hotel. Thus, income and expense estimates from the stabilized year forward exclude from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusual revenues or expenses. The ten-year period reflects the typical holding period of large real estate assets such as hotels. In addition, the ten-year period provides for the stabilization of income streams and comparison of yields with alternate types of real estate. The forecasted income streams reflect the future benefits of owning specific rights in income-producing real estate.

In order to project future income and expense for the proposed subject hotel, we have included a sample of individual comparable operating statements from our database of hotel statistics. All financial data are presented according to the three most common measures of industry performance: ratio to sales (RTS), amounts per available room (PAR), and amounts per occupied room night (POR). These historical income and expense statements will be used as benchmarks in our forthcoming forecast of income and expense.
FIGURE 7-1   COMPARABLE OPERATING STATEMENTS: RATIO TO SALES

<table>
<thead>
<tr>
<th></th>
<th>Comp 1</th>
<th>Comp 2</th>
<th>Comp 3</th>
<th>Comp 4</th>
<th>Comp 5</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stabilized $</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Year:</strong></td>
<td>2010</td>
<td>2013/14</td>
<td>2012/13</td>
<td>2012</td>
<td>2013/14</td>
<td>2014</td>
</tr>
<tr>
<td><strong>Number of Rooms:</strong></td>
<td>150 to 200</td>
<td>110 to 150</td>
<td>180 to 230</td>
<td>110 to 150</td>
<td>130 to 170</td>
<td>150</td>
</tr>
<tr>
<td><strong>Days Open:</strong></td>
<td>365</td>
<td>365</td>
<td>365</td>
<td>366</td>
<td>365</td>
<td>365</td>
</tr>
<tr>
<td><strong>Occupancy:</strong></td>
<td>72%</td>
<td>69%</td>
<td>72%</td>
<td>72%</td>
<td>71%</td>
<td>71%</td>
</tr>
<tr>
<td><strong>Average Rate:</strong></td>
<td>$115</td>
<td>$128</td>
<td>$139</td>
<td>$114</td>
<td>$126</td>
<td>$131</td>
</tr>
<tr>
<td><strong>RevPAR:</strong></td>
<td>$83</td>
<td>$89</td>
<td>$100</td>
<td>$82</td>
<td>$90</td>
<td>$93</td>
</tr>
</tbody>
</table>

**REVENUE**

<table>
<thead>
<tr>
<th></th>
<th>Rooms</th>
<th>Food &amp; Beverage</th>
<th>Other Operated Departments</th>
<th>Rentals &amp; Other Income</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>%</strong></td>
<td>96.0</td>
<td>98.8</td>
<td>92.8</td>
<td>98.1</td>
<td>100.0</td>
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<tr>
<td><strong>Stabilized $</strong></td>
<td>98.8</td>
<td>92.8</td>
<td>98.1</td>
<td>94.6</td>
<td>97.2</td>
</tr>
</tbody>
</table>

**DEPARTMENTAL EXPENSES***

<table>
<thead>
<tr>
<th></th>
<th>Rooms</th>
<th>Food &amp; Beverage</th>
<th>Other Operated Departments</th>
<th>Rentals &amp; Other Income</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>%</strong></td>
<td>20.6</td>
<td>0.0</td>
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<tr>
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<td>21.0</td>
<td>21.0</td>
<td>21.0</td>
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**DEPARTMENTAL INCOME**

<table>
<thead>
<tr>
<th></th>
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<th>Food &amp; Beverage</th>
<th>Other Operated Departments</th>
<th>Rentals &amp; Other Income</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$</strong></td>
<td>78.7</td>
<td>79.7</td>
<td>75.4</td>
<td>79.3</td>
<td>77.6</td>
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**OPERATING EXPENSES**

<table>
<thead>
<tr>
<th></th>
<th>Administrative &amp; General</th>
<th>Marketing</th>
<th>Franchise Fee</th>
<th>Property Operations &amp; Maintenance</th>
<th>Utilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>%</strong></td>
<td>8.6</td>
<td>3.5</td>
<td>7.4</td>
<td>5.3</td>
<td>3.2</td>
<td>28.0</td>
</tr>
<tr>
<td><strong>Stabilized $</strong></td>
<td>7.6</td>
<td>4.0</td>
<td>7.3</td>
<td>3.6</td>
<td>3.7</td>
<td></td>
</tr>
</tbody>
</table>

**HOUSE PROFIT**

<table>
<thead>
<tr>
<th></th>
<th>Rooms</th>
<th>Food &amp; Beverage</th>
<th>Other Operated Departments</th>
<th>Rentals &amp; Other Income</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$</strong></td>
<td>50.7</td>
<td>51.6</td>
<td>53.0</td>
<td>50.3</td>
<td>51.5</td>
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</table>

**INCOME BEFORE FIXED CHARGES**

<table>
<thead>
<tr>
<th></th>
<th>Rooms</th>
<th>Food &amp; Beverage</th>
<th>Other Operated Departments</th>
<th>Rentals &amp; Other Income</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$</strong></td>
<td>48.7</td>
<td>49.6</td>
<td>46.0</td>
<td>46.3</td>
<td>48.5</td>
</tr>
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</table>

*Departmental expense ratios are expressed as a percentage of departmental revenues.
### FIGURE 7-2 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER AVAILABLE ROOM

<table>
<thead>
<tr>
<th>Subject</th>
<th>Comp 1</th>
<th>Comp 2</th>
<th>Comp 3</th>
<th>Comp 4</th>
<th>Comp 5</th>
<th>Stabilized $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Rooms:</td>
<td>150 to 200</td>
<td>110 to 150</td>
<td>180 to 230</td>
<td>110 to 150</td>
<td>130 to 170</td>
<td>150</td>
</tr>
<tr>
<td>Days Open:</td>
<td>365</td>
<td>365</td>
<td>365</td>
<td>366</td>
<td>365</td>
<td>365</td>
</tr>
<tr>
<td>Occupancy:</td>
<td>72%</td>
<td>69%</td>
<td>72%</td>
<td>72%</td>
<td>71%</td>
<td>71%</td>
</tr>
<tr>
<td>Average Rate:</td>
<td>$115</td>
<td>$128</td>
<td>$139</td>
<td>$114</td>
<td>$126</td>
<td>$131</td>
</tr>
<tr>
<td>RevPAR:</td>
<td>$83</td>
<td>$89</td>
<td>$100</td>
<td>$82</td>
<td>$90</td>
<td>$93</td>
</tr>
</tbody>
</table>

#### REVENUE

<table>
<thead>
<tr>
<th>Department</th>
<th>Comp 1</th>
<th>Comp 2</th>
<th>Comp 3</th>
<th>Comp 4</th>
<th>Comp 5</th>
<th>Stabilized $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rooms</td>
<td>$30,260</td>
<td>$32,489</td>
<td>$36,384</td>
<td>$30,062</td>
<td>$32,807</td>
<td>$33,955</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>0</td>
<td>0</td>
<td>521</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Operated Departments</td>
<td>694</td>
<td>389</td>
<td>15</td>
<td>538</td>
<td>1,878</td>
<td>905</td>
</tr>
<tr>
<td>Rentals &amp; Other Income</td>
<td>578</td>
<td>0</td>
<td>2,283</td>
<td>34</td>
<td>0</td>
<td>65</td>
</tr>
<tr>
<td>Total</td>
<td>31,532</td>
<td>32,878</td>
<td>39,203</td>
<td>30,633</td>
<td>34,685</td>
<td>34,925</td>
</tr>
</tbody>
</table>

#### DEPARTMENTAL EXPENSES

<table>
<thead>
<tr>
<th>Department</th>
<th>Comp 1</th>
<th>Comp 2</th>
<th>Comp 3</th>
<th>Comp 4</th>
<th>Comp 5</th>
<th>Stabilized $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rooms</td>
<td>6,220</td>
<td>6,316</td>
<td>9,211</td>
<td>6,010</td>
<td>7,280</td>
<td>7,131</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>0</td>
<td>0</td>
<td>144</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Operated Departments</td>
<td>503</td>
<td>372</td>
<td>139</td>
<td>339</td>
<td>1,344</td>
<td>679</td>
</tr>
<tr>
<td>Rentals &amp; Other Income</td>
<td>0</td>
<td>0</td>
<td>144</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>6,723</td>
<td>6,687</td>
<td>9,639</td>
<td>6,350</td>
<td>8,624</td>
<td>7,809</td>
</tr>
</tbody>
</table>

#### DEPARTMENTAL INCOME

<table>
<thead>
<tr>
<th>Department</th>
<th>Comp 1</th>
<th>Comp 2</th>
<th>Comp 3</th>
<th>Comp 4</th>
<th>Comp 5</th>
<th>Stabilized $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative &amp; General</td>
<td>2,711</td>
<td>2,523</td>
<td>3,096</td>
<td>2,013</td>
<td>2,667</td>
<td>2,644</td>
</tr>
<tr>
<td>Marketing</td>
<td>1,104</td>
<td>1,550</td>
<td>2,800</td>
<td>1,717</td>
<td>2,497</td>
<td>1,397</td>
</tr>
<tr>
<td>Franchise Fee</td>
<td>2,324</td>
<td>2,923</td>
<td>0</td>
<td>2,706</td>
<td>1,640</td>
<td>2,547</td>
</tr>
<tr>
<td>Property Operations &amp; Maintenance</td>
<td>1,676</td>
<td>1,217</td>
<td>1,176</td>
<td>1,428</td>
<td>1,306</td>
<td>1,247</td>
</tr>
<tr>
<td>Utilities</td>
<td>1,000</td>
<td>1,020</td>
<td>1,699</td>
<td>1,021</td>
<td>1,058</td>
<td>1,297</td>
</tr>
<tr>
<td>Total</td>
<td>8,815</td>
<td>9,233</td>
<td>8,770</td>
<td>8,884</td>
<td>9,168</td>
<td>9,132</td>
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</tbody>
</table>

#### HOUSE PROFIT

<table>
<thead>
<tr>
<th>Department</th>
<th>Comp 1</th>
<th>Comp 2</th>
<th>Comp 3</th>
<th>Comp 4</th>
<th>Comp 5</th>
<th>Stabilized $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Fee</td>
<td>642</td>
<td>658</td>
<td>2,744</td>
<td>1,225</td>
<td>1,473</td>
<td>1,048</td>
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</table>

#### INCOME BEFORE FIXED CHARGES

<table>
<thead>
<tr>
<th>Department</th>
<th>Comp 1</th>
<th>Comp 2</th>
<th>Comp 3</th>
<th>Comp 4</th>
<th>Comp 5</th>
<th>Stabilized $</th>
</tr>
</thead>
<tbody>
<tr>
<td>INCOME BEFORE FIXED CHARGES</td>
<td>15,353</td>
<td>16,300</td>
<td>18,050</td>
<td>14,174</td>
<td>15,420</td>
<td>16,936</td>
</tr>
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</table>
### FIGURE 7-3 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER OCCUPIED ROOM

<table>
<thead>
<tr>
<th>Subject</th>
<th>Comp 1</th>
<th>Comp 2</th>
<th>Comp 3</th>
<th>Comp 4</th>
<th>Comp 5</th>
<th>Stabilized $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Rooms</td>
<td>150 to 200</td>
<td>110 to 150</td>
<td>180 to 230</td>
<td>110 to 150</td>
<td>130 to 170</td>
<td>150</td>
</tr>
<tr>
<td>Days Open</td>
<td>365</td>
<td>365</td>
<td>365</td>
<td>366</td>
<td>365</td>
<td>365</td>
</tr>
<tr>
<td>Occupancy</td>
<td>72%</td>
<td>69%</td>
<td>72%</td>
<td>72%</td>
<td>71%</td>
<td>71%</td>
</tr>
<tr>
<td>Average Rate</td>
<td>$115</td>
<td>$128</td>
<td>$139</td>
<td>$114</td>
<td>$126</td>
<td>$131</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$83</td>
<td>$89</td>
<td>$100</td>
<td>$82</td>
<td>$90</td>
<td>$93</td>
</tr>
</tbody>
</table>

#### REVENUE

<table>
<thead>
<tr>
<th>Department</th>
<th>Comp 1</th>
<th>Comp 2</th>
<th>Comp 3</th>
<th>Comp 4</th>
<th>Comp 5</th>
<th>Stabilized $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rooms</td>
<td>$115.46</td>
<td>$128.43</td>
<td>$139.37</td>
<td>$113.84</td>
<td>$126.31</td>
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<td>Food &amp; Beverage</td>
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<td>0.00</td>
<td>2.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Other Operated Departments</td>
<td>2.65</td>
<td>1.54</td>
<td>0.06</td>
<td>2.04</td>
<td>7.23</td>
<td>3.49</td>
</tr>
<tr>
<td>Rentals &amp; Other Income</td>
<td>2.21</td>
<td>0.00</td>
<td>8.75</td>
<td>0.13</td>
<td>0.00</td>
<td>0.25</td>
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<tr>
<td>Total</td>
<td>120.31</td>
<td>129.97</td>
<td>150.17</td>
<td>116.01</td>
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#### DEPARTMENTAL EXPENSES

<table>
<thead>
<tr>
<th>Department</th>
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<th>Comp 2</th>
<th>Comp 3</th>
<th>Comp 4</th>
<th>Comp 5</th>
<th>Stabilized $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rooms</td>
<td>23.73</td>
<td>24.97</td>
<td>35.28</td>
<td>22.76</td>
<td>28.03</td>
<td>27.52</td>
</tr>
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<td>0.00</td>
<td>0.55</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Other Operated Departments</td>
<td>1.92</td>
<td>1.47</td>
<td>0.53</td>
<td>1.28</td>
<td>5.17</td>
<td>2.62</td>
</tr>
<tr>
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<td>0.00</td>
<td>0.55</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
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<td>25.65</td>
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<td>36.92</td>
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<td>30.13</td>
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#### DEPARTMENTAL INCOME

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<th>Department</th>
<th>Comp 1</th>
<th>Comp 2</th>
<th>Comp 3</th>
<th>Comp 4</th>
<th>Comp 5</th>
<th>Stabilized $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative &amp; General</td>
<td>10.34</td>
<td>9.97</td>
<td>11.86</td>
<td>7.62</td>
<td>10.27</td>
<td>10.20</td>
</tr>
<tr>
<td>Marketing</td>
<td>4.21</td>
<td>6.13</td>
<td>10.73</td>
<td>6.50</td>
<td>9.61</td>
<td>5.39</td>
</tr>
<tr>
<td>Franchise Fee</td>
<td>8.87</td>
<td>11.56</td>
<td>0.00</td>
<td>10.25</td>
<td>6.32</td>
<td>9.83</td>
</tr>
<tr>
<td>Property Operations &amp; Maintenance</td>
<td>6.40</td>
<td>4.81</td>
<td>4.50</td>
<td>5.14</td>
<td>5.03</td>
<td>4.81</td>
</tr>
<tr>
<td>Utilities</td>
<td>3.82</td>
<td>4.03</td>
<td>6.51</td>
<td>3.87</td>
<td>4.07</td>
<td>5.00</td>
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<tr>
<td>Total</td>
<td>33.63</td>
<td>36.50</td>
<td>33.60</td>
<td>33.64</td>
<td>35.30</td>
<td>35.24</td>
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#### OPERATING EXPENSES

<table>
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<tr>
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<th>Comp 2</th>
<th>Comp 3</th>
<th>Comp 4</th>
<th>Comp 5</th>
<th>Stabilized $</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOUSE PROFIT</td>
<td>61.03</td>
<td>67.04</td>
<td>79.65</td>
<td>58.32</td>
<td>65.04</td>
<td>69.39</td>
</tr>
<tr>
<td>Management Fee</td>
<td>2.45</td>
<td>2.60</td>
<td>10.51</td>
<td>4.64</td>
<td>5.67</td>
<td>4.04</td>
</tr>
</tbody>
</table>

#### INCOME BEFORE FIXED CHARGES

<table>
<thead>
<tr>
<th>Department</th>
<th>Comp 1</th>
<th>Comp 2</th>
<th>Comp 3</th>
<th>Comp 4</th>
<th>Comp 5</th>
<th>Stabilized $</th>
</tr>
</thead>
<tbody>
<tr>
<td>INCOME BEFORE FIXED CHARGES</td>
<td>58.58</td>
<td>64.44</td>
<td>69.14</td>
<td>53.68</td>
<td>59.37</td>
<td>65.35</td>
</tr>
</tbody>
</table>
The comparables’ departmental income ranged from 75.1% to 79.7% of total revenue. The comparable properties achieved a house profit ranging from 48.7% to 53.0% of total revenue. We will refer to the comparable operating data in our discussion of each line item, which follows later in this section of the report.

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

The actual forecast is derived by adjusting each year’s revenue and expense by the amount fixed (the fixed expense multiplied by the inflated base-year amount) plus the variable amount (the variable expense multiplied by the inflated base-year amount) multiplied by the ratio of the projection year’s occupancy to the base-year occupancy (in the case of departmental revenue and expense) or the ratio of the projection year’s revenue to the base year’s revenue (in the case of undistributed operating expenses). Fixed expenses remain fixed, increasing only with inflation.

Our discussion of the revenue and expense forecast in this report is based upon the output derived from the fixed and variable model. This forecast of revenue and expense is accomplished through a systematic approach, following the format of the Uniform System of Accounts for the Lodging Industry. Each category of revenue and expense is estimated separately and combined at the end in the final statement of income and expense.

A general rate of inflation must be established that will be applied to most revenue and expense categories. The following table shows inflation estimates made by economists at some noted institutions and corporations.
### FIGURE 7-4  INFLATION ESTIMATES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lewis Alexander</td>
<td>Nomura Securities International</td>
<td>1.3 %</td>
<td>0.7 %</td>
<td>1.8 %</td>
<td>2.3 %</td>
<td>2.3 %</td>
</tr>
<tr>
<td>Paul Ashworth</td>
<td>Capital Economics</td>
<td>1.4 %</td>
<td>2.0 %</td>
<td>2.4 %</td>
<td>2.5 %</td>
<td></td>
</tr>
<tr>
<td>Ram Bhagavatula</td>
<td>Combinatorics Capital</td>
<td>1.5 %</td>
<td>2.4 %</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beth Ann Bovino</td>
<td>Standard and Poor’s</td>
<td>1.6 %</td>
<td>1.9 %</td>
<td>1.7 %</td>
<td>1.8 %</td>
<td></td>
</tr>
<tr>
<td>Michael Carey</td>
<td>Credit Agricole CIB</td>
<td>1.4 %</td>
<td>1.8 %</td>
<td>1.7 %</td>
<td>2.0 %</td>
<td></td>
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<tr>
<td>Joseph Carson</td>
<td>Alliance Bernstein</td>
<td>1.4 %</td>
<td>2.2 %</td>
<td>2.5 %</td>
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<tr>
<td>Julia Coronado</td>
<td>BNP Paribas</td>
<td>1.0 %</td>
<td>2.2 %</td>
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<tr>
<td>Mike Cosgrove</td>
<td>EconoLast</td>
<td>1.5 %</td>
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<td>2.2 %</td>
<td>2.3 %</td>
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<tr>
<td>Lou Crandall</td>
<td>Wrightson ICAP</td>
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<td>2.7 %</td>
<td>2.8 %</td>
<td>2.5 %</td>
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<tr>
<td>J. Dewey Daane</td>
<td>Vanderbilt University</td>
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<tr>
<td>Douglas Duncan</td>
<td>Fannie Mae</td>
<td>1.4 %</td>
<td>1.6 %</td>
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<td>2.0 %</td>
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<tr>
<td>Robert Dye</td>
<td>Comerica Bank</td>
<td>1.1 %</td>
<td>0.9 %</td>
<td>2.3 %</td>
<td>2.0 %</td>
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</tr>
<tr>
<td>Maria Forini Ramirez/Joshua Shapiro</td>
<td>MFR, Inc.</td>
<td>1.6 %</td>
<td>1.4 %</td>
<td>2.1 %</td>
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<td>Mike Fratantoni</td>
<td>Mortgage Bankers Association</td>
<td>1.6 %</td>
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<td>Doug Handler</td>
<td>IHS Global Insight</td>
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<tr>
<td>Ethan Harris</td>
<td>Bank of America Securities- Merrill Lynch</td>
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<td>Maury Harris</td>
<td>UBS</td>
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<td>1.6 %</td>
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<td>2.5 %</td>
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<td>Tracy Herrick</td>
<td>Avidbank</td>
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<td>3.2 %</td>
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<td>Jack Kleinhenz</td>
<td>National Retail Federation</td>
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<td>2.1 %</td>
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<td>UCLA Anderson Forecast</td>
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<td>2.3 %</td>
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<tr>
<td>Don Leavens/Tim Gill</td>
<td>NEMA Business Information Services</td>
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<td>1.5 %</td>
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<tr>
<td>John Lonski</td>
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<tr>
<td>Aneta Markowska</td>
<td>Societe Generale</td>
<td>1.0 %</td>
<td>1.2 %</td>
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<td>2.5 %</td>
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<tr>
<td>Robert Metlman</td>
<td>JP Morgan Chase &amp; Co.</td>
<td>1.3 %</td>
<td>1.6 %</td>
<td>2.0 %</td>
<td>2.0 %</td>
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<tr>
<td>Mark Nielsen</td>
<td>MacroEcon Global Advisors</td>
<td>—</td>
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<td>Jim O’Sullivan</td>
<td>High Frequency Economics</td>
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<td>1.1 %</td>
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<td>2.6 %</td>
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<tr>
<td>Dr. Joel Prakken/ Chris Varvares</td>
<td>Macroeconomic Advisers</td>
<td>1.7 %</td>
<td>1.4 %</td>
<td>1.8 %</td>
<td>2.1 %</td>
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<tr>
<td>Arun Raha</td>
<td>Eaton Corp.</td>
<td>1.7 %</td>
<td>1.8 %</td>
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<td>2.0 %</td>
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<tr>
<td>Vincent Reinhart</td>
<td>Morgan Stanley</td>
<td>1.4 %</td>
<td>1.8 %</td>
<td>2.2 %</td>
<td>2.2 %</td>
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<tr>
<td>Ian Shepherd</td>
<td>Pantheon Macroeconomics</td>
<td>1.2 %</td>
<td>2.0 %</td>
<td>2.0 %</td>
<td>2.5 %</td>
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</tr>
<tr>
<td>John Silvia</td>
<td>Wells Fargo &amp; Co.</td>
<td>1.6 %</td>
<td>2.2 %</td>
<td>2.4 %</td>
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<td>Allen Sinai</td>
<td>Decision Economics, Inc.</td>
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<td>1.3 %</td>
<td>1.5 %</td>
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<tr>
<td>James F. Smith</td>
<td>Parsec Financial Management</td>
<td>1.4 %</td>
<td>1.7 %</td>
<td>1.4 %</td>
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<td></td>
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<tr>
<td>Sean M. Snaith</td>
<td>University of Central Florida</td>
<td>1.6 %</td>
<td>1.4 %</td>
<td>1.6 %</td>
<td>1.8 %</td>
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<tr>
<td>Sung Won Sohn</td>
<td>California State University</td>
<td>1.3 %</td>
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<td>1.8 %</td>
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<tr>
<td>Neal Soss</td>
<td>CSFB</td>
<td>1.4 %</td>
<td>1.4 %</td>
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<tr>
<td>Stephen Stanley</td>
<td>Pierpoint Securities</td>
<td>1.2 %</td>
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<td>3.2 %</td>
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<td>Susan M. Sterne</td>
<td>Economic Analysis Associates Inc.</td>
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<td>1.5 %</td>
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<tr>
<td>Diane Swonk</td>
<td>Mesiorow Financial</td>
<td>1.3 %</td>
<td>1.7 %</td>
<td>2.2 %</td>
<td>2.3 %</td>
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<tr>
<td>Carl Tarnenbaum</td>
<td>The Northern Trust</td>
<td>1.6 %</td>
<td>2.0 %</td>
<td>2.2 %</td>
<td>2.3 %</td>
<td></td>
</tr>
<tr>
<td>Bart van Ark</td>
<td>The Conference Board</td>
<td>1.4 %</td>
<td>1.7 %</td>
<td>2.0 %</td>
<td>2.0 %</td>
<td></td>
</tr>
<tr>
<td>Brian S. Wesbury/ Robert Stein</td>
<td>First Trust Advisors, L.P.</td>
<td>1.5 %</td>
<td>2.4 %</td>
<td>2.6 %</td>
<td>2.8 %</td>
<td></td>
</tr>
<tr>
<td>William T. Wilson</td>
<td>The Heritage Foundation</td>
<td>2.0 %</td>
<td>2.0 %</td>
<td>2.2 %</td>
<td>2.3 %</td>
<td></td>
</tr>
<tr>
<td>Lawrence Yun</td>
<td>National Association of Realtors</td>
<td>1.4 %</td>
<td>3.1 %</td>
<td>3.3 %</td>
<td>3.5 %</td>
<td></td>
</tr>
</tbody>
</table>

Averages: 1.4 % 1.1 % 1.9 % 2.2 % 2.3 %

Source: wsj.com, January 7, 2015
As the preceding table indicates, the financial analysts who were surveyed in December of 2014 anticipated inflation rates ranging from -0.7% to 2.8% (on an annualized basis) for June 2015; the average of these data points was 1.1%. The same group expects annualized inflation rates of 1.9% and 2.2% for December 2015 and June 2016, respectively, slightly lower than the inflation rate averages for December 2016, shown at 2.3%.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>National Consumer Price Index</th>
<th>Percent Change from Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>188.9</td>
<td>—</td>
</tr>
<tr>
<td>2005</td>
<td>195.3</td>
<td>3.4 %</td>
</tr>
<tr>
<td>2006</td>
<td>201.6</td>
<td>3.2</td>
</tr>
<tr>
<td>2007</td>
<td>207.3</td>
<td>2.8</td>
</tr>
<tr>
<td>2008</td>
<td>215.3</td>
<td>3.8</td>
</tr>
<tr>
<td>2009</td>
<td>214.5</td>
<td>-0.4</td>
</tr>
<tr>
<td>2010</td>
<td>218.1</td>
<td>1.6</td>
</tr>
<tr>
<td>2011</td>
<td>224.9</td>
<td>3.1</td>
</tr>
<tr>
<td>2012</td>
<td>229.6</td>
<td>2.1</td>
</tr>
<tr>
<td>2013</td>
<td>233.0</td>
<td>1.5</td>
</tr>
<tr>
<td>2014</td>
<td>234.8</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Average Annual Compounded Change

- 2004 - 2014: 2.2%
- 2009 - 2014: 1.8%

Source: Bureau of Labor Statistics

Between 2004 and 2014, the national CPI increased at an average annual compounded rate of 2.2%; from 2009 to 2014, the CPI rose by a slightly lower average annual compounded rate of 1.8%. In 2014, the CPI rose by 0.8%, a decrease from the level of 1.5% recorded in 2013.

In consideration of the most recent trends, the projections set forth previously, and our assessment of probable property appreciation levels, we have applied underlying inflation rates of 2.0%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2014. This stabilized inflation rate takes into account normal, recurring inflation cycles. Inflation is likely to fluctuate above and
below this level during the projection period. Any exceptions to the application of the assumed underlying inflation rate are discussed in our write-up of individual income and expense items.

Based on an analysis that will be detailed throughout this section, we have formulated a forecast of income and expense. The following table presents a detailed forecast through the fifth projection year, including amounts per available room and per occupied room. The second table illustrates our ten-year forecast of income and expense, presented with a lesser degree of detail. The forecasts pertain to years that begin on June 1, 2017, expressed in inflated dollars for each year.
FIGURE 7-6  DETAILED FORECAST OF INCOME AND EXPENSE

<table>
<thead>
<tr>
<th></th>
<th>2017/18 Begins June</th>
<th>2018/19</th>
<th>Stabilized</th>
<th>2020/21</th>
<th>2021/22</th>
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</thead>
<tbody>
<tr>
<td>Number of Rooms:</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Occupancy:</td>
<td>66%</td>
<td>69%</td>
<td>71%</td>
<td>71%</td>
<td>71%</td>
</tr>
<tr>
<td>Average Rate:</td>
<td>$139.47</td>
<td>$146.65</td>
<td>$151.89</td>
<td>$156.45</td>
<td>$161.14</td>
</tr>
<tr>
<td>RevPAR:</td>
<td>$92.05</td>
<td>$101.19</td>
<td>$107.84</td>
<td>$111.08</td>
<td>$114.41</td>
</tr>
<tr>
<td>Days Open:</td>
<td>365</td>
<td>365</td>
<td>365</td>
<td>365</td>
<td>365</td>
</tr>
<tr>
<td>Occupied Rooms:</td>
<td>36,135</td>
<td>%Gross</td>
<td>PAR</td>
<td>37,778</td>
<td>%Gross</td>
</tr>
</tbody>
</table>

### REVENUE

<table>
<thead>
<tr>
<th></th>
<th>Rooms</th>
<th>Other Operated Departments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Rooms</td>
<td>150</td>
<td>150</td>
<td>300</td>
</tr>
<tr>
<td>Occupancy</td>
<td>66%</td>
<td>69%</td>
<td>71%</td>
</tr>
<tr>
<td>Average Rate</td>
<td>$139.47</td>
<td>$146.65</td>
<td>$151.89</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$92.05</td>
<td>$101.19</td>
<td>$107.84</td>
</tr>
<tr>
<td>Days Open</td>
<td>365</td>
<td>365</td>
<td>365</td>
</tr>
<tr>
<td>Occupied Rooms</td>
<td>36,135</td>
<td>%Gross 66%</td>
<td>37,778 %Gross 69%</td>
</tr>
</tbody>
</table>

### DEPARTMENTAL EXPENSES *

<table>
<thead>
<tr>
<th>Department</th>
<th>Rooms</th>
<th>Other Operated Departments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Rooms</td>
<td>150</td>
<td>150</td>
<td>300</td>
</tr>
<tr>
<td>Occupancy</td>
<td>66%</td>
<td>69%</td>
<td>71%</td>
</tr>
<tr>
<td>Average Rate</td>
<td>$139.47</td>
<td>$146.65</td>
<td>$151.89</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$92.05</td>
<td>$101.19</td>
<td>$107.84</td>
</tr>
<tr>
<td>Days Open</td>
<td>365</td>
<td>365</td>
<td>365</td>
</tr>
<tr>
<td>Occupied Rooms</td>
<td>36,135 %Gross 66%</td>
<td>37,778 %Gross 69%</td>
<td>38,873 %Gross 71%</td>
</tr>
</tbody>
</table>

### DEPARTMENTAL INCOME

<table>
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<th>Department</th>
<th>Rooms</th>
<th>Other Operated Departments</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Number of Rooms</td>
<td>150</td>
<td>150</td>
<td>300</td>
</tr>
<tr>
<td>Occupancy</td>
<td>66%</td>
<td>69%</td>
<td>71%</td>
</tr>
<tr>
<td>Average Rate</td>
<td>$139.47</td>
<td>$146.65</td>
<td>$151.89</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$92.05</td>
<td>$101.19</td>
<td>$107.84</td>
</tr>
<tr>
<td>Days Open</td>
<td>365</td>
<td>365</td>
<td>365</td>
</tr>
<tr>
<td>Occupied Rooms</td>
<td>36,135 %Gross 66%</td>
<td>37,778 %Gross 69%</td>
<td>38,873 %Gross 71%</td>
</tr>
</tbody>
</table>

### UNDISTRIBUTED OPERATING EXPENSES

<table>
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<tr>
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<th>Rooms</th>
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<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Number of Rooms</td>
<td>150</td>
<td>150</td>
<td>300</td>
</tr>
<tr>
<td>Occupancy</td>
<td>66%</td>
<td>69%</td>
<td>71%</td>
</tr>
<tr>
<td>Average Rate</td>
<td>$139.47</td>
<td>$146.65</td>
<td>$151.89</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$92.05</td>
<td>$101.19</td>
<td>$107.84</td>
</tr>
<tr>
<td>Days Open</td>
<td>365</td>
<td>365</td>
<td>365</td>
</tr>
<tr>
<td>Occupied Rooms</td>
<td>36,135 %Gross 66%</td>
<td>37,778 %Gross 69%</td>
<td>38,873 %Gross 71%</td>
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### FIXED EXPENSES

<table>
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<td>Number of Rooms</td>
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<td>150</td>
<td>300</td>
</tr>
<tr>
<td>Occupancy</td>
<td>66%</td>
<td>69%</td>
<td>71%</td>
</tr>
<tr>
<td>Average Rate</td>
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<td>$151.89</td>
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<td>$101.19</td>
<td>$107.84</td>
</tr>
<tr>
<td>Days Open</td>
<td>365</td>
<td>365</td>
<td>365</td>
</tr>
<tr>
<td>Occupied Rooms</td>
<td>36,135 %Gross 66%</td>
<td>37,778 %Gross 69%</td>
<td>38,873 %Gross 71%</td>
</tr>
</tbody>
</table>

### NET INCOME

|                | $1,674  | $11,163 | $46,34 | $1,930  | $12,868 | $51,09  | $2,066  | $33,9% | $13,775 | $53,15  | $2,128  | $33,9% | $14,187 | $54,75  | $2,192  | $33,9% | $14,611 | $56,38 |

*Departmental expenses are expressed as a percentage of departmental revenues.
## FIGURE 7-7  TEN-YEAR FORECAST OF INCOME AND EXPENSE

<table>
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<tbody>
<tr>
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<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td><strong>Occupied Rooms:</strong></td>
<td>36,135</td>
<td>37,778</td>
<td>38,873</td>
<td>38,873</td>
<td>38,873</td>
<td>38,873</td>
<td>38,873</td>
<td>38,873</td>
<td>38,873</td>
<td>38,873</td>
</tr>
<tr>
<td><strong>Occupancy:</strong></td>
<td>66%</td>
<td>69%</td>
<td>71%</td>
<td>71%</td>
<td>71%</td>
<td>71%</td>
<td>71%</td>
<td>71%</td>
<td>71%</td>
<td>71%</td>
</tr>
<tr>
<td><strong>Average Rate:</strong></td>
<td>$139.47</td>
<td>$146.65</td>
<td>$151.89</td>
<td>$156.45</td>
<td>$161.14</td>
<td>$165.98</td>
<td>$170.96</td>
<td>$176.09</td>
<td>$181.37</td>
<td>$186.81</td>
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<tr>
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<td>$107.84</td>
<td>$111.08</td>
<td>$114.41</td>
<td>$117.85</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rooms</td>
<td>$5,040</td>
<td>97.0%</td>
<td>$5,540</td>
<td>97.2%</td>
<td>$6,082</td>
<td>97.2%</td>
<td>$6,264</td>
<td>97.2%</td>
<td>$6,452</td>
<td>97.2%</td>
</tr>
<tr>
<td>Other Operated Depts.</td>
<td>145</td>
<td>2.8%</td>
<td>151</td>
<td>2.7%</td>
<td>157</td>
<td>2.6%</td>
<td>162</td>
<td>2.6%</td>
<td>167</td>
<td>2.6%</td>
</tr>
<tr>
<td>Rentals &amp; Other Icm</td>
<td>10</td>
<td>0.2%</td>
<td>11</td>
<td>0.2%</td>
<td>11</td>
<td>0.2%</td>
<td>12</td>
<td>0.2%</td>
<td>12</td>
<td>0.2%</td>
</tr>
<tr>
<td>Total</td>
<td>5,196</td>
<td>100.0%</td>
<td>5,702</td>
<td>100.0%</td>
<td>6,074</td>
<td>100.0%</td>
<td>6,256</td>
<td>100.0%</td>
<td>6,443</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>Departmental Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rooms</td>
<td>1,136</td>
<td>22.5%</td>
<td>1,190</td>
<td>21.5%</td>
<td>1,240</td>
<td>21.0%</td>
<td>1,277</td>
<td>21.0%</td>
<td>1,315</td>
<td>21.0%</td>
</tr>
<tr>
<td>Other Operated Depts.</td>
<td>111</td>
<td>75.0%</td>
<td>114</td>
<td>75.4%</td>
<td>118</td>
<td>75.0%</td>
<td>122</td>
<td>75.0%</td>
<td>125</td>
<td>75.0%</td>
</tr>
<tr>
<td>Total</td>
<td>1,246</td>
<td>24.0%</td>
<td>1,305</td>
<td>22.9%</td>
<td>1,358</td>
<td>22.4%</td>
<td>1,399</td>
<td>22.4%</td>
<td>1,441</td>
<td>22.4%</td>
</tr>
<tr>
<td><strong>Departmental Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,949</td>
<td>76.0%</td>
<td>4,398</td>
<td>77.1%</td>
<td>4,857</td>
<td>77.6%</td>
<td>5,002</td>
<td>77.6%</td>
<td>5,152</td>
<td>77.6%</td>
</tr>
<tr>
<td><strong>Undistributed Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative &amp; Gen.</td>
<td>423</td>
<td>8.1%</td>
<td>443</td>
<td>7.8%</td>
<td>460</td>
<td>7.6%</td>
<td>474</td>
<td>7.6%</td>
<td>488</td>
<td>7.6%</td>
</tr>
<tr>
<td>Marketing</td>
<td>224</td>
<td>4.3%</td>
<td>234</td>
<td>4.1%</td>
<td>243</td>
<td>4.0%</td>
<td>250</td>
<td>4.0%</td>
<td>258</td>
<td>4.0%</td>
</tr>
<tr>
<td>Franchise Fee</td>
<td>378</td>
<td>7.3%</td>
<td>416</td>
<td>7.3%</td>
<td>443</td>
<td>7.3%</td>
<td>456</td>
<td>7.3%</td>
<td>470</td>
<td>7.3%</td>
</tr>
<tr>
<td>Prop. Operations &amp; Maint.</td>
<td>180</td>
<td>3.5%</td>
<td>198</td>
<td>3.5%</td>
<td>217</td>
<td>3.6%</td>
<td>223</td>
<td>3.6%</td>
<td>230</td>
<td>3.6%</td>
</tr>
<tr>
<td>Utilities</td>
<td>208</td>
<td>4.0%</td>
<td>217</td>
<td>3.8%</td>
<td>226</td>
<td>3.7%</td>
<td>232</td>
<td>3.7%</td>
<td>239</td>
<td>3.7%</td>
</tr>
<tr>
<td>Total</td>
<td>1,412</td>
<td>27.2%</td>
<td>1,508</td>
<td>26.5%</td>
<td>1,588</td>
<td>26.2%</td>
<td>1,636</td>
<td>26.2%</td>
<td>1,685</td>
<td>26.2%</td>
</tr>
<tr>
<td><strong>House Profit</strong></td>
<td>2,537</td>
<td>48.8%</td>
<td>2,890</td>
<td>50.6%</td>
<td>3,128</td>
<td>51.4%</td>
<td>3,221</td>
<td>51.4%</td>
<td>3,318</td>
<td>51.4%</td>
</tr>
<tr>
<td>Management Fee</td>
<td>156</td>
<td>3.0%</td>
<td>171</td>
<td>3.0%</td>
<td>182</td>
<td>3.0%</td>
<td>188</td>
<td>3.0%</td>
<td>193</td>
<td>3.0%</td>
</tr>
<tr>
<td><strong>Income Before Fixed Charges</strong></td>
<td>2,381</td>
<td>45.8%</td>
<td>2,719</td>
<td>47.6%</td>
<td>2,945</td>
<td>48.4%</td>
<td>3,034</td>
<td>48.4%</td>
<td>3,124</td>
<td>48.4%</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>562</td>
<td>10.8%</td>
<td>576</td>
<td>10.1%</td>
<td>593</td>
<td>9.8%</td>
<td>611</td>
<td>9.8%</td>
<td>629</td>
<td>9.8%</td>
</tr>
<tr>
<td>Insurance</td>
<td>41</td>
<td>0.8%</td>
<td>42</td>
<td>0.7%</td>
<td>43</td>
<td>0.7%</td>
<td>45</td>
<td>0.7%</td>
<td>46</td>
<td>0.7%</td>
</tr>
<tr>
<td>Reserve for Replace</td>
<td>104</td>
<td>2.0%</td>
<td>171</td>
<td>3.0%</td>
<td>243</td>
<td>4.0%</td>
<td>250</td>
<td>4.0%</td>
<td>258</td>
<td>4.0%</td>
</tr>
<tr>
<td>Total</td>
<td>706</td>
<td>13.6%</td>
<td>789</td>
<td>13.8%</td>
<td>879</td>
<td>14.5%</td>
<td>906</td>
<td>14.5%</td>
<td>933</td>
<td>14.5%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$1,674</td>
<td>32.2%</td>
<td>$1,930</td>
<td>33.8%</td>
<td>$2,066</td>
<td>33.9%</td>
<td>$2,128</td>
<td>33.9%</td>
<td>$2,192</td>
<td>33.9%</td>
</tr>
</tbody>
</table>

*Departmental expenses are expressed as a percentage of departmental revenues.*
The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take three years for the subject property to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the proposed subject hotel's operating budget and comparable income and expense statements. The forecast is based upon fiscal years beginning June 1, 2017, expressed in inflated dollars for each year.

### Rooms Revenue

Rooms revenue is determined by two variables: occupancy and average rate. We projected occupancy and average rate in a previous section of this report. The proposed subject hotel is expected to stabilize at an occupancy level of 71% with an average rate of $151.89 in 2019/20. Following the stabilized year, the subject property's average rate is projected to increase along with the underlying rate of inflation.

### Other Operated Departments Revenue

According to the Uniform System of Accounts, other operated departments include any major or minor operated department other than rooms and food and beverage. The proposed subject hotel's other operated departments revenue sources are expected to include the hotel's telephone charges, market pantry sales, guest laundry fees, beverages, and in-room movie and game charges. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject hotel. It is important to note that no parking income as been included in our projections given the uncertainty of the various mixed-use components of the overall site. Our projections assume that adequate parking will be available for guests, but do not assume any ancillary revenue is collected for hotel parking.

The comparable operating statements illustrate other operated departments revenue ranging from 0.0% to 5.7% of rooms revenue and $0.06 to $7.23 per occupied room. We forecast the proposed subject hotel's other operated departments revenue to stabilize at 2.7% of rooms revenue or $4.05 per occupied room by the stabilized year, 2019/20.

### Rentals & Other Income

The rentals and other income sources comprise those other than guestrooms, food and beverage, and the other operated departments. The proposed subject hotel’s rentals and other income revenues are expected to be generated primarily by the hotel’s vending areas and other minor collections, such as cancelation fees. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject hotel. Rentals and other income revenue for the comparables ranged from $0.13 to $8.75 on a per-occupied-room basis. Changes in this revenue item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy. We forecast the proposed subject hotel’s rentals and other income to stabilize at $0.29 per occupied room by the stabilized year, 2019/20.
Rooms Expense

Rooms expense consists of items related to the sale and upkeep of guestrooms and public space. Salaries, wages, and employee benefits account for a substantial portion of this category. Although payroll varies somewhat with occupancy and managers can generally scale the level of service staff on hand to meet an expected occupancy level, much of a hotel’s payroll is fixed. A base level of front desk personnel, housekeepers, and supervisors must be maintained at all times. As a result, salaries, wages, and employee benefits are only moderately sensitive to changes in occupancy.

Commissions and reservations are usually based on room sales, and thus are highly sensitive to changes in occupancy and average rate. While guest supplies vary 100% with occupancy, linens and other operating expenses are only slightly affected by volume.

The comparables illustrated rooms expense ranging between 19.4% and 25.3% of rooms revenue; on a per-occupied-room basis, the range was between $22.76 and $35.28. We have projected rooms expense for the proposed subject hotel at 22.5% in the first year (or $31.43 per occupied room), stabilizing at 21.0% in 2019/20 (or $31.90 per occupied room). The proposed subject hotel’s rooms department expense has been positioned based upon our review of the comparable operating data and our understanding of the hotel’s future service level and price point.

Other Operated Departments Expense

Other operated departments expense includes all expenses reflected in the summary statements for the divisions associated in these categories. This was previously discussed in this chapter. The comparables illustrated other operated departments expense ranging between $0.53 and $5.17 per occupied room. We have projected a stabilized expense ratio of 75.0% in 2019/20. The proposed subject hotel’s other operated departments revenue sources are expected to include the hotel’s telephone charges, market pantry sales, guest laundry fees, and in-room movie and game charges. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject hotel.

Administrative and General Expense

Administrative and general expense includes the salaries and wages of all administrative personnel who are not directly associated with a particular department. Expense items related to the management and operation of the property are also allocated to this category.

Most administrative and general expenses are relatively fixed. The exceptions are cash overages and shortages; commissions on credit card charges; provision for doubtful accounts, which are moderately affected by the number of transactions or total revenue; and salaries, wages, and benefits, which are very slightly influenced by volume.
As a percentage of total revenue, the comparable operations indicate an administrative and general expense range from 6.6% to 8.6%, or $2,013 to $3,096 per available room. Based upon our review of the comparable operating data and the expected scope of facility for the proposed subject hotel, we have positioned the administrative and general expense level at a market- and property-supported level. In the first projection year, we have projected administrative and general expense for the proposed subject hotel to be $2,822 per available room, or 8.1% of total revenue. By the 2019/20 stabilized year, these amounts change to $3,065 per available room and 7.6% of total revenue.

Marketing expense consists of all costs associated with advertising, sales, and promotion; these activities are intended to attract and retain customers. Marketing can be used to create an image, develop customer awareness, and stimulate patronage of a property’s various facilities.

The marketing category is unique in that all expense items, with the exception of fees and commissions, are totally controlled by management. Most hotel operators establish an annual marketing budget that sets forth all planned expenditures. If the budget is followed, total marketing expenses can be projected accurately.

Marketing expenditures are unusual because although there is a lag period before results are realized, the benefits are often extended over a long period. Depending on the type and scope of the advertising and promotion program implemented, the lag time can be as short as a few weeks or as long as several years. However, the favorable results of an effective marketing campaign tend to linger, and a property often enjoys the benefits of concentrated sales efforts for many months.

As a percentage of total revenue, the comparable operations indicate a marketing expense range from 3.5% to 7.2%, or $1,104 to $2,800 per available room. Based upon our review of the comparable operating data and the expected scope of facility for the proposed subject hotel, we have positioned the marketing expense level at a market- and property-supported level. In the first projection year, we have projected marketing expense for the proposed subject hotel to be $1,491 per available room, or 4.3% of total revenue. By the 2019/20 stabilized year, these amounts change to $1,619 per available room and 4.0% of total revenue.

As previously discussed, the subject is expected to be franchised under the SpringHill Suites by Marriott brand. Costs associated with this franchise are summarized in the introductory chapter in this report.
Property Operations and Maintenance

Property operations and maintenance expense is another expense category that is largely controlled by management. Except for repairs that are necessary to keep the facility open and prevent damage (e.g., plumbing, heating, and electrical items), most maintenance can be deferred for varying lengths of time.

Maintenance is an accumulating expense. If management elects to postpone performing a required repair, they have not eliminated or saved the expenditure; they have only deferred payment until a later date. A lodging facility that operates with a lower-than-normal maintenance budget is likely to accumulate a considerable amount of deferred maintenance.

The age of a lodging facility has a strong influence on the required level of maintenance. A new or thoroughly renovated property is protected for several years by modern equipment and manufacturers’ warranties. However, as a hostelry grows older, maintenance expenses escalate. A well-organized preventive maintenance system often helps delay deterioration, but most facilities face higher property operations and maintenance costs each year, regardless of the occupancy trend. The quality of initial construction can also have a direct impact on future maintenance requirements. The use of high-quality building materials and construction methods generally reduces the need for maintenance expenditures over the long term.

As a percentage of total revenue, the comparable operations indicate a property operations and maintenance expense range from 3.0% to 5.3%, or $1,176 to $1,676 per available room. We expect the proposed subject hotel’s maintenance operation to be well managed, and expense levels should stabilize at a typical level for a property of this type. Changes in this expense item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy. In the first projection year, we have projected property operations and maintenance expense for the proposed subject hotel to be $1,198 per available room, or 3.5% of total revenue. By the 2019/20 stabilized year, these amounts change to $1,446 per available room and 3.6% of total revenue.

Utilities Expense

The utilities consumption of a lodging facility takes several forms, including water and space heating, air conditioning, lighting, cooking fuel, and other miscellaneous power requirements. The most common sources of hotel utilities are electricity, natural gas, fuel oil, and steam. This category also includes the cost of water service.

Total energy cost depends on the source and quantity of fuel used. Electricity tends to be the most expensive source, followed by oil and gas. Although all hotels consume a sizable amount of electricity, many properties supplement their utility
requirements with less expensive sources, such as gas and oil, for heating and cooking.

As a percentage of total revenue, the comparable operations indicate a utilities expense range from 3.1% to 4.3%, or $1,000 to $1,699 per available room. The changes in this utilities line item through the projection period are a result of the application of the underlying inflation rate and projected changes in occupancy. In the first projection year, we have projected utilities expense for the proposed subject hotel to be $1,385 per available room, or 4.0% of total revenue. By the 2019/20 stabilized year, these amounts change to $1,504 per available room and 3.7% of total revenue.

**Management Fee**

Management expense consists of the fees paid to the managing agent contracted to operate the property. Some companies provide management services and a brand-name affiliation (first-tier management company), while others provide management services alone (second-tier management company). Some management contracts specify only a base fee (usually a percentage of total revenue), while others call for both a base fee and an incentive fee (usually a percentage of defined profit). Basic hotel management fees are often based on a percentage of total revenue, which means they have no fixed component. While base fees typically range from 2% to 4% of total revenue, incentive fees are deal-specific and often are calculated as a percentage of income available after debt service and, in some cases, after a preferred return on equity. Total management fees for the subject property have been forecast at 3.0% of total revenue.

**Property Taxes**

Property (or ad valorem) tax is one of the primary revenue sources of municipalities. Based on the concept that the tax burden should be distributed in proportion to the value of all properties within a taxing jurisdiction, a system of assessments is established. Theoretically, the assessed value placed on each parcel bears a definite relationship to market value, so properties with equal market values will have similar assessments and properties with higher and lower values will have proportionately larger and smaller assessments.

Depending on the taxing policy of the municipality, property taxes can be based on the value of the real property or the value of the personal property and the real property. We have based our estimate of the proposed subject property’s market value (for tax purposes) on an analysis of assessments of comparable hotel properties in the local municipality.
### FIGURE 7-8 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS

<table>
<thead>
<tr>
<th>Hotel</th>
<th>Number of Rooms</th>
<th>Total Assessment</th>
<th>Land</th>
<th>Improvements</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aloft Minneapolis</td>
<td>155</td>
<td>$1,335,300</td>
<td>$11,919,700</td>
<td>$13,255,000</td>
<td></td>
</tr>
<tr>
<td>Holiday Inn Express Minneapolis Conference Center</td>
<td>96</td>
<td>1,542,800</td>
<td>3,902,200</td>
<td>5,445,000</td>
<td></td>
</tr>
<tr>
<td>Hilton Garden Inn Minneapolis Downtown</td>
<td>210</td>
<td>1,220,000</td>
<td>11,320,000</td>
<td>12,540,000</td>
<td></td>
</tr>
<tr>
<td>Best Western Downtown</td>
<td>155</td>
<td>1,559,400</td>
<td>329,800</td>
<td>1,889,200</td>
<td></td>
</tr>
<tr>
<td>DoubleTree by Hilton Suites by Hilton Minneapolis</td>
<td>265</td>
<td>3,114,100</td>
<td>9,425,900</td>
<td>12,540,000</td>
<td></td>
</tr>
<tr>
<td>Days Inn Hotel University Avenue</td>
<td>130</td>
<td>1,823,200</td>
<td>3,566,800</td>
<td>5,390,000</td>
<td></td>
</tr>
<tr>
<td>Commons Hotel Minneapolis</td>
<td>304</td>
<td>4,695,000</td>
<td>16,305,000</td>
<td>21,000,000</td>
<td></td>
</tr>
</tbody>
</table>

**Assessments per Room**

<table>
<thead>
<tr>
<th>Hotel</th>
<th>Number of Rooms</th>
<th>Total Assessment</th>
<th>Land</th>
<th>Improvements</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aloft Minneapolis</td>
<td></td>
<td>$8,615</td>
<td>$76,901</td>
<td>$85,516</td>
<td></td>
</tr>
<tr>
<td>Holiday Inn Express Minneapolis Conference Center</td>
<td></td>
<td>16,071</td>
<td>40,648</td>
<td>56,719</td>
<td></td>
</tr>
<tr>
<td>Hilton Garden Inn Minneapolis Downtown</td>
<td></td>
<td>5,810</td>
<td>53,905</td>
<td>59,714</td>
<td></td>
</tr>
<tr>
<td>Best Western Downtown</td>
<td></td>
<td>10,061</td>
<td>2,128</td>
<td>12,188</td>
<td></td>
</tr>
<tr>
<td>DoubleTree by Hilton Suites by Hilton Minneapolis</td>
<td></td>
<td>11,751</td>
<td>35,569</td>
<td>47,321</td>
<td></td>
</tr>
<tr>
<td>Days Inn Hotel University Avenue</td>
<td></td>
<td>14,025</td>
<td>27,437</td>
<td>41,462</td>
<td></td>
</tr>
<tr>
<td>Commons Hotel Minneapolis</td>
<td></td>
<td>15,444</td>
<td>53,635</td>
<td>69,079</td>
<td></td>
</tr>
</tbody>
</table>

| Positioned Subject - Per Room                  |                 | $14,000          | $70,000   | $84,000   |
| Positioned Subject - Total                     |                 | $2,100,000       | $10,500,000 | $12,600,000 |

Source: Hennepin County Assessors Office

We have positioned the future assessment levels of the subject site and proposed improvements based upon the illustrated comparable data. We have positioned the land assessment closest to the Days Inn, as it is the proposed site for the subject hotel, and closest to the Aloft in terms of the building assessment because of its fairly recent construction; overall, the positioned assessments are well supported by the market data.

Tax rates are based on the city and county budgets, which change annually. The most recent tax rate in this jurisdiction was reported at 43.69900. The following table shows changes in the tax rate during the last several years.
Based on comparable assessments and the tax rate information, the proposed subject property's projected property tax expense levels are calculated as follows.

### FIGURE 7-9 COUNTY TAX RATES

<table>
<thead>
<tr>
<th>Year</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>43.89800</td>
</tr>
<tr>
<td>2014</td>
<td>43.69900</td>
</tr>
</tbody>
</table>

*Source: Hennepin County*

The insurance expense category consists of the cost of insuring the hotel and its contents against damage or destruction by fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, and so forth. General insurance costs also include premiums relating to liability, fidelity, and theft coverage. Insurance rates are based on many factors, including building design and construction, fire detection and extinguishing equipment, fire district, distance from the firehouse, and the area's fire experience. Insurance expenses do not vary with occupancy.

Based on comparable data and the structural attributes of the proposed project, we have forecast the proposed subject hotel's insurance expense at $289 per available room by the stabilized year (positioned at $250 on a per-available-room basis in base-year dollars). This forecast equates to 0.7% of total revenue on a stabilized basis. In subsequent years, this amount is assumed to increase in tandem with inflation.

Furniture, fixtures, and equipment are essential to the operation of a lodging facility, and their quality often influences a property's class. This category includes all non-real estate items that are capitalized, rather than expensed. The furniture, fixtures, and equipment of a hotel are exposed to heavy use and must be replaced...
Periodic replacement of furniture, fixtures, and equipment is essential to maintain the quality, image, and income-producing potential of a lodging facility. Because capitalized expenditures are not included in the operating statement but affect an owner's cash flow, a forecast of income and expense should reflect these expenses in the form of an appropriate reserve for replacement.

The International Society of Hospitality Consultants (ISHC) undertook a major industry-sponsored study of the capital expenditure requirements for full-service/luxury, select-service, and extended-stay hotels. The most recent findings of the study were published in a report in 2007. Historical capital expenditures of well-maintained hotels were investigated through the compilation of data provided by most of the major hotel companies in the United States. A prospective analysis of future capital expenditure requirements was also performed based upon the cost to replace short- and long-lived building components over a hotel's economic life. The study showed that the capital expenditure requirements for hotels vary significantly from year to year and depend upon both the actual and effective ages of a property. The results of this study showed that hotel lenders and investors are requiring reserves for replacement ranging from 4% to 5% of total revenue.

Based on the results of this study, our review of the subject asset and comparable lodging facilities, and our industry expertise, we estimate that a reserve for replacement of 4% of total revenue is sufficient to provide for the timely and periodic replacement of the subject property's furniture, fixtures, and equipment. This amount is ramped up during the initial projection period.

In conclusion, our analysis reflects a profitable operation, with net income expected to total 33.9% of total revenue by the stabilized year. The stabilized total revenue comprises primarily rooms and food and beverage revenue, with a secondary portion derived from other income sources. On the cost side, departmental expenses total 22.4% of revenue by the stabilized year, while undistributed operating expenses total 26.2% of total revenues; this assumes that the property will be operated competently by a well-known hotel operator. After a 3.0% of total revenues management fee, and 14.5% of total revenues in fixed expenses, a net income ratio of 33.9% is forecast by the stabilized year.

8. Feasibility Analysis

Return on investment can be defined as the future benefits of an income-producing property relative to its acquisition or construction cost. The first step in performing a return on investment analysis is to determine the amount to be initially invested. For a proposed property, this amount is most likely to be the development cost of the hotel. Based on the total development cost, the individual investor will utilize a return on investment analysis to determine if the future cash flow from a current cash outlay meets his or her own investment criteria and at what level above or below this amount such an outlay exceeds or fails to meet these criteria.

As an individual or company considering investment in hotel real estate, the decision to use one’s own cash, an equity partner’s capital, or lender financing will be an internal one. Because hotels typically require a substantial investment, only the largest investors and hotel companies generally have the means to purchase properties with all cash. We would anticipate the involvement of some financing by a third party for the typical investor or for those who may be entering the market for hotel acquisitions at this time. In leveraged acquisitions and developments where investors typically purchase or build upon real estate with a small amount of equity cash (20% to 50%) and a large amount of mortgage financing (50% to 80%), it is important for the equity investor to acknowledge the return requirements of the debt participant (mortgagee), as well as his or her own return requirements. Therefore, we will begin our rate of return analysis by reviewing the debt requirements of typical hotel mortgagees.

Because a construction budget is not yet in place, we have relied on estimates provided by Marriott International for construction costs of a prototypical SpringHill Suites. In addition to their cost estimates of approximately $100,000 for hard costs and FF&E (as shown in the following table), we have incorporated an additional $50,000 per room to account for land costs, pre-opening, and working capital expenses, to result in a total estimated cost of $150,000 per room. It is important to note that we are not professional cost estimators, and highly recommend the engagement of a professional cost estimator/contractor for a more accurate estimate prior to proceeding with this project.
Figure 8-1: SpringHill Suites by Marriott Prototypical Cost Budget

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Construction Cost</td>
<td>General Installation</td>
<td>1,260,500</td>
<td>1,260,500</td>
<td>1,260,500</td>
<td>1,260,500</td>
</tr>
<tr>
<td></td>
<td>General Equipment</td>
<td>1,260,500</td>
<td>1,260,500</td>
<td>1,260,500</td>
<td>1,260,500</td>
</tr>
<tr>
<td></td>
<td>General Utilities</td>
<td>1,260,500</td>
<td>1,260,500</td>
<td>1,260,500</td>
<td>1,260,500</td>
</tr>
<tr>
<td></td>
<td>General Services</td>
<td>1,260,500</td>
<td>1,260,500</td>
<td>1,260,500</td>
<td>1,260,500</td>
</tr>
<tr>
<td></td>
<td>General Management</td>
<td>1,260,500</td>
<td>1,260,500</td>
<td>1,260,500</td>
<td>1,260,500</td>
</tr>
<tr>
<td></td>
<td>Total General Construction Cost</td>
<td>12,990,000</td>
<td>12,990,000</td>
<td>12,990,000</td>
<td>12,990,000</td>
</tr>
</tbody>
</table>

**Summary:**
- **Total Projected Cost:** $12,990,000
- **Total Projected Cost:** $12,990,000
- **% Premium over Base Prototype:** 3.9%

**Indoor Pool**
- **Parameter:** Length, Width, Depth
- **Quantity:** 10 sections, 10,000 square feet
- **Cost:** $10,000,000

**LED Nighttime Displays**
- **Parameter:** Number, Type, Size
- **Quantity:** 100 units, 200 square feet
- **Cost:** $1,000,000

**LED Lighting Fixtures**
- **Parameter:** Type, Color, Wattage
- **Quantity:** 200 units, 200 watts
- **Cost:** $10,000,000

**Installation Services**
- **Parameter:** Vendor, Type, Location
- **Quantity:** 100 units, 200 square feet
- **Cost:** $1,000,000

**Conclusion:**
- The total projected cost for the SpringHill Suites by Marriott project is $12,990,000, with a 3.9% premium over the base prototype.

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February 2015

Proposed University Limited-Service Hotel – Minneapolis, Minnesota

Feasibility Analysis
Hotel financing is currently very active at all tiers of the lodging industry. Lenders are attracted to the lodging industry because of the higher yields generated by hotel financing relative to other commercial real estate, and the industry is performing strongly, with supply growth constrained. Commercial banks, mortgage REITs, insurance companies, and CMBS and mezzanine lenders are aggressively pursuing deals. Financing is also increasingly available for hotels that require a turnaround.

Data for the mortgage component may be developed from statistics of actual hotel mortgages made by long-term lenders. The American Council of Life Insurance, which represents 20 large life insurance companies, publishes quarterly information pertaining to the hotel mortgages issued by its member companies.

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

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

**FIGURE 8-2 AVERAGE MORTGAGE INTEREST RATES AND AVERAGE-A CORPORATE BOND YIELDS**

Sources: American Council of Life Insurance, Moody's Bond Record, HVS
The relationship between hotel interest rates and the yields from the average-A corporate bond can be detailed through a regression analysis, which is expressed as follows.

\[ Y = 0.93675987 \times X + 0.96975529 \]

Where:
- \( Y \) = Estimated Hotel Mortgage Interest Rate
- \( X \) = Current Average-A Corporate Bond Yield

(Coefficient of correlation is 93%)

The February 4, 2015, average yield on average-A corporate bonds, as reported by Moody's Investors Service, was 3.66%. When used in the previously presented equation, a factor of 3.66 produces an estimated hotel/motel interest rate of 4.40% (rounded).

Yields on U.S. treasuries and average-A corporate bonds remain at low levels despite their recent uptick, providing a very favorable financing environment. Interest rates for single hotel assets are currently ranging from 5.0% to 7.0%, depending on the type of debt, loan-to-value ratio, and the quality of the asset and its market.

In addition to the mortgage interest rate estimate derived from this regression analysis, HVS constantly monitors the terms of hotel mortgage loans made by our institutional lending clients. Fixed-rate debt is being priced at roughly 200 to 400 basis points over the corresponding yield on treasury notes. As of February 4, 2015, the yield on the ten-year T-bill was 1.77%, indicating an interest rate range from 3.8% to 5.8%. While hotel mortgage interest rates have risen from their recent historic low, they are still at very favorable levels due to the low interest rate environment being maintained by the Federal Reserve. At present, we find that lenders who are active in the market are using loan-to-value ratios of 50% to 75% and amortization periods of 20 to 30 years.

Based on our analysis of the current lodging industry mortgage market and adjustments for specific factors, such as the proposed property’s location and conditions in the Minneapolis hotel market, it is our opinion that a 4.75% interest, 25-year amortization mortgage with a 0.068414 constant is appropriate for the proposed subject hotel. In the mortgage-equity analysis, we have applied a loan-to-value/cost ratio of 70%, which is reasonable to expect based on this interest rate and current parameters.

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

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


### FIGURE 8-3  SAMPLE OF HOTELS SOLD – FULL-SERVICE & LUXURY

<table>
<thead>
<tr>
<th>Hotel</th>
<th>Location</th>
<th>Number of Rooms</th>
<th>Date of Sale</th>
<th>Total Property Yield</th>
<th>Equity Yield</th>
<th>Historical Overall Rate Based on Sales Price</th>
<th>Projected Overall Rate Year One</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doubletree Suites</td>
<td>Houston, TX</td>
<td>380</td>
<td>Nov-14</td>
<td>10.4</td>
<td>18.1 %</td>
<td>7.1 %</td>
<td>7.8 %</td>
</tr>
<tr>
<td>Kahala Hotel &amp; Resort</td>
<td>Honolulu, HI</td>
<td>338</td>
<td>Nov-14</td>
<td>9.1</td>
<td>16.0</td>
<td>2.6</td>
<td>3.1</td>
</tr>
<tr>
<td>Pontchartrain Hotel</td>
<td>New Orleans, LA</td>
<td>82</td>
<td>Nov-14</td>
<td>11.5</td>
<td>19.3</td>
<td>—</td>
<td>4.9</td>
</tr>
<tr>
<td>JW Marriott</td>
<td>San Francisco, CA</td>
<td>337</td>
<td>Nov-14</td>
<td>9.3</td>
<td>16.6</td>
<td>6.1</td>
<td>6.7</td>
</tr>
<tr>
<td>Park Hyatt Washington</td>
<td>Washington, DC</td>
<td>216</td>
<td>Oct-14</td>
<td>9.3</td>
<td>15.2</td>
<td>5.3</td>
<td>6.1</td>
</tr>
<tr>
<td>Hotel Viking</td>
<td>Newport, RI</td>
<td>209</td>
<td>Oct-14</td>
<td>9.2</td>
<td>16.1</td>
<td>5.8</td>
<td>6.8</td>
</tr>
<tr>
<td>Embassy Suites</td>
<td>Indianapolis, IN</td>
<td>221</td>
<td>Sep-14</td>
<td>12.3</td>
<td>21.4</td>
<td>10.5</td>
<td>13.7</td>
</tr>
<tr>
<td>Long Island Marriott</td>
<td>Uniondale, NY</td>
<td>615</td>
<td>Sep-14</td>
<td>10.8</td>
<td>19.0</td>
<td>8.4</td>
<td>5.3</td>
</tr>
<tr>
<td>Hyatt Regency DFW</td>
<td>Dallas, TX</td>
<td>811</td>
<td>Sep-14</td>
<td>11.4</td>
<td>21.2</td>
<td>8.7</td>
<td>9.4</td>
</tr>
<tr>
<td>Hilton Indianapolis North</td>
<td>Indianapolis, IN</td>
<td>221</td>
<td>Sep-14</td>
<td>10.5</td>
<td>18.0</td>
<td>7.6</td>
<td>8.1</td>
</tr>
<tr>
<td>Radisson Branson Hotel</td>
<td>Branson, MO</td>
<td>472</td>
<td>Aug-14</td>
<td>11.6</td>
<td>17.8</td>
<td>7.2</td>
<td>6.7</td>
</tr>
<tr>
<td>Marriott Fremont</td>
<td>Fremont, CA</td>
<td>357</td>
<td>Aug-14</td>
<td>10.6</td>
<td>18.9</td>
<td>6.2</td>
<td>6.7</td>
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<tr>
<td>Marriott Atlanta Airport Gateway</td>
<td>Atlanta, GA</td>
<td>408</td>
<td>Aug-14</td>
<td>9.7</td>
<td>17.8</td>
<td>6.7</td>
<td>8.1</td>
</tr>
<tr>
<td>Doubletree Rochester</td>
<td>Rochester, NY</td>
<td>249</td>
<td>Jul-14</td>
<td>13.2</td>
<td>21.8</td>
<td>11.9</td>
<td>9.9</td>
</tr>
<tr>
<td>Sheraton Great Valley</td>
<td>Frazer, PA</td>
<td>198</td>
<td>Jul-14</td>
<td>10.8</td>
<td>19.2</td>
<td>3.5</td>
<td>8.5</td>
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<tr>
<td>Carneros Inn</td>
<td>Napa, CA</td>
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<td>Jun-14</td>
<td>11.3</td>
<td>18.7</td>
<td>5.6</td>
<td>6.8</td>
</tr>
<tr>
<td>Doubletree Guest Doheny Beach</td>
<td>Dana Point, CA</td>
<td>196</td>
<td>Jun-14</td>
<td>10.8</td>
<td>19.4</td>
<td>8.2</td>
<td>7.9</td>
</tr>
<tr>
<td>Embassy Suites BWI</td>
<td>Lithicum, MD</td>
<td>251</td>
<td>Jun-14</td>
<td>10</td>
<td>17.4</td>
<td>7.8</td>
<td>5.9</td>
</tr>
<tr>
<td>Embassy Suites Richmond</td>
<td>Richmond, VA</td>
<td>224</td>
<td>May-14</td>
<td>11.3</td>
<td>19.4</td>
<td>9.0</td>
<td>10.0</td>
</tr>
<tr>
<td>St. Regis Monarch Beach</td>
<td>Dana Point, CA</td>
<td>400</td>
<td>May-14</td>
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<td>15.7</td>
<td>4.1</td>
<td>5.4</td>
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<td>Hotel Kabuki</td>
<td>San Francisco, CA</td>
<td>218</td>
<td>May-14</td>
<td>9.9</td>
<td>16.7</td>
<td>5.9</td>
<td>4.8</td>
</tr>
<tr>
<td>Sheraton Austin</td>
<td>Austin, TX</td>
<td>365</td>
<td>May-14</td>
<td>11.2</td>
<td>19.3</td>
<td>8.5</td>
<td>9.0</td>
</tr>
<tr>
<td>Sheraton Fort Lauderdale Airport</td>
<td>Fort Lauderdale, FL</td>
<td>250</td>
<td>May-14</td>
<td>9.9</td>
<td>16.9</td>
<td>5.7</td>
<td>6.9</td>
</tr>
<tr>
<td>Hilton Lafayette</td>
<td>Lafayette, LA</td>
<td>327</td>
<td>Apr-14</td>
<td>11.2</td>
<td>18.9</td>
<td>10.3</td>
<td>11.3</td>
</tr>
<tr>
<td>Hotel 373 Fifth Avenue</td>
<td>New York, NY</td>
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<td>Apr-14</td>
<td>9.5</td>
<td>15.1</td>
<td>5.1</td>
<td>5.5</td>
</tr>
<tr>
<td>Claremont Hotel</td>
<td>Berkeley, CA</td>
<td>279</td>
<td>Mar-14</td>
<td>9.8</td>
<td>15.9</td>
<td>6.3</td>
<td>8.9</td>
</tr>
<tr>
<td>LaGuardia Airport Hotel</td>
<td>East Elmhust, NY</td>
<td>233</td>
<td>Feb-14</td>
<td>10.4</td>
<td>16.8</td>
<td>—</td>
<td>10.5</td>
</tr>
<tr>
<td>Four Seasons Las Colinas</td>
<td>Irving, TX</td>
<td>431</td>
<td>Feb-14</td>
<td>10.7</td>
<td>17.7</td>
<td>5.5</td>
<td>6.9</td>
</tr>
<tr>
<td>Hotel Eva</td>
<td>Miami Beach, FL</td>
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<td>11.7</td>
<td>18.4</td>
<td>—</td>
<td>5.9</td>
</tr>
<tr>
<td>Doubletree Berkeley</td>
<td>Berkeley, CA</td>
<td>378</td>
<td>Feb-14</td>
<td>11.9</td>
<td>20.1</td>
<td>8.1</td>
<td>10.6</td>
</tr>
<tr>
<td>Hyatt Regency Jacksonville</td>
<td>Jacksonville, FL</td>
<td>963</td>
<td>Feb-14</td>
<td>12.0</td>
<td>19.3</td>
<td>6.3</td>
<td>9.6</td>
</tr>
<tr>
<td>St. Regis Bal Harbour</td>
<td>Miami Beach, FL</td>
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<td>Jan-14</td>
<td>8.7</td>
<td>12.0</td>
<td>3.7</td>
<td>6.2</td>
</tr>
<tr>
<td>Omni Montelucia Resort &amp; Spa</td>
<td>Paradise Valley, AZ</td>
<td>293</td>
<td>Jan-14</td>
<td>9.5</td>
<td>15.6</td>
<td>6.0</td>
<td>6.9</td>
</tr>
<tr>
<td>Hotel Pacific</td>
<td>Monterey, CA</td>
<td>105</td>
<td>Dec-13</td>
<td>10.8</td>
<td>17.3</td>
<td>6.6</td>
<td>7.3</td>
</tr>
<tr>
<td>Embassy Suites Lake Buena Vista</td>
<td>Orlando, FL</td>
<td>334</td>
<td>Dec-13</td>
<td>11.9</td>
<td>18.8</td>
<td>8.7</td>
<td>4.0</td>
</tr>
<tr>
<td>Latham Hotel Georgetown</td>
<td>Washington, DC</td>
<td>128</td>
<td>Nov-13</td>
<td>9.8</td>
<td>16.5</td>
<td>2.6</td>
<td>5.6</td>
</tr>
<tr>
<td>Hotel Oceana</td>
<td>Santa Barbara, CA</td>
<td>122</td>
<td>Nov-13</td>
<td>10.6</td>
<td>17.2</td>
<td>5.5</td>
<td>6.6</td>
</tr>
</tbody>
</table>

Source: HVS
## FIGURE 8-4 SAMPLE OF HOTELS SOLD – SELECT-SERVICE/EXTENDED-STAY

<table>
<thead>
<tr>
<th>Hotel</th>
<th>Location</th>
<th>Number of Rooms</th>
<th>Date of Sale</th>
<th>Total Property Yield</th>
<th>Equity Yield</th>
<th>Historical Year</th>
<th>Projected Year One</th>
<th>Overall Rate Based on Sales Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inn at Key West</td>
<td>Key West, FL</td>
<td>106</td>
<td>Sep-14</td>
<td>11.0 %</td>
<td>19.6 %</td>
<td>7.5 %</td>
<td>7.8 %</td>
<td></td>
</tr>
<tr>
<td>Hampton Inn</td>
<td>Pleasanton, TX</td>
<td>63</td>
<td>Aug-14</td>
<td>10.9 %</td>
<td>20.0 %</td>
<td>20.0 %</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Courtyard by Marriott</td>
<td>Montgomery, AL</td>
<td>146</td>
<td>Aug-14</td>
<td>11.0 %</td>
<td>19.6 %</td>
<td>4.3 %</td>
<td>9.0</td>
<td></td>
</tr>
<tr>
<td>Springhill Suites</td>
<td>Atlanta, GA</td>
<td>147</td>
<td>Aug-14</td>
<td>10.2 %</td>
<td>18.9 %</td>
<td>7.7 %</td>
<td>8.5</td>
<td></td>
</tr>
<tr>
<td>Springhill Suites</td>
<td>New York, NY</td>
<td>173</td>
<td>Jul-14</td>
<td>9.2 %</td>
<td>14.3 %</td>
<td>4.6 %</td>
<td>6.8</td>
<td></td>
</tr>
<tr>
<td>Residence Inn Midtown East</td>
<td>New York, NY</td>
<td>211</td>
<td>Jul-14</td>
<td>9.7 %</td>
<td>15.7 %</td>
<td>6.7 %</td>
<td>8.8</td>
<td></td>
</tr>
<tr>
<td>Holiday Inn Express</td>
<td>New Orleans, LA</td>
<td>129</td>
<td>Jul-14</td>
<td>12.7 %</td>
<td>21.9 %</td>
<td>3.4 %</td>
<td>3.1</td>
<td></td>
</tr>
<tr>
<td>Holiday Inn Austin NW</td>
<td>Austin, TX</td>
<td>194</td>
<td>Jun-14</td>
<td>12.9 %</td>
<td>21.4 %</td>
<td>10.5 %</td>
<td>8.8</td>
<td></td>
</tr>
<tr>
<td>Holiday Inn Express &amp; Suites</td>
<td>Peoria, IL</td>
<td>98</td>
<td>Jun-14</td>
<td>12.8 %</td>
<td>21.1 %</td>
<td>3.7 %</td>
<td>6.7</td>
<td></td>
</tr>
<tr>
<td>Hampton Inn</td>
<td>Tulsa, OK</td>
<td>70</td>
<td>May-14</td>
<td>10.4 %</td>
<td>18.0 %</td>
<td>7.0 %</td>
<td>9.5</td>
<td></td>
</tr>
<tr>
<td>Holiday Inn Express &amp; Suites</td>
<td>Santa Cruz, CA</td>
<td>100</td>
<td>Apr-14</td>
<td>11.3 %</td>
<td>18.7 %</td>
<td>8.3 %</td>
<td>8.6</td>
<td></td>
</tr>
<tr>
<td>Aloft Hotel</td>
<td>Broomfield, CO</td>
<td>139</td>
<td>Apr-14</td>
<td>11.0 %</td>
<td>20.7 %</td>
<td>9.4 %</td>
<td>10.3</td>
<td></td>
</tr>
<tr>
<td>Courtyard by Marriott</td>
<td>Columbia, SC</td>
<td>189</td>
<td>Mar-14</td>
<td>10.6 %</td>
<td>18.3 %</td>
<td>5.5 %</td>
<td>9.4</td>
<td></td>
</tr>
<tr>
<td>Courtyard by Marriott (Conversion)</td>
<td>Austin, TX</td>
<td>198</td>
<td>Feb-14</td>
<td>11.9 %</td>
<td>20.2 %</td>
<td>10.6 %</td>
<td>10.7</td>
<td></td>
</tr>
<tr>
<td>Hyatt Place Minneapolis</td>
<td>Minneapolis, MN</td>
<td>213</td>
<td>Dec-13</td>
<td>10.0 %</td>
<td>17.0 %</td>
<td>—</td>
<td>6.5</td>
<td></td>
</tr>
<tr>
<td>Holiday Inn Express</td>
<td>Brooklyn, NY</td>
<td>104</td>
<td>Dec-13</td>
<td>9.8 %</td>
<td>16.7 %</td>
<td>9.1 %</td>
<td>8.4</td>
<td></td>
</tr>
<tr>
<td>Hilton Garden Inn</td>
<td>Sarasota, FL</td>
<td>115</td>
<td>Dec-13</td>
<td>11.9 %</td>
<td>20.3 %</td>
<td>10.4 %</td>
<td>10.6</td>
<td></td>
</tr>
<tr>
<td>Homewood Suites</td>
<td>Gaitherburg, MD</td>
<td>203</td>
<td>Nov-13</td>
<td>11.5 %</td>
<td>18.0 %</td>
<td>—</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>Hampton Inn Beeville</td>
<td>Beeville, TX</td>
<td>70</td>
<td>Nov-13</td>
<td>11.9 %</td>
<td>19.4 %</td>
<td>10.6 %</td>
<td>8.5</td>
<td></td>
</tr>
<tr>
<td>Hampton Inn &amp; Suites</td>
<td>Austin, TX</td>
<td>102</td>
<td>Nov-13</td>
<td>11.1 %</td>
<td>18.5 %</td>
<td>7.8 %</td>
<td>8.8</td>
<td></td>
</tr>
<tr>
<td>Springhill Suites</td>
<td>Little Rock, AK</td>
<td>78</td>
<td>Oct-13</td>
<td>12.2 %</td>
<td>19.9 %</td>
<td>7.8 %</td>
<td>10.3</td>
<td></td>
</tr>
<tr>
<td>Staybridge Suites</td>
<td>Mount Laurel, NJ</td>
<td>99</td>
<td>Oct-13</td>
<td>12.0 %</td>
<td>19.8 %</td>
<td>10.6 %</td>
<td>9.5</td>
<td></td>
</tr>
<tr>
<td>Holiday Inn Express &amp; Suites</td>
<td>Westminster, NJ</td>
<td>76</td>
<td>Oct-13</td>
<td>12.3 %</td>
<td>20.0 %</td>
<td>8.1 %</td>
<td>8.5</td>
<td></td>
</tr>
<tr>
<td>Springhill Suites</td>
<td>Oklahoma City, OK</td>
<td>128</td>
<td>Oct-13</td>
<td>11.9 %</td>
<td>19.4 %</td>
<td>8.8 %</td>
<td>9.8</td>
<td></td>
</tr>
<tr>
<td>Holiday Inn</td>
<td>Willowbrook, IL</td>
<td>220</td>
<td>Oct-13</td>
<td>13.7 %</td>
<td>20.8 %</td>
<td>4.3 %</td>
<td>6.9</td>
<td></td>
</tr>
<tr>
<td>Residence Inn</td>
<td>Bellevue, WA</td>
<td>231</td>
<td>Oct-13</td>
<td>9.5 %</td>
<td>15.9 %</td>
<td>8.2 %</td>
<td>7.8</td>
<td></td>
</tr>
<tr>
<td>Courtyard Raleigh</td>
<td>Raleigh, NC</td>
<td>109</td>
<td>Sep-13</td>
<td>11.2 %</td>
<td>18.6 %</td>
<td>7.8 %</td>
<td>7.8</td>
<td></td>
</tr>
<tr>
<td>Holiday Inn Express &amp; Suites</td>
<td>Wauseon, OH</td>
<td>64</td>
<td>Aug-13</td>
<td>13.0 %</td>
<td>21.7 %</td>
<td>8.7 %</td>
<td>10.4</td>
<td></td>
</tr>
<tr>
<td>Holiday Inn</td>
<td>New York, NY</td>
<td>226</td>
<td>Jun-13</td>
<td>10.0 %</td>
<td>16.6 %</td>
<td>7.8 %</td>
<td>7.8</td>
<td></td>
</tr>
<tr>
<td>Residence Inn Coconut Grove</td>
<td>Miami, FL</td>
<td>140</td>
<td>Jun-13</td>
<td>10.0 %</td>
<td>16.1 %</td>
<td>7.2 %</td>
<td>6.7</td>
<td></td>
</tr>
<tr>
<td>Holiday Inn Express &amp; Suites</td>
<td>Elk Grove, CA</td>
<td>116</td>
<td>Jun-13</td>
<td>10.8 %</td>
<td>17.4 %</td>
<td>7.6 %</td>
<td>8.2</td>
<td></td>
</tr>
<tr>
<td>Hyatt Place North Shore</td>
<td>Pittsburgh, PA</td>
<td>178</td>
<td>Jun-13</td>
<td>10.6 %</td>
<td>18.8 %</td>
<td>7.1 %</td>
<td>7.5</td>
<td></td>
</tr>
<tr>
<td>Courtyard by Marriott</td>
<td>San Diego, CA</td>
<td>245</td>
<td>May-13</td>
<td>9.8 %</td>
<td>16.1 %</td>
<td>4.7 %</td>
<td>6.2</td>
<td></td>
</tr>
<tr>
<td>Hilton Garden Inn</td>
<td>Dublin, OH</td>
<td>100</td>
<td>Apr-13</td>
<td>12.5 %</td>
<td>20.5 %</td>
<td>9.2 %</td>
<td>10.5</td>
<td></td>
</tr>
<tr>
<td>Hyatt Place</td>
<td>Germantown, TN</td>
<td>127</td>
<td>Apr-13</td>
<td>11.9 %</td>
<td>20.8 %</td>
<td>7.5 %</td>
<td>9.1</td>
<td></td>
</tr>
<tr>
<td>Courtyard Shadyside</td>
<td>Pittsburgh, PA</td>
<td>132</td>
<td>Mar-13</td>
<td>10.5 %</td>
<td>16.5 %</td>
<td>8.3 %</td>
<td>8.7</td>
<td></td>
</tr>
<tr>
<td>Courtyard Medical Center</td>
<td>Houston, TX</td>
<td>197</td>
<td>Feb-13</td>
<td>10.2 %</td>
<td>16.0 %</td>
<td>5.7 %</td>
<td>7.1</td>
<td></td>
</tr>
</tbody>
</table>

Source: HVS
Investor Interviews - During the course of our work, we continuously monitor investor equity-yield requirements through discussions with hotel investors and brokers. While equity still looks to yield high returns for the risk of hotel investment, the low yield environment, coupled with increased competition for quality assets, has placed downward pressure on equity yield returns. We find that equity yield rates currently range from a low in the low to mid-teens for high-quality, institutional-grade assets in markets with high barriers to entry to the upper teens for quality assets in more typical markets; equity yield rates tend to near or exceed 20% for aging assets with functional obsolescence and/or other challenging property- or market-related issues. Equity return requirements also vary with an investment’s level of leverage. Higher loan-to-value ratios are becoming more prevalent, allowing for increased equity returns.

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

<table>
<thead>
<tr>
<th>Source</th>
<th>Data Point Range</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>HVS Hotel Sales - Full-Service &amp; Luxury</td>
<td>12% - 21.8%</td>
<td>17.8%</td>
</tr>
<tr>
<td>HVS Hotel Sales - Select-Service &amp; Extended-Stay</td>
<td>14.3% - 21.9%</td>
<td>18.7%</td>
</tr>
<tr>
<td>HVS Hotel Sales - Budget/Economy</td>
<td>16.1% - 25.5%</td>
<td>21.2%</td>
</tr>
<tr>
<td>HVS Investor Interviews</td>
<td>12% - 22%</td>
<td></td>
</tr>
</tbody>
</table>

Based on the assumed 70% loan-to-value ratio, the risk inherent in achieving the projected income stream, and the age, condition, and anticipated market position of the subject property, it is our opinion that an equity investor is likely to require an equity yield rate of 20.3%. The lack of attainable yields on alternate investments has continued to put downward pressure on equity yield rates, despite the desire of investors to yield higher returns. Competition for quality assets is increasing amongst all hotel asset types. These influences are keeping equity yields from increasing significantly. Equity return requirements remain elevated for the more challenged hotel assets.

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

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

FIGURE 8-6 HISTORICAL TRENDS OF TERMINAL CAPITALIZATION RATES
FIGURE 8-7  TERMINAL CAPITALIZATION RATES DERIVED FROM INVESTOR SURVEYS

<table>
<thead>
<tr>
<th>Source</th>
<th>Data Point Range</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>PWC Real Estate Investor Survey - 3rd Quarter 2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Select-Service Hotels</td>
<td>5.0% - 11.0%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Full-Service Hotels</td>
<td>6.5% - 11.0%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Luxury Hotels</td>
<td>5.75% - 10.0%</td>
<td>7.4%</td>
</tr>
<tr>
<td>USRC Hotel Investment Survey - Mid-Year 2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full-Service Hotels</td>
<td>6.5% - 10.5%</td>
<td>8.3%</td>
</tr>
<tr>
<td>CRE/RERC Real Estate Report - Fall 2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Tier Hotels</td>
<td>6.5% - 12.0%</td>
<td>8.8%</td>
</tr>
</tbody>
</table>

For purposes of this analysis, we have applied a terminal capitalization rate of 9.0%. Our final position for the terminal capitalization rate reflects the current market for hotel investments. In tandem with overall lower return expectations, terminal capitalization rates for quality hotel assets in markets with high barriers to entry have returned to their 2005 to 2007 lows, while terminal capitalization rates for older assets or for those suffering from functional obsolescence and/or weak market conditions remain elevated, reflecting the market's recognition that certain assets have less opportunity for significant appreciation.

As the two participants in a real estate investment, investors and lenders must evaluate their equity and debt contributions based on their particular return requirements. After carefully weighing the risk associated with the projected economic benefits of a lodging investment, the participants will typically make their decision whether or not to invest in a hotel or resort by determining if their investment will provide an adequate yield over an established period. For the lender, this yield will typically reflect the interest rate required for a hotel mortgage over a period of what can range from seven to ten years. The yield to the equity participant may consider not only the requirements of a particular investor, but also the potential payments to cooperative or ancillary entities such as limited partner payouts, stockholder dividends, and management company incentive fees.

The return on investment analysis in a hotel acquisition would not be complete without recognizing and reflecting the yield requirements of both the equity and debt participants. The analysis will now calculate the yields to the mortgage and equity participants during a ten-year projection period.
The annual debt service is calculated by multiplying the mortgage component by the mortgage constant.

<table>
<thead>
<tr>
<th>Mortgage Component</th>
<th>$15,750,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage Constant</td>
<td>0.068414</td>
</tr>
<tr>
<td>Annual Debt Service</td>
<td>$1,077,522</td>
</tr>
</tbody>
</table>

The yield to the lender based on a 70% debt contribution equates to an interest rate of 4.75%, which is calculated as follows.

<table>
<thead>
<tr>
<th>FIGURE 8-8 RETURN TO THE LENDER</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td>2017/18</td>
</tr>
<tr>
<td>2018/19</td>
</tr>
<tr>
<td>2019/20</td>
</tr>
<tr>
<td>2020/21</td>
</tr>
<tr>
<td>2021/22</td>
</tr>
<tr>
<td>2022/23</td>
</tr>
<tr>
<td>2023/24</td>
</tr>
<tr>
<td>2024/25</td>
</tr>
<tr>
<td>2025/26</td>
</tr>
<tr>
<td>2026/27</td>
</tr>
</tbody>
</table>

*Value of Mortgage Component $15,751,000

*10th year debt service of $1,078,000 plus outstanding mortgage balance of $11,544,000

The following table illustrates the cash flow available to the equity position, after deducting the debt service from the projected net income.
In order for the present value of the equity investment to equate to the $6,750,000 capital outlay, the investor must accept a 20.3% return, as shown in the following table.

**FIGURE 8-10 EQUITY COMPONENT YIELD**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Income Available for Debt Service</th>
<th>Total Annual Debt Service</th>
<th>Net Income to Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017/18</td>
<td>$1,674,000</td>
<td>$1,078,000</td>
<td>$596,000</td>
</tr>
<tr>
<td>2018/19</td>
<td>1,930,000</td>
<td>1,078,000</td>
<td>852,000</td>
</tr>
<tr>
<td>2019/20</td>
<td>2,066,000</td>
<td>1,078,000</td>
<td>988,000</td>
</tr>
<tr>
<td>2020/21</td>
<td>2,128,000</td>
<td>1,078,000</td>
<td>1,050,000</td>
</tr>
<tr>
<td>2021/22</td>
<td>2,192,000</td>
<td>1,078,000</td>
<td>1,114,000</td>
</tr>
<tr>
<td>2022/23</td>
<td>2,257,000</td>
<td>1,078,000</td>
<td>1,179,000</td>
</tr>
<tr>
<td>2023/24</td>
<td>2,325,000</td>
<td>1,078,000</td>
<td>1,247,000</td>
</tr>
<tr>
<td>2024/25</td>
<td>2,395,000</td>
<td>1,078,000</td>
<td>1,317,000</td>
</tr>
<tr>
<td>2025/26</td>
<td>2,466,000</td>
<td>1,078,000</td>
<td>1,388,000</td>
</tr>
<tr>
<td>2026/27</td>
<td>2,541,000</td>
<td>1,078,000</td>
<td>1,463,000</td>
</tr>
</tbody>
</table>

In determining the potential feasibility of the proposed Proposed University Limited-Service Hotel, we analyzed the lodging market, researched the area’s economics, reviewed the estimated development cost, and prepared a ten-year...
forecast of income and expense, which was based on our review of the current and historical market conditions, as well as comparable income and expense statements.

The conclusion of this analysis indicates that an equity investor contributing $6,750,000 (roughly 30% of the $22,500,000 positioned development cost) could expect to receive a 20.3% internal rate of return over a ten-year holding period.

The proposed subject hotel has an opportunity to serve an unrepresented niche in the market. While the greater Minneapolis market offers a wide complement of hotels, the area near the subject site remains underserved by affordably priced, franchise-affiliated lodging facilities. Based on our market analysis, if the existing Days Inn were to be torn down, there would be sufficient market support for a proposed 150-room SpringHill Suites by Marriott, or comparably branded property. Our conclusions are based primarily on the long-term strength of this hotel market and the University of Minnesota. The greater Minneapolis market successfully absorbed a significant amount of supply that opened throughout 2009, and the projected long-term growth of demand and average rate indicates that the market should successfully absorb the new supply from the proposed hotels in the area, including the proposed subject hotel. The hotel site is located at the East Bank of the University of Minnesota, at the Stadium Village Station for the new Green Line light-rail, and is proximate to major interstates; furthermore, the proposed hotel will offer an appropriate array of facilities and amenities that should allow the property to perform well among the commercial and extended-stay segments. Based on these parameters and considering construction costs for a SpringHill Suites by Marriott hotel, as provided by Marriott International, the feasibility of the subject project is confirmed.

We have made no assumptions of hypothetical conditions in our report. The analysis is based on the extraordinary assumption that the described improvements have been completed as of the prospective opening date. The reader should understand that the completed subject property does not yet, in fact, exist as of the date of this feasibility study. Our feasibility study does not address unforeseeable events that could alter the proposed project and/or the market conditions reflected in the analyses; we assume that no significant changes, other than those anticipated and explained in this report, will take place between the date of inspection and anticipated opening date as detailed in this feasibility study. Our feasibility study also assumes the property will be branded as a SpringHill Suites by Marriott or comparable limited-service national franchise affiliation. The use of these extraordinary assumptions may have affected the assignment results. We have made no other extraordinary assumptions specific to this feasibility study. However, several important general assumptions have been made that apply to this feasibility study, as well as our studies of proposed hotels.
in general. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report. We have not made any jurisdictional exceptions to the Uniform Standards of Professional Appraisal Practice in our analysis or report.

Further Consideration

It is important to note that our recommendations of facilities are based on the current economic environment. Should the University of Minnesota and United Partners choose to take a more aggressive route with the redevelopment of the entire subject site, to include additional office space, a medical clinic, and/or a “catalyst” project with significant involvement from the University or a research partner, our recommendations for hotel development could potentially change. Suggested hotel development may include more than one hotel, consisting of a dual branded property, or a full-service hotel. A dual-branded property could serve two distinct users while benefitting from operating efficiencies of joint public space and shared back-of-house areas, while a full-service hotel may offer more upscale facilities and amenities and a moderate amount of meeting space to serve the needs of a dedicated user. As details become available on the chosen redevelopment plan, our recommendations may need to be revised to reflect potential impact on the hotel usage in the area and the type of hotel(s) best suited for the redevelopment. However, based on current market dynamics, including available demand and anticipated new supply, it is our recommendation that the existing Days Inn Hotel be razed and a new limited-service hotel, operating as a SpringHill Suites by Marriott or comparable well-recognized limited-service brand, be developed.
9. Statement of Assumptions and Limiting Conditions

1. This report is set forth as a feasibility study of the proposed subject hotel; this is not an appraisal report.

2. This report is to be used in whole and not in part.

3. No responsibility is assumed for matters of a legal nature, nor do we render any opinion as to title, which is assumed marketable and free of any deed restrictions and easements. The property is evaluated as though free and clear unless otherwise stated.

4. We assume that there are no hidden or unapparent conditions of the subsoil or structures, such as underground storage tanks, that would impact the property's development potential. No responsibility is assumed for these conditions or for any engineering that may be required to discover them.

5. We have not considered the presence of potentially hazardous materials or any form of toxic waste on the project site. The consultants are not qualified to detect hazardous substances, and we urge the client to retain an expert in this field if desired.

6. The Americans with Disabilities Act (ADA) became effective on January 26, 1992. We have assumed the proposed hotel would be designed and constructed to be in full compliance with the ADA.

7. We have made no survey of the site, and we assume no responsibility in connection with such matters. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the described real estate will be within the boundaries of the property described, and that no encroachment will exist.

8. All information, financial operating statements, estimates, and opinions obtained from parties not employed by TS Worldwide, LLC are assumed true and correct. We can assume no liability resulting from misinformation.

9. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.

10. The property is assumed to be in full compliance with all applicable federal, state, local, and private codes, laws, consents, licenses, and regulations (including a liquor license where appropriate), and that all...
licenses, permits, certificates, franchises, and so forth can be freely renewed or transferred to a purchaser.

11. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.

12. None of this material may be reproduced in any form without our written permission, and the report cannot be disseminated to the public through advertising, public relations, news, sales, or other media.

13. We are not required to give testimony or attendance in court because of this analysis without previous arrangements, and shall do so only when our standard per-diem fees and travel costs have been paid prior to the appearance.

14. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.

15. We take no responsibility for any events or circumstances that take place subsequent to the date of our field inspection.

16. The quality of a lodging facility’s on-site management has a direct effect on a property’s economic viability. The financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results.

17. The financial analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease because of market volatility and economic forces outside the control of the hotel's management. We assume that the price of hotel rooms, food, beverages, and other sources of revenue to the hotel will be adjusted to offset any increases or decreases in related costs. We do not warrant that our estimates will be attained, but they have been developed based upon information obtained during the course of our market research and are intended to reflect the expectations of a typical hotel investor as of the stated date of the report.

18. This analysis assumes continuation of all Internal Revenue Service tax code provisions as stated or interpreted on either the date of value or the date of our field inspection, whichever occurs first.

19. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity,
most numbers have been rounded to the nearest tenth of a percent. Thus, these figures may be subject to small rounding errors.

20. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.

21. Evaluating and comprising financial forecasts for hotels is both a science and an art. Although this analysis employs various mathematical calculations to provide value indications, the final forecasts are subjective and may be influenced by our experience and other factors not specifically set forth in this report.

22. This study was prepared by TS Worldwide, LLC. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of TS Worldwide, LLC as employees, rather than as individuals.
10. Certification

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

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved;
4. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
6. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined result or direction in performance that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this study;
7. our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
8. Tanya J. Pierson, MAI personally inspected the property described in this report;
9. no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this report;
10. Tanya J. Pierson, MAI has performed one market study on the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment;
11. the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute;
12. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and

13. as of the date of this report, Tanya J. Pierson, MAI has completed the requirements of the continuing education program of the Appraisal Institute.

Tanya J. Pierson, MAI
Managing Director
TS Worldwide, LLC
State Appraiser License (MN) 40268741
Penetration Explanation

Let us illustrate the penetration adjustment with an example.

A market has three existing hotels with the following operating statistics:

### BASE-YEAR OCCUPANCY AND PENETRATION LEVELS

<table>
<thead>
<tr>
<th>Property</th>
<th>Number of Rooms</th>
<th>Fair Share</th>
<th>Commercial</th>
<th>Meeting and Group</th>
<th>Leisure</th>
<th>Occupancy</th>
<th>Penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel A</td>
<td>100</td>
<td>23.5 %</td>
<td>60 %</td>
<td>20 %</td>
<td>20 %</td>
<td>75.0 %</td>
<td>100.8 %</td>
</tr>
<tr>
<td>Hotel B</td>
<td>125</td>
<td>29.4 %</td>
<td>70 %</td>
<td>10 %</td>
<td>20 %</td>
<td>65.0 %</td>
<td>87.4 %</td>
</tr>
<tr>
<td>Hotel C</td>
<td>200</td>
<td>47.1 %</td>
<td>30 %</td>
<td>60 %</td>
<td>10 %</td>
<td>80.0 %</td>
<td>107.5 %</td>
</tr>
<tr>
<td>Totals/Average</td>
<td>425</td>
<td>100.0 %</td>
<td>47 %</td>
<td>38 %</td>
<td>15 %</td>
<td>74.4 %</td>
<td>100.0 %</td>
</tr>
</tbody>
</table>

Based upon each hotel’s room count, market segmentation, and annual occupancy, the annual number of room nights accommodated in the market from each market segment can be quantified, as set forth below.

### MARKET-WIDE ROOM NIGHT DEMAND

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Annual Room Night Demand</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>54,704</td>
<td>47.4 %</td>
</tr>
<tr>
<td>Meeting and Group</td>
<td>43,481</td>
<td>37.7 %</td>
</tr>
<tr>
<td>Leisure</td>
<td>17,246</td>
<td>14.9 %</td>
</tr>
<tr>
<td>Total</td>
<td>115,431</td>
<td>100.0 %</td>
</tr>
</tbody>
</table>

The following discussion will be based upon an analysis of the commercial market segment. The same methodology is applied for each market segment to derive an estimate of a hotel’s overall occupancy. The table below sets forth the commercial demand accommodated by each hotel. Each hotel’s commercial penetration factor is computed by:
1) calculating the hotel’s market share % of commercial demand (commercial room nights accommodated by subject hotel divided by total commercial room nights accommodated by all hotels) and

2) dividing the hotel’s commercial market share % by the hotel’s fair share %.

The following table sets forth each hotel’s fair share, commercial market share, and commercial penetration factor.

### COMMERCIAL SEGMENT PENETRATION FACTORS

<table>
<thead>
<tr>
<th>Property</th>
<th>Number of Rooms</th>
<th>Fair Share</th>
<th>Commercial Capture</th>
<th>Commercial Market Share</th>
<th>Commercial Penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel A</td>
<td>100</td>
<td>23.5 %</td>
<td>16,425</td>
<td>30.0 %</td>
<td>127.6 %</td>
</tr>
<tr>
<td>Hotel B</td>
<td>125</td>
<td>29.4</td>
<td>20,759</td>
<td>37.9</td>
<td>129.0</td>
</tr>
<tr>
<td>Hotel C</td>
<td>200</td>
<td>47.1</td>
<td>17,520</td>
<td>32.0</td>
<td>68.1</td>
</tr>
<tr>
<td>Totals/Average</td>
<td>425</td>
<td>100.0 %</td>
<td>54,704</td>
<td>100.0 %</td>
<td>100.0 %</td>
</tr>
</tbody>
</table>

If a new 100-room hotel enters the market, the fair share of each hotel changes because of the new denominator, which has increased by the 100 rooms that have been added to the market.

### COMMERCIAL SEGMENT FAIR SHARE

<table>
<thead>
<tr>
<th>Property</th>
<th>Number of Rooms</th>
<th>Fair Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel A</td>
<td>100</td>
<td>19.0 %</td>
</tr>
<tr>
<td>Hotel B</td>
<td>125</td>
<td>23.8</td>
</tr>
<tr>
<td>Hotel C</td>
<td>200</td>
<td>38.1</td>
</tr>
<tr>
<td>New Hotel</td>
<td>100</td>
<td>19.0</td>
</tr>
<tr>
<td>Total</td>
<td>525</td>
<td>100.0 %</td>
</tr>
</tbody>
</table>

The new hotel’s penetration factor is projected for its first year of operation. It is estimated that the hotel will capture (penetrate) only 85% of its fair share as it establishes itself in the market. The new hotel’s market share and room night capture can be calculated based upon the hotel’s estimated penetration factor. When the market share of the existing hotels and that of the new hotel are added up, they no longer equal 100% because of the new hotel’s entry into the market. The market share of each hotel must be adjusted to reflect the change in the denominator that comprises the sum of each hotel’s market share.
This adjustment can be mathematically calculated by dividing each hotel’s market share percentages by the new denominator of 97.1%. The resulting calculations reflect each hotel’s new adjusted market share. The sum of the adjusted market shares equals 100%, indicating that the adjustment has been successfully completed. Once the market shares have been calculated, the penetration factors can be recalculated (adjusted market share divided by fair share) to derive the adjusted penetration factors based upon the new hotel’s entry into the market. Note that each existing hotel’s penetration factor actually increases because the new hotel is capturing (penetrating) less than its fair share of demand.

**COMMERCIAL SEGMENT PROJECTIONS (YEAR 1)**

In its second year of operation, the new hotel is projected to penetrate above its fair share of demand. A penetration rate of 130% has been chosen, as the new hotel is expected to perform at a level commensurate with Hotel A and Hotel B in this market segment. The same calculations are performed to adjust market share and penetration factors. Note that now the penetration factors of the existing hotels decline below their original penetration rates because of the new hotel’s above-market penetration. Also, note that after the market share adjustment, the new hotel retains a penetration rate commensurate with Hotel A and Hotel B, though the penetration rates of all three hotels have declined by approximately nine percentage points because of the reapportionment of demand.

Once the market shares of each hotel have been adjusted to reflect the entry of the new hotel into the market, the commercial room nights captured by each hotel may be projected by multiplying the hotel’s market share percentage by the total commercial room-night demand. This calculation is shown below.
## COMMERCIAL SEGMENT PROJECTIONS (YEAR 2)

<table>
<thead>
<tr>
<th>Property</th>
<th>Number of Rooms</th>
<th>Fair Share</th>
<th>Hist./Proj. Penetration Factor</th>
<th>Hist./Proj. Market Share</th>
<th>Adjusted Market Share</th>
<th>Adjusted Penetration Factor</th>
<th>Projected Capture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel A</td>
<td>100</td>
<td>19.0 %</td>
<td>131.4 %</td>
<td>25.0 %</td>
<td>23.1 %</td>
<td>121.5 %</td>
<td>12,662</td>
</tr>
<tr>
<td>Hotel B</td>
<td>125</td>
<td>23.8</td>
<td>132.8</td>
<td>31.6</td>
<td>29.3</td>
<td>122.9</td>
<td>16,004</td>
</tr>
<tr>
<td>Hotel C</td>
<td>200</td>
<td>38.1</td>
<td>70.1</td>
<td>26.7</td>
<td>24.7</td>
<td>64.8</td>
<td>13,507</td>
</tr>
<tr>
<td>New Hotel</td>
<td>100</td>
<td>19.0</td>
<td>130.0</td>
<td>24.8</td>
<td>22.9</td>
<td>120.3</td>
<td>12,531</td>
</tr>
<tr>
<td>Totals/Average</td>
<td>525</td>
<td>100.0 %</td>
<td>108.1 %</td>
<td>100.0 %</td>
<td></td>
<td></td>
<td>54,704</td>
</tr>
</tbody>
</table>
Redevelopment Site
Joint Venture with United Properties
Minneapolis, MN

This map is intended to be used for planning purposes only and should not be relied upon where a survey is required.

Base Data: Real Estate Office MNDNR, MNDOT
12/12/2014
Tanya Pierson, MAI

EMPLOYMENT

1994 to present  
HVS CONSULTING AND VALUATION SERVICES  
Denver, Colorado and Minneapolis, Minnesota

1993 - 1994  
TABLE MOUNTAIN INN  
Golden, Colorado

1993  
RICHFIELD HOTEL MANAGEMENT  
Denver, Colorado

1992 - 1993  
HOTEL BOULDERADO  
Boulder, Colorado

1991  
CAESARS TAHOE  
Stateline, Nevada

1990  
LA QUINTA MOTOR INN  
Denver, Colorado

EDUCATION AND OTHER TRAINING

BSBA – Hotel, Restaurant and Tourism Management, University of Denver

Certified General Appraiser Classes Completed:
NCRE: 200 - Basic Appraisal Principles and Procedures
NCRE: 201 - Basic Appraisal Applications
NCRE: 208 - Standards and Ethics
NCRE: 203 - Small Residential Income Properties
NCRE: 211 - Certified Residential: Reporting, Reviewing, and Analyzing Appraisals
NCRE: 215 - Appraisal Principles and Advanced Applications
NCRE: 216 - Income Capitalization
NCRE: 219 - Commercial Case Studies
EDUCATION AND OTHER TRAINING (CONTINUED)

Continuing Education Courses:
- Real Estate Finance
- Course 400: National USPAP Update
- Appraisal Loss Prevention Seminar
- Market Valuation & Financial Considerations
- Developing & Growing an Appraisal Practice
- Capitalization Rate Models
- Feasibility, Market Value & Investment Timing
- Using Your HP 12C
- Small Hotel/Motel Valuation
- Internet Search Strategies for Appraisers
- Valuation of Detrimental Conditions in Real Estate
- Analyzing Operating Expenses
- What Commercial Clients Would Like Appraisers to Know
- Course 550: Advanced Applications
- Course 530: Advanced Sales Comparison and Cost Approach
- Course 510: Advanced Income Capitalization
- General Appraiser Market Analysis and HBU
- Advanced Applications
- Business Practices and Ethics
- Report Writing
- Risky Business: Ways to Minimize Your Liability
- Mortgage Fraud – Protect Yourself
- Perspectives from Commercial Review Appraisers
- Ad Valorem Tax Consultation
- Introduction to Legal Description
- Fundamentals of Separating Real, Personal Property, and Intangible Business Assets
- CA Law Class
- Appraisal Applications of Regression Analysis
- Annual USPAP Updates
- Appraisal Institute Comprehensive Exam – Passed

STATE CERTIFICATIONS

Colorado, Illinois, Minnesota, North Dakota, Texas, Wisconsin
ARTICLES AND MENTIONS

**HVS Journal**
- “Five Key Takeaways – ALIS Conference The Americas Lodging Investment Summit,” February 2015
- “Market Intelligence Report 2013: Minneapolis,” August 2013
- “HVS Market Intelligence Report: Minneapolis, Minnesota,” co-authored with Tess Federer, June 2012

**Minneapolis-St. Paul Business Journal**
- “Grand Hotel for Sale as Wirth Tests the Waters,” October 2, 2009

**Denver Business Journal**

**Missoulian**
- “Foreclosure won’t shutter Holiday Inn Parkside,” March 25, 2005

**The Hotel Valuation Journal**
- “US 36 Hotel Market Diversifies,” April 18, 2001
- “Too Many Rooms: Lessons to Learn from Salt Lake City,” August 8, 2000 – Feature Article
- “Why Hotel Markets Crash – Salt Lake City as a Blueprint,” September 2000
- “From Lodging to Senior Housing – A Natural Trend?” September 1998
- “The South Pacific - Paradise Lost or Found?” June 1997

**CONFERENCE ENGAGEMENTS**

Panelist at Hunter Hotel Investment Conference – March 2013

Panelist at the Lodging Conference – September 2010

HVS Valuation Summit, Minneapolis – June 2012, May 2013

*Minnesota Real Estate Journal, Hotel & Hospitality Conference – September 2012*
EDITING AND LECTURE ASSIGNMENTS

Guest Speaker, TOM 3400: Hotel Management and Opportunities- University of Colorado – January 2004, September 2004
Guest Speaker, HRTM 4440: Hotel Asset Management – University of Denver – May 2004
Contributing Editor, Hotel Investments Handbook, 1997

PROFESSIONAL AFFILIATIONS

Appraisal Institute – Designated Member (MAI)
Boulder, Colorado CVB – Advisory Board, 2008 – 2011
Eastern Carolina University – Hospitality Management Advisory Board, 2008 – 2011
University of Denver Visiting Committee, 1997/98
University of Denver MBA Curriculum Review Committee, 2000
University of Denver HRTM Society
Eta Sigma Delta
EXAMPLES OF CORPORATE AND INSTITUTIONAL CLIENTS SERVED

1st Bank
21c Hotels
9920 Hotels LLC
Access Point Financial
Adams Bank & Trust
Aldrich, Eastman & Waltch, L.P.
Allegro Hotels and Resorts
American Financial Mortgage
Amstar Group Limited
Archon Group, L.P.
Ashford Financial Corporation
Ashford Hospitality Trust
Ballard, Spahr, Andrews & Ingersoll, LLP
Banc One
Bank of America
Bank of Boston
Bank of the West
Bankers Trust
Barclays Capital
BBG
Best Western International
BHA Stonehouse Association
Boykin Lodging Company
Bremer Bank
Butler Burgher Group
Capmark Finance Inc.
CDC Mortgage Capital
Centier Bank
Chase Manhattan Bank
CIBC World Markets
CNL Real Estate Advisors
CS First Boston
CSM Corporation
Choice Hotels International
Citibank
Citizens National Bank
City of Boulder
City of Westminster
Colonial Bank
Colony Capital Acquisitions, LLC
Columbia Sussex Corporation
Column Financial
Compass Bank
Concept Restaurants, Inc.
Contratrade Services, LLC
CP Sanibel LLC
Credit Lyonnaise
Crested Butte Mountain Resort
CW Capital
Daiwa Securities International
Debartolo Holdings
Denver Athletic Club
Deutsche Bank Securities
Dollar Bank FSB
Dougherty Funding LLC
Driftwood Ventures
Equity Inns
Finova Capital
Fiol & Associates
FirstBank
First National Bank of Boulder
First National Bank of Omaha
First National Bank of Santa Fe
First National Bank of South Dakota
First Security Commercial Mortgage
FirstStar Bank
FirstTier Bank
Focus Enterprises, Inc.
Franchise Concepts Unlimited
GE Capital
Glacier Bank
GMAC Commercial Mortgage
GoldenTree Asset Management
Goldman Sachs
Great Western Bank
Greenwich Capital
Guaranty Bank & Trust
Gustin Property Group
Hamister Group
HEI Hotels
Heller Financial
Henley Holding Company
HilMAC
Hilton Mortgage Acceptance Corporation
Hinshaw & Culbertson LLC
Hodges Ward Elliott
Hospitality Properties Trust
Host Marriott
HVS Hotel Management
Hypo Real Estate Capital Corp.
Independence Bank One of California
ING/Northmarq
Inland Pacific Colorado, LLC
Interlocken Advanced Technology
Intervest Property Company
Investco
Island Inn & Suites
ITT Sheraton Corporation
Ivy Tusk, LLC
JD Ford and Company
Jefferies LoanCore
JP Morgan Chase
Kettler
Krisch Hotels
Labovitz Enterprises
Larken, Inc.
LaSalle Bank
LeBoeuf Lamb Green & MacRae
Lehman Brothers
Lennar Partners
Larimer Associates
Lexington Mortgage
Lincoln National Life
Lion Hotel Group
LNR
Macy Development
Madison Capital Management Manor Care
Madison Hospitality Group
Marriott International
Marshall Investments Corporation
McGough Companies
Meridian Group
Merrill Lynch Capital
Mesa West Capital
Meta Bank
Mile Lacs Band of Ojibwe
Miller & Schroeder
MONY Life Insurance Company
Morgan Stanley
Morrissey Hospitality
Mortenson Development
MSP Metropolitan Airports Commission
National Bank of Indianapolis
National Lodging
Nations Bank
Nevada Gold & Casino, Inc.
New Mexico Bank & Trust
Nomura Securities International
North Central Group
North Hill Suites, LLC
OPPUBCO Development Corp.
Paine Webber
Patriot American Hospitality
PNC Bank, National Association
Principal Real Estate
Prudential
RAM Hotels
Raymond James
RBS
Rialto Capital
Richfield Hospitality Services, Inc.
Riskpro
River Valley Development Corp.
Riverwood Bank
Rodeo Capital
REEF
Ryan Companies
Sage Hospitality
Sagecrest, LLC
Salomon Brothers Realty
Security Bank
Self-Help Bank
Self Help Credit Union
Servico, Inc.
Seva Holdings
Shaner Hotel Group
Signature Hospitality
Skopbank
Sonmar Hospitality
Sonnenblick Goldman
Snow Goose Investments
Starwood Capital
Starwood Property Trust
Steptoe & Johnson, LLP
Stone Mountain Partners
Stonebridge Companies
Stout Street Hospitality
Studio Ventures
Suburban Capital
Summit Hotel Properties
Sunrise Banks
Tebo Development Company
Telemark Owners Association
The Capital Company of America
The Guardian Life Insurance Company of America
The Weglarz Group
Titan Development
UBS
United Properties
UrbanAmerica
USA Property Management LLC
US Bancorp
US Bank
US Bank Piper Jaffary
VFI Corporation
Walker Field Airport Authority
Waterford Development Corp.
Wells Fargo Bank
Westin Hotels and Resorts
WestRock Association, LLC
WestStar Bank
White Lodging Services Corp.
Windmill Inns of America
Wintrust Financial Corporation
Woodbine Development Corp.
WPB Hospitality
The World Company
W.P. Carey & Co. LLC
WRK, LLC
Wyndham International, Inc.

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED

PORTFOLIO ANALYSIS

Portfolio of 650 Extended StayAmerica Hotels, Various Locations
Portfolio of 365 La Quinta-Owned Hotels, Various Locations
Portfolio of 11 Boykin-Owned Hotels, Various Locations
Portfolio of 48 Hotels, Various Locations (Due Diligence)
Portfolio of 57 RFS-Owned Hotels, Various Locations

Portfolio of 34 Athletic Clubs Facilities, Various Locations
Portfolio of 13 Suburban Lodges, Various Locations
Portfolio of 21 Equity Inns Properties, Various Locations
Portfolio of 10 Marriott Properties, Various Locations
Portfolio of 6 Summerfield Suites, Various Locations
Portfolio of 5 Heart of America Properties, Various Locations
Multiple Portfolios of Summit-Owned Properties, Various Locations
Portfolio of 8 La Quinta Properties, Various Locations
Portfolio of 11 Real Estate Capital Partners-Owned Properties, California
Portfolio of 26 Summit-Owned Properties, Various Locations
Portfolio of 11 Tharaldson-Managed Properties, Various Locations
Portfolio of 5 LNR-Owned Properties, Various Locations
Multiple Portfolios of Highland-Owned Properties, Various Locations
Portfolio of 8 Hyatt Place Properties, Various Locations
Portfolio of 5 DoubleTree Hotels, Tennessee
Portfolio of 160 Tharaldson-Managed Properties, Various Locations
Portfolio of 28 Hotels for Citibank, Various Locations
Portfolio of 9 Suburban and Candlewood Hotels, Virginia and North Carolina
Portfolio of 99 Marriott and Hilton Hotels, Various Locations
Portfolio of 27 Hotels for Citibank, Various Locations

ALABAMA

Proposed Hotel, Auburn
Hilton, Birmingham
Hilton Garden Inn Lakeshore, Birmingham
Hilton Garden Inn Liberty Park, Birmingham
Holiday Inn, Birmingham
Hampton Inn, Dothan
Holiday Inn, Dothan
Holiday Inn Express, Gadsden
Proposed 4-Star Hotel, Huntsville
Clarion Hotel, Mobile
Proposed USA Hotel, Mobile
Proposed Hotel, Montgomery
Proposed Hotel, Prattville
Holiday Inn, Sheffield

**ALASKA**

Hampton Inn, Anchorage
Holiday Inn, Anchorage
Marriott, Anchorage
Proposed Embassy Suites, Anchorage
Proposed Candlewood Suites, Fairbanks
Proposed Hampton Inn, Fairbanks
Westmark Baranoff Hotel, Juneau

**ARIZONA**

Carefree Resort, Carefree
Courtyard by Marriott, Chandler
Hampton Inn, Chandler
Homewood Suites, Chandler
Proposed Home2 Suites, Chandler
Proposed Hotel Site, Chandler
AmeriSuites, Flagstaff
Courtyard by Marriott, Flagstaff
Embassy Suites, Flagstaff
Howard Johnson, Flagstaff
SpringHill Suites, Flagstaff
Proposed Home2 Suites, Glendale
Proposed Hotel, Glendale
Holiday Inn Express, Goodyear
Hampton Inn & Suites, Goodyear
Proposed Hotel Site, Goodyear
Residence Inn by Marriott, Mesa
Proposed Hotel, Oro Valley

Arizona Biltmore Resort & Spa, Phoenix
Crowne Plaza, Phoenix
Embassy Suites, Phoenix
Fairfield Inn by Marriott, Phoenix
Hampton Inn, Phoenix
Holiday Inn West, Phoenix
Homewood Suites, Phoenix
Hyatt Place Phoenix North, Phoenix
Proposed Hampton Inn, Phoenix
Proposed Hotel Palomar, Phoenix
Proposed Hotel Site, Phoenix
Radisson, Phoenix
Holiday Inn Express, Prescott
Hilton Resort, Scottsdale
Proposed Fairfield Suites by Marriott, Scottsdale
Scottsdale Market Area Overview, Scottsdale
TownePlace Suites by Marriott, Scottsdale
L'Auberge de Sedona, Sedona
Hampton Inn, Sedona
Proposed Residence Inn, Tempe
Wyndham Buttes Resort, Tempe
Embassy Suites Airport, Tucson
JW Marriott Starr Pass Resort, Tucson
Sheraton El Conquistador, Tucson
Proposed Comfort Suites, Tucson
Ramada Palo Verde, Tucson
Residence Inn by Marriott, Tucson

**ARKANSAS**

Four Points by Sheraton, Bakersfield
Courtyard by Marriott, Bentonville
Fairfield Inn, Little Rock
Residence Inn by Marriott, Little Rock
Proposed Marriott, West Little Rock

**CALIFORNIA**

Sheraton Disneyland, Anaheim
Embassy Suites, Arcadia
Proposed Hilton Garden, Arcadia
Proposed SpringHill Suites by Marriott, Arcadia

Claremont Resort & Spa, Berkeley
Radisson Hotel, Brisbane
Hampton Inn & Suites, Camarillo
Proposed Residence Inn by Marriott, Carlsbad
Proposed Courtyard by Marriott, Carlsbad
Courtyard by Marriott, Century City
DoubleTree Hotel, Commerce
Hardage Hotel, Emeryville
Courtyard by Marriott, Fresno
Piccadilly Airport Hotel, Fresno
Hampton Inn, Goleta
Holiday Inn Express, Hesperia
Clarion Roosevelt, Hollywood
La Quinta Resort & Club, La Quinta
Courtyard by Marriott, Livermore
Hotel D’Orsay, Long Beach
Four Points LAX, Los Angeles
Marriott LAX, Los Angeles
The Standard Hotel, Los Angeles
Beverly Heritage Hotel, Milpitas
Sheraton Hotel, Milpitas
DoubleTree Hotel, Mission Valley
Courtyard, Modesto
Silverado Resort, Napa
Courtyard by Marriott, Oyster Point
Residence Inn by Marriott, Oyster Point
Holiday Inn Express, Palm Desert
Homewood Suites, Palm Desert
Renaissance Hotel, Palm Springs
Four Points by Sheraton, Pleasanton
Sierra Suites, Pleasanton
Summerfield Suites by Wyndham, Pleasanton
Wyndham Garden, Pleasanton
Hampton Inn & Suites, Poway
Homewood Suites, Rancho Cucamonga
Holiday Inn, Riverside
DoubleTree, Sacramento
Residence Inn by Marriott, Sacramento
Proposed Hotel, San Bernadino
DoubleTree, San Diego
Hardage Hotel, San Diego
Hilton Harbor Island, San Diego
Holiday Inn Mission Valley Stadium, San Diego
Towne & Country Resort & Conference Center, San Diego
Westin, San Diego
Wyndham Emerald Plaza, San Diego
Hilton Fisherman's Wharf, San Francisco
Holiday Inn Express Fisherman's Wharf, San Francisco
Hotel Rex, San Francisco
Courtyard by Marriott, San Luis Obispo
Courtyard, Santa Rosa
Radisson Valley Center Hotel, Sherman Oaks
Sonoma Valley Inn, Sonoma
Four Points SFO, South San Francisco
Maple Tree Inn, Sunnyvale
Sheraton, Sunnyvale
Holiday Inn Express, Temecula
Courtyard by Marriott, Thousand Oaks
TownePlace Suites by Marriott, Thousand Oaks
Residence Inn by Marriott, Torrance
Courtyard, Vacaville
Holiday Inn, Ventura
Ventura Beach Marriott, Ventura
Wyndham Bel Age, West Hollywood
Marriott Warner Center, Woodland Hills

COLORADO

Denver Marriott, Aurora
DoubleTree Denver Southeast, Aurora
Hilton Garden Inn DIA, Aurora
Proposed Residence Inn Gateway Park, Aurora
Proposed Woolley Classic Suites, Aurora
Sleep Inn, Aurora
Suburban Lodge, Aurora
Hyatt Regency Beaver Creek, Avon
Proposed Hotel, Avon
Proposed Timeshare, Avon
Ritz-Carlton Bachelor Gulch, Avon
Proposed TBD Hotel, Basalt
Alps Boulder Canyon Inn, Boulder
Clarion Harvest House, Boulder
Proposed Hotel
Renovation/Expansion, Boulder
Proposed Marriott, Boulder
Proposed St. Julien Hotel, Boulder
aloft Arista, Broomfield
Interlocken Club & Spa, Broomfield
Omni Interlocken Resort, Broomfield
Proposed Interlocken Resort, Broomfield
Proposed NYLO, Broomfield
Proposed Summerfield Suites, Broomfield
Proposed aloft, Broomfield
Proposed Holiday Inn, Clifton
Academy Hotel, Colorado Springs
Best Western Academy, Colorado Springs
DoubleTree, Colorado Springs
Embassy Suites, Colorado Springs
Hampton Inn, Colorado Springs
Holiday Inn Express, Colorado Springs
Homewood Suites, Colorado Springs
Proposed Brighton Gardens, Colorado Springs
Proposed Homewood Suites by Hilton, Colorado Springs
Proposed Hotel, Colorado Springs
Proposed Mining Exchange Hotel, Colorado Springs
Holiday Inn, Craig
Grand Butte Hotel, Crested Butte
Irwin Mountain Lodge, Crested Butte
MountainLair Hotel, Crested Butte
Sheraton Hotel, Crested Butte
Imperial Hotel & Casino, Cripple Creek
Colorado Athletic Club Downtown, Denver
Colorado Athletic Club Leetsdale, Denver
Courtyard by Marriott, Denver
DoubleTree DTC, Denver
Embassy Suites, Denver
Four Points by Sheraton, Denver
Hampton Inn, Denver
Hampton Inn DIA, Denver
Hampton Inn & Suites, Denver
Hilton DTC, Denver
Hilton Garden Inn Downtown, Denver
Holiday Inn Central, Denver
Holiday Inn Express, Denver International Airport
JW Marriott, Denver
Proposed Best Western Plus Gateway Park, Denver
Proposed Boutique Hotel – Sloan Lake, Denver
Proposed Cherry Creek Hotel, Denver
Proposed Denver Athletic Club Hotel, Denver
Proposed Executive Tower Hotel, Denver
Proposed Full-Service Hotel, Denver
Proposed Hilton Garden Inn, Denver
Proposed Hotel at DU, Denver
Proposed JW Marriott Hotel, Denver
Proposed Limited-Service DTC Hotel, Denver
Proposed Metro State Hotel, Denver
Proposed Residence Inn by Marriott, Denver
Proposed Residence Inn by Marriott, Englewood
Proposed Union Station Hotel, Denver
Ritz-Carlton Downtown, Denver
Wyndham DTC, Denver
Days Inn, Denver International Airport
Ramada Limited, Denver International Airport
Proposed Sheraton, Denver International Airport
Proposed Jackson Creek Ranch, Douglas County
Holiday Inn & Suites, Durango
Proposed Holiday Inn, Durango
24 Hour Fitness, Englewood
Colorado Athletic Club Inverness, Englewood
Courtyard by Marriott, Englewood
Proposed Courtyard by Marriott, Englewood
Proposed Residence Inn by Marriott, Englewood
Residence Inn by Marriott, Englewood
Sheraton Denver Tech Center, Englewood
Summerfield Suites by Wyndham, Englewood
The Stanley Hotel, Estes Park
Courtyard by Marriott, Fort Collins
Homewood Suites, Fort Collins
Marriott, Fort Collins,
Residence Inn by Marriott, Fort Collins
Holiday Inn, Frisco
Hampton Inn & Suites, Glendale
Staybridge Suites, Glendale
Courtyard by Marriott, Glenwood Springs
Residence Inn by Marriott, Glenwood Springs
Fairfield Inn/AmericInn, Golden
Golden Hotel, Golden
Hampton Inn, Golden
Proposed Holiday Inn Express, Golden
Ramada Inn Denver West, Golden
Proposed Residence Inn by Marriott, Golden
Proposed Courtyard by Marriott, Golden
Table Mountain Inn, Golden
Adams Mark, Grand Junction
Comfort Inn, Grand Junction
Hilton Hotel, Grand Junction
Proposed Candlewood Suites, Grand Junction
Proposed Courtyard by Marriott, Grand Junction
Proposed Hampton Inn, Grand Junction
Proposed Holiday Inn, Grand Junction
Proposed Residence Inn by Marriott, Grand Junction
Proposed Hotel, Grand Junction
Colorado Athletic Club DTC, Greenwood Village
Greenwood Athletic Club, Greenwood Village
AmericInn, Lakewood
Hampton Inn, Lakewood
Proposed Brighton Gardens, Lakewood
Sheraton Denver West, Lakewood
Holiday Inn Express, Littleton
Proposed Hotel, Longmont
Raintree Plaza, Longmont
Comfort Inn, Louisville
Courtyard by Marriott, Louisville
Proposed Residence Inn by Marriott, Louisville
Hampton Inn, Louisville
Embassy Suites, Loveland
Fairfield Inn by Marriott, Loveland
Rock 'N River Property, Lyons
Holiday Inn Express, Montrose
Ramada Limited, Northglenn
Hampton Inn, Parker
Marriott Convention Center, Pueblo
Proposed Hilton Garden Inn, Superior
Proposed Hotel, Superior
Proposed Westin, Telluride
Peaks at Telluride, Telluride
The Owners Club, Telluride
Rosewood Resort, Telluride
Radisson Graystone Castle, Thornton
Chateau Vail, Vail
Lodge at Vail, Vail
Vail Village Inn, Vail
Proposed Vail Plaza, Vail
Proposed Four Seasons, Vail
Proposed Bradford Homesuites, Westminster
Proposed Comfort Suites, Westminster
Proposed SpringHill Suites by Marriott, Westminster
Proposed Westin, Westminster
Westin Hotel, Westminster

DISTRICT OF COLUMBIA

Proposed Embassy Suites
Proposed Residence Inn - Navy Yards

FLORIDA

Boca Athletic Club, Boca Raton
Fairfield Inn by Marriott, Brandon
Courtyard by Marriott, Brandon
Mayfair House, Coconut Grove
Holiday Inn, Coral Gables
Hyatt, Coral Gables
DoubleTree Hotel, Fort Lauderdale
DoubleTree Guest Suites, Fort Lauderdale
Hampton Inn, Fort Lauderdale
Marriott Sanibel Harbour Resort, Fort Myers
Sanibel Harbour Resort & Spa, Ft. Myers
Holiday Inn, Fort Pierce
aloft, Jacksonville
Hampton Inn, Jacksonville
Holiday Inn Sunspree, Jacksonville Beach
Proposed aloft, Jacksonville
Residence Inn by Marriott, Jacksonville Westin, Key Largo
Courtyard by Marriott, Key West
Holiday Inn, Key West
Super 8, Lantana
Hilton Walt Disney Work, Lake Buena Vista
Sheraton, Maitland
Holiday Inn, Melbourne
Doral Golf Resort & Spa, Miami
DoubleTree Club Hotel, Miami
Hilton Garden Inn Miami Airport, Miami
Hilton Miami Downtown, Miami
Homewood Suites Miami Airport, Miami
Proposed Aloft South Beach, Miami
TownePlace Suites by Marriott, Miami
Summerfield Suites by Wyndham, Miami

CONNECTICUT

Radisson, Enfield
Holiday Inn, East Hartford
Courtyard by Marriott, Orange
DoubleTree Hotel, Windsor Locks

DELAWARE

Residence Inn by Marriott, Wilmington
Grand Beach Hotel, Miami Beach  
TownePlace Suites by Marriott, Miami Lakes  
Proposed Hilton, Naples  
Proposed Residence Inn by Marriott, Naples  
DoubleTree Orlando at SeaWorld, Orlando  
Hyatt Place Convention Center, Orlando  
Hyatt Place Universal, Orlando  
Residence Inn by Marriott, Orlando  
Radisson Parkway Resort, Orlando  
Holiday Inn Express, Pensacola  
Holiday Inn University Mall, Pensacola  
Hampton Inn, Pensacola  
Sheraton Suites, Plantation  
Hyatt Regency, Sarasota  
SpringHill Suites by Marriott, Sarasota  
Proposed Radisson Hotel, Tallahassee  
Hampton Inn Ybor City, Tampa  
Harbour Island Athletic Club, Tampa  
Holiday Inn Express Hotel & Suites, Tampa  
Crowne Plaza, West Palm Beach  
Residence Inn by Marriott, West Palm Beach  
Sheraton, West Palm Beach  
Holiday Inn, Winter Haven  

GEORGIA  
Hampton Inn, Alpharetta  
Marriott, Alpharetta  
Residence Inn by Marriott, Alpharetta  
Courtyard by Marriott, Atlanta  
Courtyard Vinings, Atlanta  
Crowne Plaza Ravinia, Atlanta  
Days Inn, Atlanta  
DoubleTree Guest Suites, Atlanta  
Georgian Terrace, Atlanta  
Hyatt Place Airport, Atlanta  
Marriott Hotel, Atlanta  
Northeast Athletic Club, Atlanta  
Residence Inn by Marriott, Atlanta  
Ritz-Carlton Downtown, Atlanta  
Sheraton Colony Square, Atlanta  
Sheraton Downtown, Atlanta  
Westin Perimeter North, Atlanta  
Wyndham Vining Inn, Atlanta  
Days Inn Downtown, Augusta  
Fairfield Inn by Marriott, Augusta  
Holiday Inn Gordon Hwy, Augusta  
Holiday Inn West, Augusta  
Holiday Inn, Brunswick  
Courtyard by Marriott, Buckhead  
Residence Inn by Marriott, Buckhead  
Sierra Suites, Buckhead  
Hampton Inn, Buford  
SpringHill Suites, Buford  
Hilton Garden Inn, Duluth  
Holiday Inn Gwinnett Center, Duluth  
Proposed Holiday Inn Express, Duluth  
Residence Inn by Marriott, Duluth  
Hyatt Place Atlanta Airport, East Point  
Residence Inn by Marriott, Gwinnett  
Holiday Inn, Jekyll Island  
Fairfield Inn, Kennesaw  
SpringHill Suites, Kennesaw  
Emerald Pointe Resort, Lake Lanier Islands  
SpringHill Suites, Lithia Springs  
Comfort Inn, Marietta  
Holiday Inn & Suites, Marietta  
Hyatt Regency, Marietta  
Wyndham Peachtree Center, Peachtree City  
Courtyard by Marriott, Savannah  
Hyatt Regency, Savannah  
Radisson Hotel, Savannah  
Westin, Savannah  
Holiday Inn, Valdosta  
Fairfield Inn by Marriott, Valdosta  
Ramada Inn, Warner Robins  

HAWAII  
Fairmont Orchid, Big Island  
Ritz-Carlton Kapalua, Maui  
Royal Hawaiian, Oahu  
Sheraton Moana Surfrider, Oahu  
Sheraton Princess, Oahu  

IDAHO  
DoubleTree Hotel, Boise  
Holiday Inn, Boise  
Red Lion Downtown, Boise  
Proposed Cambria Suites, Boise  
Red Lion Riverside, Boise  
Shilo Inn, Boise  
SpringHill Suites, Boise  
The Grove Hotel, Boise  
Holiday Inn Express, Coeur d’Alene  
Shilo Inn, Idaho Falls  
Proposed Resort, McCall  
AmericInn, Twin Falls  

ILLINOIS  
Holiday Inn, Arlington Heights  
Sheraton Chicago Northwest, Arlington Heights  
Courtyard by Marriott, Bedford Park  
Fairfield Inn by Marriott, Bedford Park  
Holiday Inn Express, Bedford Park  
Proposed Holiday Inn Select, Bedford Park  
Hampton Inn, Bloomington  
Proposed Hyatt Place, Bloomington  
Proposed JW Marriott, Bloomington  
SpringHill Suites, Burr Ridge  
Crowne Plaza Avenue Hotel & Office Building, Chicago  
Hyatt Printers Row, Chicago  
Proposed Holiday Inn Express, Chicago  
Ritz Carlton, Chicago  
Sheraton Hotel & Towers, Chicago  
Wyndham NW, Chicago  
Holiday Inn, Crystal Lake  
DoubleTree Club Hotel, Des Plaines  
Holiday Inn, Downers Grove  
Proposed Staybridge Suites by Holiday Inn, Elgin  
SpringHill Suites, Elmhurst  
Fairfield Inn by Marriott, Forsyth  
Holiday Inn, Glen Ellyn  
DoubleTree Hotel, Glenview  
Fairfield Inn by Marriott, Glenview  
Proposed Hotel, Gurnee  
Hyatt Place, Hoffman Estates
Holiday Inn, Itasca  
Wyndham NW Chicago, Itasca  
Wyndham, Lisle  
Wyndham Garden, Naperville  
Proposed Radisson, Normal  
Proposed Hotel, Peoria  
Holiday Inn, Rolling Meadows  
Proposed Radisson Hotel, Schaumburg  
Wyndham Garden, Schaumburg  
DoubleTree Hotel, Skokie  
Proposed Residence Inn, Wilmette  
Wyndham Garden, Wood Dale

INDIANA

Holiday Inn, Bloomington  
Proposed Residence Inn by Marriott, Bloomington  
Proposed Staybridge Suites, Carmel  
Residence Inn by Marriott, Fishers  
Courtyard by Marriott Downtown, Fort Wayne  
Hilton, Fort Wayne  
Holiday Inn, Fort Wayne  
Proposed Courtyard, Fort Wayne  
Proposed Hotel, Fort Wayne  
Staybridge Suites by Holiday Inn, Fort Wayne  
French Lick Resort, French Lick  
AmeriSuites, Indianapolis  
Fairfield Inn by Marriott, Indianapolis  
Hampton Inn, Indianapolis  
Hyatt Regency, Indianapolis  
Proposed Canopy Hotel, Indianapolis  
Residence Inn by Marriott, Indianapolis  
Proposed Hampton Inn, Lawrenceburg  
Residence Inn by Marriott, Merrillville  
Proposed SpringHill Suites by Marriott, Munster  
Proposed Casino, Paxton  
Knights Inn, Seymour  
Proposed Fairfield Inn, South Bend  
Hilton Garden Inn Wabash Landing, West Lafayette

KANSAS

Holiday Inn, Lawrence  
Proposed Hotel, Lawrence  
Proposed MainStay Suites, Lawrence  
Holiday Inn, Manhattan  
Comfort Suites, Olathe  
AmeriSuites, Overland Park  
Hampton Inn, Overland Park  
Homewood Suites, Overland Park  
AmeriInn, Salina  
Holiday Inn, Wichita  
Proposed Hotel – Bowllagio, Wichita  
Proposed Downtown Hotel, Wichita  
Proposed Hotel – Greenwich, Wichita  
Proposed Hotel – Southfork, Wichita

KENTUCKY

Courtyard by Marriott, Florence  
Hilton Garden Inn Northeast, Louisville  
Holiday Inn, Louisville  
Proposed Aloft Hotel, Louisville  
Radisson, Louisville  
Courtyard by Marriott, Paducah  
Super 8, Prestonburg

LOUISIANA

Comfort Inn, Baton Rouge  
Fairfield Inn by Marriott, Baton Rouge  
SpringHill Suites by Marriott, Baton Rouge  
TownePlace Suites by Marriott, Baton Rouge  
Courtyard by Marriott, Lafayette  
Holiday Inn, Lafayette  
Courtyard by Marriott, Metairie  
Quality Inn, Metairie  
Residence Inn by Marriott, Metairie  
Astor Crowne Plaza, New Orleans  
Bourbon Orleans, New Orleans  
Curio Collection by Hilton, New Orleans  
Proposed Staybridge Suites Convention Center, New Orleans  
Crowne Plaza, New Orleans  
Hyatt Regency, New Orleans  
Maison DuPuy, New Orleans  
Radisson, New Orleans  
SpringHill Suites Convention Center, New Orleans

MARYLAND

Marriott, Annapolis  
Radisson, Annapolis  
Brookshire Suites, Baltimore  
Homewood Suites/Hilton Garden Inn Inner Harbor, Baltimore  
Proposed Extended-Stay Hotel, Baltimore  
Proposed Staybridge Suites, Baltimore  
Wyndham Inner Harbor Hotel, Baltimore  
Bel Air Athletic Club, Bel Air  
Holiday Inn, Belmont  
Residence Inn by Marriott, Bethesda  
Hilton, Columbia  
Holiday Inn, Cromwell Bridge  
Holiday Inn, Frederick  
Summerfield Suites by Wyndham, Gaithersburg  
Holiday Inn Airport, Linthicum Heights  
DoubleTree, Rockville  
Days Inn, Silver Spring  
Holiday Inn, Silver Spring

MASSACHUSETTS
Wyndham, Billerica
Atlantic Avenue Athletic Club, Boston
Charles Square Athletic Club, Boston
Commonwealth Athletic Club, Boston
Courtyard by Marriott, Boston
Proposed Intercontinental Hotel, Boston
Westin Copley Place, Boston
Wyndham Hotel, Boston
Summerfield Suites by Wyndham, Burlington
TownePlace Suites by Marriott, Danvers
Residence Inn by Marriott, Dedham
Proposed Courtyard by Marriott, Natick
Newton Athletic Club, Newton
Summerfield Suites by Wyndham, Waltham
Proposed Courtyard by Marriott, Woburn
Crowne Plaza, Worcester

MICHIGAN

Proposed TownePlace Suites, Ann Arbor
Residence Inn by Marriott, Ann Arbor
Fairfield Inn by Marriott, Auburn Hills
Hilton Suites, Auburn Hills
Proposed TownePlace Suites, Auburn Hills
Fairfield Inn by Marriott, Canton
Lifetime Fitness Center, Canton
Courtyard by Marriott, Dearborn
Hyatt Regency, Dearborn
TownePlace Suites by Marriott, Dearborn
doubleTree Hotel Airport, Detroit
Courtyard by Marriott, Flint
Holiday Inn, Flint
Proposed TownePlace Suites by Marriott, Grand Rapids
Holiday Inn West, Lansing
Proposed TownePlace Suites by Marriott, Livonia

MINNESOTA

Holiday Inn, Arden Hills
Proposed Country Inn, Bemidji
Cambria Suites, Bloomington
Crowne Plaza, Bloomington
Hampton Inn & Suites, Bloomington
Holiday Inn, Bloomington
Holiday Inn Express, Bloomington
Le Bourget Aero Suites (conversion to Holiday Inn Express), Bloomington
Northwest Athletic Club 98th Street, Bloomington
Northwest Athletic Club Normandale, Bloomington
Proposed Courtyard by Marriott, Bloomington
Proposed Full-Service Hotel, Bloomington
Proposed Hampton Inn & Suites, Bloomington
Proposed Home2 Suites, Bloomington
Proposed Hyatt, Bloomington
Proposed JW Marriott, Bloomington
Proposed MOA Hotel, Bloomington
Proposed Radisson Blu, Bloomington
Proposed Residence Inn by Marriott, Bloomington
Ramada Mall of America, Bloomington
Renaissance Hotel, Bloomington
Wyndham Garden, Bloomington
Northwest Athletic Club Highway 100, Brooklyn Center
Cragun's Resort, Brainerd
Northland Inn, Brooklyn Park
Northwest Athletic Club Burnsville, Burnsville
Holiday Inn, Duluth
Proposed Cambria Suites, Duluth
Proposed GrandStay Hotel & Suites, Duluth
Proposed Mixed-Use Development, Duluth
Proposed Home2 Suites, Eagan
Proposed Hotel, Eagan
Residence Inn by Marriott, Eagan
Hilton Garden Inn, Eden Prairie
Northwest Athletic Club Crosstown, Eden Prairie
Flagship Athletic Club, Eden Prairie
Proposed TownePlace Suites by Marriott, Eden Prairie
Hawthorn Suites, Edina
Northwest Athletic Club Midwest, Edina
Northwest Athletic Club St. Louis Park, Edina
Westin, Edina
Northwest Athletic Club Moore Lake, Fridley
Proposed Microtel, Hastings
Northwest Athletic Club Maple Grove, Maple Grove
Proposed Hilton Garden Inn, Maple Grove
Proposed Staybridge Suites by Marriott, Maple Grove
Airport Market Area Overview, Minneapolis
Comfort Suites, Minneapolis
Days Inn University of MN, Minneapolis
Homewood Suites Mall of America, Minneapolis
Hotel Ivy, Minneapolis
Hotel Minneapolis, Minneapolis
Hyatt Place, Minneapolis
Northwest Athletic Club Arena, Minneapolis
Proposed Conrad Hotel, Minneapolis
Proposed Courtyard by Marriott, Minneapolis
Proposed Extended-Stay Hotel, Minneapolis
Proposed Full-Service Hotel, Minneapolis
Proposed Hampton Inn, Minneapolis
Proposed Hotel at MSP, Minneapolis
Proposed Hyatt Place (conversion), Minneapolis
Proposed Limited-Service Hotel, Minneapolis
Proposed Minneapolis Stadium Hotel, Minneapolis
Proposed Terminal Hotel, Minneapolis
Proposed TownePlace Suites, Minneapolis
Proposed Westin, Minneapolis
Radisson Metrodome, Minneapolis
The Grand Hotel, Minneapolis
The Marquette Hotel, Minneapolis
Hampton Inn, Minnetonka
Holiday Inn Express, Minnetonka
Northwest Athletic Club Oakdale, Minnetonka
Sheraton Minneapolis West, Minnetonka
Proposed Hilton Garden, Oakdale
Extended StayAmerica North, Rochester
Extended StayAmerica South, Rochester
Proposed Cambria Suites, Rochester
Proposed Embassy Suites, Rochester
Proposed Hotel, Rochester
Comfort Inn, Roseville
Proposed Residence Inn by Marriott, Roseville
Holiday Inn West, St. Louis Park
Proposed Extended-Stay Hotel, St. Louis Park
Proposed Hilton Garden Inn, St. Louis Park
Proposed Hotel, St. Louis Park
Holiday Inn, St. Paul
Proposed Element Hotel, St. Paul
Proposed Hyatt Place, St. Paul
Proposed Hotel, Wabasha
Proposed Limited-Service Hotel, Willmar
Sheraton, Woodbury

MISSISSIPPI
Hampton Inn, Harrisburg
Comfort Inn, Hattiesburg
Courtyard by Marriott, Jackson
Holiday Inn Express, Jackson
Proposed Conference Resort, Jackson
Ramada, McComb
Holiday Inn Express, Milford
Homewood Suites, Ridgeland
Staybridge Suites, Ridgeland

MISSOURI
Branson Landing Hilton, Branson
Hilton Branson Convention Center, Branson
Sheraton, Clayton
Hampton Inn, Kansas City
Proposed Residence Inn by Marriott, Kansas City
Residence Inn by Marriott, Kansas City
Country Club Hotel & Spa, Lake Ozark
Big Cedar Lodge, Ridgedale
Comfort Inn, St. Louis
Holiday Inn North, St. Louis
Radisson Hotel, St. Louis

MONTANA
Proposed TownePlace Suites by Marriott, Billings
Best Western Butte Plaza Inn, Butte
Proposed Holiday Inn Express, Glendive
Proposed Holiday Inn Express, Great Falls
Holiday Inn Express, Helena
Proposed Holiday Inn Express, Helena
Wingate Inn, Helena
Proposed Homewood Suites, Kalispell
Proposed Hotel, Missoula
Proposed TownePlace Suites, Missoula
TownePlace Suites by Marriott, Missoula
Proposed Best Western, Shelby
Best Western, Sidney
Proposed Best Western, Sidney
Richland Motor Inn, Sidney
Proposed Hotel, Whitefish

NEBRASKA
Proposed Hotel, Ashland
Proposed Hotel, Beatrice
Proposed Hotel, Grand Island
Proposed Hotel, Hastings
Hampton Inn, Lincoln
Proposed Fallbrook Hotel, Lincoln
Proposed Hotel, Lincoln
Courtyard by Marriott, La Vista
Proposed Hotel, Lincoln
Best Western Central, Omaha
DoubleTree, Omaha
Hampton Inn, Omaha
Marriott Hotel, Omaha
Proposed Marriott, Omaha
Ramada Inn, Omaha
Sheraton Inn, Omaha
Proposed Hotel, Waverly

NEVADA
Candlewood Suites, Henderson
Hampton Inn & Holiday Inn Express, Henderson
Proposed Holiday Inn Express, Henderson
Proposed Timeshare Resort, Lake Tahoe
Alexis Park Suites, Las Vegas
Courtyard by Marriott, Las Vegas
Embassy Suites, Las Vegas
Marriott Suites, Las Vegas
Proposed Hotel, Las Vegas
SpringHill Suites, Las Vegas
Homewood Suites, Reno
Hyatt Place, Reno

**NEW HAMPSHIRE**
Fairfield Inn by Marriott, Merrimack

**NEW JERSEY**
Trump Marina Hotel & Casino, Atlantic City
Summerfield Suites by Wyndham, Bridgewater
Courtyard by Marriott, Edison
Leisure Park Retirement Community, Lakewood
Summerfield Suites by Wyndham, Morristown
Hilton Gateway Plaza, Newark
Hilton, Parsippany
Residence Inn by Marriott, Princeton
Courtyard by Marriott, Secaucus
DoubleTree, Somerset
Residence Inn by Marriott, Tinton Falls
Summerfield Suites by Wyndham, Whippany

**NEW MEXICO**
Andaluz, Albuquerque
Del Norte Athletic Club, Albuquerque
DoubleTree by Hilton, Albuquerque
Downtown Athletic Club, Albuquerque
Hilton Garden Inn Uptown, Albuquerque
Highpoint Athletic Club, Albuquerque
Holiday Inn Express, Albuquerque
Hotel Albuquerque, Albuquerque
La Posada, Albuquerque
Midtown Athletic Club, Albuquerque
Proposed Hilton Garden Inn, Albuquerque
Proposed Hotel Indigo, Albuquerque
Proposed Residence Inn, Albuquerque
Proposed SpringHill Suites, Albuquerque
Riverpoint Athletic Club, Albuquerque
Suburban Lodge, Albuquerque
Holiday Inn Express, Farmington
Hilton Garden Inn, Las Cruces
Proposed Resort, Pojoaque
Hilton Garden Inn, Rio Rancho
Courtyard by Marriott, Santa Fe
Eldorado Hotel, Santa Fe
Encantado Resort, Santa Fe
Hilton, Santa Fe
Holiday Inn, Santa Fe
Hotel Chimayo, Santa Fe
Proposed Hotel, Santa Fe

**NEW YORK**
Crowne Plaza, Albany
Omni Hotel, Albany
Proposed Hilton Garden Inn, Buffalo
Holiday Inn Express, Cooperstown
Residence Inn by Marriott, Fishkill
Hyatt Place, Garden City
Holiday Inn, Grand Island
Holiday Inn, Jamestown
Sofitel, New York
Four Points, Niagara Falls
Holiday Inn Select, Niagara Falls
Proposed Hotel, Niagara Falls
Embassy Suites, Syracuse
Fairfield Inn by Marriott, Syracuse
Holiday Inn, Syracuse
Wyndham Hotel, Syracuse

**NORTH CAROLINA**
Sleep Inn & Suites, Albemarle
DoubleTree Biltmore, Asheville
Renaissance, Asheville

**NORTH DAKOTA**
Proposed University Hotel, Bismarck
Proposed Dakota Suites, Dickinson
Holiday Inn, Fargo
Proposed Limited-Service Hotel, Fargo
Proposed Wingate Inn, Fargo
Ramada Plaza Conversion, Fargo
Hyatt House, Minot
North Hills Suites Conversion to Hyatt House, Minot
Proposed Extended-Stay Hotel, Minot
Proposed Limited-Service Hotel, Minot
Proposed Baymont Inn & Suites, South Heart
Proposed Candlewood Suites, West Fargo
Market Overview, Williston
Proposed Hotel(s), Williston
Supply Update, Williston

**OHIO**
Fairfield Inn by Marriott, Akron
Proposed Hilton, Chippewa Lake
Radisson, Cincinnati
Courtyard by Marriott, Cleveland
Holiday Inn Beachwood, Cleveland
Holiday Inn Westlake, Cleveland
Marriott East, Cleveland
Marriott North, Cleveland
Radisson, Cleveland
AmeriSuites, Columbus
Courtyard Easton, Columbus
DoubleTree Guest Suites, Columbus
Hilton Easton, Columbus
Hilton Polaris, Columbus
Westin, Columbus
DoubleTree Guest Suites, Dayton
AmeriSuites, Forest Park
Harley Hotel, Independence
Comfort Inn, Marietta
Harley Hotel, Middleburg Heights
Holiday Inn, Richfield
Homewood Suites, Sharonville
Holiday Inn, Strongsville
Ramada Hotel, Willoughby

OKLAHOMA

Hampton Inn, Oklahoma City
Park Inn, Oklahoma City
Proposed Boutique Hotel, Oklahoma City
Proposed NYLO Hotel, Oklahoma City
Westin, Oklahoma City
Courtyard by Marriott, Tulsa
Hampton Inn, Tulsa

OREGON

Windmill Inn, Ashland
Best Western Pier Point Inn, Florence
Residence Inn by Marriott, Lake Oswego
Proposed Candlewood Suites, Medford
Windmill Inn, Medford
DoubleTree Downtown, Portland
DoubleTree Lloyd Center, Portland
Marriott, Portland
Residence Inn by Marriott, Portland
Windmill Inn, Roseburg
DoubleTree, Springfield
Holiday Inn, Wilsonville

Pennsylvania

Hilton Garden Inn, Fort Washington
Holiday Inn, Greentree
Crowne Plaza, Harrisburg
Proposed Hotel – King of Prussia Mall, King of Prussia
Four Points by Sheraton, Mars
Holiday Inn, McKnight
Holiday Inn, Monroeville
DoubleTree, Moon Township
DoubleTree Club, Philadelphia
Proposed Ritz-Carlton, Philadelphia
Proposed Sofitel, Philadelphia
Residence Inn by Marriott, Philadelphia
Wyndham, Philadelphia
Crowne Plaza, Pittsburgh
Holiday Inn, Pittsburgh
Holiday Inn Parkway East, Pittsburgh
Windsor Court Hotel Conversion, Pittsburgh
Wyndham, Pittsburgh
DoubleTree Guest Suites, Plymouth Meeting
Nittany Lion, State College
Penn Stater, State College
Holiday Inn Meadowlands, Washington Park
Holiday Inn, York

RHODE ISLAND

Residence Inn by Marriott, Warwick
Proposed NYLO Hotel, Warwick

SOUTH CAROLINA

Best Western, Charleston
Clarion, Charleston
Lodge Alley, Charleston
Holiday Inn, Columbia
Hilton Garden Inn, Greenville
Best Western, Hilton Head
Holiday Inn, Hilton Head
Hampton Inn Oceanside, Myrtle Beach

SOUTH DAKOTA

Proposed GrandStay Suites, Aberdeen
Proposed TownePlace Suites, Aberdeen
TownePlace Suites by Marriott, Aberdeen
Courtyard by Marriott, Sioux Falls
SpringHill Suites, Sioux Falls

TENNESSEE

Courtyard by Marriott, Clarksville
Fairfield Inn by Marriott, Chattanooga
Courtyard by Marriott, Germantown
Fairfield Inn by Marriott, Jackson
Hampton Inn & Suites East, Knoxville
Hotel Market Supply and Demand Study, Knoxville
Proposed Convention Hotel, Knoxville
Proposed Courtyard by Marriott, Knoxville
Adams Mark, Memphis
AmeriSuites, Memphis
Courtyard by Marriott, Memphis
French Quarter Hotel, Memphis
Hampton Inn, Memphis
Ramada Inn, Memphis
Country Inn, Murfreesboro
Proposed SpringHill/Residence Inn, Nashville
Renaissance Hotel, Nashville
SpringHill Suites by Marriott, Nashville
Hampton Inn, Pigeon Forge
Hampton Inn, Smyrna
Hilton Garden Inn, Smyrna

TEXAS

Courtyard by Marriott, Abilene
Comfort Inn, Amarillo
Crowne Plaza, Amarillo

Holiday Inn Sunspree, Myrtle Beach
Shorecrest II, Myrtle Beach
DoubleTree Hotel, North Charleston
Holiday Inn, Rock Hill
Days Inn, Amarillo
Holiday Inn Express, Amarillo
Courtyard by Marriott South Arlington, Arlington
Residence Inn South Arlington, Arlington
Courtyard by Marriott, Austin
Fairfield Inn & Suites North, Austin
Hampton Inn & Suites Downtown, Austin
Hawthorn Suites Central, Austin
Hawthorn Suites South, Austin
Hilton Garden Inn, Austin
Holiday Inn, Austin
Holiday Inn NW, Austin
Holiday Inn South, Austin
Proposed Courtyard by Marriott, Austin
Sheraton, Austin
Proposed Spillman Ranch, Bee Cave
Courtyard by Marriott, Corpus Christi
DoubleTree Campbell Center, Dallas
Holiday Inn Market Center, Dallas
Le Meridien, Dallas
Proposed Boutique Hotel, Dallas
Proposed NYLO, Dallas
Residence Inn by Marriott, Dallas
Holiday Inn Select, D/FW Airport
Hyatt D/FW Airport
Courtyard by Marriott, El Paso
Hilton Garden Inn, Fort Worth
Residence Inn by Marriott, Fort Worth
TownePlace Suites by Marriott, Fort Worth
Proposed NYLO Hotel, Frisco
Proposed Resort, Horseshoe Bay
Crowne Plaza, Houston
Hampton Inn, Houston
Hawthorn Suites, Houston
Hilton Garden Inn Energy Corridor, Houston
Hilton Garden Inn Galleria, Houston
Hotel Icon, Houston
Kingwood Athletic Club, Houston
Magnolia Hotel, Houston
Ramada Plaza, Houston
Westin Galleria, Houston
Westin Oaks, Houston
Hawthorn Suites, Irving
Holiday Inn Express, Irving
Hyatt Place, Irving
Marriott DFW Airport, Irving
Proposed Convention Hotel, Irving
Hawthorn Suites, Killeen
Residence Inn, Killeen
Hampton Inn, Laredo
Proposed NYLO, Las Colinas
Proposed Campus Hotel, Lubbock
Embassy Suites, McAllen
Proposed Hotel, McKinney
Holiday Inn, New Braunfels
Best Western, Odessa
Proposed NYLO, Plano
Courtyard by Marriott, Richardson
Hampton Inn, Richardson
Proposed Hotel, Riviera
DoubleTree, San Antonio
Homewood Suites, San Antonio
JW Marriott Hill Country, San Antonio
Marriott Plaza, San Antonio
Proposed aloft, San Antonio
Residence Inn by Marriott Airport, San Antonio
Staybridge Suites, Stafford
Marriott Hotel & Conference Center, Sugar Land
Residence Inn, Temple
Holiday Inn, Tyler
Residence Inn by Marriott, Tyler
Courtyard by Marriott, Waco

**UTAH**

Crystal Inn, Brigham City
Residence Inn by Marriott, Cottonwood
Suburban Lodge, Midvale
Brookfield Inn, Park City
Chateaux at Silver Lake, Park City
Olympia Park, Park City
Park City Peaks, Park City
The Lodges at Deer Valley, Park City
Comfort Inn Airport, Salt Lake City
Crystal Inn, Salt Lake City

Embassy Suites, Salt Lake City
Hilton Airport, Salt Lake City
Hilton Downtown, Salt Lake City
Holiday Inn Express, Salt Lake City
Peery Hotel, Salt Lake City
Proposed Comfort Suites, Salt Lake City
Proposed Courtyard by Marriott, Salt Lake City
Proposed Embassy Suites, Salt Lake City
Proposed Hilton Garden Inn, Salt Lake City
Proposed Residence Inn by Marriott, Salt Lake City
Quality Inn, Salt Lake City
Quality Inn Midvalley, Salt Lake City
Residence Inn by Marriott, Salt Lake City
Residence Inn City Center, Salt Lake City
University Park, Salt Lake City
Holiday Inn Express & Suites, Sandy
Proposed Embassy Suites, Sandy
Suburban Lodge, S. Salt Lake City
Proposed Cambria Suites, S. Jordan
Bottle Hollow Resort, Uinitah

**VERMONT**

Fairfield Inn by Marriott, Colchester

**VIRGINIA**

Hilton Garden Inn, Chesapeake
Super 8, Christiansburg
Holiday Inn, Covington
AmeriSuites, Glen Allen
Super 8, Harrisonburg
Holiday Inn, Lexington
Super 8, Lexington
Courtyard by Marriott, McLean
Proposed Tysons Corner Hotel, McLean
Staybridge Suites by Holiday Inn, McLean
Super 8, Norton
Super 8, Radford
Embassy Suites, Richmond
Westin, Richmond
Proposed MainStay Suites, Roanoke
Sheraton Airport, Roanoke
Super 8, Roanoke
Holiday Inn, Salem
Country Inn, Stafford
Super 8, Waynesboro

Comfort Suites, Pewaukee
Holiday Inn Express, Superior
Royal Sands, Cancun
Proposed Hotel, Verona
Holiday Inn, Wauwatosa

WYOMING

Holiday Inn, Casper
Snake River Lodge, Jackson
Proposed Resort, Teton Village

WASHINGTON

DoubleTree Bellevue Center, Bellevue
SpringHill Suites by Marriott, Bothell
Proposed Holiday Inn Express, Lacey
Proposed Mt. Rainer Resort, Park Junction
Renaissance Hotel, Seattle
Summerfield Suites by Wyndham, Seattle
DoubleTree Spokane Valley, Spokane
Residence Inn by Marriott, Vancouver
SpringHill Suites, Wenatchee
DoubleTree, Yakima

WEST VIRGINIA

Aspen Suites (Holiday Inn Express Conversion), Charleston
Residence Inn by Marriott, Charleston
Hampton Inn, Morgantown

WISCONSIN

Proposed Country Inn, Brookfield
Wyndham Garden, Brookfield
Telemark Resort, Cable
Ramada Hotel and Conference Center, Eau Claire
Proposed Hilton Garden, Kimberly
Proposed Hampton Inn, La Crosse
Proposed Courtyard by Marriott, Madison
Proposed Kimpton Hotel, Milwaukee
Proposed Marriott, Milwaukee
Proposed Residence Inn by Marriott, Milwaukee

INTERNATIONAL

Canada

Horseshoe Valley Ski Resort, Barrie, Ontario
Hilton, Windsor, Ontario
Travelodge, Windsor, Ontario
Hampton Inn & Suites, Ontario

Caribbean

Aruba Marriott & Casino, Aruba
Americana Resort, Aruba
Westin, Aruba
Holiday Inn Nassau, Bahamas
Paradise Island Fun Club, Bahamas
Little Dix Bay, Virgin Gorda, BVI
Club St. Lucia, Castries, British West Indies
Marriott Resort, Grand Cayman, British West Indies
Ritz Carlton San Juan, Puerto Rico
Sands Hotel & Casino, Puerto Rico
Wyndham El San Juan, Puerto Rico
Hyatt Regency St. John, USVI
Proposed Limited-Service Hotel, St. John USVI
Westin Resort, St. John, USVI
Caneel Bay, St. John, USVI
Marriott Frenchman’s Reef and Morningstar Resort, St. Thomas, USVI

Mexico

Royal Sands, Cancun
The Undersigned COMMISSIONER OF COMMERCE for the State of Minnesota hereby certifies that

Tanya Jean Pierson

33972 NORTH OAK DRIVE
PEQUOT LAKES, MN  56472

has complied with the laws of the State of Minnesota and is hereby licensed to transact the business of

Resident Appraiser : Certified General

License Number: 40268741

unless this authority is suspended, revoked, or otherwise legally terminated. This license shall be in effect until August 31, 2015.

IN TESTIMONY WHEREOF, I have hereunto set my hand this August 13, 2013.

COMMISSIONER OF COMMERCE

Minnesota Department of Commerce
Licensing Division
85 7th Place East, Suite 500
St. Paul, MN 55101-3165
Telephone: (651) 539-1599
Email: licensing.commerce@state.mn.us
Website: commerce.state.mn.us

Notes:

- **Continuing Education**: 15 hours is required in the first renewal period, which includes a 7 hour USPAP course. 30 hours is required for each subsequent renewal period, which includes a 7 hour USPAP course.
- **Appraisers**: You must hold a licensed Residential, Certified Residential, or Certified General qualification in order to perform appraisals for federally-related transactions. **Trainees do not qualify**. For further details, please visit our website at commerce.state.mn.us.
Inventory
Highlights from Prior Plans
Granary Corridor Cost Benefit Analysis 2012
UMN Twin Cities Campus Master Plan 2009
UMN East Gateway District Master Plan 2009
UMN Stadium Village Intermodal Transportation Center 2010
Stadium Village University Avenue Station Area Plan 2012
Prospect North District Framework for Development 2015
Prospect Park Station 2020 Development Framework 2012
Prospect Park Station Master Plan 2013

b. Prior Studies
<table>
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<tr>
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<th>Author(s) / Source</th>
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<td>University District Parking Study</td>
<td>CPED</td>
<td></td>
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<td>University District Master Plan</td>
<td>MINND</td>
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<tr>
<td>Jordan Village University Avenue Station Area Plan</td>
<td>CPED</td>
<td>Biko Arons</td>
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<td>University-Central West - East Bank Analytics CPED</td>
<td>CPED</td>
<td>U.S. Bank &amp; Associates Inc</td>
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<tr>
<td>Living Forward Together: With Success in a Joint Venture with Minn. Senate</td>
<td>University District Alliance</td>
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<td>Vision: A Great City for Everyone Global Education and Economic Development</td>
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<td>Plan for the University District</td>
<td>University District Alliance</td>
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<td>UMN Twin Cities Campus Master Plan</td>
<td>University of Minnesota</td>
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<td>15th Avenue SE Urban Design Plan</td>
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<td>2009</td>
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<td>Prospect Park</td>
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<td>Prospect North District Framework &amp; Guidelines for Development</td>
<td>Prospect North Partnership</td>
<td>Metropolitan Design Center</td>
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<td>The Corridors Group</td>
<td>Metropolitan Council</td>
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<td>University Avenue SE &amp; 35th Avenue SE Transit Corridor Development Guidelines</td>
<td>Street Car Consulting</td>
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<td>Big Picture Project - Aligning Housing Plans along Central Corridor</td>
<td>LISC (Local Initiatives Support Corporation)</td>
<td>Minneapolis/Minneapolis</td>
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<td>Bristol West Creek Subwatershed Study</td>
<td>Metropolitan Development Corp</td>
<td>2003</td>
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<td>Central Corridor Framework Plan</td>
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<td>South Minneapolis Transportation Action Plan</td>
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<td>Transportation Plan - Metro Minneapolis Plan for Sustainable Transport</td>
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<td>The Reinvestment Opportunity Corporation Study Task 2 Final Report</td>
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<td>Park Stakeholders Meet and Learn</td>
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<td>Minneapolis River and Regional Plans</td>
<td>Metropolitan Council</td>
<td>2005</td>
</tr>
</tbody>
</table>
GRANARY CORRIDOR STUDY COST BENEFIT ANALYSIS 2012
Figure 10. Middle Segment Connection Alternatives

Figure 22. SEMI Access Plus 2030 Forecast Traffic Volumes

GRANARY CORRIDOR STUDY COST BENEFIT ANALYSIS 2012
Executive Summary

The Twin Cities Campus Master Plan will support the University’s academic mission and guide future land use and development decisions over the next decade, ensuring that:

- Unique qualities of the campus will be preserved and enhanced.
- Targeted areas will evolve to enhance the long term visions of the campus.
- Individual buildings and landscape improvements will contribute to the order, unity, and image of the campus as a whole.

Guiding Principles

The Master Plan is driven by the belief that an integrated, beautifully designed, well-organized university campus will enhance the institution’s academic mission. A sustainable, attractive environment that fosters discovery and connections is integral to the University’s reputation and competitiveness in the region and the world.

The foundational principles that describe the Master Plan’s core values are listed below:

1. Cultivate a genuine sense of community.
2. Strengthen connections to adjacent communities.
3. Create a cohesive, memorable system of public spaces.
4. Provide a compatible and distinctive built environment.
5. Steward historic buildings and landscapes.
6. Foster a safe, secure and accessible campus environment.
7. Preserve and enhance natural systems and features.
8. Integrate transportation systems to emphasize pedestrian, bicycle, and transit.
9. Optimize the use of campus land and facilities and apply best practices.
10. Utilize the campus as a living laboratory to advance the university’s missions.
11. Make the campus environmentally and operationally sustainable.

Plan Elements and Guidelines

A selection of key guidelines is included below. For a complete list of guidelines, see Chapter 4.

Community Connections

Physical, academic, and social relationships are the foundation of improved connections within the University and between the University and the adjacent community.

1. Apply the published Region’s Boundary to guide future expansion of campus and to convey to the broader community the University’s long-term plans.
2. Strategically site new development in locations where it will contribute to existing, consolidating and adding to the vibrancy of campus and the surrounding community.
3. Participate in initiatives that improve the visual image of the campus along pedestrian access routes.
4. Support shared interests between the University of Minnesota Twin Cities Campus and adjacent neighborhoods.
5. Collaborate with other partners in reinvest in near-campus housing initiatives that meet the needs of members of the university community.
6. Support the continued expansion of the St. Paul campus.
7. Coordinate academic and physical resources to establish learning communities that exceed beyond traditional teaching/learning spaces and classrooms.
8. Design flexible learning, living, working and gathering spaces to support community.
Boundaries & Integration with Surroundings
This Master Plan projects the University’s growth over the next 10 years to promote an understanding of the University’s plans for future growth and to reduce the potential for disputes in land values and municipal boundaries on street and utility infrastructure. Neighbors and private property owners near campus desire more predictability about where the boundaries will be in the foreseeable future.

The figure below, Campus Growth, provides a guide to the University’s future expansion plans. It indicates: (a) land that the University currently owns, including land occupied by other entities, (b) land in which the University of Minnesota Foundation owns ownership interests, and (c) land that the University may consider owning within the time-frame of the master plan. Anticipated and potential acquisitions are concentrated in the area between Oak Street and Hennepin Boulevard north of Red River Street. Additional acquisitions within the plan’s time horizon for which specific parcels have not been identified include:

- A site for a new energy plant northeast of the East Bank campus.
- Land for potential replacement of University service facilities currently located west of 25th Avenue SE and south of Ceres Avenue in the Ceres Service Area. If this land is transferred to the Minneapolis Park and Recreation Board for park purposes.

Transit Rider Experience
All components of the transit rider’s experience, from shelters to safety to real time information downloads, are the subject of the University’s efforts to reinforce the benefits offered by transit found on a high density urban campus. Improving the transit rider’s experience is in a high priority and will encourage greater transit use.

Looking forward, the Central Corridor will bring Light Rail Transit service between Minneapolis and St. Paul. Design of the stations areas and LRT operations at three planned campus locations will reinforce the idea of a pedestrian environment that accommodates travel and bicycling movement.

Guidelines
03. Adopt the use of innovative technologies to improve travel facilities and services for members of the university community.
04. Develop sheltered/walking areas to accommodate rider volumes while maintaining appropriate pedestrian thoroughfares in various demand conditions.
05. Use signage and shared design elements, including lighting, to identify primary pedestrian routes to and from major transit waiting areas.
06. Design on-street comfort and curb connections to prioritize pedestrian comfort and convenience, wayfinding, and visual recognition of the University campus.

Automobile/ Vehicle Network
From the additions of Light Rail Transit and increased use of traditional transit service, automobile traffic to and from the Twin Cities campus will continue to stress the capacity of the street system. The street network within and adjacent to the campus must support multiple modes of travel, including transit and bikes, while allowing for reasonable vehicular movement to the campus. Once on campus, vehicles are expected to operate at reduced speeds and with limited access to campus buildings.

The street networks of the Minneapolis and St. Paul campuses serve as important movements for the University’s lands and buildings. A network of streets serves regional trips and carry high volumes of rapidly moving traffic which create conflicts with pedestrians and bicyclists. Smaller, less busy streets distribute traffic from arterials to areas of the campus.

UMN TWIN CITIES CAMPUS MASTER PLAN 03.2009
ILLUSTRATIVE PLAN

UMN EAST GATEWAY DISTRICT MASTER PLAN 05.15.2009
STADIUM VILLAGE INTERMODAL TRANSPORTATION CENTER  03.11.2010
# 3. PROJECT PROGRAM

## Automobile Parking Ramp

<table>
<thead>
<tr>
<th>SPACE TYPE</th>
<th>Capacity</th>
<th>Size</th>
<th>Notes</th>
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</thead>
<tbody>
<tr>
<td>Parking Stall Count</td>
<td>800</td>
<td>350</td>
<td>150</td>
</tr>
<tr>
<td>Cashier Booths</td>
<td>2 or 2</td>
<td></td>
<td>Accessible credit card lane</td>
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## Bike Center

<table>
<thead>
<tr>
<th>SPACE TYPE</th>
<th>Capacity</th>
<th>Notes</th>
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<tbody>
<tr>
<td>Bike Rental/Sales</td>
<td>1,000</td>
<td>Stands for and used bicycle equipment and clothing</td>
</tr>
<tr>
<td>Bike Service Area</td>
<td>300</td>
<td>Professional and staff service work stations, adjacent to rental area</td>
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<tr>
<td>Locker Rooms</td>
<td>600</td>
<td>3-4 drawer/closet rooms and limited storage areas, room per gender</td>
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<tr>
<td>Restrooms</td>
<td>32</td>
<td>Restroom for visitors</td>
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<tr>
<td>Bike Leases/Storage</td>
<td>1,250</td>
<td>250 vertical double-decked</td>
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<tr>
<td>Private Locker Unit/Personal Items</td>
<td>500</td>
<td>150 + 150 half sized</td>
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<tr>
<td>Junior Rooms</td>
<td>50</td>
<td>Sleep-in, storage</td>
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## Vertical Circulation

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<tr>
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<tr>
<td>Escalators</td>
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<td>2900</td>
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<tr>
<td>Elevators</td>
<td>2</td>
<td>2900</td>
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## Support

<table>
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<tr>
<th>SPACE TYPE</th>
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<tr>
<td>Maintenance Space</td>
<td>4,000 sqft for storage equipment, 3rd party services, 4th party services, and equipment</td>
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<tr>
<td>Operations Office</td>
<td>1,000 sqft</td>
</tr>
<tr>
<td>Safety/Traffic Security Office</td>
<td>600 sqft</td>
</tr>
<tr>
<td>Event Storage Space</td>
<td>1,000 sqft</td>
</tr>
<tr>
<td>Trash/Recycle Storage</td>
<td>1,000 sqft</td>
</tr>
<tr>
<td>Site Services/Storefronts</td>
<td>1,000 sqft</td>
</tr>
<tr>
<td>Information</td>
<td>1,000 sqft</td>
</tr>
</tbody>
</table>

## Commentary

- **Maintenance Space**: 4,000 square feet for storage equipment, third party services, and equipment.
- **Operations Office**: 1,000 square feet.
- **Safety/Traffic Security Office**: 600 square feet.
- **Event Storage Space**: 1,000 square feet.
- **Trash/Recycle Storage**: 1,000 square feet.
- **Site Services/Storefronts**: 1,000 square feet.
- **Information**: 1,000 square feet.

### Automobile Parking Ramp

- Parking Stall Count: 800 stalls
- Cashier Booths: 2 or 2
- Accessible credit card lane

### Bike Center

- Bike Rental/Sales: 1,000
- Bike Service Area: 300
- Locker Rooms: 600
- Restrooms: 32
- Bike Leases/Storage: 1,250
- Private Locker Unit/Personal Items: 500
- Junior Rooms: 50

### Vertical Circulation

- Escalators: 2
- Elevators: 2

### Support

- Maintenance Space: 4,000 square feet
- Operations Office: 1,000 square feet
- Safety/Traffic Security Office: 600 square feet
- Event Storage Space: 1,000 square feet
- Trash/Recycle Storage: 1,000 square feet
- Site Services/Storefronts: 1,000 square feet
- Information: 1,000 square feet

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**STADIUM VILLAGE INTERMODAL TRANSPORTATION CENTER** 03.11.2010

2407 UNIVERSITY INVESTMENT LLC | PHASE 1 SUMMARY | PRIOR STUDIES 13

Minneapolis, MN | March 31, 2015
City of Minneapolis
Department of Community Planning & Economic Development
Approved by the Minneapolis City Council
August 31, 2012

Map 6.2 – Stadium Village Character Districts
STADIUM VILLAGE UNIVERSITY AVENUE STATION AREA PLAN  08.31.2012
Prospect North District Framework and Guidelines for Development

A report prepared for the Prospect North Partnership
Metropolitan Design Center
University of Minnesota

John Carmody
Bruce Jacobson
Tom Fisher
Mic Johnson
Rob Close

February 9, 2015
**DISTRICT SCALE GUIDELINES**

**Public Realm**

**Proposed Public Realm**

The Public Realm is what gives the District its identity, and creates its sense of place. It will be formed by a connected series of places and spaces, on both public and private property, whose signature design of built and landscape features define the character and personality of Prospect North and whose dynamic atmosphere make it a place of memory and a most experience destination.

Prospect North currently lacks a meaningful public realm. Historically an industrial area bordered by a major rail yard, the district is characterized by a network of utilitarian streets that access land uses with large footprints, such as grain elevators and warehouse facilities. It has never been a place for walking or bicycling.

Prospect North presents a unique and exciting opportunity to demonstrate how the public realm — parks, plazas, courtyards, streets — can serve myriad functions in a beautiful and sustainable way.

In addition to the streets and sidewalks, there are several existing or proposed elements of the public realm within or near the district. These include Tower Hill Park, Surly Brewery Beer Garden, TCF Stadium Plaza (proposed), Grain Park (proposed), and Lushon Park.

**PUBLIC REALM FRAMEWORK IN PROSPECT NORTH DISTRICT**

The above map illustrates a conceptual framework plan identifying key public realm elements that provide signature spaces and link together existing and proposed public spaces. These elements include:

1. A signature public space in the vicinity of Green Fourth and the LRT Station.
2. Green Fourth Street running from TCF Stadium to Malcolm Street.
3. An extension of the pedestrian street grid to connect the signature public space with the Surly Beer Garden to the east. Extending the street grid will also provide access to parcels in the northern portion of the district.

**DISTRICT SCALE GUIDELINES**

**Public Realm**

**Streets and Mobility**

**OBJECTIVE**

Create walkable neighborhood consisting of a network of streets favoring pedestrians and bicycles over cars, with well-designed lighting, signage and other landscape elements. At the same time, extend the street grid to unlock land value and to connect the public realm.

**RECOMMENDATION**

Create a pedestrian and bicycle network of streets and paths that connects to transit. Do not exceed 275-foot block length or 1000-foot block perimeter. Create public pedestrian pathways on private property to complete the pedestrian network and increase walkability. Provide a single row of trees in all sidewalks with these dimensions:

- East-west streets: 20-foot minimum width on north sidewalk, 15-foot minimum width on south sidewalk
- North-south streets: 15-foot minimum width on all sidewalks
- Pedestrian-only streets: 40-foot minimum width

Note: The exact configuration of streets and sidewalks are to be determined.

Two projects in Prospect North represent excellent opportunities to apply these principles: (1) Green Fourth Street and (2) the extension of the street grid to unlock land value and to connect the public realm.

**SUPPORT FOR VISION**

This guideline supports research and innovation by creating public gathering spaces that are essential to economic activity. It supports the public realm by contributing to a walkable well-connected environment. Well-designed streets support diversity and equity by providing equal access to public transit and facilities, and they support healthy living by enhancing safety, social connectedness and physical activity. Streets favoring pedestrians and bicycles over cars contribute to sustainability and resilience by reducing energy use and greenhouse gas emissions for transportation.
PROSPECT NORTH DISTRICT FRAMEWORK & GUIDELINES FOR DEVELOPMENT 02.09.2015
PROJECT SCALE GUIDELINES

Development

Urban Design Elements

OBJECTIVE
To provide a unified development and public realm, establish standards for building heights, setbacks, floor-to-floor heights, and materials.

RECOMMENDATION
The following recommended standards will lead to a uniform enhanced public realm:
- No building height limits in the district.
- No setbacks for lower building levels on the street (up to 60 feet).
- Provide a 20-foot setback on upper building levels above 60 feet in height except in the signature public space where no setback is needed.
- Make floor-to-floor heights 18-22 feet on the first two levels, and 11 feet on upper levels.
- Use design and materials to promote quality and permanence (example: brick on lower levels).

SUPPORT FOR VISION
This guideline supports creating a unified development with a gracious public realm that attracts people and creates an identity for the district.

BUILDING HEIGHT AND SETBACKS FOR TYPICAL STREETS

PROJECT SCALE GUIDELINES

Development

Hidden Parking

OBJECTIVE
Above grade parking structures often result in large blank walls on the street that contribute to a negative pedestrian experience. Individual projects should avoid this situation as much as possible by taking large parking structures off the street.

RECOMMENDATION
Hide parking structures and avoid blank walls with underground garages and parking structures in the middle of blocks. Alternatively, if parking ramps must be placed on the street, the first floor should be designated for active commercial uses.

SUPPORT FOR VISION
This guideline supports the public realm by creating a walkable environment where pedestrians and bicycles are favored over cars. Resilient living is also supported by a walkable, safe environment.

ENTRY TO PARKING STRUCTURE IN THE CENTER OF THE BLOCK

ENTRY TO UNDERGROUND PARKING

PROSPECT NORTH DISTRICT FRAMEWORK & GUIDELINES FOR DEVELOPMENT 02.09.2015
**PROJECT SCALE GUIDELINES**

**Hidden Parking**

**OBJECTIVE**
Above grade parking structures often result in large blank walls on the street that contribute to a negative pedestrian experience. Individual projects should avoid this situation as much as possible by taking large parking structures off the street.

**RECOMMENDATION**
Hide parking structures and avoid blank walls with underground garages and parking structures in the middle of blocks. Alternatively, if parking ramps must be placed on the street, the first floor should be designated for active commercial uses.

**SUPPORT FOR VISION**
This guideline supports the public realm by creating a walkable environment where pedestrians and bicycles are favored over cars. Healthy living is also supported by a walkable, safe environment.

**Eyes on the Street**

**OBJECTIVE**
To encourage a lively public realm, design for transparency and activity at street level.

**RECOMMENDATION**
Design street level spaces with a minimum of 75% glazing. Place shops and restaurants on the sidewalk to further increase pedestrian activity. Hide parking structures and avoid blank walls.

**SUPPORT FOR VISION**
This guideline supports research and innovation by making the public realm and first floors of buildings a “collaborative commons.” Streets, plazas, and public gathering spaces become essential to economic activity. It supports the public realm with events, activities and the arts creating a 24-hour city. Healthy living is also supported by a walkable, safe environment.

**Sustainable Building Guidelines**

**OBJECTIVE**
To meet sustainability goals and establish an identity as an innovative place, establish sustainability performance requirements for all individual building projects in the district that set a higher bar than the standard building code.

**RECOMMENDATION**
There are three basic approaches to ensuring desired outcomes in sustainable development: (1) use an existing rating system or set of sustainable design guidelines, (2) develop a set of guidelines and standards customized to the needs and aspirations of a particular project, or (3) develop a hybrid that combines using a set of existing guidelines with certain performance outcomes. The third approach is recommended for Prospect North. This is consistent with the St. Paul Green Building Policy currently in effect.

**MINIMUM REQUIREMENT**
Each project must meet one of the following guidelines or rating systems.
- LEED-NC (Silver)
- Minnesota IS Guidelines (with Architecture 2030 energy program)
- Living Building Challenge
- Green Communities (Affordable Housing)

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**PROSPECT NORTH DISTRICT FRAMEWORK & GUIDELINES FOR DEVELOPMENT 02.09.2015**

2407 UNIVERSITY INVESTMENT LLC | PHASE 1 SUMMARY | PRIOR STUDIES 21

Minneapolis, MN | March 31, 2015

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Gensler
PROSPECT PARK STATION

Central Corridor Light Rail Line Minneapolis
2020 Development Framework

March 2012

The Prospect Park station area land use framework
PROSPECT PARK STATION
Master Plan funded by HUD Sustainable Communities

Prospect Park Station Master Plan
07.2013